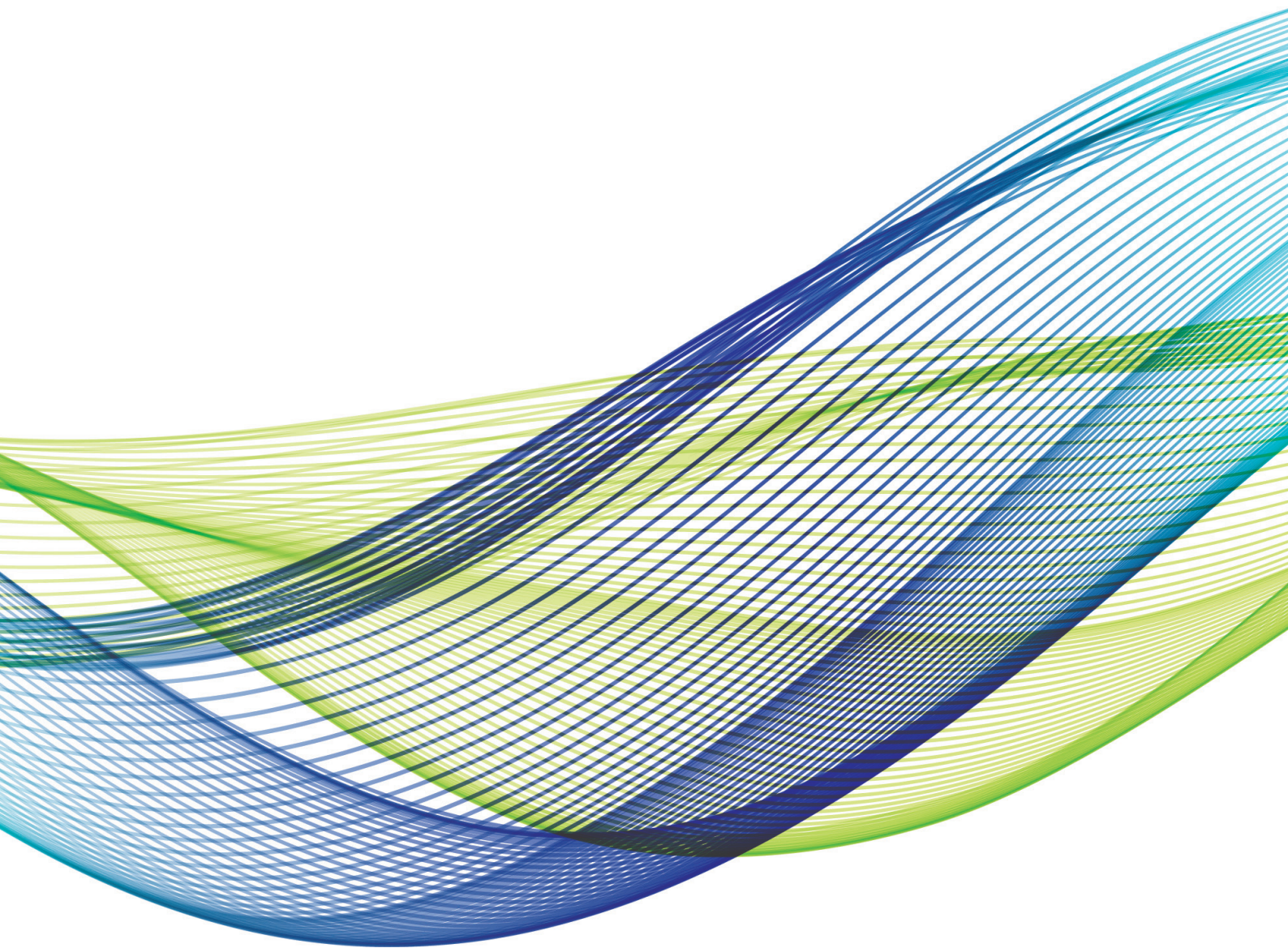


ANNUAL REPORT 2018



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ANNUAL REPORT AND STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2018

Your Directors have pleasure in submitting the 58th Annual Report of the affairs of the Company (formerly New Zealand Local Government Insurance Corporation Ltd trading as Civic Assurance) for the year ended 31 December 2018, which is to be presented at the Annual General Meeting of Members in June 2019.

