TE RŪNANGA O
TOA RANGATIRA

Kimihia Number 1 Limited
Financial Statements
For the period ended 30 June 2023

Contents

Kimihia Number 1 Limited
Corporate information

Nature of business
Investment property leasing

Date of incorporation
13 October 2021

Company number
8243989

Charities registration
CC59506

Registered office
26 Ngatitoa Street
Porirua
New Zealand

Shareholder	Ordinary share
Te Tumu Whakatupu Limited	60,000,000

Auditors
Ernst & Young

Bankers
ANZ Bank New Zealand Limited

Solicitors
Dentons Kensington Swan
Wellington

Kimihia Number 1 Limited
Directors' report

The directors present their annual report including financial statements of Kimihia Number 1 Limited ("the Company") for the period ended 30 June 2023.

Reporting entity

The business of the Company is investment property leasing. The nature of the Company's business has not changed during the nine month period.

Auditors

The Company's auditors are Ernst & Young (2022: BDO Wellington Audit Limited). Ernst & Young were appointed auditors during the year and are willing to continue as the company auditors.

Directors' disclosures

The following held office as directors during the year:

Christian Aaron Katene	Appointed: 13 October 2021
Helmut Karewa Modlik	Appointed: 13 October 2021
Leon Daniel Grandy	Appointed: 13 October 2021

There were no entries recorded in the register of interests.

No director acquired or disposed of any interest in shares in the Company.

Directors received $nil remuneration for the year (2022: $nil).

The board of directors received no notice during the year from any director wishing to use company information received in their capacity as a director which would not have ordinarily been available.

The directors are covered by an indemnity insurance covering professional, management and general liability up to $10,000,000 (2022: $5,000,000) for any one claim, and for employers and statutory liability up to $2,500,000 (2022:$500,000). The insurance is part of an association combined insurance plan paid for by Te Rūnanga o Toa Rangatira Incorporated to cover the officers of the Company.

Donations

No donations were made by the Company during the period.

Employee and director remuneration

Pursuant to section 211(g) of the Companies Act 1993, no employee or director received remuneration and/or any other benefits exceeding $100,000 during the year.

For and on behalf of the Board of Directors:

Leon Grandy (Oct 27, 2023 08:58 GMT+9)

Leon Daniel Grandy
Board Chairman - 27 October 2023

Helmut Karewa Modlik
Director - 27 October 2023

Kimihia Number 1 Limited

Statement of Service Performance

For the year ended 30 June 2023

Who are we and why do we exist?

Who are we and why do we exist?	**Kimihia Number 1 is the asset holding company for Ngāti Toa's first tranche of deferred selection properties.**	
	The purpose of the Company is to:	Manage the whenua of 40 public schools across Porirua and Wellington rohe and the leaseback to the Ministry of Education.
		Hold and maintain DSP/settlement assets for the benefit of the charitable purposes of Ngāti Toa Rangatira.

What are our strategic focus areas?

Accumulate property appreciation from 40 schools for the benefit of the future generations of Ngāti Toa Rangatira.

Generate fixed rental income to service syndicated debt over the next 30 to 35 years.

Create steady income in the future once syndicated loan is fully repaid.

Kimihia Number 1 aligns itself with the overall ohanga of Te Rūnanga o Toa Rangatira group in growing the economic base of Ngāti Toa Rangatira.

In delivering the output for this entity expenditure is presented under the measure of Total expenses which includes Direct Costs and Operating Expenditure including depreciation and interest.

Kimihia Number 1 Limited

Statement of Service Performance

For the year ended 30 June 2023

What did we do?

Settlement between Ngāti Toa Rangatira and the Ministry of Education completed on 5 May 2022, securing Ngāti Toa Rangatira's purchase and lease back of the land of 40 public schools across the Porirua and Wellington rohe. Kimihia Number 1 Limited was formed as a special purpose vehicle to hold the assets.

The purchase of the properties was made possible through the iwi Deferred Selection Properties which forms part of the broader Ngāti Toa Rangatira Claims Settlement Act 2014. The deal didn’t come without its challenges, working with the Ministry of Education over an 18 month period to secure the deal, as well as sourcing lending partners to fund the majority of the purchase was a huge undertaking.

