

Kiwi Capital Funding Limited Interim Financial Statements

For the period ended 31 December 2020.

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Norbert Bojarski

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CREDIT RATING

The perpetual capital notes have a credit rating of BB- from Standard & Poor's (Australia) Pty Limited ("S&P"). This is lower than Kiwibank's issuer credit rating for long term senior unsecured obligations of A (Outlook stable) because the returns on the perpetual capital notes are derived from the performance of the perpetual capital bonds ("**Kiwibank Perpetual Bonds**") held by the Company. The Kiwibank Perpetual Bonds are subordinated obligations of Kiwibank having discretionary interest payments and may be converted into ordinary shares or written off if a Non-Viability Trigger Event occurs.

Interim financial statements

Income statement

For the six months ended 31 December 2020

Dollars in thousands	Note	Unaudited Six months ended 31 December 2020	Unaudited Six months ended 31 December 2019	Audited Year ended 30 June 2020
Distributions received - related party	5	2,989	5,438	10,875
Interest income - related party	5	-	256	256
Total income		2,989	5,694	11,131
Interest expense		(2,989)	(5,694)	(10,665)
Net losses on financial instruments designated at fair value		-	-	(466)
Profit before tax		-	-	-
Income tax		-	-	-
Profit after tax attributable to shareholder		-	-	-

Statement of comprehensive income

For the six months ended 31 December 2020

Dollars in thousands	Unaudited Six months ended 31 December 2020	Unaudited Six months ended 31 December 2019	Audited year ended 30 June 2020
Profit after tax attributable to shareholder	-	-	-
Other comprehensive income that may subsequently be reclassified to profit or loss	-	-	-
Total comprehensive income for the period attributable to shareholder	-	-	-

The notes to the financial statements form an integral part of, and should be read in conjunction with, these financial statements.

Interim financial statements continued

Statement of changes in equity

For the six months ended 31 December 2020

Dollars in thousands	Share Capital	Accumulated Losses	Total Equity
Balance at 1 July 2019	-	-	-
Unaudited six months ended 31 December 2019			
Profit for the period	-	-	-
Other comprehensive income	-	-	-
Total comprehensive income	-	-	-
Transactions with shareholders			
Issue of share capital	-	-	-
Balance at 31 December 2019 (unaudited)	-	-	-
Audited year ended 30 June 2020			
Profit for the year	-	-	-
Other comprehensive income	-	-	-
Total comprehensive income	-	-	-
Transactions with shareholders			
Issue of share capital	-	-	-
Balance at 30 June 2020 (audited)	-	-	-
Unaudited six months ended 31 December 2020			
Profit for the period	-	-	-
Other comprehensive income	-	-	-
Total comprehensive income	-	-	-
Transactions with shareholders			
Issue of share capital	-	-	-
Balance at 31 December 2020 (unaudited)	-	-	-

The notes to the financial statements form an integral part of, and should be read in conjunction with, these financial statements.

Interim financial statements continued

Balance sheet

As at 31 December 2020

Dollars in thousands	Note	Unaudited as at 31 December 2020	Unaudited as at 31 December 2019	Audited as at 30 June 2020
Assets				
Perpetual capital bonds	3	149,550	152,700	153,750
Total assets		149,550	152,700	153,750
Liabilities				
Perpetual capital notes	4	149,550	152,700	153,750
Total liabilities		149,550	152,700	153,750
Equity				
Share capital		-	-	-
Accumulated losses		-	-	-
Total equity		-	-	-
Total equity and liabilities		149,550	152,700	153,750

The Directors of Kiwi Capital Funding Limited authorised these financial statements for issue on 22 February 2021.



David Smith
Chair

22/02/21



Norbert Bojarski
Director

22/02/21

The notes to the financial statements form an integral part of, and should be read in conjunction with, these financial statements.