1. PERFORMANCE

Civic's before-tax profit in 2018 was \$1,196,342 (2017: \$30,812).

This compares favourably to the forecasted surplus of \$447,954 as set out in the 2018 Statement of Intent.

This is primarily due to an increase in administration income of \$114,000, lower than anticipated administration expenses of \$244,000 and the uplift in value associated with the completed portion of seismic strengthening work of \$352,000 included in the latest valuation of Civic Assurance House.

2. OPERATIONS*Administration Services*

Fees in 2018 from providing services to LAPP, Riskpool and the SuperEasy and SuperEasy KiwiSaver Superannuation Schemes were \$2,792,697 (2017: \$2,750,037).

Investment Revenue

Income from investments was \$262,878 (2017: \$173,515). Income from Civic Assurance House was \$885,736 (2017: \$808,771).

Civic Assurance House

At the Special General Meeting on 5 October 2017 held in Wellington our shareholders voted in favour of the resolution to sell Civic Assurance House.

As part of the sales pack we had requested an updated seismic assessment review before taking the building to market.

The ongoing seismic assessment review identified there was strengthening work required for the non-structural south and west boundary walls of Civic Assurance House. Having taken professional advice your Board decided to complete this work prior to taking the building to market. This work will be completed by 31 March 2019 at which time the building will be put on the market with an expected NBS rating of 70%.

Payment of Special Dividend

As communicated in the Statement of Intent in April of last year, if a satisfactory price for the building can be obtained the proceeds net of selling costs will be distributed to shareholders via a special dividend. It is felt that having undertaken the necessary work to obtain an earthquake NBS rating of 70% for the building will result in increased buyer interest when the property is placed on the market.

Timeline of the sale process

We have been advised the best time to take the property to market is after the strengthening work is complete and we are delivering a complete package with an NBS rating of 70%. This strengthening work will be completed by 31 March 2019.

Following through a sales and marketing campaign, and then negotiation and settlement period we expect we could be paying out the special dividend to our shareholders sometime during the third quarter of 2019.

Loan from ANZ Bank

Civic has entered into a loan arrangement whereby it borrowed an amount of \$4 million on 15 November 2018 from the ANZ Bank which is to be repaid on 15 August 2019. Civic has lent the same amount of \$4 million to Local Government Mutual Funds Trustee Limited (Riskpool) by way of a secured loan facility agreement on commercial terms, which is to be repaid to Civic by the end of July 2019.

Sponsorship and Support for the Sector

The Company continues as a sponsor of SOLGM (Society of Local Government Managers) events both at a regional and national level.

3. ASSOCIATED ENTITIES*Local Government Superannuation Trustee Limited*

Local Government Superannuation Trustee Limited (LGST) is a 100% subsidiary of Civic and is the trustee to the SuperEasy and SuperEasy KiwiSaver Superannuation

DIRECTORS' REPORT

Schemes. Both are administered by Civic and from 1 April 2016 both have been registered with the FMA (Financial Markets Authority). Director appointments to LGST are made by LGNZ (two), Civic (one), CTU (one), SOLGM (one) and one, who must be a Licensed Independent Trustee, by the LGST Board.

The SuperEasy schemes feature low member charges and simple administration for councils. Both make use of passive fund managers, which as well as allowing lower member fees removes the possibility of a fund manager making a bad call, which is something that can happen at any time.

The SuperEasy schemes also offer an 'Automatic Fund', in which each member's risk exposure is gradually and automatically switched from growth assets to income assets as the member gets older.