The initial deal equates to a total of approximately 144 hectares throughout our rohe, making Ngāti Toa the largest landlord of the Ministry of Education. Upon purchase settlement, we got an immediate $88m boost to our equity on the land due to the 20% discount attached to the deal.

Ngāti Toa Rangatira was recognised on 25 May 2023 during the Institute of Finance Awards dinner, where we won the Debt Deal of the Year award. This achievement testifies to the hard work and commitment the team put in to get the DSP kaupapa across the line.

“The winning transaction not only solved a capital market holy grail in monetising government cash flows, it also provided an intergenerational solution to the client’s property investment objectives and may serve as a neat precedent for similar Treaty settlement outcomes.”

While we will not see any income for the next 30 to 35 years due to loan repayments, it ensures that our mokopuna and future generations will be in a strong financial position and benefit from a steady income in perpetuity. Beyond the financial gains this deal will procure, the most meaningful acquirement is the whenua. The importance of land to Māori has been paramount throughout Aotearoa, our iwi history and mana comes from this whenua.

40 schools

144 hectares of whenua

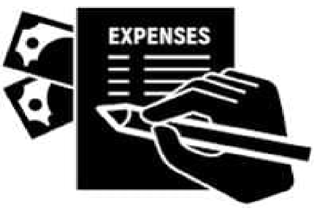
Rent in perpetuity

Kimihia Number 1 Limited

Statement of Service Performance

For the year ended 30 June 2023

How did we perform?

	2023	2022
	**$423m** Total market value of 40 schools	**$448m** Total market value of 40 schools
	**$22m** Rental income generated	**$3m** Rental income generated
	**$549k** Average school rental income	**$83k** Average school rental income
	**$18m** Total expenses (including interest expenses)	**$8m** Total expenses (including interest expenses)

EY

How did we perform? (continued)

Top 3 schools (by rental income)

School	2023	2022
TAWA COLLEGE (DO JUSTLY)	$2.1m	$311k
EVANS BAY INTERMEDIATE SCHOOL TE KURA O TE AKAUTANGI	$1.8m	$277k
AOTEA COLLEGE	$1.4m	$213k

Kimihia Number 1 Limited
Statement of comprehensive revenue and expense
For the period ended 30 June 2023

	Note	2023 $000's	2022 $000's
Revenue from exchange transactions	4	21,978	3,337
(Loss)/Gain on revaluation of investment property	8	(25,385)	96,037
Total operating revenue		**(3,407)**	**99,374**
Expenses			
Accounting fees		(4)	(90)
Audit fees		(28)	(26)
Consultants fees		-	(587)
Debt origination fees		-	(2,797)
Funding arrangement and establishment fees		-	(1,056)
Legal Fees		(4)	(202)
Other expenses		(431)	(61)
Valuation fees		(69)	(144)
Total operating expenses		**(536)**	**(4,963)**
(Deficit)/Surplus before net income on financial investments		**(3,943)**	**94,411**
Gain on revaluation of financial assets at fair value through surplus	7	13,521	225
Interest income		385	32
Interest expense		(17,120)	(2,583)
Net interest and revaluation income		**(3,214)**	**(2,326)**
(Deficit)/Surplus for the year		**(7,157)**	**92,084**
Total comprehensive revenue and expense for the year		**(7,157)**	**92,084**

The above statement of comprehensive revenue and expenses should be read in conjunction with the accompanying notes.

EY

Kimihia Number 1 Limited
Statement of financial position
As at 30 June 2023

	Note	2023 $000's	2022 $000's
Assets			
Current assets			
Cash and cash equivalents	5	9,892	9,331
Trade and other receivables	6	-	1,267
		9,892	**10,598**
Non-current assets			
Derivative financial instruments	7	13,746	225
Investment property	8	422,830	448,215
		436,576	**448,440**
Total assets		**446,468**	**459,038**
Liabilities			
Current liabilities			
Trade and other payables	9	2,907	3,114
Deferred Income		9	-
Loans and borrowings	10	1,380	1,314
		4,296	**4,428**
Non-current liabilities			
Loans and borrowings	10	301,144	302,525
		301,144	**302,525**
Total liabilities		**305,440**	**306,953**
Net assets		**141,028**	**152,084**
Equity			
Share capital	11	60,000	60,000
Accumulated comprehensive revenue and expense		81,028	92,084
Total equity		**141,028**	**152,084**

