

Kiwi Capital Funding Limited Annual Report and Financial Statements

For the year ended 30 June 2022.

Contents

Directory	1
Directors' report	2
Financial statements	
Income statement	3
Statement of comprehensive income	3
Statement of changes in equity	4
Balance sheet	5
Cash flow statement	6
Notes to the financial statements	7
Independent auditor's report	16

Directory

DIRECTORS David Smith - Chair
Norbert Bojarski

REGISTERED OFFICE Level 9
20 Customhouse Quay
Wellington 6011
New Zealand

TRUSTEE The New Zealand Guardian Trustee Company Limited
(until 27 June 2022) Level 6, 191 Queen Street
Auckland 1010
New Zealand

REGISTRAR Link Market Services Limited
(until 27 June 2022) Level 30, PwC Tower
15 Customs Street West
Auckland 1010
New Zealand

AUDITOR The auditor whose report is referred to in this Annual Report is Jonathan Freeman assisted by
PricewaterhouseCoopers, acting as agent on behalf of the Office of the Auditor-General. His address
for service is PwC Centre, 10 Waterloo Quay, PO Box 243, Wellington 6140, New Zealand.

Directors' report

The Directors have pleasure in presenting the annual report of Kiwi Capital Funding Limited (the "**Company**"), incorporating the financial statements and independent auditor's report, for the year ended 30 June 2022.

With the agreement of the shareholder, the Company has taken advantage of the concessions available to it under section 211 (3) of the Companies Act 1993.

The Directors authorised the financial statements presented on pages 3 to 15 for issue on 2 August 2022.

For and on behalf of the Board



Director



Director

Financial statements

Income statement

For the year ended 30 June 2022

Dollars in thousands	Note	Year ended 30 June 2022	Year ended 30 June 2021
Distributions received - related party		2,968	5,978
Total income		2,968	5,978
Interest expense	3	(2,400)	(5,978)
Net (losses)/gains on financial instruments at fair value	4	(568)	-
Profit before tax		-	-
Income tax	8	-	-
Profit after tax attributable to shareholder		-	-

Statement of comprehensive income

For the year ended 30 June 2022

Dollars in thousands	Year ended 30 June 2022	Year ended 30 June 2021
Profit after tax attributable to shareholder	-	-
Other comprehensive income that may subsequently be reclassified to profit or loss	-	-
Comprehensive income for the year attributable to shareholder	-	-

Financial statements continued

Statement of changes in equity

For the year ended 30 June 2022

Dollars in thousands	Share Capital	Accumulated Losses	Total Equity
Balance at 1 July 2020	-	-	-
Year ended 30 June 2021			
Profit for the year	-	-	-
Other comprehensive income	-	-	-
Total comprehensive income	-	-	-
Transactions with shareholder			
Issue of share capital	-	-	-
Balance at 30 June 2021	-	-	-
Year ended 30 June 2022			
Profit for the year	-	-	-
Other comprehensive income	-	-	-
Total comprehensive income	-	-	-
Transactions with shareholder			
Issue of share capital	-	-	-
Balance at 30 June 2022	-	-	-

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

Financial statements continued

Balance sheet

As at 30 June 2022

Dollars in thousands	Note	As at 30 June 2022	As at 30 June 2021
Assets			
Perpetual capital bond	5	-	150,600
Total assets		-	150,600
Liabilities			
Perpetual capital notes	6	-	150,600
Total liabilities		-	150,600
Equity			
Share capital	9	-	-
Accumulated losses		-	-
Total equity		-	-
Total equity and liabilities		-	150,600

The Directors of Kiwi Capital Funding Limited authorised these financial statements for issue on 2 August 2022.



