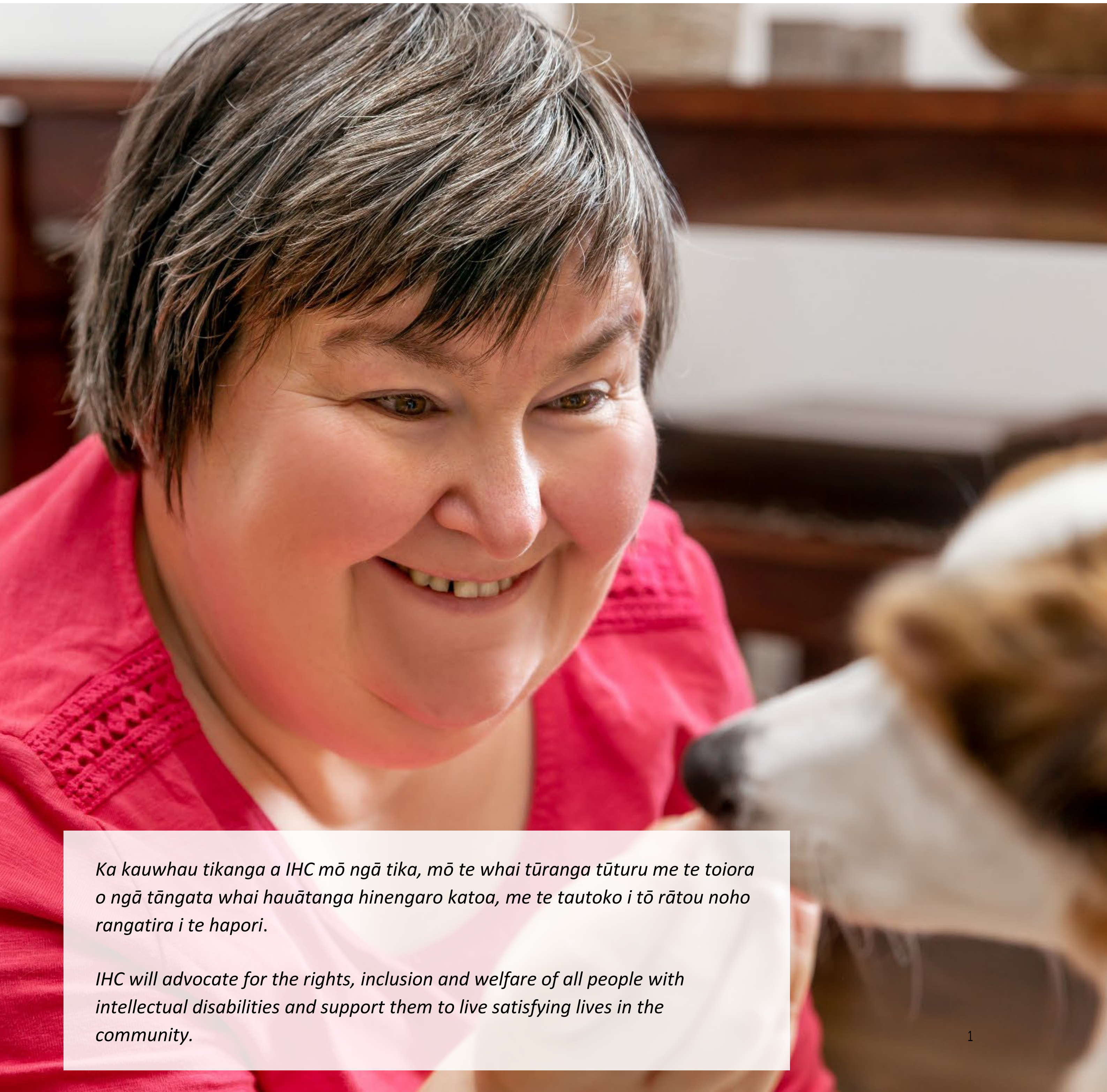
IHC New Zealand Incorporated Consolidated Annual Report

for the year ended 30 June 2023



Ka kauwhau tikanga a IHC mō ngā tika, mō te whai tūranga tūturu me te toiora o ngā tāngata whai hauātanga hinengaro katoa, me te tautoko i tō rātou noho rangatira i te hapori.

IHC will advocate for the rights, inclusion and welfare of all people with intellectual disabilities and support them to live satisfying lives in the community.

This Annual Report, which is inclusive of the financial and non-financial performance information reflects IHC New Zealand's measures for the year to 30 June 2023.

It is produced in accordance with the Charities Act 2005.

The Annual Report has been authorised by the IHC Board in accordance with its role under the Charities Act 2005.

Board Chair

Contents

Chair Update

A Membership organisation in the 2020s

The IHC Group has, in recent years, been operating in times of unprecedented pressure with COVID 19, economic and sector upheaval, increasingly demanding and rapidly changing health and safety compliance impinging on people's rights, and overdue societal attitudinal and service change. All of these have impacted relationships and connection in communities and on a one-to-one basis as we work together.

IHC is a membership organisation and proudly so. For nearly 75 years our backbone has been families and individuals who came together and still come together with the determination that people with intellectual disabilities have equal rights and are integral to their communities. We believe that with the right support for a fair go we all deserve an education, good healthcare, a place to belong and thrive and opportunities to connect and contribute.

Decades ago, IHC advocated for the closure of institutions and accordingly answered the call to provide complex disability services. In the 90s and early 2000s we spotted a housing crisis on the horizon and knew people with intellectual disabilities, other disabilities and their families would be unfairly disadvantaged by low incomes and a lack of accessible housing stock. We leveraged our existing expertise in housing to create Accessible Properties to manage our own IHC properties, to acquire social and community housing and build more accessible homes. Today Accessible Properties manages 906 properties for IHC, has built 15 new accessible homes this year and provides 1,856 public housing tenancies. More than half of tenants tell us a person in the home identifies as having a disability and more than 90 percent say they are satisfied with their homes and their service.

A more complex organisation has meant complex requirements for governance and constitutional change. Our membership structure includes a Member Council and also Membership Associations that operate with funding to provide connection and local solutions in communities throughout the country.

This year we worked with membership to commission an independent review of the functions and operations of the Member Council and Associations. A Working Group was established. Its purpose was to more clearly define the roles and scope of Associations and the Member Council, in line with the Review findings, and to complete further work required to bring a remit forward to the 2023 AGM. The Working Group's recommendations were approved by the Board, with some minor rewording of a couple of recommendations.

The importance and need for IHC to be a membership organisation that is relevant and vibrant was confirmed by the Working Group members. Central to this being realised is the recommendation that a Membership Strategy be developed and implemented.

The Working Group envisaged a membership structure fit for purpose into the future given the steady reduction in the number of Associations, the changing face of volunteering, systems transformation in disability support (moving away from traditional and residential services), the importance of strengthening the voice of

people with intellectual disabilities, the role Te Tiriti o Waitangi plays, the need to better reflect families and whānau with intellectually disabled children and the diversity of different communities.

The majority of the recommendations revolve around improving processes, standardising practices, and more clearly communicating key information. A key recommendation is the inclusion of at least two people with intellectual disabilities on the Member Council. There are also recommendations in relation to financial management of Associations, criteria, application and approval of legacy funding. These recommended changes are to better support Associations and the Member Council and to lighten their workloads.

Management has been tasked with implementing the recommendations and work on these is beginning in August 2023.

Tony Shaw
Board Chair

Chief Executive Update

IHC beyond COVID

COVID-19 brought a health crisis of enormous challenge – particularly in terms of protecting vulnerable people and critical staff. But this year presented the challenge of moving beyond COVID-19 while still dealing with ongoing cases, chronic workforce shortages (from terminations related to vaccination requirements, low unemployment and low or frozen immigration) and cost of living increases.

Accessible Properties has continued to push against shortages of labour and building supplies to build more homes, make homes warmer and dryer and to modify properties to make life better for people with intellectual disabilities.

In IHC Programmes we have continued to advocate, improve awareness, challenge stereotypes and support people with intellectual disabilities to take their injustices to Parliament or the public. We have continued to foster connection and share information and resources. Our fundraising team has strategically used new initiatives and best practice to proudly ask for donations that allow us to make a difference in people's lives. The fundraising income has not dropped – we are thankful to all our donors who can see that when times are tough, it is people with intellectual disabilities and their families that are among the hardest hit.

We have significant challenges in our disability service delivery. People have asked for change, but change is difficult with COVID-19, workforce and economic pressure impacting day-to-day delivery. We are not alone. This Government set about tackling the housing shortage and child poverty and progress has been slower than anyone hoped. We have a new Ministry of Disabled People, Whaikaha, with exactly the right approach – that people with disabilities should lead decision-making and that a whole of life approach (instead of bouncing between government departments and falling through cracks) should be taken, but progress is slow.

We have changed support for people during the day. Instead of people going to day bases for a set number of hours each day, people are being supported to go to the things that interest them, socialise, volunteer, work and even stay home if they want to. At the beginning of this process, we consulted extensively by surveying and interviewing thousands of people we support, family and whānau members, staff and sector advocates. We have consistently worked to support individuals' ongoing or changing preferences and interests and late last year surveyed families of those living in our residential services to check on progress and general satisfaction. 542 people were selected at random from throughout the country and 92 percent completed the survey. Their views therefore represent whānau for 16 per cent of the total number of people in IDEA Services residential services.

- 88 percent of respondents said they were satisfied or very satisfied with the level of trust and confidence they had in the support workers who provided

direct support to their family member (4 percent were unsatisfied or very unsatisfied)
- 78 percent said they were satisfied or very satisfied with their experience of being involved in their family member's decision-making and day to day life (9 percent were unsatisfied or very unsatisfied).
- 89 percent were either satisfied or very satisfied with their overall experience and relationship with IDEA Services in providing support to their family member (5 percent were unsatisfied or very unsatisfied).
- More than 99 percent said they were happy with the way IDEA Services supported their family member during COVID-19.

In the past few years we also changed our policy on bathing. Our experience in managing the risk of bathing exemplifies a disability sector under huge pressure. During a court case, related to a tragic death in our services, it was reiterated to us that we have a duty to take all reasonably practicable steps under the Health and Safety at Work Act (2015) to eliminate risk. The only way we could eliminate the risk of drowning in baths, spas or swimming pools was to eliminate their usage. Many aged and disability care providers do this by not having baths, spas or swimming pools but we had tried to do things differently. We had repeatedly asked the Ministry of Health and then Whaikaha, the Ministry of Disabled People, for guidance on balancing health and safety with a person's right to choose. We have never received that guidance and so, following the court case, had to take action.

178 people in our services were impacted in that they often, sometimes or occasionally had baths, spas or used private swimming pools. All used showers or had their personal care needs. A small number applied for bathing exemptions, but most continued with showers and a small number of exemptions were granted.

The quality team visited homes in early December 2022 and were able to observe people's experiences and views on the bathing/showering situation.

They found that most people were able to adjust to the change with minimal disruption and were happy with the changes. 21 people are still wanting to bath, and don't necessarily have difficulty showering. However, staff noted that the lack of bathing as an option had a negative impact on some people's wellbeing.

A survey of families and whānau of those impacted by the change in bathing policy was also undertaken. 85 people were contacted by phone and 44 percent of those wanted the policy to remain, 36 percent want it to revert to the previous policy and 20 percent had no clear preference. 73 percent confirmed they were aware of the policy change, with the majority understanding the safety reasons. Of the 27 percent who were not aware that the policy had changed, most were not very involved with the organisation or their family member's support.

Ultimately, we made the decision that the bathing exemption policy would remain in place. However, as an advocacy organisation with extensive health and safety obligations we will continue to talk with Whaikaha, individuals and sector leaders about how to balance requirements with an individual's right to choose. We have since hosted a forum of sector leaders to discuss and agree a sector approach.

We feel strongly that bathing is not an isolated issue, but rather an example of the pressure on providers to balance rights, choice and compliance without clear guidance.

I expect another challenging year ahead.