For and on behalf of the Board, who authorised the issue of these financial statements on:

Leon Grandy (Oct 27, 2023 08:58 GMT+9)

Leon Daniel Grandy
Board Chairman - 27 October 2023

Helmut Karewa Modlik
Director - 27 October 2023

The above statement of financial position should be read in conjunction with the accompanying notes.

EY

Kimihia Number 1 Limited
Statement of changes in equity
For the period ended 30 June 2023

	Share Capital (note 11) $000's	Accumulated comprehensive revenue and expense $000's	Total Equity $000's
Balance at 1 July 2022	60,000	92,084	152,084
Comprehensive revenue and expense for the year			
Distribution	-	(3,900)	(3,900)
Surplus for the year	-	(7,157)	(7,157)
	-	**(11,057)**	**(11,057)**
Balance at 30 June 2023	**60,000**	**81,028**	**141,028**
Balance at 13 October 2021	-	-	-
Comprehensive revenue and expense for the year			
Surplus for the year	-	92,084	92,084
	-	**92,084**	**92,084**
Transactions with owners			
Share capital issued	60,000	-	60,000
Balance at 30 June 2022	**60,000**	**92,084**	**152,084**

The above statement of changes in equity should be read in conjunction with the accompanying notes.

EY

Kimihia Number 1 Limited
Statement of cash flows
For the period ended 30 June 2023

	Note	2023 $000's	2022 $000's
Cash flows from operating activities			
Proceeds from rental income		21,988	3,337
Interest received		385	32
Payments made to suppliers and others		(555)	(4,836)
Net GST received (paid)		(1)	274
Net cash outflow from operating activities		**21,817**	**(1,193)**
Cash flows from investing activities			
Acquisition of investment property		-	(352,178)
Advances - related parties		1,265	(1,265)
Net cash outflow from investing activities		**1,265**	**(353,443)**
Cash flows from financing activities			
Loans and borrowings		(1,315)	303,839
Interest paid		(17,225)	-
Advances - related parties		(82)	128
Share capital issued		-	60,000
Distribution paid		(3,900)	-
Net cash inflow from financing activities		**(22,522)**	**363,967**
Net increase in cash and cash equivalents		**560**	**9,331**
Cash and cash equivalents at 13 October		9,331	-
Cash and cash equivalents at 30 June	5	**9,892**	**9,331**

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

1 Reporting entity

The financial statements of Kimihia Number 1 Limited ("the Company") for the period ended 30 June 2023 were authorised for issue in accordance with a resolution of the directors.

The Company is a public benefit entity incorporated in New Zealand under the Companies Act 1993 and registered on the Charities Services register on 13 October 2021.

The principal business operation of the Company is the management of investment property. There has been no change in the principal activities of the Company during the year. These financial statements are for the year ended 30 June 2023, with comparatives for an 8.5 month period from incorporation to 30 June 2022.

2 Basis of preparation

a) Statement of compliance

The financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 2013, which includes the requirement to comply with New Zealand Generally Accepted Accounting Practice (NZ GAAP). As a registered charity, the Company is required to prepare financial statements in accordance with NZ GAAP as specified in standard XRB A1.

The Company is a public benefit entity for the purpose of complying with NZ GAAP. The company qualifies for Tier 2 reporting as it does not have public accountability and for the past reporting period it has had between $2m and $30m operating expenditure. The Company reports as a Tier 2 entity and has used accounting policies consistent with its shareholder Te Tumu Whakatupu Limited, and the ultimate parent entity, Te Rūnanga o Toa Rangatira Incorporated.

The Company has taken advantage of reduced reporting disclosure requirements available and the financial statements comply with Public Benefit Entity Standards Reduced Disclosure Regime ("PBE Standards RDR") as appropriate for Tier 2 not-for-profit public benefit entities.