Interim financial statements continued

Cash flow statement

For the six months ended 31 December 2020

	Unaudited Six months ended 31 December 2020	Unaudited Six months ended 31 December 2019	Audited Year ended 30 June 2020
Dollars in thousands			
Cash flows from operating activities			
Proceeds from redemption of convertible subordinated bonds	-	100,000	100,000
Distribution received	2,989	5,438	10,875
Interest received	-	3,305	3,305
Interest paid	(2,989)	(8,743)	(14,180)
Net cash flows from operating activities	-	100,000	100,000
Cash flows from financing activities			
Redemption of capital notes	-	(100,000)	(100,000)
Net cash flows from financing activities	-	(100,000)	(100,000)
Increase in cash and cash equivalents	-	-	-
Cash and cash equivalents at beginning of the period/year	-	-	-
Cash and cash equivalents at end of the period/year	-	-	-

Comparative amounts for the six months ended 31 December 2019 have been restated to reclassify 'Proceeds from redemption of convertible subordinated bonds' from investing activities to operating activities.

The notes to the financial statements form an integral part of, and should be read in conjunction with, these financial statements.

Notes to the interim financial statements

1. Reporting entity

These interim financial statements are for Kiwi Capital Funding Limited (the “**Company**”), for the six months ended 31 December 2020 and were approved for issue by the Board of Directors on 22 February 2021.

The Company is incorporated in New Zealand, is wholly owned by Kiwi Group Holdings Limited (“**KGHL**”). KGHL is owned by New Zealand Post Limited (“**NZP**”) (53%), NZSF Tui Investments Limited (“**NZSF**”) (25%) and Accident Compensation Corporation (“**ACC**”) (22%). The ultimate shareholder of the Company is the New Zealand Crown.

The principal activity of the Company is to issue debt securities to the New Zealand public and utilising the proceeds to subscribe for regulatory capital instruments issued by Kiwibank.

2. Summary of significant accounting policies

2.1 Basis of preparation

The Company is an issuer for the purposes of the Financial Reporting Act 2013.

The interim financial statements of the Company have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (“**NZ GAAP**”). They comply with NZ IAS 34 - *Interim Financial Reporting* and IAS 34 - *Interim Financial Reporting*.

These interim financial statements should be read in conjunction with the Company’s audited financial statements for the year ended 30 June 2020, which comply with New Zealand equivalents to International Financial Reporting Standards (“**NZ IFRS**”), International Financial Reporting Standards (“**IFRS**”) and other applicable Financial Reporting Standards, as appropriate for a for-profit entity.

Measurement base

These interim financial statements are based on the general principles of historic cost accounting, modified by the application of fair value measurements for financial instruments held at fair value through profit or loss.

2.2 Accounting policies

The accounting policies adopted in the preparation of the interim financial statements are consistent with those followed in the preparation of the Company’s annual financial statements for the year ended 30 June 2020.

2.3 Functional and presentation currency

The functional and presentation currency of the Company is New Zealand dollars. All amounts are expressed in thousands of New Zealand dollars, unless otherwise stated.

2.4 Comparative balances

Comparative balances presented are from the audited financial statements for the year ended 30 June 2020 and the unaudited interim financial statements for the six months ended 31 December 2019. Certain comparative amounts have been reclassified to align with the current period’s presentation.

2.5 Impact of COVID-19 pandemic on judgements and estimates

The Company continues to assess the impact of the Coronavirus (COVID-19) pandemic on accounting judgements and estimates. There have been no material changes in the judgements and estimates applied from 30 June 2020. Given the nature and operations of the Company, the COVID-19 pandemic does not have a material impact on the Company’s financial statements or operations.