Superannuation funds under management as at December 2018 were \$340 million (December 2017: \$323 million) and the combined membership 10,399. SuperEasy's fund managers are AMP Capital Investors (New Zealand) Ltd and ANZ New Zealand Investments Ltd. Of the councils that have a preferred provider for KiwiSaver, 94% have appointed Civic (70 out of 74 councils).

The SuperEasy website is www.supereasy.co.nz.

LAPP Disaster Fund

LAPP is a charitable trust that was set up by LGNZ and Civic in 1993. LAPP's membership is 22. It could be said that LAPP is New Zealand's original LASS (Local Authority Shared Services).

LAPP was designed to cover back-to-back major disasters and this is what happened of course with the Canterbury earthquakes in 2010 and 2011. LAPP settled the claims from Waimakariri District Council and Christchurch City Council for damage to their underground assets with a total payout of \$217 million (excluding GST). LAPP's highest claim before this was just over \$5 million for claims arising from the 2004 Manawatu floods.

LAPP extended its cover arrangement from two events to three events from July 2017.

LAPP is currently managing the Kaikoura-Hurunui earthquake claims involving the Kaikoura, Hurunui and Marlborough District Councils. LAPP has settled its claims with Kaikoura and Marlborough District Councils, and is making good progress towards settling with Hurunui District Council.

Civic is the administration and fund manager for LAPP. LAPP's website is: www.lappfund.co.nz.

Riskpool/Civic Liability Pool (CLP)

Riskpool provides public liability and professional indemnity cover for councils and has done so since 1997. It is not a company, but a mutual liability fund governed by a trust deed. CLP is similar to Riskpool, but has no facility for calls. For the fund year ending 30 June 2017 Riskpool/CLP had 31 members.

As support had dropped off in recent years to this low level Riskpool could no longer offer the competitively priced cover and risk management services that it had provided over the previous 20 years.

As a result Riskpool/CLP decided to no longer provide cover after 30 June 2017 and will therefore be in run-off mode for at least the next three to five years.

Local Government Mutual Funds Trustee Limited (LGMFT) is the trustee of Riskpool and CLP. Civic is the Fund Manager and Scheme Manager for Riskpool and Administration Manager for CLP.

Civic has entered into three arm's length, secured loan facility agreements on commercial terms with Local Government Mutual Funds Trustee Limited to enable Riskpool to manage its cashflows.

Riskpool members were advised in October 2018 that due to deteriorating claims experience in 2017-18 that Riskpool needs to make at least one interim call before a final call is made on wind up. The call will be \$6 million payable on 1 July 2019, split \$3 million each to fund years 7 and 10.

A final call from Riskpool is likely in 2023 or 2024. It is expected that the amount of that call will be less than the current call.

4. DIRECTORS

As at 31 December 2018 there were six directors: M.A. Butcher, A.T. Gray, M.C. Hannan, A.J. Marryatt, J.B. Melville and B.J. Morrison. The Company's constitution allows for up to six directors of which at least two are to be appointed from outside the local authority sector.

Director attendances at Board meetings held in 2018:

Mark Butcher	6 / 6
Tony Gray	6 / 6
Mike Hannan	6 / 6
Tony Marryatt	4 / 6
John Melville	5 / 6
Basil Morrison	6 / 6

DIRECTORS' REPORT

The Chairmen of each of the Board and the Risk and Audit Committee are elected at the first meeting held after each year's AGM.

Section 139 of the Companies Act 1993

All Civic directors are directors of LGMFT except Mark Butcher who resigned from LGMFT in February 2017 to ensure that one Civic director was independent of LGMFT. Subsequently there are three secured loan facility agreements that have been entered into between the Company and LGMFT whereby Civic loans LGMFT up to \$2,250,000 under each of two separate loans, and one loan for a fixed amount of \$4 million, all at commercial interest rates to assist with Riskpool's cashflows.