These financial statements are for the period ended 30 June 2023 and were authorised for issue by the Board on 27 October 2023.

b) Measurement basis

The financial statements have been prepared on an historical cost basis except for the following items, which are measured at fair value on each reporting date.

Items	Note	Measurement bases
Derivative financial instruments (financial liabilities at fair value through surplus/deficit-held for trading)	7	Fair value
Investment property	8	Fair value

c) Functional and presentation currency

The financial statements are presented in New Zealand dollars rounded to the nearest thousand, which is the Company's functional currency.

d) Goods and services tax (GST)

All amounts shown in these statements are shown exclusive of GST except for receivables and payables that are stated inclusive of GST.

e) Changes in accounting policies

Other than the adoption of new PBE standards and amendments to PBE standards as disclosed below, there have been no changes in the accounting policies of the Company during the year. All other accounting policies have been applied consistently to all periods presented in these financial statements.

EY

2 Basis of preparation (continued)

e) Changes in accounting policies (continued)

The following accounting standards came into effect during the year and have been adopted by the Company.

PBE IPSAS 1 Going concern disclosures

Changes to PBE IPSAS 1 with specific relation to going concern disclosures came into effect on 1 July 2022. The Company has assessed these changes and there are no impacts on the financial statements as the Company remains a going concern.

PBE IPSAS 41 Financial instruments

The standard replaces parts 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 Company has applied PBE IPSAS 41 prospectively, with an initial application date of 1 July 2022. The Company has not restated comparative information as it is not required by the standard, 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.

Adopting PBE IPSAS 41 at 1 July 2022 resulted in a change in measurement category of assets rather than any changes to the value of assets or liabilities. The nature of adjustments are described below:

(i) Classification and measurement of financial assets 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 measured at amortised cost replaces the previous measurement category: loans and receivables, the change in category is outlined in the table below. The classification is based on two criteria: (1) the Company's business model for managing the assets; and (2) whether the instruments' contractual cash flows represent 'soley payments of principal and interest' on the principal amount outstanding.

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

Receivables from exchange and non-exchange transactions, term deposits and loans to related parties were classified as 'loans and receivables' at at 30 June 2022 and are held to collect contractual cash flows and give rise to cash flows representing soley payments of principal and interest. These are classified and measured as debt instruments at amortised cost beginning on 1 July 2022.

Upon adoption of PBE IPSAS 41, the Company had 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's	$000's
Financial assets				
Cash and cash equivalents	Loans and receivables	Amortised cost	9,331	9,331
Trade and other receivables	Loans and receivables	Amortised cost	1,267	1,267
Interest rate swaps	FVTSD	FVTSD	225	225
Financial liabilities				
Interest bearing bank borrowings	Amortised cost	Amortised cost	303,839	303,839
Accounts payable	Amortised cost	Amortised cost	3,114	3,114

FVTSD = Fair value through surplus or deficit

EY

2 Basis of preparation (continued)

(ii) Impairment

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

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

(iii) Hedge accounting

The Company does not apply hedge accounting and consequently, there was no impact on adopting PBE IPSAS 41.

f) Comparatives

Where necessary, comparative figures have been reclassified to conform with changes in presentation in the current year.

3 Significant accounting policies

Accounting polices are selected and applied in a manner which ensures the resulting financial information satisfies the concepts of relevance and reliability, ensuring the substance of the underlying transaction or other events is reported.

a) Cash and cash equivalents

Cash and cash equivalents consist of short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value with original maturities of three months or less.

b) Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Bad debts are written off in the year in which they are identified.

c) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not held for sale in the ordinary course of business, use in the production or supply of goods or services, or for administrative purposes.

Investment property is initially measured at cost, except those acquired through non-exchange transactions which are instead measured at fair value. Cost includes expenditure that is directly attributable to the acquisition of the investment property.

Investment properties are subsequently measured at fair value by an independent professional. Investment property valuations are reviewed annually with fair value gains and losses being recognised in surplus or deficit.

d) Trade and other payables from exchange transactions

Trade and other payables are recognised when the company becomes obliged to make future payments resulting from the purchase of goods and or services.

e) Loans and borrowings

Loans and borrowings are financial liabilities with fixed or determinable payments that are not quoted in an active market. Loans and borrowings are subsequently measured at amortised cost using the effective interest rate method, less any impairment losses.