Notes to the interim financial statements continued

3. Financial assets

	Unaudited as at 31 December 2020	Unaudited as at 31 December 2019	Audited as at 30 June 2020
Dollars in thousands			
Perpetual capital bonds	149,550	152,700	153,750
Total (non-current)	149,550	152,700	153,750

Perpetual capital bonds

The Kiwibank Perpetual Bonds are debt securities issued by Kiwibank. The Kiwibank Perpetual Bonds have no maturity and interest is receivable, at the absolute discretion of Kiwibank, quarterly in arrear subject to the condition that Kiwibank and its Banking Group would be solvent after the payment is made. The initial interest rate was 7.25% p.a. On 27 May 2020, the first reset date, the interest rate was reset to 3.985% p.a. until the next reset date of 27 May 2025. The interest rate on the Kiwibank Perpetual Bonds is the same as the interest rate on the perpetual capital notes.

There have been no changes to the terms and conditions of the Company's financial assets from that disclosed in Note 6 of the Company's audited financial statements for the year ended 30 June 2020.

4. Financial liabilities

	Unaudited as at 31 December 2020	Unaudited as at 31 December 2019	Audited as at 30 June 2020
Dollars in thousands			
Perpetual capital notes	149,550	152,700	153,750
Total	149,550	152,700	153,750
Current	569	1,034	569
Non-current	148,981	151,666	153,181
Total	149,550	152,700	153,750

Perpetual capital notes

Perpetual capital notes are perpetual, non-cumulative, unsecured, subordinated, loss absorbing debt securities issued by the Company. Perpetual capital notes have no fixed maturity date and will remain on issue indefinitely unless repaid. The Company has used the proceeds from the issue of the perpetual capital notes to invest in Kiwibank Perpetual Bonds. The perpetual capital notes and Kiwibank Perpetual Bonds are not guaranteed by any person, and none of Kiwibank, KGHL, NZP nor any other person guarantees the obligations of the Company.

There have been no changes to the terms and conditions of the Company's financial liabilities from that disclosed in Note 7 of the Company's audited financial statements for the year ended 30 June 2020.

Notes to the interim financial statements continued

5. Related parties

The Company and Kiwibank have entered into an Administration Agreement under which Kiwibank has agreed to pay, on behalf of the Company, all costs incurred by the Company in relation to its entry into and performance of its obligations with the exception of amounts payable by the Company to holders of the perpetual capital notes.

KCFL is a member of a consolidated tax group with Kiwibank Limited. During the period ended 31 December 2020, KCFL derived taxable income resulting in a tax liability of \$50k, which will be met by Kiwibank Limited (period ended 31 December 2019: \$412k of losses were transferred to Kiwibank Limited; period ended 30 June 2020: \$2,229k losses transferred).

The following tables summarise balances with related parties at the reporting date, transactions with related parties during the period and amounts paid by related parties on behalf of the Company.

Dollars in thousands	Unaudited as at 31 December 2020	Unaudited as at 31 December 2019	Audited as at 30 June 2020
Perpetual capital bonds	149,550	152,700	153,750
Total related party receivable	149,550	152,700	153,750

Dollars in thousands	Unaudited Six months ended 31 December 2020	Unaudited Six months ended 31 December 2019	Audited year ended 30 June 2020
Revenue from related parties - Kiwibank			
Distribution income	2,989	5,438	10,875
Interest income	-	256	256
Total revenue from Kiwibank	2,989	5,694	11,131

Amounts paid by Kiwibank on behalf of the Company

Audit fees - financial statements	-	-	24
Audit fees - other services	-	-	5
Director fees	13	13	24
Trustee fees	9	9	18
Registry fees	24	23	39
Other expenses	30	30	31
Total amounts paid by Kiwibank on behalf of the Company	76	75	141

Tax effect of tax (gains)/losses surrendered to Kiwibank	(50)	412	2,229
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Notes to the interim financial statements continued

6. Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the Board of the Company. The Company operates in only one operating segment, being the issuance of debt securities to the New Zealand public.

7. Capital commitments and contingent liabilities

The Company had no capital commitments or contingent liabilities as at 31 December 2020.

8. Events subsequent to the reporting date

No material events occurred subsequent to the reporting date that require recognition or additional disclosure in these financial statements.