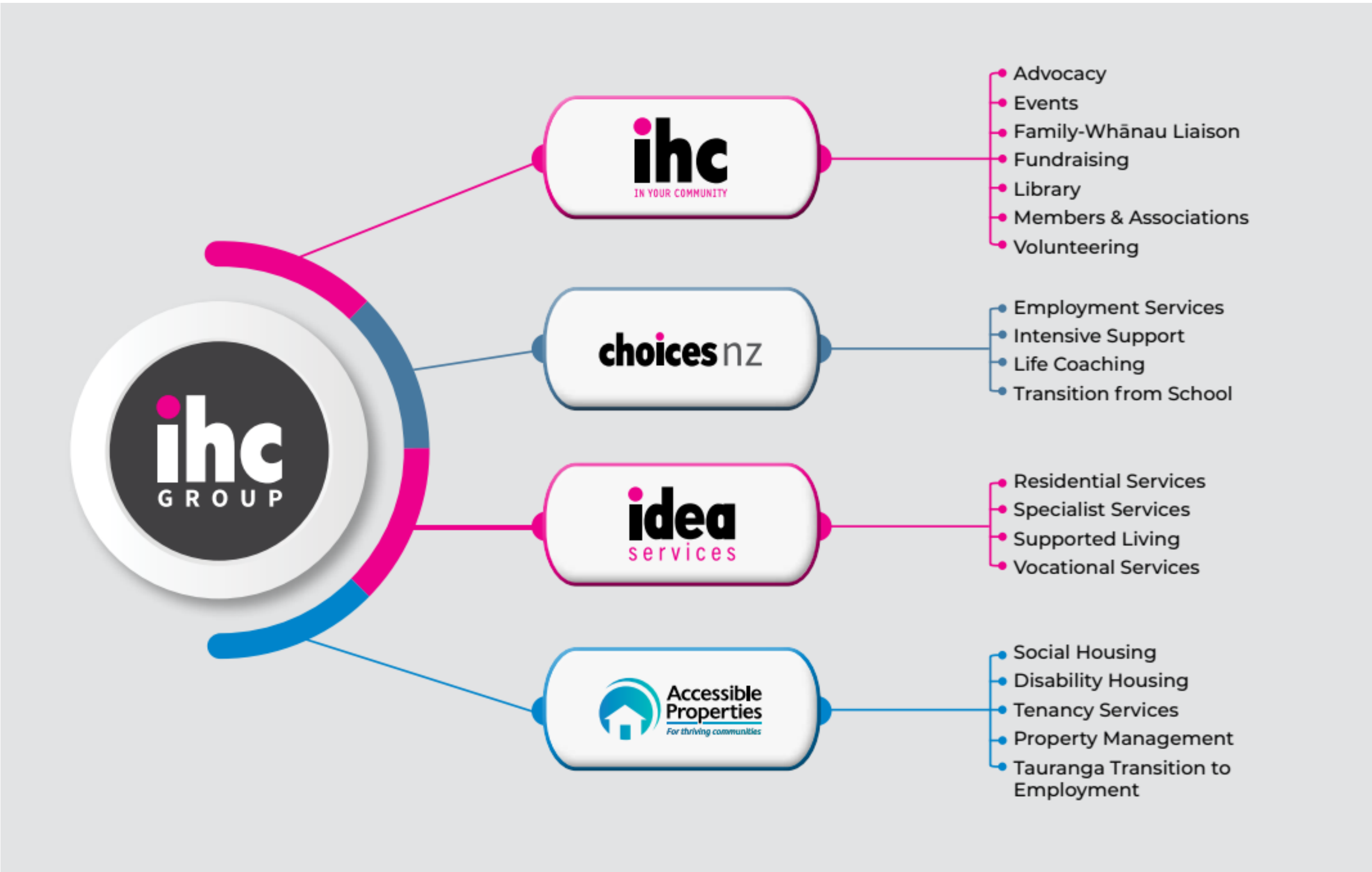
Ralph Jones

Ko te Uaratanga - IHC Mission IHC Group Structure and mahi

Ko te Uaratanga - Mission

Ka kauwhau tikanga a IHC mō ngā tika, mō te whai tūranga tūturu me te toiora o ngā tāngata whai hauātanga hinengaro katoa, me te tautoko i tō rātou noho rangatira i te hapori.

IHC will advocate for the rights, inclusion and welfare of all people with intellectual disabilities and support them to live satisfying lives in the community.



Ta Tatou Mahi – our work

IHC Programmes

IHC's charitable programmes are responsible for advocacy, volunteering, family-whānau liaison, membership, fundraising and the library. With no government funding, they are supported by donations and grants.

The role of IHC's small Advocacy team is to advocate for system change that supports the rights, inclusion, and welfare of all people with an intellectual disability so they can live satisfying lives in the community. This includes education, employment, economic security, accessibility and attitudes. Their work also includes strong support for self-advocacy, the ability of people with intellectual disabilities to effectively communicate their own interests, desires, needs and rights.

The IHC Volunteer programme joins people with intellectual disabilities and volunteers to build friendships and learn new skills. It operates throughout the country and includes one-to-one friendships, our online volunteer programme and a skills-based programme.

The Family-Whānau Liaison Service works with families of people with intellectual disability to help them get the support and services available in their community. It also runs workshops for the wellbeing of parents and carers.

The library is a hub of information for the disability community, both caregivers and the wider sector. Free to anyone in New Zealand, it has an up-to-date collection of resources on intellectual disability, autism and other developmental disabilities in both hard copy and electronic formats.

IHC's fundraising activities, the Smile Club, Calf & Rural Scheme and bequests, pay for programmes to enhance the quality of life of people with intellectual disabilities and their families. Our volunteering programmes, advocacy work and the 34 local IHC Associations, which are supported by the Programmes team, are all paid for through fundraising.

This year

Fundraising has again performed strongly, bringing in more than $13.9 million in donations and legacies to help fund our community programmes. This a very positive trend that has continued despite the widespread impact of the pandemic and a tightening economy.

In 2008 IHC Advocacy lodged a complaint with the Human Rights Commission, arguing that children with disabilities experience discrimination at their local school. The government's announcement this year that it will develop a new funding and support system for disabled learners represents important progress towards the system change needed to deliver a fair and equitable education.

Advocacy-run webinars, forums and presentations throughout the country were central to a renewed effort to encourage people with intellectual disabilities to learn about how to be an effective self-advocate.

The December launch of Stand Tall was the culmination of a ground-breaking collaboration between the Library team and inGame to develop an app that helps people with intellectual disabilities learn how to manage money and live independently.

Recruiting and retaining volunteers is an ongoing challenge. This year the Volunteering team has increased its use of IHC's social media channels to connect with potential volunteers.

Accessible Properties

Accessible Properties is New Zealand's largest non-government registered community housing provider.

It manages more than 2,700 residential, vocational and community housing properties around the country. They include IHC's portfolio of 906 properties, the majority of which are IDEA Services homes for people using our residential services. Accessible Properties ensures the properties are fit-for-purpose and meet the changing requirements and expectations of the people IHC supports.

It also provides housing and tenancy services to people on the Ministry of Social Development's housing register. The majority of these community housing homes 1,217 are in the Bay of Plenty where it acquired former state houses from the Crown in 2017. There are a further 639 community housing homes in Auckland, Hamilton, Wellington and Christchurch.

Accessible Properties brings particular expertise in building and modifying homes for accessibility and holds Lifemark accreditation. New Zealand is facing a housing crisis and people with disabilities are

among the worst affected because of a lack of accessible homes and, on average, lower incomes.

Accessible Properties' vision is to provide a place where people can belong and thrive and that includes investing in the communities its homes are a part of by supporting local facilities, services and social initiatives.

This year

High standards of service, despite the ongoing impact of the pandemic, and strong support for new social housing through new builds and collaboration with partners were highlights for the year. We added 15 homes to our portfolio this year. Progress has been slowed by labour and product shortages but we remain on track to own 1,900 community housing units by 2025.

In addition to independent projects, such as better utilisation of our land to provide more homes, we partner with others to accelerate the development of public and affordable homes. In Tauranga, we are collaborating with central and local government, iwi and developers on the Pukehinahina project to increase the number of homes available for people in need.

Our small but dedicated team works with expertise, empathy and an understanding that our tenants may need to be connected with social and community support. This year all our staff continued to participate in our training programme to increase understanding of tikanga, te ao Māori and te reo Māori. An estimated 25 percent of our community housing tenants identify as Māori.

IDEA Services

IDEA Services is New Zealand's largest disability services provider. We support more than 3,400 adults with an intellectual disability through residential and day services, Supported Living and other specialist services with $330 million in government funding.

This year

IDEA Services and Choices NZ employs more than 2,500 FTE staff across the country, providing more than seven million support hours.

With COVID-19 restrictions largely lifted, this past year has seen a particular focus on getting people back into the community with their flatmates and friends, doing fun and meaningful activities during the day like volunteering, work, education and leisure.

We are partnering with a range of new organisations to kick off great community initiatives to benefit people with an intellectual disability.

New Zealand is currently facing a massive shortfall in support workers, largely due to the COVID-19 pandemic and other illnesses. In some cases, this has required IDEA Services to consolidate some of our services, particularly residential, to ensure safe staffing levels in each region. We are beginning to see the shortfall decrease following a number of successful recruitment drives across the country that are ongoing.

Choices NZ

Choices NZ supports people with disabilities and other health issues to achieve their goals. We have a dedicated team of Life Coaches and Facilitators who work with people to learn new skills, look for a job, transition from school and gain independence.

This year

We supported 75 people under Enabling Good Lives in the Manawatū region where our Life Coaches work with people to achieve their goals, plan for the future and take part in wide-ranging courses from self-defence to longboarding. Across the country, our Facilitators assisted 76 people into paid employment. Our list of partnership organisations is increasing and we're seeing more and more employers understand and appreciate the benefits of hiring disabled people.

Additionally, Choices NZ has seen a particular focus this year in transitioning people from school to opportunities in further education, employment and volunteering – particularly in the south with the ongoing success of the Employment Services in Schools programme.

IHC Making a Difference

Inputs	Impacts	Outputs
Funding Fundraising Property Technology Human Community Members	Governance Strategy Risks and opportunities Service quality (community, disability, tenancy, property) Processes Community engagement Macro-economic influences	IHC's operations impact thousands of New Zealanders daily lives with outcomes evidenced in our Statement of Service Performance. IHC and its subsidiaries: Advocate for the rights of people with intellectual disabilities Support families and whānau with information, connection and support Provide support to enable people with intellectual disabilities to live in the community Provide public housing with a focus on accessible homes suitable for people with disabilities

Value Creation >

Te Kapa IHC – The IHC team

We regularly survey our staff who are spread throughout the country and work for Accessible Properties, Choices NZ, IDEA Services or for our charity IHC Charitable Programmes or national support functions. We all work mindful of the IHC Mission and for the IHC Group.

Response rate:

- 2022 – we invited the 3,960 members of staff from IHC, Choices NZ and IDEA Services to participate in the survey and 1370 responded. That's a rate of 35 percent.
- For the first two questions below in 2022 we surveyed IHC, Choices NZ and IDEA Services staff only.
- For the subsequent questions we combined them with data from a separate Accessible Properties staff survey (using the same questions). Therefore, these are the percentages from a larger response group (1,413 respondents).

In 2023 we asked all staff the same questions and had a response rate of 1,685 out of 4,054 (42 percent). We also added in some questions about the organisation's response to the Auckland floods and Cyclone Gabrielle. 13 percent of respondents were affected by the floods and cyclone and of those 49 percent said they had the information they needed, 39 percent said they had some of the information they needed and 13 percent said they didn't. 53 percent of staff felt supported, 34 percent felt somewhat supported and 13 percent didn't. We asked people where they got their information from and the most common answer was their manager followed by (in order) news media, civil defence and colleagues.