3 Significant accounting policies (continued)

f) Revenue

Revenue arises from exchange and non-exchange transactions. Revenue is recognised when the amount of revenue can be measured reliably and it is probable that benefits will flow to the Company. Revenue is measured at the fair value of consideration received or receivable. The following specific recognition criteria in relation to the Company's revenue streams must also be met before revenue is recognised.

Revenue from exchange transactions

Exchange transactions are transactions in which the Company receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services, or use of assets) to the other party in exchange.

(i) Rental income

Rental income on investment property leases is recognised in surplus or deficit on a straight line basis over the term of the lease (note 12).

Revenue from non-exchange transactions

Non-exchange transactions are those where the Company receives an inflow of resources but provides nominal, or no direct consideration in return for the inflow. Inflows of resources from non-exchange transactions are only recognised as assets where it is probable that the associated future economic benefit or service will flow to the entity and fair value can be reliably measured.

g) Operating leases - lessor

Rental lease revenue excludes receipts from reimbursements for services which are recognised when the customer has received an invoice for the service. Costs incurred in earning the rental lease revenue are recognised as an expense as they are incurred.

h) Income tax

The Company has charitable status for income tax purposes and is therefore not liable for income tax.

i) Financial instruments

Financial Assets

(i) Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, FVOCRE, or FVTSD.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company'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 Company has applied a practical expedient, the Company 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 or FVOCRE, 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.

The Company'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 while financial assets classified and measured at FVOCRE are held within a business model with the objective of both holding to collect contractual cash flows and selling.

3 Significant accounting policies (continued)

Financial Assets (continued)

The Company's financial assets include: cash and short-term deposits, receivables from exchange and non-exchange transactions, loans, loans to related parties, unquoted financial instruments and derivative financial instruments.

(ii) Subsequent measurement

For purposes of subsequent measurement, financial assets are classified into three categories:
financial assets at amortised cost (debt instruments)
financial assets at FVOCRE with recycling of cumulative gains or losses (debt instruments)
financial assets at fair value through surplus or deficit.

(iii) Impairment

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company; or
- the financial asset is more than 90 days old.

The Company considers writing off a financial asset primarily when the debt is older than a year and there has been no response after six months of being sent to debt collectors, however this is treated on a case by case basis.

The Company considers fixed interest and term deposit financial instruments to have low credit risk when its credit rating is equivalent to a credit rating of A+ or higher. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial asset. The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to the credit risk.

Debt instruments at amortised cost are held to maturity and may generate a fixed or variable interest income for the Company. The carrying value may be affected by changes in the credit risk of the counterparties.

Financial liabilities

(i) Initial recognition and measurement

Financial liabilities at amortised cost are classified, at initial recognition and include loans and borrowings, or payables. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Company’s financial liabilities include payables under exchange transactions and loans and borrowings.

(ii) Subsequent measurement

After initial recognition, interest-bearing loans and borrowings or payables are subsequently measured at amortised cost using the effective interest rate (EIR) method. Gains or losses are recognised in surplus or deficit when the liabilities are derecognised as well as through the 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. The EIR amortisation is included as finance costs in the statement of financial performance.

(iii) Derecognition

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

3 Significant accounting policies (continued)

i) Financial instruments (continued)

(iv) Derivative financial instruments and hedge accounting

The Company uses derivative financial instruments, such as interest rate swaps, to manage its interest rate risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value.

Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. For the purpose of hedge accounting, hedges are classified as cash flow hedges when hedging the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability. Our interest rate hedges are classified as fair value hedges and hedge accounting is not applied. Any changes in fair value is recognised through (loss)/gain on revaluation of financial assets at fair value through surplus and deficit.

Impairment of non-derivative financial assets

A financial asset is assessed at each reporting date to determine whether there is objective evidence that it is impaired.

A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that the loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a counterparty, restructuring of an amount due on terms that would not consider otherwise, indications that a counterparty or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers.