Director



Director

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

Financial statements continued

Cash flow statement

For the year ended 30 June 2022

Dollars in thousands	Year ended 30 June 2022	Year ended 30 June 2021
Cash flows from operating activities		
Proceeds from redemption of perpetual capital bond	150,000	-
Distribution received	2,968	5,978
Interest paid	(2,968)	(5,978)
Net cash flows from operating activities	150,000	-
Cash flows from financing activities		
Repayment of perpetual capital notes	(150,000)	-
Net cash flows from financing activities	(150,000)	-
Increase in cash and cash equivalents	-	-
Cash and cash equivalents at beginning of the year	-	-
Cash and cash equivalents at end of the year	-	-

Reconciliation of profit after tax to net cash flows from operating activities

Dollars in thousands	Year ended 30 June 2022	Year ended 30 June 2021
Profit after tax	-	-
Movements in operating assets and liabilities		
Redemption of perpetual capital bond	150,000	-
Net cash flows from operating activities	150,000	-

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



Notes to the financial statements

1. Reporting entity

The Company is incorporated in New Zealand and 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 “**Crown**”).

The principal activity of the Company was to issue debt securities to the New Zealand public and utilising the proceeds to subscribe for regulatory capital instruments issued by Kiwibank Limited, a sister entity.

These financial statements are prepared for the year ended 30 June 2022 with the comparative results for the year ended 30 June 2021.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

2.1 Basis of preparation

These financial statements are general purpose financial reports prepared in accordance with the Companies Act 1993, the Financial Reporting Act (“**FRA 2013**”) and the Financial Markets Conduct Act 2013 (“**FMCA 2013**”). The Company is a Financial Market Conduct reporting entity for the purposes of the FMCA 2013 for the year ended 30 June 2022. From 1 July 2022, the Company is no longer a Financial Market Conduct reporting entity for the purposes of the FMCA 2013.

The financial statements of the Company have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (“**NZ GAAP**”). They 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.

Going concern assessment

The Reserve Bank of New Zealand (“**RBNZ**”) published new prudential requirements which led to an amendment to Kiwibank’s conditions of registration with effect from 1 October 2021. This change in conditions of registration resulted in a Regulatory Event which entitled Kiwibank to exercise an option to redeem the Perpetual Capital Bond subject to certain conditions, including RBNZ consent. This repayment occurred on 25 November 2021 and triggered the repayment of the Company’s Perpetual Capital Notes.

The Company is expected to be amalgamated with its’ parent entity Kiwi Group Holdings Limited within the next twelve months, given its principal activity has now ceased. As a result, the directors believe that applying the going concern assumption is not appropriate in the preparation of these financial statements. The Company has applied the recognition and measurement principles, disclosed within the Summary of significant accounting policies, in the preparation of these financial statements.

Notes to the financial statements continued

2. Summary of significant accounting policies continued

2.1 Basis of preparation continued

Historical cost convention

The financial statements have been prepared under the historical cost convention, as modified by the application of fair value measurements for financial instruments held at fair value through profit or loss.

Significant accounting judgements, estimates and assumptions

The preparation of the financial statements in conformity with NZ IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. While management believe that estimates can be reliably measured, actual amounts may differ from those estimates. It is not anticipated that such differences would be material. Estimates and underlying assumptions are reviewed on an ongoing basis. There are no significant accounting estimates in these financial statements.

2.2 New Accounting Standards and Interpretations

Standards and interpretations effective in the current period

New standards, interpretations and amendments to NZ IFRS's which were applicable to the Company for the first time during the financial year were assessed, and it was concluded they have no material impact on the financial position or performance of the Company.

Standards and interpretations issued but not yet effective as at 30 June 2022

At the date of authorisation, no new standards, amendments, or interpretations to existing standards that are not yet effective, are expected to have a material impact on the financial statements of the Company. No standards, amendments or interpretations have been early adopted by the Company in these financial statements.

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 Fair value measurement

The Company measures certain financial instruments at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the reporting date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The Company must have access to the principal or the most advantageous market.

The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their own economic best interest. The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, as described in note 10, based on the lowest level input that is significant to the fair value measurement as a whole.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Company determines whether any transfers between levels in the hierarchy has occurred by re-assessing categorisation at the end of each reporting period.

For the purposes of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2.5 Financial instruments

The designation of financial instruments into categories is determined by the business purpose of the financial instrument, policies and practices for its management, its relationship with other instruments and the reporting costs and benefits associated with each designation.