	2023 Strongly Agree or Agree – percentage of respondents	2023 Strongly Disagree or Disagree – percentage of respondents	2022 Strongly Agree or Agree – percentage of respondents **Unaudited**	2022 Strongly Disagree or Disagree – percentage of respondents **Unaudited**
I receive the information I need to be able to do my job well	**84%**	**15%**	**86%** (Staff in IHC, Choices NZ and IDEA Services only)	**14%** (Staff in IHC, Choices NZ and IDEA Services only)
The information I receive from the organisation (intranet and staff newsletter) is easy to understand	**92%**	**8%**	**92%** (Staff in IHC, Choices NZ and IDEA Services only)	**8%** (Staff in IHC, Choices NZ and IDEA Services only)
I feel a sense of belonging at my part of the organisation (IHC Group, IHC Programmes, IDEA Services, Accessible Properties, Choices NZ):	**78%**	**20%** (2% picked 'none of the above')	**78%** (All Staff)	**22%** (All Staff)
I feel valued by my part of the organisation (All staff)	**70%**	**30%**	**68%** (All Staff)	**32%** (All Staff)
My team works well across the organisation	**79%**	**18%** (3% picked 'none of the above')	**80%** (All Staff)	**20%** (All Staff)
I know what is expected of me	**85%**	**15%**	**86%** (All Staff)	**14%** (All Staff)

Statement of Service Performance

Advocate for the rights of people with intellectual disabilities

Advocacy is core to who we are. IHC was born from advocacy with parents uniting to fight for their children with intellectual disabilities to get the right support in health and education, be seen as valued contributing members of their communities, and able to pursue opportunities.

All our staff work to our IHC Mission and therefore all our staff are advocates.

But our Director of Advocacy is one of the most visible members of IHC staff and leads a team with clear strategic objectives that are:

Delivering choice and control
People with intellectual disabilities are asked for input into all matters that affect the quality of their daily lives. Their ideas and suggestions are heard and acted upon. They have many opportunities to raise concerns, make complaints and feel safe doing so. Help to speak up is available from the wider community.

Inclusive communities
A repository of compelling evidence continues to grow and be used to help define the problems and find solutions ensuring the rights and interests of people with intellectual disabilities are served.

Strong cross-sector engagement
Trusted relationships and partnerships enable us to successfully influence positive change using collective advocacy for collective impact to resolve complex human rights and social problems.

Monitoring and reporting
Implementation and effectiveness of policies and legislation is monitored and where they're found wanting, key decision-makers are moved to act and make the required improvements.

Media and public awareness of IHC and the capabilities and issues facing people with intellectual disabilities are key to our advocacy and ability to influence.

A closer look

Education

Complaints about the education of disabled students reached a tipping point late last year with three reports echoing the concerns IHC has been raising. In November, Associate Education Minister Jan Tinetti said the system for disabled learners was one of the most broken areas in education and announced that the Government would develop a new funding and support system. The Government has outlined a 10-year plan to turn the system around.

IHC says the issues range from being included at your local school and a lack of data, resourcing, training of teachers and monitoring the participation and achievement of students.

Preparations are underway for a five-day hearing expected in 2024 and, in the meantime, IHC is gathering evidence and witnesses.

A closer look

Self-advocacy

In March, IHC kicked off a series of self-advocacy forums for people with an intellectual disability. The forums are for people to learn more about how to advocate for themselves, along with the opportunity to meet new friends and learn valuable skills. The first forum was held in Wellington in March with participants from throughout the country. Our quality team has also developed a new approach to self-advocacy for people in IDEA Services.

(Advocate Shane McInroe talking about education)

	2022-2023	2021 – 2022
IHC is a well-recognised brand (people who are aware of IHC)	**79%**	**74%**
IHC is a charity they can trust	**58% say yes** **(39% don't know)**	**51% say yes** **(46% don't know)**
IHC mentions in mainstream media	**280**	**231**
Media mentions that are favourable	**67%** **(14% neutral)**	**69%** **(13% neutral)**

Figures for 2021-2022 and prior years are unaudited.

Support families and whānau with information, connections and support

Alongside advocacy, IHC was born from a desire for families with children with intellectual disabilities to come together for connection, support and to share information. In 1949, a lack of state support meant it fell to families and IHC to step up for each other.

Today IHC runs New Zealand's largest disability library and it's free. We have a selection of free books that we send to families with a new diagnosis (depending on that diagnosis). Today a lot of the information we provide is digital and includes games and a wide range of tools. Information on toileting and puberty remain among the most requested.

A closer look

Community impact

This year we received support from a generous benefactor to analyse the social impact of our Family Whānau liaison programme in Northland.

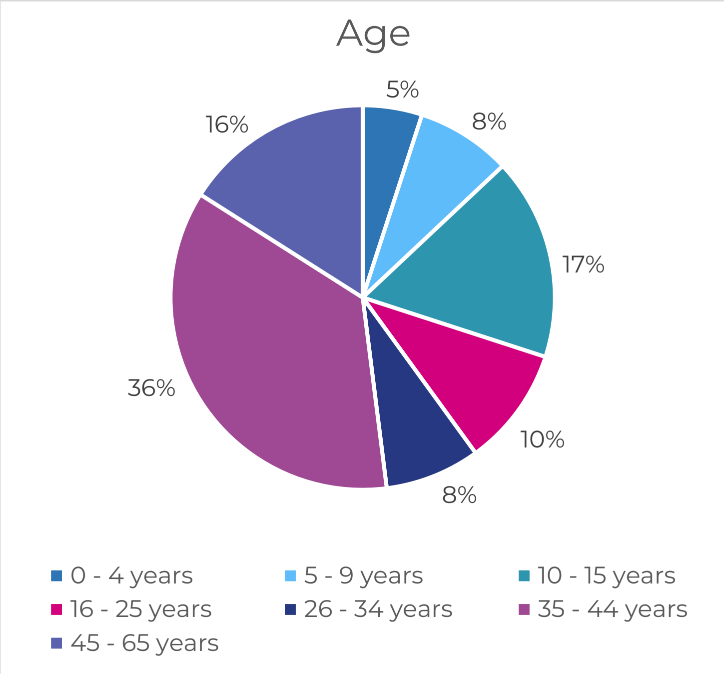
Impact Lab was founded by individuals working in the public sector who through research and analytics can quantify the value of social impact.

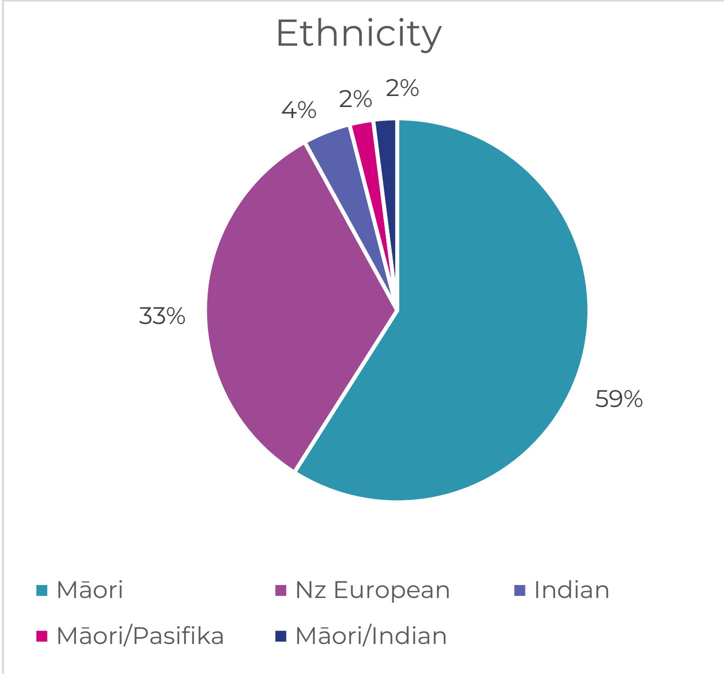
IHC's Family Whānau liaisons support people with intellectual disabilities and their families within their community. We are a point of contact for families to help navigate the system and connect them with organisations and support.

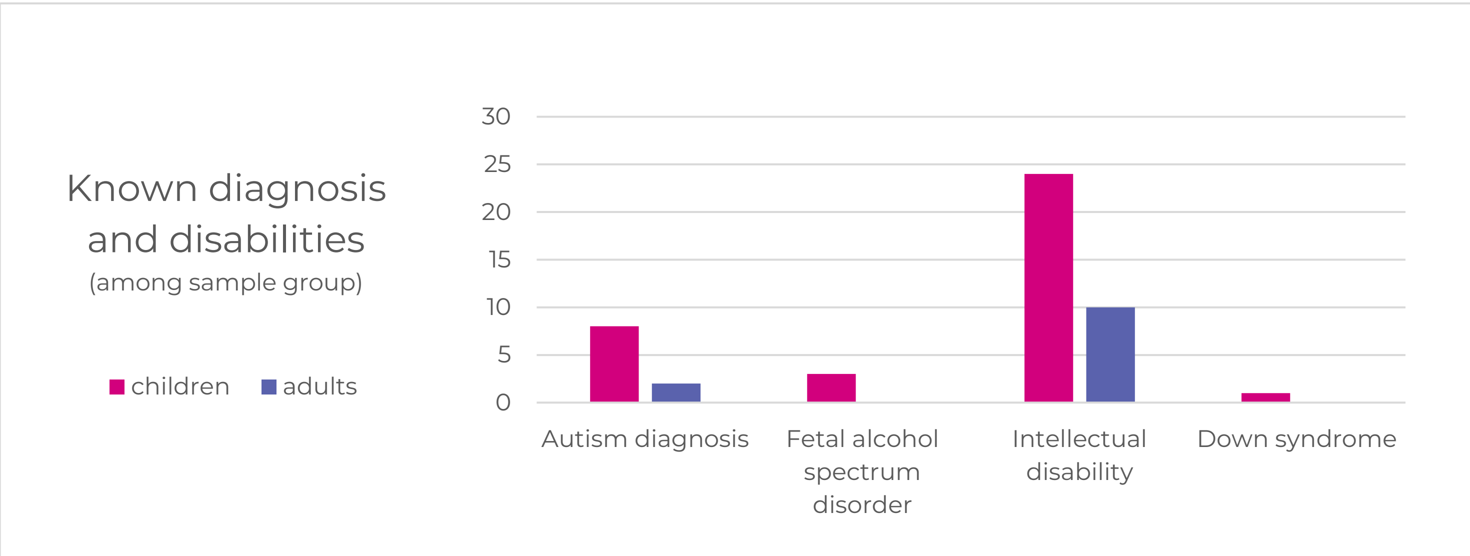
The numbers were more than impressive. The analysis of our programme in Northland (just one of our four programmes) showed a social return on investment of $2.10 per dollar spent and an engagement rate of 97 percent (when a person received the support or information they needed to make their own informed choices).

There was a wide range of ages and the majority of participants are Māori.

Period in scope: 30/06/2021 – 01/07/2022







Total social value
$274,863

Social Value: Estimated lifetime social value that this programme generated for participants during the measurement period

Social value per participant
$2,411

Social Value per person: When we divide your social value through the number of people successfully completing, we can derive a Social Value Per Person

SROI
$1:$2.10

SROI: When we divide your social value by your operational costs the result is your SROI – the measureable social value as a proportion of programme costs

A closer look

Volunteering that makes a difference

Invercargill volunteer Poodle (Lynette) and her friend Leanne have built a close relationship over 13 years in the IHC Volunteering programme. Poodle says she probably gets more out of it than Leanne does. “She’s just the most beautiful person to be around.” Apart from lockdown when they kept in touch over the phone and with the odd wave through the window, the sociable pair love to get out and about. They go to movies, shows, have meals together, have been bowling and played disc golf, and help others as well. Here they are working together on a local foodbank drive.

A closer look

Stand Tall

Launched in December, IHC's new gaming app *Stand Tall* is designed to make handling money easier for tech savvy young people with disabilities who are thinking about moving out of home and want to be independent.

IHC developed the game app along with online gaming company InGame and with the help of young testers who are neuro diverse, autistic and/or have an intellectual disability.

Players pick an avatar and make decisions about spending their money as they move around a flat, go out to the gym or the movie theatre.

The game offers real-life scenarios, and measures progress of money and wellbeing. Players can play at their own pace and repeat stages if necessary, and a voiceover option is also available for people who can't read the screen.

	2022-2023	2021-2022
IHC Members	1,504	1,603
Volunteer hours	32,158*	49,348
Library resources issued	6,402	8,214

*Reduction in number reflects both a reduction in the number of Associations and reduction in Volunteer Coordinators.

Figures for 2021-2022 and prior years are unaudited.