4 Revenue from exchange transactions

	2023 $000's	2022 $000's
Rental income	21,978	3,337
Total trading revenue from exchange transactions	**21,978**	**3,337**

5 Cash and cash equivalents

	2023 $000's	2022 $000's
Cash at bank and on hand	9,892	9,331
Cash and cash equivalents in the statement of cash flows	**9,892**	**9,331**

Per annum annual interest rate as of 30 June to components of cash and cash equivalents:

	2023	2022
Bank deposits	5.00%	1.50%
Call deposits	5.50%	2.00%

The Company has no control over the bank accounts which are managed by the security trustee, NZ Guardian Trust.

There is no overdraft facility.

6 Trade and other receivables

	Note	2023	2022 $000's
Current			
Trade and other receivables			
Related party advances	13b	-	1,267
Total current trade and other receivables		**-**	**1,267**

7 Derivative financial assets at fair value through surplus/deficit-held for trading

	2023	2022 $000's
Interest rate swaps	13,746	225
Total derivative financial assets at fair value through surplus/deficit-held for trading	**13,746**	**225**

8 Investment property

	2023 $000's	2022 $000's
Reconciliation of carrying amount		
Balance at beginning of the year	448,215	-
Additions - from acquisitions	-	352,178
Fair value adjustment	(25,385)	96,037
Balance at 30 June	**422,830**	**448,215**

Investment property consists of school grounds in Wellington and Porirua, that are subject to leaseback arrangements with the Ministry of Education. The leaseback arrangements have initial terms to 21 years with further perpetual terms of renewal.

Market source data has been used to determine the market value of the properties assessed by Darroch Property Advisors and Valuers. The valuer used a comparison approach using recent market transactions that had occurred on an arm's length basis. Land is valued at fair value using market-based evidence based on its highest and best use with reference to comparable land values.

Land valuations were updated on 30 June 2023 by Darroch Property Advisors and Valuers. The method of valuation used to determine fair value is the income capitalisation or discounted cashflow approach with a check by the direct comparison approach.

The valuer used by the Company is independent and a member of the NZ Institute of Valuers.

9 Trade and other payables

	Note	2023 $000's	2022 $000's
Sundry accruals		2,587	2,711
GST payable		274	275
Related party payables	13b	46	128
Total trade and other payables		**2,907**	**3,114**

10 Loans and borrowings

	2023 $000's	2022 $000's
Current		
Secured bank loans	1,380	1,314
Non-current		
Secured bank loans	301,144	302,525
Total current and non-current loans and borrowings	**302,524**	**303,839**

EY

10 Loans and borrowings (continued)

Terms and repayment schedule
The terms and conditions of outstanding loans are as follows:

		2023	
	Year of maturity	Face value $000's	Carrying amount $000's
Secured bank loan	2037	95,480	94,287
Secured bank loan	2037	95,480	94,287
Secured bank loan	2037	95,480	94,287
Secured bank loan	2037	19,913	19,664
Total interest-bearing liabilities		**306,353**	**302,524**

		2022	
	Year of maturity	Face value $000's	Carrying amount $000's
Secured bank loan	2037	95,895	94,696
Secured bank loan	2037	95,895	94,696
Secured bank loan	2037	95,895	94,696
Secured bank loan	2037	20,000	19,750
Total interest-bearing liabilities		**307,685**	**303,839**

All loans and other borrowings are in New Zealand dollars. The bank loans are secured over land with a fair value of $422.8m.

11 Share capital

	2023		2022	
	Number of shares 000's	$000's	Number of shares 000's	$000's
Balance at beginning of the year	60,000	60,000	-	-
Shares issued	-	-	60,000	60,000
Balance at 30 June	**60,000**	**60,000**	**60,000**	**60,000**

Ordinary shares are issued and fully paid at $1.00 each and have no par value. Each share carries the right to vote at a meeting of shareholders, receive dividends as duly declared by directors and receive a share of any surplus on dissolution of the Company.

Ordinary shares may be held only by an entity that is established exclusively for charitable purposes that is consistent with the objectives of the Company.