Notes to the financial statements continued

2. Summary of significant accounting policies continued

2.5 Financial instruments continued

Recognition and measurement

Financial liabilities are designated, upon initial recognition, as at fair value through profit or loss as this designation eliminates or significantly reduces a potential measurement or recognition inconsistency (referred to as 'an accounting mismatch') as financial assets are recognised at fair value. All financial instruments are therefore recognised initially and subsequently measured at fair value. Subsequent changes in fair value are recognised within Net (losses)/gains on financial instruments at fair value within the income statement.

Changes in fair value of the financial liability attributable to own credit risk of the liability are presented in profit or loss as the effects of the changes in the liability's credit risk would otherwise create an accounting mismatch in profit or loss.

Derecognition

A financial asset (or where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired; or
- the Company 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 cannot sell or re-pledge the asset other than to the transferee; or
- either the Company has transferred substantially all the risks and rewards of the asset, or the Company has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

2.6 Share capital

Ordinary shares are classified as equity.

2.7 Taxation

Income tax is recognised in the income statement.

Current tax is the expected tax payable on the taxable income for the period using tax rates enacted or substantively enacted at reporting date after taking advantage of all allowable deductions under current taxation legislation.

Deferred tax is provided in full, using the balance sheet liability method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the reporting date. A deferred taxation asset is recognised only to the extent that it is probable that a future taxable profit will be available against which the temporary differences can be utilised. Tax losses are offset against taxable income of Kiwibank Limited.

2.8 Revenue recognition

Distribution income

Distribution income is recognised when the right to receive payment has been established.

2.9 Expenses

Interest expense

Interest expense is accrued on a time proportion basis by applying the coupon rate for the Perpetual capital notes to the principal outstanding to determine the interest expense in each period. The application of this method has the effect of recognising expense on the financial liability evenly in proportion to the amount outstanding over the period until repayment.

Notes to the financial statements continued

2. Summary of significant accounting policies continued

2.10 Statement of cash flows

The following are the definitions of the terms used in the statement of cash flows:

- (a) Financing activities are those activities which result in changes in the size and composition of the capital structure of the Company. This includes equity and debt not falling within the definition of cash.
- (b) Operating activities include all transactions and other events that are not financing activities. This includes the sale and purchase of the perpetual capital bond.

2.11 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.

3. Interest expense

Dollars in thousands	Year ended 30 June 2022	Year ended 30 June 2021
Perpetual capital notes	2,400	5,978
Total interest expense	2,400	5,978

4. Net (losses)/gains on financial instruments at fair value

Dollars in thousands	Year ended 30 June 2022	Year ended 30 June 2021
Net (losses)/gains arising on:		
Perpetual capital bond	(600)	(3,150)
Perpetual capital notes	32	3,150
Total net (losses)/gains on financial instruments at fair value	(568)	-

5. Financial assets

Dollars in thousands	As at 30 June 2022	As at 30 June 2021
Perpetual capital bond	-	150,600
Total financial assets	-	150,600

The perpetual capital bond ("Kiwibank Perpetual Bond") was a debt security issued by Kiwibank. The Kiwibank Perpetual Bond had no maturity date and interest was 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. The interest rate on the Kiwibank Perpetual Bond was the same as the interest rate on the perpetual capital notes.

On 25 November 2021 the perpetual capital bond was fully repaid (see note 2.1 for the explanation of the events that triggered the repayment).

Notes to the financial statements continued

6. Financial liabilities

	As at	As at
Dollars in thousands	30 June 2022	30 June 2021
Perpetual capital notes	-	150,600
Total financial liabilities	-	150,600

Perpetual capital notes were perpetual, non-cumulative, unsecured, subordinated, loss absorbing debt securities issued by the Company. The perpetual capital notes had no fixed maturity date and would have remained on issue indefinitely unless repaid. The Company had used the proceeds from the issue of the perpetual capital notes to invest in the Kiwibank Perpetual Bond.