Provide support to enable people with intellectual disabilities to live in the community

IHC, including IDEA Services and Choices NZ, provides disability support centred on Enabling Good Lives principles that are:

- Beginning early
- Person-centred
- Ordinary life outcomes
- Mainstream first
- Mana enhancing
- Easy to use
- Relationship building

A closer look

Life in Residential Service

Spending time at home as well as in the community is an important balance we have focused on in the past year.

In Northland, residents have enjoyed hanging out with their flatmates (and pets), cooking, gardening and working out. Their Support Workers are able to then schedule time in the community based on interests and local events.

A closer look

Following Interests (vocational)

Providing opportunities to be out connecting with friends and whānau remains a top priority for the people we support. We continued to find opportunities for this to happen while being mindful of the ever-present risks associated with COVID-19.

In Whakatāne, exercise and wellbeing remain key priorities for the people we support. Being active in the community is something that is enjoyed by all.

A closer look

Supported Living

Andrew is supported by IDEA Services in Supported Living. He has his own two-bedroom home and works part time at a local rest home.

Earlier in 2022, he was talking to one of our Service Managers, Jenny Faalelea, about how his car was costing a lot of money to keep on the road. Jenny worked with Andrew to apply for a Lotteries grant for $14,000, only to then hear back that he'd been approved for $20,000 to buy a new car.

In picking one out, Jenny suggested he look towards his natural supports and someone who he trusts. He spoke with his manager at the rest home who was delighted to assist Andrew and the very next day he found the car of his dreams.

A closer look

Support Through Enabling Good Lives

After three courses in 2022, participants from Choices NZ have taken on the opportunity to learn Aikido at Rose City Aikido, furthering their self-defence skills and knowledge of this martial art.

Alongside self-defence, this course offered people the opportunity to immerse in Japanese culture and language, learn movements through games and strategies and make some great friends along the way. The group in Palmerston North is supported by a Choices NZ Life Coach.

A closer look

Support to find Employment

After spending most of this year looking for work, Gabe Beyrer found it, right on his doorstep in his favourite café.

Gabe left Middleton Grange School in 2020 and spent last year with Project SEARCH in

Christchurch on a workplace internship at Burwood Hospital. Earlier this year Choices NZ, started working to find Gabe a job.

With the support of his Choices NZ Facilitator, Gabe started at Terra Viva, a garden centre and café in Burnside, in October working 20 hours a week, Sunday to Thursday, on a Ministry of Social Development (MSD) Flexi-wage contract. That means his wages are subsidised by MSD for 36 weeks.

There is scope for Gabe to move into the kitchen and work in food preparation or in the garden centre. He’s currently based in the cold drink section making smoothies, clearing tables and washing glassware.

A closer look

Recruitment – A Team Effort (open day)

IDEA Services had great turnouts at a number of recruitment open days across the country held in late 2022 and early 2023.

At the Christchurch/North Canterbury recruitment open day we had more than 20 people walking through the door. Staff and the people we support all joined in on the day to talk to potential candidates about the Support Worker role and to support people with applying. We've held open days elsewhere including Tauranga, RIDSAS Auckland, Rotorua, Whakatāne, Dunedin, Dannevirke, Gisborne, Napier, Oamaru and Palmerston North.

Learning on the Job (getting qualifications)

IHC Specialist Trainer Learning and Development, Beth Wheeler was one of the first in New Zealand to enrol in the Open Polytechnic Graduate Diploma in Disability Sector Leadership (Level 7) and graduated in late 2022.

Beth says she enrolled in the programme because she thought it would be a fantastic opportunity to extend her knowledge of the disability sector and better understand where we need to be, and how we might get there.

Beth has consistently praised the relevance of the study and says she enjoyed both the content and interactions with her tutors and peers.

With this qualification she now has theory and knowledge to extend her professional practice. The last course learners complete involves a research project and this gives each learner the opportunity to explore an issue that is of particular interest and of relevance to them.

	2022-2023	2021-2022
People supported	**3,465**	**3,680**
Support hours	**7,066,846***	**7,219,879**
People supported under Enabling Good Lives contract (new service models)	**75**	**28**
People supported into paid employment	**76**	**37**
Average FTE staff supporting people with a disability	**2,580**	**2,636**
Percentage of staff who hold disability support qualifications	**77**	**77**

*Fall in support hours reflects New Zealand workforce shortages.

Figures for 2021-2022 and prior years are unaudited.

Provide public housing with a focus on accessible homes suitable for people with disabilities

We provide good homes that are fit for purpose in communities where people are valued and can contribute. Property is key to IHC's strength and history. It was the foresight to invest in good homes that provides security for people in IDEA Services Residential Services. A focus on accessibility in our new builds means people with disabilities can be prioritised from the Ministry of Social Development social housing register. In New Zealand we have a chronic shortage of homes and an even bigger shortage of accessible homes for people with disabilities and our aging population. For many people in social housing a good home in a good community is the foundation from which to build a good life and to find a place to belong and thrive.

A closer look

Accessible Properties – more than just a name

Lee's story

"When someone knocks on the door to ask for some sugar, we always give more," says Lee (Waikato Tainui, Ngāti Maniapoto) of his Accessible Properties neighbours in Auckland.

Lee, Nick and Vaka live in Accessible Properties houses next to each other down a lane in South Auckland.

All three are wheelchair users and their homes have been built so it's easy for them to get around, with wide halls and doorways and wet area bathrooms.

Nominated by Nick, Lee has won an Accessible Properties Good Neighbour award and he says they look out for each other. "We hang out and catch up, have BBQs, that sort of thing."

A summertime accident at a family member's pool when he was 13 is the reason Lee uses a wheelchair. Diving in, he hit the bottom and broke his neck, in an instant rewriting his future.

Before moving into his Accessible Properties home eight years ago, he lived with his dad. The only accessible room was his bedroom, making day-to-day activities much harder and more time-consuming.

He says it's great to be able to get around his Accessible Properties home easily in his wheelchair.

Accessibility makes a huge difference to people's lives and as a member of Te Whatu Ora Counties Manukau consumer council and a disability advocate for Auckland Transport, Lee has done a lot to support much-needed change in our services.

It's change that's part of Accessible Properties' kaupapa too. We continue to increase the number of our properties that meet the needs of people with disabilities, helping build stronger communities where everyone has the opportunity to belong and thrive.

Being Good Neighbours

A place where people can belong and thrive isn't just a slogan. "It's who we are," says Tenancy Operations Manager Georgina Willers.

This means both providing great homes and investing in community initiatives.

Over the past 12 months the opening of a pop-up-park in Tauranga, street working bees, subsidised firewood, the launch of a new Good Neighbour Award and a Facebook page were just some of the things Accessible Properties has done to build strong relationships with tenants and contribute to connected communities.
Accessible Properties teamed up with Good Neighbour to host a barbecue for tenants in a Tauranga neighbourhood. That was followed by a day spent painting and putting up fences, gardening and cleaning up by volunteers from local businesses. Many hands make light work and the refresh was a real winner.

Our new Facebook page is a great online hub for Tauranga tenants, letting them know what's on in their neighbourhood, posting helpful hints to make tenant life easier and sharing shoutouts to some of the wonderful people who live in our homes.

This year's inaugural Good Neighbour Awards encouraged tenants to nominate their Accessible Properties neighbours for going above and beyond. Hamilton tenant Hazel, pictured with her husband Eddie, was a great first winner. Hazel shares her baking and her roasts, looks after the complex and checks up to make sure her neighbours are okay.

A closer look

Akiaki/Wānanga Haumaru programme

For two years the Accessible Properties and IHC Communications teams have been studying Te Reo, Tikanga and Te Ao Māori as part of weekly or fortnightly sessions. Carlo Ellis, Strategic Māori Engagement Manager from the Takawaenga Māori Unit at Tauranga City Council, has led the team to discover their own whakapapa and local history. This year the Accessible Properties team visited Hungahungatoroa marae as part of their learning.

In the most recent Accessible Properties tenant survey 25% identified as Māori and the Accessible Properties team is committed to increasing their knowledge and engaging with tenants.

We work to provide layers of support:

Organisational

- Whaia te tika – seek out the best way forward
- Te reo – commit to basic excellence in the language
- Me ōna tikanga – commit to a basic excellence in the protocols

Team

- Me kii tahi – let's do as we say
- Tohu – let's create an environment that welcomes te ao Māori
- Mahinga – let's build processes that enable Māori protocols where they enhance our work

Location

- Me whakapiri – let's unite
- Hononga – let's build local relationships
- Pae arahi – let's seek out a local advisor

Homes for community or public housing	**1856** 2022-2023	**1841** 2021-2022
Homes for disability services	**786** 2022-2023	**796** 2021-2022
Community and public housing tenancies where a member of the household identifies as having a disability	**61%** 2022-2023	**54%** 2021-2022
Tenant satisfaction with home (very happy, happy or ok)	**96%** 2022-2023	**97%** 2021-2022
Tenant satisfaction with service (very happy, happy or ok)	**92%** 2022-2023	**91%** 2021-2022
Rental occupancy rate	**99%** 2022-2023	**99%** 2021-2022

Figures for 2021-2022 and prior years are unaudited.

IHC New Zealand Incorporated Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2023

IHC New Zealand Incorporated

Statement of Comprehensive Revenue and Expense

For the year ended 30 June 2023

				Community		
		Services	**Property**	**Programmes**	**Group**	**Group**
	Notes	**2023**	**2023**	**2023**	**2023**	**2022**
		$000	**$000**	**$000**	**$000**	**$000**
Revenue						
Government contracts	2	330,592	-	-	330,592	315,250
Fees charged for services	2	30,400	-	-	30,400	29,264
Rent received	2	-	38,437	-	38,437	35,872
Fundraising revenue	2	-	-	10,415	10,415	10,353
Legacies received	2	-	-	2,916	2,916	3,259
Interest received	2	2	3,254	28	3,284	265
Other revenue	2	4,491	249	548	5,288	5,234
		365,485	**41,940**	**13,907**	**421,332**	**399,497**
Expenses						
Personnel	3	(281,182)	(4,293)	(3,656)	(289,131)	(284,720)
Accommodation	3	(24,890)	(25,774)	(170)	(50,834)	(48,376)
Transport & travel		(5,847)	(354)	(201)	(6,402)	(5,049)
Administration	3	(8,822)	(4,965)	(1,233)	(15,020)	(16,611)
Fundraising expenses		-	-	(3,211)	(3,211)	(1,985)
Community projects		-	-	(1,554)	(1,554)	(919)
Interest		-	(12,073)	-	(12,073)	(9,341)
Depreciation & impairment	6	(3,693)	(10,883)	-	(14,576)	(13,935)
		(324,434)	**(58,342)**	**(10,025)**	**(392,801)**	**(380,936)**
Internal rent & other		(17,132)	17,151	-	19	(4)
Support for Services	2	2,010	(1,721)	(289)	-	-
Net Operating Surplus		**25,929**	**(972)**	**3,593**	**28,550**	**18,557**
NON OPERATING						
Revenue						
Gain on sale of property, plant & equipment	2	182	4,073	-	4,255	4,943
Government grants	2	-	559	-	559	-
Net gain in fair value of investments	2	-	262	313	575	-
Net gain in fair value of interest rate	2	209	3,469	-	3,678	29,822
		391	**8,363**	**313**	**9,067**	**34,765**
Expenses						
Loss on sale of property, plant & equipment		(12)	(273)	-	(285)	(239)
Net loss in fair value of investments		-	-	-	-	(1,018)
		(12)	**(273)**	**-**	**(285)**	**(1,257)**
Net Non Operating Surplus/(Deficit)		**379**	**8,090**	**313**	**8,782**	**33,508**
TOTAL COMPREHENSIVE REVENUE & EXPENSE FOR THE YEAR		**26,308**	**7,118**	**3,906**	**37,332**	**52,065**

IHC New Zealand Incorporated

Statement of Changes in Accumulated Funds

For the year ended 30 June 2023

	Group 2023 $000	Group 2022 $000
ACCUMULATED FUNDS AT 1 JULY	**263,039**	**210,974**
Total comprehensive revenue & expense for the year	37,332	52,065
ACCUMULATED FUNDS AT 30 JUNE	**300,371**	**263,039**