12 Leases (as lessor)

Minimum future lease payments receivable under non-cancellable operating leases are as follows:

	2023 $000's	2022 $000's
Within one year	21,978	21,978
Between one and five years	87,910	87,910
More than five years	326,000	347,977
Total minimum future lease receivable	**435,888**	**457,865**

13 Related party disclosures

a) Ultimate parent

Te Rūnanga o Toa Rangatira Incorporated is the ultimate controlling entity and owns 100% of the shares in Te Tumu Whakatupu Limited, the 100% shareholder of the Company. Te Tumu owns $60m worth of Kimihia's share capital (see note 11).

b) Transactions with related parties

The Company pays $350,000 p.a. of administration fees commencing 5 May 2022 to Te Rūnanga o Toa Rangatira Incorporated (indexed from the Commencement Date and at each anniversary of the Commencement Date at 2%). The administration fees incorporates all management and related staff expenses for services provided to the Company to manage day to day operations.

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year:

		Related party receivables $000's	Related party payables $000's
Ultimate controlling entity	2023	-	46
	2022	-	128
Te Tumu Whakatupu Limited	2023	-	-
	2022	1,267	-

During the reporting period, the Company paid nil (2022: $675,400) to Armillary Limited. Mr. Leon Grandy is a director of both Armillary Limited and Kimihia Number 1 Limited.

The directors are covered by an indemnity insurance covering professional, management and general liability up to $10,000,000 (2022:$5,000,000) for any one claim, and for employers and statutory liability up to $2,500,000 (2022:$500,000). The insurance is part of an association combined insurance plan paid for by Te Rūnanga o Toa Rangatira Incorporated to cover the officers of the Company.

14 Key management personnel

Key management personnel of the Company includes the directors of the Company and senior management. The directors and senior management are employed by other group companies, with no recharge to the Company for their services.

15 Contingencies and commitments

a) Contingent liabilities

At reporting date there are no known contingent liabilities (2022: $nil).

b) Commitments

There were no commitments other than those in the ordinary course of business (2022: $nil).

16 Significant events after reporting date

There were no significant events occurring after reporting date which may affect either the Company's operations or results of those operations or the Company's state of affairs.

Independent Auditor's Report

To the members of Kimihia Number 1 Limited

Opinion

We have audited the financial statements and statement of service performance (the "performance report") of Kimihia Number 1 Limited (the "Entity"), which comprises the service performance information, the statement of financial position of the Entity as at 30 June 2023, and the statement of comprehensive revenue and expense, statement of changes in equity and statement of cash flows for the year then ended of the Entity and the notes to the financial statements including a summary of significant accounting policies.

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

- the financial position of the Entity as at 30 June 2023 and its financial performance and cash flows for the year then ended
- the service performance for the year ended 30 June 2023 in accordance with the Entity's service performance criteria

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

This report is made solely to the Entity's members, as a body. Our audit has been undertaken so that we might state to the Entity'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 Entity and the Entity'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 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 Entity 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.

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Other than in our capacity as auditor we have no relationship with, or interest in, the Entity. Partners and employees of our firm may deal with the Entity on normal terms within the ordinary course of trading activities of the business of the Entity.

Other matter

The corresponding figures in the service performance information of the Entity, being those measures related to the year ended 30 June 2023, were not audited.

The independent audit report in relation to the Group's consolidated financial statements for the year ended 30 June 2022 was issued by another assurance provider who expressed an unmodified opinion on the consolidated financial statements on 25 October 2022.

Directors' responsibilities for the performance report

The directors are responsible, on behalf of the Entity, for;

- the preparation and fair presentation of the financial statements and service performance information in accordance Public Benefit Entity Standards Reduced Disclosure Regime 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 Reduced Disclosure Regime issued by the New Zealand Accounting Standards Board; and
- such internal control as the directors determine is necessary to enable the preparation of financial statements and service performance information that is free from material misstatement, whether due to fraud or error.

In preparing the performance report, the directors are responsible for assessing on behalf of the entity the Entity'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 Entity 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 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.

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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-14/. This description forms part of our auditor's report.

Ernst + Young

Chartered Accountants
Wellington
31 October 2023