The perpetual capital notes had terms that matched the terms of the Kiwibank Perpetual Bond, unless the Kiwibank Perpetual Bond had been converted into ordinary shares. Interest on the perpetual capital notes was scheduled to be paid quarterly in arrear. The initial fixed rate was 7.25% p.a. however on 27 May 2020, the first reset date, was reset to 3.985%. The Company's obligation to pay interest on the perpetual capital notes was subject to the condition that the Company received a corresponding payment of interest on its investment in the Kiwibank Perpetual Bonds. Interest payments on the Kiwibank Perpetual Bond were subject to Kiwibank's absolute discretion.

The perpetual capital notes were fully repaid during the year ended 30 June 2022 and were delisted from the NZX effective 25 November 2021 (see note 2.1 for the explanation of the events that triggered the repayment).

7. Related party transactions

The Company is wholly owned by KGHL. KGHL is owned by NZP, NZSF and ACC. The ultimate shareholder of the Company is the Crown.

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 including Kiwibank Limited. During the year ended 30 June 2022, income with a tax value of \$663k were transferred to and recognised by Kiwibank Limited (year ended 30 June 2021: \$792k 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.

	As at	As at
Dollars in thousands	30 June 2022	30 June 2021
Related party receivable - Kiwibank		
Perpetual capital bond	-	150,600
Total related party receivable	-	150,600

	As at	As at
Dollars in thousands	30 June 2022	30 June 2021
Revenue from related parties - Kiwibank		
Distributions received - related party	2,968	5,978
Total revenue from related parties	2,968	5,978

Notes to the financial statements continued

7. Related party transactions continued

	Year ended	Year ended
Dollars in thousands	30 June 2022	30 June 2021
Amounts paid or incurred by Kiwibank on behalf of the Company		
Audit fees - financial statements	28	27
Audit fees - other services*	-	6
Director fees	25	25
Trustee fees	13	19
Registry fees	23	38
Other expenses	7	31
Total	96	146
Tax effect of tax losses surrendered to Kiwibank	663	792

* "Other services" provided by PwC and disclosed above relates to limited assurance services in relation to reporting on certain matters in the Trust deed.

8. Taxation

	Year ended	Year ended
Dollars in thousands	30 June 2022	30 June 2021
Tax expense		
Profit before tax	-	-
Prima facie income tax at 28%	-	-
Tax effect of:		
Income not subject to tax	(663)	(792)
Tax losses offset	663	792
Tax expense per income statement	-	-

The Company is a member of the Kiwi Group Holdings Limited consolidated tax group and consequently does not maintain an imputation credit account.

9. Equity

The total authorised number of ordinary shares in the Company at the reporting date was 100. All issued ordinary shares are fully paid. All ordinary shares have equal voting rights and share equally in dividends and surpluses on winding up. Ordinary shares do not have a par value. The whole of the issued ordinary share capital is owned by KGHL, which is incorporated in New Zealand.

Notes to the financial statements continued

10. Financial instruments

The term “financial instruments” includes both financial assets and financial liabilities. The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the reporting date in the principal, or in its absence, the most advantageous market to which the Company has access at that date. The accounting policy for the determination of fair value of financial instruments is set out in note 2.

a: Measurement basis of financial assets and liabilities

The accounting policies in note 2 describe how financial instruments at fair value through profit or loss are measured, and how income and expenses, including net gains and losses, are recognised. All financial instruments are measured at fair value through profit and loss.

Financial assets and liabilities carried at fair value

Valuation methodology

The fair values of assets and liabilities carried at fair value were determined by application of the following methods and assumptions:

Financial assets designated at fair value through profit or loss

Estimates of fair value for financial assets designated at fair value through profit or loss are derived from quoted market prices for the equivalent financial liabilities.

Financial liabilities at fair value through profit or loss

Estimates of fair value for financial liabilities at fair value through profit or loss are determined using quoted market prices. The quoted market price used for financial liabilities is the last traded price.

b: Fair value measurement

Assets and liabilities carried at fair value or for which fair values are disclosed have been classified into three levels according to the quality and reliability of information used to determine the fair values. The three levels of the fair value hierarchy are defined as follows:

Level 1 – Fair value measurements are those derived from unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 – Fair value measurements are those where quoted market prices are not available, for example where the instrument is traded in a market that is not considered to be active or valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

Level 3 – Fair value measurements where at least one input which could have a significant effect on the instrument’s valuation is not based on observable market data.