IHC New Zealand Incorporated
Statement of Financial Position
As at 30 June 2023

	Notes	Group 2023 $000	Group 2022 $000
ASSETS			
Current Assets			
Cash and cash equivalents	4	62,357	46,637
Trade and other exchange receivables	5	21,392	31,222
Assets held for sale	6	440	-
Inventory		68	-
Derivative assets	9	295	88
		84,552	**77,947**
Non Current Assets			
Property, plant & equipment	6	481,369	468,781
Derivative assets	9	8,104	4,633
Investments	7	21,833	16,071
		511,306	**489,485**
TOTAL ASSETS		**595,858**	**567,432**
LIABILITIES			
Current Liabilities			
Trade and other payables	8	51,842	58,471
Borrowings	9	34	34
Employee benefits and other liabilities	11	43,709	43,524
		95,585	**102,029**
Non Current Liabilities			
Borrowings	9	188,365	190,688
Shared home ownership scheme	12	3,644	4,234
Employee benefits and other liabilities	11	7,893	7,442
		199,902	**202,364**
TOTAL LIABILITIES		**295,487**	**304,393**
NET ASSETS		**300,371**	**263,039**
ACCUMULATED FUNDS		**300,371**	**263,039**

On behalf of the Board of Governance

ANTHONY SHAW, Board Chair
Wellington, 24th August 2023

RALPH JONES, Chief Executive
Wellington, 24th August 2023

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IHC New Zealand Incorporated
Cash Flow Statement
For the year ended 30 June 2023

	Notes	Group 2023 $000	Group 2022 $000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from operations		422,186	390,776
Payments to suppliers & employees		(369,749)	(347,703)
NET CASH INFLOW FROM OPERATING ACTIVITIES	13	**52,437**	**43,073**
CASH FLOW FROM INVESTING ACTIVITIES			
Proceeds from the sale of property, plant & equipment		5,018	5,768
Purchase of property, plant & equipment		(25,405)	(31,292)
Government grants received		559	-
Investments		(5,459)	(8,000)
Receipts from investments		1	2,015
Settlements of shared home ownership scheme deposits		(328)	(45)
NET CASH OUTFLOW USED IN INVESTING ACTIVITIES		**(25,614)**	**(31,554)**
CASH FLOW FROM FINANCING ACTIVITIES			
Drawdown of borrowings	9	-	190,218
Repayment of borrowings	9	(2,323)	(180,570)
Interest received		3,293	265
Interest paid		(12,073)	(9,341)
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES		**(11,103)**	**572**
NET INCREASE IN CASH AND CASH EQUIVALENTS		**15,720**	**12,091**
Add Opening Cash & Cash Equivalents Brought Forward		46,637	34,546
Ending Cash & Cash Equivalents Carried Forward		62,357	46,637

NOTES TO THE FINANCIAL STATEMENTS

Note 1: Accounting Policies

Reporting Entity
IHC New Zealand Incorporated (IHC) is an incorporated society domiciled in New Zealand registered under the Incorporated Societies Act 2022 and the Charities Act 2005. IHC is governed by a Board of Governance ("the Board").

IHC advocates for the rights, inclusion and welfare of all people with intellectual disabilities in New Zealand and supports them to live satisfying lives in the community. IHC and its controlled entities ("the Group") has a long history of providing good quality housing that prioritises people with disabilities, older people and those on low incomes.

Basis of Preparation
The consolidated financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP") issued by the External Reporting Board (XRB) or the New Zealand Accounting Standards Board of the XRB. They comply with Public Benefit Entity ("PBE") Standards as appropriate for Tier 1 not-for-profit public benefit entities. The Group is a Tier 1 reporting entity as it had total expenditure greater than $30 million in the two preceding reporting periods.

The consolidated financial statements have been prepared on the historical cost basis except for Investments, the Shared Home Ownership Scheme Liability, and Interest Rate Swaps which are measured at fair value. The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any objective evidence of impairment. Any impairment loss is recognised in the Statement of Comprehensive Revenue and Expense.

These financial statements are presented in New Zealand dollars and are rounded to the nearest thousand. The financial statements have been prepared exclusive of GST, unless the Group is unable to claim GST input tax credits.

The Group is exempt from income tax under section CW 42(1) (a) of the Income Tax Act 2007. The Entities have been granted tax exempt status and are registered as charities under the Charities Act 2005.

Use of Judgements and Estimates
The preparation of the Group's financial statements requires the Board and Management to make judgements and estimates that affect the reported amounts of income, expenditure, assets, liabilities and the accompanying disclosures. The judgements and estimates used are continually evaluated. Management have identified the following judgements it has had to make as having the most significant effect on amounts recognised in the financial statements.

a) Global Events
Management have considered the potential economic and social impact of the economic environment on the Group's financial statements including but not limited to, going concern assumption, asset impairment and loan arrangements. There is no significant impact on the financial statements.

Note 1: Accounting Policies continued

b) Operating lease commitments
The Group has entered into leases for commercial property, residential property and other equipment ("leased assets"). Management has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a substantial portion of the economic life of the leased assets, that it does not transfer all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

c) Fair value measurement of financial instruments
Where the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The Group receives valuations prepared by a New Zealand registered Trading Bank. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. See Note 9 and Note 10 for further disclosures.

d) Provisions
Provisions are measured at Management's best estimate of the expenditure required to settle the obligation and are discounted to present value as at reporting date where the effect is material. See Note 8 for further disclosures.

e) Impairment
As at each balance date, all assets are assessed for impairment by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. These include technological, economic and political factors and future expectations, as the primary objective is to provide services for community or social benefit rather than financial return. If an impairment trigger exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss.

f) Commitments
As at balance date the Group has capital expenditure commitments that have not met the criteria to be recognised as liabilities. See Note 14 and Note 15 for further details.

In addition to the items noted above further information of judgements and estimates can be found within:

- Note 6 – Estimated useful life of Property, Plant and Equipment and Intangibles
- Note 8 – Trade and Other Payables
- Note 10 – Financial Risk Management
- Note 11 – Employee Benefits and Other Liabilities
- Note 12 – Shared Home Ownership Scheme

Summary of Significant Accounting Policies
Significant accounting policies are included in the notes to which they relate. Significant accounting policies that do not relate to a specific note are outlined below.

a) Basis of Consolidation
The consolidated financial statements comprise of the financial statements of the Group and its controlled entities as at 30 June 2023. Controlled entities are all those entities over which IHC has the power to govern the financial and operating policies so as to obtain benefit from their activities.

Note 1: Accounting Policies continued

The financial statements of the controlled entities are prepared for the same reporting period as IHC, using consistent accounting policies. In preparing the consolidated financial statements, all intercompany balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends have been eliminated in full.

Controlled entities are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date which control is lost. As at 30 June 2023 the Group consists of:

- Accessible Properties Limited*,
- Accessible Properties New Zealand Limited,
- AP Holdings Tauranga Limited*,
- AP Holdings Tauranga 2016 Limited Partnership*,
- AP Properties Tauranga Limited*,
- AP Properties Tauranga 2016 Limited Partnership,
- Choices New Zealand Limited,
- Enabling Good Lives Limited*,
- IDEA Services Limited,
- IHC Limited*,
- IHC New Zealand Incorporated;
- Integral New Zealand Limited*; and
- The Independence Collective Limited

* Non-trading entity

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The acquisition method involves recognising at acquisition date the identifiable assets acquired, the liabilities assumed and any non-controlling interest, separate from goodwill. The identifiable assets acquired, and the liabilities assumed are measured at their acquisition date fair values. The cost of an acquisition is measured as the aggregate of the consideration transferred and the amount of any non-controlling interests.

Any goodwill that arises is tested annually for indicators of impairment. Any gain on bargain purchase is recognised in surplus or deficit immediately. Transaction costs are expensed as incurred, except if related to the issue of debt securities.

The consolidated financial statements have been prepared on a going concern basis. Management have reviewed the Group's future obligations and assessed the Group's ability to meet its obligations as they fall due having regard to both financial and non-financial considerations.

Note 1: Accounting Policies continued

b) The Group applied for the first time certain standards and amendments which were effective from the year ended 30 June 2023.

PBE IPSAS 41 Financial Instruments

PBE IPSAS 41 Financial Instruments replaces part of IPSAS 29 Financial Instruments: Recognition and Measurement, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group has applied PBE IPSAS 41 prospectively, with an initial application date of 1 July 2022. As it is not required by the standard, the Group has not restated comparative information, which continues to be reported under PBE IPSAS 29. There are no differences arising from the adoption of PBE IPSAS 41 that would have been recognised directly in accumulated comprehensive revenue and expense and other components of net assets/equity.

As a result of adopting PBE IPSAS 41 as at 1 July 2022 there were no changes to the value of assets or liabilities, rather a change in the measurement category of the assets.

The nature of the changes are described below:

(i) Classification and measurement of financial asset and liabilities

Under PBE IPSAS 41, financial assets are subsequently measured at fair value through surplus or deficit (FVTSD), amortised cost or fair value through other comprehensive revenue and expense (FVOCRE). Financial liabilities are subsequently measured at fair value through surplus or deficit (FVTSD) or amortised cost. Financial instruments at amortised cost replaces the previous measurement category: loans and receivables, the change in category is outline in the table below. The classification is based on two criteria: (1) the Group's business model for managing the assets; and (2) whether the instrument's contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Group's business model was made as at date of application, namely 1 July 2022. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

Cash and cash equivalents and trade receivables were classified as loans and receivables as at 30 June 2022 and are held to collect contractual cash flows that are solely payments of principal and interest. These are reclassified and measured as debt instruments at amortised cost beginning 1 July 2022.

Note 1: Accounting Policies continued

Upon the adoption of PBE IPSAS 41, the Group has the following required or elected reclassifications as at 1 July 2022:

	Measurement Category		Measurement Category	
	PBE IPSAS 29	**PBE IPSAS 41**	**PBE IPSAS 29**	**PBE IPSAS 41**
			$000	**$000**
Financial Assets				
Cash and cash equivalents	Loans and Receivables	Amortised Cost	46,637	46,637
Trade receivables	Loans and Receivables	Amortised Cost	29,891	29,891
Investments	FVTSD	FVTSD	16,071	16,071
Interest rate swaps	FVTSD	FVTSD	4,721	4,721
Financial Liabilties				
Borrowings	Amortised Cost	Amortised Cost	190,722	190,722
Trade liabilities	Amortised Cost	Amortised Cost	1,973	1,973
Shared home ownership scheme	FVTSD	FVTSD	4,234	4,234

FVTSD = Fair value through surplus and deficit

(ii) Impairment

The adoption of PBE IPSAS 41 has changed the Group's accounting for impairment losses of financial assets by replacing PBE IPSAS 29's incurred loss approach with a forward-looking expected credit loss (ECL) approach. PBE IPSAS 41 requires the Group to recognise an allowance for ECLs for all debt instruments not held at fair value through surplus or deficit

Upon adoption of PBE IPSAS 41 on 1 July 2022, the Group did not recognise any additional impairment.

PBE FRS 48 Service Performance Reporting

PBE FRS 48 Service Performance Reporting has been adopted by the Group from 1 July 2022. The standard requires contextual information to be provided in the annual report to provide users with an understanding of the Group, what it intends to achieve in broad terms over the medium to long term and how it operates. The standard also requires the Group to present information about what it has achieved during the financial year in working toward its broader aims and objectives. For further information, refer to pages 14-32.

c) Accounting standards issued but not yet effective

There are no new, revised or amended standards that have been issued but not yet effective that would have a significant impact on the Group's financial statements.

Note 2: Revenue

Revenue is recognised to the extent that it is probable that the economic benefits or service potential will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made.

Revenue is measured at fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duties. The specific recognition criteria below must also be met before revenue is recognised.

Revenue from Exchange Contracts
Revenue from contracts with Whaikaha – Ministry of Disabled People (Whaikaha), and Ministry of Social Development (MSD) is taken to the Statement of Comprehensive Revenue and Expense when the requirements under the agreements with the purchasers of services have been met.