During the year there were no transfers into/out of levels 1, 2 or 3.

Notes to the financial statements continued

10. Financial instruments continued

Dollars in thousands	As at 30 June 2022			
	Level 1	Level 2	Level 3	Total
Financial assets designated at fair value through profit or loss				
Perpetual capital bond	-	-	-	-
Total financial assets designated at fair value through profit or loss	-	-	-	-
Financial liabilities at fair value through profit or loss				
Perpetual capital notes	-	-	-	-
Total financial liabilities at fair value through profit or loss	-	-	-	-

Dollars in thousands	As at 30 June 2021			
	Level 1	Level 2	Level 3	Total
Financial assets designated at fair value through profit or loss				
Perpetual capital bond	-	150,600	-	150,600
Total financial assets designated at fair value through profit or loss	-	150,600	-	150,600
Financial liabilities at fair value through profit or loss				
Perpetual capital notes	150,600	-	-	150,600
Total financial liabilities at fair value through profit or loss	150,600	-	-	150,600

11. Risk management policies

Credit risk

Credit risk is the potential risk of financial loss resulting from the failure of a counterparty to settle its financial and contractual obligations to the Company as they fall due.

Perpetual capital bond

The Company did not have any net credit exposure on the Kiwibank Perpetual Bond as the Company's obligation to make any payments on its perpetual capital notes was conditional to it receiving a corresponding payment from Kiwibank. Therefore credit exposure was transferred to the holders of the perpetual capital notes. The perpetual capital notes were not guaranteed by KGHL, Kiwibank, NZP, ACC, NZSF, the Crown or any other person.

The maximum gross exposure to credit risk arising from the Kiwibank Perpetual Bond is equal to the carrying amount. This represents 100% of the Company's credit exposures. Kiwibank is the only closely related counterparty to which the Company had a credit exposure which exceeded 10% of equity. The Company does not have any foreign currency credit exposure as this was a domestic issuance and was listed on the domestic debt market. Credit risk has been deemed not to be a driver in the valuation of the Company's financial assets and liabilities.

Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. Interest rate risk primarily results from exposures to changes in the level, slope and curvature of the yield curve, the volatility of interest rates and credit spreads. Any change in interest rates on the Kiwibank Perpetual Bond was aligned to an equivalent change in the perpetual capital notes. As a result, changes in interest rates do not have an impact on net profit or loss or equity and the Company does not have any net exposure to interest rate risk.

Liquidity risk

Liquidity risk arises from mismatches in the maturity profiles of financial assets and financial liabilities, plus their settlement characteristics. Maintaining adequate liquidity to meet the current and future payment obligations at a reasonable cost is a core objective of the Company.

The Company managed liquidity risk by aligning the interest rates receivable on its financial assets and payable on its financial liabilities and matching the timing of distributions received and interest payments.

Notes to the financial statements continued

11. Risk management policies continued

Liquidity risk continued

Maturity profile

The table presents the Company's cash flows by remaining contractual maturities as at the reporting date.

The gross cash flows disclosed in the table below are contractual undiscounted cash flows and therefore will not agree to the carrying values on the balance sheet. Actual cash flows can differ significantly from contractual cash flows as a result of future actions of the Company and its counterparty.

As at 30 June 2022						
Dollars in thousands	No later than 1 month	1 - 3 months	3 - 12 months	1 - 5 years	More than 5 years	Gross cash inflow/outflow
Financial assets						
Perpetual capital bond	-	-	-	-	-	-
Total cash inflows	-	-	-	-	-	-
Financial liabilities						
Perpetual capital notes	-	-	-	-	-	-
Total cash outflows	-	-	-	-	-	-
Net cash flows	-	-	-	-	-	-
Cumulative net cash flows	-	-	-	-	-	-