Rental income arising from the Ministry of Social Development and other tenants is accounted for on a straight-line basis over the lease term and included in revenue in the Statement of Comprehensive Revenue and Expense due to its operating nature.

Interest income is recognised in the Statement of Comprehensive Revenue and Expense as it is earned. Interest income is accrued using the effective interest rate method. The effective interest rate exactly discounts the estimated future cash receipts through the expected life of the financial asset to that assets net carrying amount.

Revenue from Non-Exchange Contracts
Non-exchange transactions are those where the Group receives value from another entity without giving approximately equal value in exchange. Revenue from non-exchange transactions is recognised when the Group obtains control of the transferred asset (cash, goods, services or property), and

- It is probable that the economic benefits or service potential related to the asset will flow to the Group and can be measured reliably; and
- The transfer is free from conditions that require the asset to be refunded or returned if the conditions are not fulfilled.

Revenue from Legacies, the Annual Appeal, and other fundraising is considered to be recognised when the cash is receipted and controlled by the Group.

Grant revenue is recognised in the Statement of Comprehensive Revenue and Expense when there is reasonable certainty that the grant will be received, and only to the extent which conditions associated with the transfer have been met.

Other revenue and expenses includes fair value gains and losses on financial instruments at fair value through surplus or deficit, realised gains and losses on the sale of plant and equipment held at cost, and income derived from non-core activities such as shop sales and one-off conferences.

Note 2: Revenue continued

Revenue included the following:

	Group 2023	Group 2022
Revenue from exchange transactions	**$000**	**$000**
Government support contracts		
Whaikaha – Ministry of Disabled People	288,582	-
Ministry of Health	-	276,830
Ministry of Social Development	40,800	37,539
Te Whatu Ora - Health New Zealand	1,210	881
	330,592	315,250
Rent received	38,437	35,872
Fees charged for services	30,400	29,264
Net services event sales	454	381
Other revenue	4,834	4,853
Interest received	3,284	265
Total operating revenue from exchange transactions	**408,001**	**385,885**
Gain on sale of property	4,255	4,943
Net gain in fair value of investments	575	-
Net gain in fair value of interest rate	3,678	29,822
Total non-operating revenue from exchange transactions	**8,508**	**34,765**
Revenue from non-exchange transactions (transfers)		
Donations and other fundraising revenue	9,871	9,593
Grants (operating)	544	760
Legacies received	2,916	3,259
Total operating revenue from non-exchange transactions	**13,331**	**13,612**
Grants (non-operating)		
Housing grants	559	-
Total non-operating revenue from non-exchange transactions	**559**	-
Total Revenue	**430,399**	**434,262**
Operating revenue	**421,332**	**399,497**
Non-operating revenue	**9,067**	**34,765**
	430,399	**434,262**

Government Contracts

In the current year the Group received 77% (2022: 73%) of revenue through purchasing agreements with Whaikaha, Ministry of Social Development (MSD) and Te Whatu Ora – Health New Zealand (Te Whatu Ora). The Group is reliant on Government contract revenue to carry out operations.

Residential services and a part of vocational services were purchased during the year by Whaikaha under one national purchasing agreement.

Note 2: Revenue continued

Vocational support services (Vocational Opportunities Support Programme and Ongoing Resourcing Scheme) and social housing services were purchased during the year by the MSD.

Support for Services

Service's funding is not always sufficient to finance the acquisition of vehicles, IT, furniture and fittings, and other items necessary for the safe delivery of services. The parent entity, IHC New Zealand Incorporated provides an unconditional support payment to assist with the delivery of unfunded or under-funded services and costs associated with the right of use of assets.

Property Division Operating Revenue

The Group's Property Division operating surplus includes inter-group rent received from its controlled entity, IDEA Services. The Property Division charges the Services Division market rents on residential homes, vocational bases and administration buildings. The revenue is used by the Property Division for property maintenance, debt servicing, and for the Group's capital expenditure programme such as vehicles, plant and equipment, IT and other similar items used to support service delivery and the Groups operations.

Community Programmes

Community Programmes comprises revenue from fundraising activities that is used to cover fundraising costs and services not funded by the Government such as Advocacy, Self-Advocacy, Volunteering, Membership, the IHC Library and specific community projects.

	Group 2023 $000	Group 2022 $000
Fundraising Activities		
Fundraising revenue	13,907	14,183
Fundraising investment & marketing expenses	(2,663)	(1,642)
Fundraising administration expenses	(1,242)	(1,062)
Net surplus from fundraising activities	**10,002**	**11,479**

Note 3: Expenses

Expenses included the following:

	Group 2023 $000	Group 2022 $000
Personnel costs		
Salaries and wages	270,805	268,035
Accident insurance and death & disablement	2,100	1,651
KiwiSaver employer contribution	6,202	5,562
Staff travel reimbursements	721	726
Other employee costs	9,303	8,746
	289,131	**284,720**
Accomodation costs		
Repairs and maintenance costs	16,865	14,265
Rental and operating lease costs	6,236	6,409
Utilities and other costs	27,733	27,702
	50,834	**48,376**
Administration costs include:		
Auditors remuneration:		
Auditing services	172	166
Taxation and other Services	16	7
Shared Home Ownership assurance engagement	4	4
Legal Fees	1,203	1,325

Note 4: Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits that are able to be converted to cash with an original maturity of three months or less.

Cash at bank earns interest at floating rates based on daily bank deposit rates. The carrying amounts of cash and cash equivalents represent fair value and for accounting are classified as financial assets at amortised cost.

	Group 2023 $000	Group 2022 $000
Cash and Cash Equivalents		
Cash at bank	62,357	46,637
	62,357	**46,637**

Note 5: Trade and other exchange receivables

Receivables from exchange transactions which generally have 14-90 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less an allowance for any uncollectible amounts.

Trade receivables and contract revenue receivables are classified as financial assets at amortised cost.

	Group 2023 $000	Group 2022 $000
Trade and other exchange receivables		
Trade receivables	1,837	2,324
Contract revenue receivables	17,908	27,567
Other debtors	1,647	1,331
	21,392	**31,222**

Doubtful debts
An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified. Collectability of receivables is reviewed on an ongoing basis. A provision for impairment loss is recognised when there is objective evidence that an individual receivable is impaired.

Note 6: Property, plant & equipment and intangible assets

Initial recognition
Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Costs include expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

Measurement subsequent to initial recognition
Subsequent expenditure that increases the economic benefits derived from the asset are recognised in the carrying value of the item of property, plant and equipment.

Subsequent expenditure that does not increase the economic benefits derived from the asset, such as repairs and maintenance costs, are expensed and recognised in the Statement of Comprehensive Income.

Depreciation
Depreciation of property, plant and equipment, other than freehold land, is calculated on a straight-line basis over the estimated useful life of the asset.

Note 6: Property, plant & equipment and intangible assets continued

The estimated useful lives are as follows:

Freehold buildings	40 years
Leasehold improvements	10 years
Furniture and fittings	5 years
Plant and equipment	5-10 years
Motor vehicles	5 years

Freehold land and buildings
The Group holds freehold land and buildings, some of which are subject to encumbrance limiting use to pensioner or community housing.

Intangible assets
The intangible assets acquired separately are measured on initial recognition at cost. The cost recorded for intangible assets received is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses.

The amortisation of intangible assets is allocated to Service Development Projects from the date that assets are available for use. Amortisation is calculated to write off the cost of intangible assets, less their estimated residual value, using the straight-line method over their estimated useful lives. The estimated useful life for software is 3-5 years reflecting expected life of the contract or required replacement.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Work in progress
Property under construction work in progress is recognised at cost.

On completion the property will be held by the Group (i.e. is not developed for sale). Borrowing costs that are not directly related to construction are recognised in the net surplus / (deficit) in the period in which they are incurred.

De-recognition
An item of property, plant & equipment is de-recognised upon disposal or when no future economic benefit, or service potential is expected to arise from the continued use of the asset.

Any gain or loss arising on de-recognition is included in the net surplus / (deficit) in the period the item is de-recognised. Gain or loss on de-recognition is calculated as the difference between the net disposal proceeds and the carrying amount of the item.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds (if any) and the carrying amount of the asset and are recognised in surplus or deficit when the asset is de-recognised.

Note 6: Property, plant & equipment and intangible assets continued

	Freehold Land	Freehold Buildings	Leasehold Improvements	Plant and Equipment	Furniture and Fittings	Intangibles	Motor Vehicles	Work in Progress	Total
					Group 2023 $000				
At 1 July 2022 net of accumulated depreciation and impairment	189,045	258,256	20	1,527	5,139	263	7,060	7,471	**468,781**
Additions/Transfers	2,971	10,123	-	1,119	7,443	-	3,397	2,874	**27,927**
Disposals	(238)	(503)	-	(12)	(5)	-	(5)	-	**(763)**
Depreciation charged for the year	-	(8,916)	(6)	(588)	(2,242)	(229)	(2,595)	-	**(14,576)**
At 30 June 2023 net of accumulated depreciation and impairment	**191,778**	**258,960**	**14**	**2,046**	**10,335**	**34**	**7,857**	**10,345**	**481,369**
At 30 June 2023									
Cost	191,970	355,650	2,783	21,992	24,285	2,032	38,428	10,345	**647,485**
Accumulated depreciation and impairment	-	(96,882)	(2,769)	(19,946)	(13,950)	(1,998)	(30,571)	-	**(166,116)**
Net carrying amount	**191,970**	**258,768**	**14**	**2,046**	**10,335**	**34**	**7,857**	**10,345**	**481,369**
					Group 2022 $000				
At 1 July 2021 net of accumulated depreciation and impairment	183,410	245,760	40	2,416	2,411	506	6,692	23,587	**464,822**
Additions/Transfers	5,958	21,852	-	521	4,020	5	2,718	(16,116)	**18,958**
Disposals	(323)	(718)	-	-	-	(13)	(10)	-	**(1,064)**
Depreciation and impairment charged for the year	-	(8,638)	(20)	(1,410)	(1,292)	(235)	(2,340)	-	**(13,935)**
At 30 June 2022 net of accumulated depreciation and impairment	**189,045**	**258,256**	**20**	**1,527**	**5,139**	**263**	**7,060**	**7,471**	**468,781**
At 30 June 2022									
Cost	189,045	346,222	2,783	20,885	16,847	2,032	35,036	7,471	**620,321**
Accumulated depreciation and impairment	-	(87,966)	(2,763)	(19,358)	(11,708)	(1,769)	(27,976)	-	**(151,540)**
Net carrying amount	**189,045**	**258,256**	**20**	**1,527**	**5,139**	**263**	**7,060**	**7,471**	**468,781**

Asset held for Sale
Assets held for sale are non-current assets that the Group has planned to sell or otherwise dispose of Assets are held for sale are measured at the lower of carrying amount or fair value less costs to sell.

Shared Home Ownership scheme
Included in the freehold land and buildings are properties for which licences have been issued under the Shared Home Ownership scheme. Refer to Note 12 for the licence holders' interest.

Note 7: Investments

Investments are made up of equities, fixed income bonds, equities and term deposits. The income is being used to fund support service activities.

	Group 2023	Group 2022
Investments	**$000**	**$000**
Equities	5,280	2,871
NZ Fixed Income	8,779	4,741
International Fixed Income	749	-
Cash	6,937	8,212
Other Investments	88	247
	21,833	**16,071**

Note 8: Trade and other payables

Trade liabilities are stated at amortised cost and for accounting are classified as financial liabilities at amortised cost.

	Group 2023 $000	Group 2022 $000
Trade and other payables		
Trade liabilities	1,493	1,973
Other liabilities	21,882	24,111
Holiday pay act provision	19,120	24,454
Employee entitlements	9,347	7,933
	51,842	**58,471**

Other liabilities include revenue received in advance, provisions and includes $4.2m related to capital accruals. See note 18 for further details.

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at Management's best estimate of the expenditure required to settle the obligation and are discounted to present value as at reporting date. The discount rate used to determine the present value reflects current market assessments at the time value of money and risks specific to the liability. The expense relating to any provision is presented in the net surplus / (deficit) for the year.

Personnel costs are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Holiday Act

The Labour Inspectorate of the Ministry of Business, Innovation and Employment (MBIE) is undertaking a programme of compliance audits on a number of New Zealand organisations in respect of the Holidays Act 2003 (“the Act”). The audit indicated the possibility that the Group’s payroll system may not have complied with certain provisions under the Act. The Group welcomed the Labour Inspectorate’s findings and engaged PriceWaterhouseCoopers (“PwC”) to undertake a detailed review and recalculations for all staff dating back to 2012 to ensure all current and former staff are properly paid in accordance with the Act. As at 30 June 2023 the Group has completed calculations covering the period to 29 August 2019 and made remediation payments totalling $3.8 million. Calculations are ongoing, and a provision for $19.1 million has been recognised in the Statement of Financial Position. This estimate is based on work performed by PwC and extrapolated to 30 June 2023. The amount remaining to be paid may be in the range of $16.1 million - $22.1 million (2022: $18.0 million - $28.0 million) reflecting the complexity in the application of the Act and the quality of the underlying data used to reperform the calculation.

Note 8: Trade and other payables continued

	Holiday Act	
	Group	Group
	2023	2022
	$000	$000
As at 1 July	24,454	18,794
Provisions made during the year	-	5,936
Provisions used during the year	(3,803)	(276)
Provisions released during the year	(1,531)	-
As at 30 June	**19,120**	**24,454**

Note 9: Borrowings and derivatives

Borrowings are initially recognised at fair value, including directly attributable transaction costs. Subsequent to initial recognition, term borrowings are measured at amortised cost using the effective interest method and for accounting are classified as financial liabilities at amortised cost.

	Group	Group
	2023	2022
	$000	$000
Term loans (secured)	187,929	190,218
Term loans (secured) - Housing Innovation Fund	470	504
Derivative (assets) / liabilities	(8,399)	(4,721)
	180,000	**186,001**

	Group	Group
	2023	2022
	$000	$000
Current portion:		
Term loans (secured) - Housing Innovation Fund	34	34
Derivative (assets) / liabilities	(295)	(88)
	(261)	**(54)**
Long term portion:		
Term loans (secured)	187,929	190,218
Term loans (secured) - Housing Innovation Fund	436	470
Derivative (assets) / liabilities	(8,104)	(4,633)
	180,261	**186,055**

Note 9: Borrowings and derivatives continued

Multi Option Credit Facilities
The Group has a Senior Facilities Agreement with Westpac New Zealand Limited and ASB Bank Limited with a total credit limit of $265.0 million and an expiry date of 6 April 2025.

The facilities are secured by a first registered General Security Agreement, registered first mortgages over Accessible Properties New Zealand Limited and AP Properties Tauranga 2016 Limited Partnership assets and a cross guarantee between IHC New Zealand Incorporated, Accessible Properties New Zealand Limited, Choices New Zealand Limited and IDEA Services Limited. As at 30 June 2023 $187.9 million was drawn down (2022: $190.2m).

The Group has entered into interest rate swaps in order to manage interest rate risk by fixing the interest rate. The interest rate applying to the swap is the effective interest rate.

Housing Innovation Fund term loan
The Housing Innovation Fund Term Loan is a 25-year loan received in June 2012 from Kāinga Ora. The loan is interest free for the first 10 years with monthly principal repayment amounts of $2,800 before the interest commencement date of 30 June 2022. As at 30 June 2023, the loan remains repayment of principal only.

The derivative assets in the below table are shown at their notional amounts.

	2023 $000	Swap Term	Swap Maturity Date	BKBD Equ Rate	2022 $000	BKBD Equ Rate
Swap 1	3,000	4 years	03 Dec 2024	0.545%	3,000	0.545%
Swap 2	8,402	5 years	08 Mar 2027	1.850%	8,402	1.850%
Swap 3	-				8,400	2.100%
Swap 4	2,000	5 years	08 Mar 2024	2.195%	2,000	2.195%
Swap 5	8,000	5 years	09 May 2024	2.700%	8,000	2.700%
Swap 6	7,000	5 years	02 Sep 2026	0.755%	7,000	0.755%
Swap 7	120,811	15 years	31 Mar 2032	4.096%	120,811	4.096%
Swap 8	6,000	5 years	03 Dec 2025	0.650%	6,000	0.650%
Swap 9	5,818	4 years	28 Feb 2025	1.615%	5,818	1.615%
Swap 10	8,000	6 years	31 Aug 2027	1.810%	8,000	1.810%
Swap 11	3,000	7 years	28 Feb 2028	1.850%	3,000	1.850%
Swap 12	3,000	3 years	08 June 2026	4.975%	-	
	175,031				**180,431**	

Note 10: Financial risk management

The Group's principal financial instruments, other than derivatives, comprise of loans, cash, short-term deposits, trade debtors and trade creditors arising directly from operations.

The Group uses NZ dollar interest rate swap contracts to manage the risk associated with interest rate fluctuations on floating rate borrowings. Such derivative financial instruments are recognised initially at fair value; attributable transaction costs are recognised in surplus or deficit as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognised immediately in surplus or deficit. Interest rate swaps are classified financial assets at fair value through surplus or deficit.

Financial Assets

	Group 2023 $000	Group 2022 $000
Financial Assets		
Financial instruments at fair value through surplus or deficit		
Held for trading		
Investments	21,833	16,071
Interest rate swaps	8,399	4,721
Total financial assets at fair value	**30,232**	**20,792**
Debt instruments at amortised cost		
Cash and cash equivalents	62,357	46,637
Trade receivables	19,745	29,891
Total financial assets at amortised cost	**82,102**	**76,528**
Represented by:		
Total current	82,397	76,616
Total non-current	29,937	20,704
Total financial assets	**112,334**	**97,320**

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost or fair value through surplus or deficit.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of short-term receivables and payables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through surplus or deficit, transaction costs.

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through surplus or deficit, irrespective of the business model.

Note 10: Financial risk management continued

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

The Group's financial assets includes: cash and cash equivalents, trade receivables, investments and interest rate swaps.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified into three categories:

a) Financial assets at amortised cost (debt instruments).
b) Financial assets at fair value through other comprehensive revenue and expense with recycling of cumulative gains or losses [FVOCRE] (debt instruments).
c) Financial assets at fair value through surplus or deficit.

Financial assets at amortised cost
Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains or losses are recognised in surplus or deficit when the asset is derecognised, modified or impaired. The Group's financial assets at amortised cost include: cash and cash equivalents and trade receivables.

Financial assets at fair value through surplus or deficit
A financial asset is measured at fair value through surplus or deficit unless it is measured at amortised cost or at fair value through other comprehensive revenue and expense. Financial assets at fair value through surplus or deficit are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of financial performance. This category includes: investments and interest rate swaps.

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Group's statement of financial position) when:

a) The rights to receive cash flows from assets have expired; or
b) The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment
PBE IPSAS 41 requires the Group to record expected credit losses on all of its debt instruments classified at amortised cost or FVOCRE. The Group recognises loss allowances for expected credit losses (ECLs) on financial assets at amortised cost, the allowances for receivables are measured, using the simplified approach, at an amount equal to lifetime ECLs, while all other debt instruments classified at amortised cost are measure using the general approach.

Note 10: Financial risk management continued

Financial Liabilities

	Group 2023 $000	Group 2022 $000
Financial Liabilities		
Financial instruments at fair value through surplus or deficit		
Shared home ownership scheme	3,644	4,234
Total financial liabilities at fair value	**3,644**	**4,234**
Financial Liabilities at amortised cost		
Trade liabilities	1,493	1,973
Borrowings	188,399	190,722
Total financial liabilities at amortised cost	**189,892**	**192,695**
Represented by:		
Total current	1,527	2,007
Total non-current	192,009	194,922
Total financial liabilities	**193,536**	**196,929**

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as subsequently measured at amortised cost or fair value through surplus or deficit and include: borrowings, trade liabilities and the shared home ownership scheme.

All financial liabilities are recognised initially at fair value net of directly attributable transaction costs.

Subsequent measurement
For purposes of subsequent measurement, financial liabilities are classified into two categories:

a) Financial liabilities at amortised cost.
b) Financial liabilities at fair value through surplus or deficit.

Financial liabilities at amortised cost
Financial liabilities measured at amortised cost are subsequently measured using the effective interest rate (EIR) method. Gains or losses recognised in surplus or deficit when the liabilities are derecognised as well as through EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. EIR amortisation is included as finance costs in surplus or deficit. The Group's financial liabilities at amortised cost include: trade liabilities and borrowings.

Financial liabilities at fair value through surplus or deficit
A financial liability is measured at fair value through surplus or deficit unless it is measured at amortised cost. Financial liabilities at fair value through surplus or deficit are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of financial performance. This category includes: the shared home ownership scheme.

Note 10: Financial risk management continued

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged, waived, cancelled, or expired.

<u>Financial Instrument Risk</u>

The main risks arising from the Group's financial instruments are liquidity risk, interest rate risk and credit risk. The Board reviews and agrees policies for managing each of these risks. They are summarised below:

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable deficits or risking damage to the Group's reputation.

The Group aims to maintain the level of its cash equivalents, other highly marketable investments and available loan facilities at an amount in excess of expected cash outflows on financial liabilities (other than trade payables) over the next 60 days. The Group also monitors the level of expected cash inflows on trade and other receivables together with expected cash outflows on trade and other payables. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include contractual interest payments and exclude the impact of netting agreements.

			Future contractual cash flows $000				
At 30 June 2023	**Carrying amount**	**Total**	**2 months or less**	**2-12 months or less**	**1-2 years**	**2-5 years**	**More than 5 years**
Non-derivative financial liabilities							
Bank loans	(187,929)	(214,276)	(2,133)	(10,666)	(201,477)	-	-
Other borrowings	(470)	(470)	(6)	(28)	(34)	(100)	(302)
Trade payables	(1,493)	(1,493)	(1,490)	(3)	-	-	-
	(189,892)	**(216,239)**	**(3,629)**	**(10,697)**	**(201,511)**	**(100)**	**(302)**
Derivative financial assets/(liabilities)							
Interest rate swaps used for hedging	8,399	8,397	-	4,052	2,517	1,301	526
	8,399	**8,397**	**-**	**4,052**	**2,517**	**1,301**	**526**

Bank loans, as disclosed in Note 9 contain financial covenants. A future breach of a covenant may require the Group to repay the loan earlier than indicated in the above table. The covenant is monitored on a regular basis by management and reported to the Audit Committee of the Board of Governance (Audit Committee). During the year there were no breaches of loan covenants.

Note 10: Financial risk management continued

Interest Rate Risk
The Group's exposure to market risk for changes in interest rates relates primarily to its debt obligations.

The Group's policy is to limit the portion of floating rate debt. To achieve this the Group has entered into interest rate swaps to convert floating rate borrowings to fixed rate borrowings.

Management monitor interest rate levels on an ongoing basis and, when appropriate, will lock in fixed rates in consultation with the Audit Committee. As at 30 June 2023, after taking into account the effects of interest rate swaps, approximately 93% of borrowings were at a fixed rate of interest (2022: 94%).

The following sensitivity analysis is based on the interest rate risk exposures at 30 June 2023. This shows the respective differences in annual net surplus/deficit and the equity balance at 30 June had interest rates been one percent higher or lower than the year end market rate.

	Group 2023	**Group 2022**
Impact on net suplus / (deficit) :	**$000**	**$000**
Interest rates +1%		
Variable Interest rate instruments	(133)	(263)
Interest rate swaps	10,159	10,935
Interest rates -1%		
Variable Interest rate instruments	133	470
Interest rate swaps	(10,159)	(10,935)

All derivative financial instruments are held at fair value through surplus or deficit. No difference in interest rate would be directly recorded within equity.

Credit risk
Credit risk is the risk that a third party will default on its obligations to the Group, resulting in a loss being incurred. The Group is not exposed to material concentrations of credit risk other than its exposure to the government sector. All credit facilities to external parties are provided on normal trade terms.

Wherever possible, all individuals/organisations are assessed for credit worthiness and affordability before they are approved as a trading party. In addition, receivable balances are monitored on an ongoing basis with the result that exposure to bad debts is not significant.