As at 30 June 2021						
Dollars in thousands	No later than 1 month	1 - 3 months	3 - 12 months	1 - 5 years	More than 5 years	Gross cash inflow/outflow
Financial assets						
Perpetual capital bond	-	1,494	4,483	23,910	150,000	179,887
Total cash inflows	-	1,494	4,483	23,910	150,000	179,887
Financial liabilities						
Perpetual capital notes	-	(1,494)	(4,483)	(23,910)	(150,000)	(179,887)
Total cash outflows	-	(1,494)	(4,483)	(23,910)	(150,000)	(179,887)
Net cash flows	-	-	-	-	-	-
Cumulative net cash flows	-	-	-	-	-	-

The perpetual capital bond and the perpetual capital notes had no maturity dates, therefore the cash flows for the period beyond 5 years was not able to be reliably estimated. The principal amounts of the perpetual capital bond and perpetual capital notes were included in the "More than 5 years" column. Cash flows in relation to perpetual capital notes were conditional upon the Company receiving a corresponding cash flow in relation to perpetual capital bond. As at 30 June 2022 this is no longer the case as both the perpetual capital bond and the perpetual capital notes have been redeemed.

12. Capital commitments and contingent liabilities

The Company had no capital commitments or contingent liabilities at the reporting date (30 June 2021: same).

13. Events subsequent to the reporting date

There are no material events that have occurred subsequent to the reporting date that require recognition or additional disclosure in these financial statements.



Independent Auditor's Report

To the shareholder of Kiwi Capital Funding Limited's financial statements for the year ended 30 June 2022.

The Auditor-General is the auditor of Kiwi Capital Funding Limited (the "Company"). The Auditor-General has appointed me, Jonathan Freeman, using the staff and resources of PricewaterhouseCoopers, to carry out the audit of the financial statements of the Company on his behalf.

We have audited the financial statements of the Company on pages 3 to 15, that comprise:

- the balance sheet as at 30 June 2022;
- the income statement for the year then ended;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the cash flow statement for the year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 30 June 2022, and its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards ("NZ IFRS") and International Financial Reporting Standards ("IFRS").

Basis for our opinion

We conducted our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the Auditor-General's Auditing Standards, which incorporate Professional and Ethical Standard 1: *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand) (PES 1)* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Other than in our capacity as auditor we have no relationship with, or interests in, the Company.

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

Emphasis of matter - the financial statements are not prepared on a going concern basis

Without modifying our opinion, we draw attention to note 2.1, which outlines that the financial statements have not been prepared on a going concern basis as the Company's principal activity has ceased following the repayment of the Perpetual Capital Notes. The Company is expected to be amalgamated with its parent entity within the next twelve months.



Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. Prior to the cessation of the Company's principal activity, the Company obtained funding from the issue of debt securities to the New Zealand market to subscribe for regulatory capital instruments issued by Kiwibank Limited, a sister entity. We have determined that there are no key audit matters to communicate in our report.

Our audit approach

Overview

Materiality	Overall materiality: \$750,000, which represents approximately 1% of the average of total assets as at 30 June 2021 and 30 June 2022. We chose average total assets as the benchmark because, in our view, it is the most relevant benchmark for the Company as it is a special purpose vehicle to issue debt securities.
Key audit matters	As reported above in the <i>Key audit matters</i> section of our report, we have not identified any key audit matters from our audit given the nature of the Company.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which the Company operates.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance about whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out above. These, together with qualitative considerations, helped us to determine the scope of our audit, the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.



Other information

The Directors are responsible on behalf of the Company for the other information. The other information comprises the information included on pages 1 to 2, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' responsibilities for the financial statements

The Directors are responsible on behalf of the Company for the preparation and fair presentation of the financial statements in accordance with NZ IFRS and IFRS, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible on behalf of the Company for assessing the Company'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 the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Directors' responsibilities arise from the Financial Markets Conduct Act 2013.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole 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 the Auditor-General's Auditing Standards 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 shareholders taken on the basis of these financial statements.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of the use of the going concern basis of accounting by the directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Our responsibilities arise from the Public Audit Act 2001.

A handwritten signature in black ink, appearing to read 'Jonathan Freeman'.

Jonathan Freeman

A handwritten signature in black ink, appearing to read 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

On behalf of the Auditor-General
Wellington, New Zealand
2 August 2022