Note 10: Financial risk management continued

The status of trade receivables at reporting date is as follows:

As at 30 June 2023:

	Neither past due or impaired	Past Due but not impaired (0-60 days)	Past Due but not impaired (60-90 days)	>90 days	Total
Trade receivables	1,537	197	7	96	1,837
Contract revenue receivables	17,712	63	78	55	17,908
Total	**19,249**	**260**	**85**	**151**	**19,745**

As at 30 June 2022:

	Neither past due or impaired	Past Due but not impaired (0-60 days)	Past Due but not impaired (60-90 days)	>90 days	Total
Trade receivables	1,151	465	84	624	2,324
Contract revenue receivables	16,560	10,829	3	175	27,567
Total	**17,711**	**11,294**	**87**	**799**	**29,891**

Fair value measurement

The Group uses various methods in estimating fair value. Depending on the inputs used in these methods, an asset measured at fair value is categorised as one of the following levels:

- Level 1 – the fair value is calculated using quoted prices in active markets.
- Level 2 – the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for asset or liability, either directly (as prices) or indirectly (derived from prices).
- Level 3 – the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

The fair value of the financial instruments, as well as the methods used to estimate the fair value, are summarised in the table below.

The following table shows the valuation techniques used in measuring Level 1, Level 2 & Level 3 fair values as well as the significant unobservable inputs used.

Shared home ownership interest is Level 3, interest rate swaps are Level 2 and equity and bonds are Level 1.

Type	Valuation technique	Significant unobservable inputs	Relationship with fair value
Interest rate swaps	Discounted cash flows & market comparison	Floating rate forward curve	Estimated liability decreases as floating rate increases
Shared Home Ownership Interest	Comparison technique	Not applicable	Not applicable
Equity & bonds security	Market comparison	Adjusted market multiple	Estimated value would increase/decrease if market multiple were higher/lower

Note 11: Employee benefits and other liabilities

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised and are measured at the amounts expected to be paid when the liabilities are settled.

The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees based on a projection of historical trends. Expected future payments are discounted using the treasury rates.

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises the costs for a restructuring. If the benefits are not expected to be settled wholly within 12 months of the reporting date they are discounted.

	Group 2023 $000	Group 2022 $000
Current		
Long service leave	3,779	3,718
Annual leave	31,522	31,600
Sick leave	1,170	1,101
Accident compensation	493	425
Days in lieu & other	6,745	6,680
	43,709	**43,524**
Non current		
Long service leave	7,114	6,698
Accident compensation	779	744
	7,893	**7,442**
Total		
Long service leave	10,893	10,416
Annual leave	31,522	31,600
Sick leave	1,170	1,101
Accident compensation	1,272	1,169
Days in lieu & other	6,745	6,680
	51,602	**50,966**

A provision for Holidays Act remediation is included within trade and other payable, refer to Note 8.

The Group has elected to act as an agent for Accident Compensation Corporation (ACC) under the ACC Partnership Programme. Under this programme the Group takes responsibility for claims management of employees' work injuries and may be liable to pay amounts for future expected costs to manage any claim (PDP 1).

The liability for ACC is recognised and measured as the present value of expected future payments to be made in respect of employee work injuries up to the reporting date.

Note 11: Employee benefits and other liabilities continued

This liability is stated at fair value based on an independent actuarial assessment. The liability is an estimate with considerable uncertainty around the incurred but not reported, incurred but not enough reported and reopened claims. Due to the normal uncertainty associated with the claims process the actual liability will likely be different.

Note 12: Shared Home Ownership scheme

The Shared Home Ownership scheme is a licence to occupy arrangement whereby deposits are received from contributors for a legal interest in the Group property. The deposits are repayable to contributors immediately on termination of the licence in accordance with the Certificate of Deposit and Licence to Occupy issued by the Group. The scheme is administered on behalf of the Depositors by the New Zealand Guardian Trust Company Limited under a Trust Deed dated 3 February 1992. Under the Deed, the Trustee is granted registered first mortgages over property owned by IHC New Zealand Incorporated.

The Shared Home Ownership scheme is stated at market value based on the independent valuation performed on a notional basis by QV Valuations at 30 June 2023. The cost of these licences at 30 June 2023 was $1.0 million (2022: $1.0 million). Accumulated revaluation as at 30 June 2023 was $2.6 million (2022: $3.2 million).

Note 13: Reconciliation of Surplus / (Deficit) with Net Cash Inflow from Operating Activities

	Group 2023 $000	Group 2022 $000
Reported Net Surplus/ (Deficit)	**37,332**	**52,065**
Add non cash items:		
Depreciation and impairment	14,576	13,935
Revaluation of Shared Home Ownership	(262)	586
Net (gain)/loss in fair value of investments	(313)	432
Net change in fair value of interest rate swaps	(3,678)	(29,822)
	10,323	(14,869)
Add / (less) item classified as financing/investing activities:		
Gain on sale of property, plant and equipment	(3,970)	(4,704)
Interest received	(3,284)	(265)
Interest paid	12,073	9,341
Government grants received	(559)	-
	4,260	4,372
Movements in working capital:		
(Increase) / decrease in trade and other exchange receivables	9,830	(11,057)
Increase / (decrease) in trade payables	(8,345)	9,810
(Increase) /decrease in inventory	(68)	-
Increase / (decrease) in provisions and other liabilities	(895)	2,752
	522	1,505
Net cash inflow from operating activities	**52,437**	**43,073**

Note 14: Leasing and capital commitments

Payments made under operating leases are recognised in surplus or deficit on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Lease commitments under non-cancellable operating leases:

	Group 2023 $000	Group 2022 $000
Payable:		
Not later than one year	3,255	1,519
Later than one year and not later than five years	1,832	1,495
Later than five years	155	-
Total non-cancellable operating lease commitments	**5,242**	**3,014**

Ministry of Housing and Urban Development
The Group has entered into contracts with the Ministry of Housing and Urban Development (HUD) to construct housing that upon completion will be eligible for social rental supplements. As at 30 June 2023 the estimated capital commitment is $9.2 million (2022: $11.0 million).

Note 15: Contingent assets and liabilities

Crown Retained Interest
In 2017 the Group acquired 1,138 properties in Tauranga, along with related tenancy and property management services, from Kāinga Ora. The contractual agreement for the purchase of these properties makes the properties available to the Ministry of Social Development under a Capacity Contract. The initial term of the Capacity Contract is 25 years with one right of renewal for a further term between 15 and 25 years. A first ranking encumbrance ensuring use as social housing has been placed on each property.

The Group has assessed the encumbrance, Crown Retained Interest and the Capacity Contract as an executory contract defined in PBE IPSAS 19.18 as a contract under which both parties have performed their obligations to an equal extent. Management has re-assessed the current status of performed obligations as at 30 June 2023 and determined that the conditions of an executory contract remain satisfied. As such neither the assets nor liabilities with respect to unperformed obligations are recognised within these financial statements.

Royal Commission of Inquiry
IHC is actively participating in the Royal Commission of Inquiry into Abuse in Care advocating for all people with intellectual disabilities to participate. There are currently no known financial implications for the Group.

Other
The Group has several open investigations from Worksafe, The Health and Disability Commissioner, The Office of the Privacy Commission and the Human Rights Tribunal that may result in adverse findings and financial compensation awarded. The Group has not recognised any provision in the statement of financial position.

Note 16: Transactions with related parties

The Group classifies its key management personnel into the following categories:

- Directors (of the governing body and subsidiary entities)
- Executive officers

Directors of the governing body receive an annual fee and expenses. Executive officers are employees of the Group and are on standard employment contracts. The table below depicts the aggregate remuneration of key management personnel and the number of individuals determined on a full-time equivalent basis, receiving remuneration with each category.

	Group 2023 $000	Number	Group 2022 $000	Number
Board and Directors Fees	678	14	646	14
Executive Management Team	4,184	17	3,952	17
	4,862	**31**	**4,598**	**31**

Note 17: Grants received

Grants of $10,000 or more have been received from the following organisations:

- Lottery Grants Board
- Sutherland Self Help Trust
- The Mana Tangata Trust
- Avanti Finance
- Toi Foundation
- Trust Waikato
- Foundation North
- IHC Foundation
- Pelorus Trust
- Thomas George Macarthy Trust
- Estate Ernest Hyam Davis and the Ted and Mollie Carr Endowment Trust
- Glenice & John Gallagher Foundation
- Frimley Foundation
- Trillian Trust
- Ministry of Social Development – Care in the Community Disability Fund
- The Reed Charitable Trust
- New Zealand Community Trust
- Sport Manawatū – Tū Manawa Active Aotearoa Fund
- Grassroots Trust
- Eva & Harold Wilson Charitable Trust

All trusts administered where the grant is to be itemised in the annual report have been received as follows:

- Public Trust – The JBS Dudding Trust $5,000
- L W Nelson Charitable Trust $4,600

Note 18: Capital management

The Group manages its capital largely as a by product of managing its property assets, revenue, expenses, liabilities and general financial dealings.

IHC New Zealand Incorporated and its subsidiaries have maintenance programmes in place for its property assets to achieve long term sustainable benefit in support of its mission to advocate for the rights, inclusion and welfare of all people with intellectual disabilities and support them to live satisfying lives in the community.

Note 19: Events subsequent to balance date

Subsequent to balance date a market rent review has been agreed with Ministry of Housing and Urban Development in relation to the Tauranga public housing portfolio.

Building a better working world

Independent auditor's report to the members of IHC New Zealand Incorporated

Report on the audit of the performance report

Opinion

We have audited the general purpose financial report (the "performance report") of IHC New Zealand Incorporated (the "Incorporated Society") and its subsidiaries (together the "Group"), which comprises the service performance information, the consolidated statement of financial position of the Group as at 30 June 2023, and the consolidated statement of comprehensive revenue and expense, consolidated statement of changes in accumulated funds and consolidated cash flow statement for the year then ended of the Group and the notes to the consolidated financial statements including a summary of significant accounting policies.

In our opinion, the performance report presents fairly, in all material respects:

- the consolidated financial position of the Group as at 30 June 2023 and its consolidated financial performance and cash flows for the year then ended; and

- the service performance for the year ended 30 June 2023 in accordance with the Group's service performance criteria

in accordance with Public Benefit Entity Standards issued by the New Zealand Accounting Standards Board.

This report is made solely to the Incorporated Society's members, as a body. Our audit has been undertaken so that we might state to the Incorporated Society's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Incorporated Society and the Incorporated Society's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Basis for opinion

We conducted our audit of the consolidated financial statements in accordance with International Standards on Auditing (New Zealand) and the audit of the service performance information in accordance with NZ AS 1 *The Audit of Service Performance Information ("NZ AS 1")*. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the performance report* section of our report.

We are independent of the Group in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Ernst & Young provides taxation compliance and other assurance related services to the Group. Partners and employees of our firm may deal with the Group on normal terms within the ordinary course of trading activities of the business of the Group. We have no other relationship with, or interest in, the Group.

Other matter

The corresponding figures in the service performance information of the Group, being those measures related to the year ended 30 June 2022 were not audited.

Information other than the performance report and auditor's report

Those charged with governance are responsible for the annual report, which includes information other than the consolidated financial statements, service performance information and auditor's report.

Our opinion on the performance report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the performance report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the performance report or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Those charged with governance responsibilities for the performance report

Those charged with governance responsibilities are responsible, on behalf of the Incorporated Society, for:

- the preparation and fair presentation of the consolidated financial statements and service performance information in accordance Public Benefit Entity Standards issued by the New Zealand Accounting Standards Board;
- service performance criteria that are suitable in order to prepare service performance information in accordance with Public Benefit Entity Standards issued by the New Zealand Accounting Standards Board; and
- such internal control as those charged with governance determine is necessary to enable the preparation of consolidated financial statements and service performance information that is free from material misstatement, whether due to fraud or error.

In preparing the performance report, those charged with governance are responsible for assessing on behalf of the entity the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless those charged with governance either intend to liquidate the Group or cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the performance report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole, and service performance information are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (New Zealand) and NZ AS 1 will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this performance report.

A further description of our responsibilities for the audit of the performance report is located at the External Reporting Board website: https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-13/. This description forms part of our auditor's report.

Ernst + Young

Chartered Accountants
Wellington
30 August 2023