There are no other notices required under section 139 of the Companies Act 1993 except for Directors' remuneration. Changes to the Directors' fee pool are approved by shareholders at an AGM. The Board determines the allocation per Director based on the duties of the individual Director. The Director fees for subsidiary companies are set by the Parent Company Board. For the year ended 31 December 2018, Directors' remuneration was:

Mark Butcher	\$15,113
Tony Gray	\$15,113
Mike Hannan	\$15,113
Tony Marryatt	\$30,224
John Melville	\$22,668
Basil Morrison	\$15,113
	\$113,344

In addition, the following Directors received director fees in relation to their directorships of Riskpool or LGST:

Tony Gray	(Riskpool)	\$8,310
Mike Hannan	(Riskpool)	\$8,310
Tony Marryatt	(Riskpool)	\$16,620
John Melville	(Riskpool)	\$8,310
Basil Morrison	(Riskpool, LGST)	\$18,844
		\$60,394

Interests Register

Directors' interests are tabled at the beginning of each Board meeting. Directorship and other disclosures as at 31 December 2018 were:

M.A. Butcher	Chief Executive of Local Government Funding Agency Ltd; Chair of New Plymouth District Perpetual Investment Fund Guardians Ltd; Member of SuperEasy KiwiSaver Superannuation Scheme; Member of the Nominating Committee for the Guardians of NZ Superannuation Fund; Chair of Waikato – Tainui Group Investment Committee; Trustee of Civic Property Pool.
A.T. Gray	Eastland Group Ltd including Gisborne Airport Ltd, Eastland Port; Eastland Network Ltd; Chair of Ngati Pukenga Investments Ltd; Maungaharuru - Tangitu Ltd; Executive Project Advisor to Hastings District Council; Artemis Nominees Ltd; Quality Roading and Services (Wairoa) Limited; Local Government Mutual Funds Trustee Ltd; Trustee of Civic Property Pool; a party to agreements for finance with the LGMFT.
M.C. Hannan	Trustee of Civic Property Pool; Director of Local Government Mutual Funds Trustee Ltd; a party to agreements for finance with the LGMFT.
A.J. Marryatt	Chair of Local Government Mutual Funds Trustee Ltd; AJM Holdings Ltd; Trustee of Civic Property Pool; Member of SuperEasy KiwiSaver Superannuation Scheme; a party to agreements for finance with the LGMFT.
J.B. Melville	Trustee of Civic Property Pool; Director of Local Government Mutual Funds Trustee Ltd; a party to agreements for finance with the LGMFT.
B.J. Morrison	Chairman of Local Government Superannuation Trustee Ltd; Basil J Morrison & Associates Ltd; Member of SuperEasy KiwiSaver Superannuation Scheme; Trustee of Civic Property Pool; Director of Local Government Mutual Funds Trustee Ltd; Waitangi Tribunal Member; Independent Hearings Commissioner for Auckland Council; Thames-Coromandel District Council Hearings Panel; Waikato Regional Council Hearings Commissioner; Accredited Commissioner – RMA; a party to agreements for finance with the LGMFT.

DIRECTORS' REPORT

The Company provides Directors and officers with, and pays the premiums for, Directors' and Officers' liability insurance to the full extent allowed for, and in accordance with the requirements of the Companies Act 1993. The renewal of the Company's Directors' and Officers' liability insurance was entered in the Interests Register pursuant to sections 162 and 163 of the Companies Act 1993. This insurance does not cover liabilities arising from criminal actions or deliberate and reckless acts or omissions by the Directors. The cover includes indemnity of costs and expenses incurred in defending an action that falls within the scope of the indemnity.

Conduct of the Board and Board Committee

The Board has put in place and regularly reviews a number of good governance policies including Charters for the Board and the Risk and Audit Committee, Fit and Proper Policy, Code of Conduct, and a Risk Management Plan.

Use of Information

Directors, individually or collectively, may obtain independent professional advice relating to any matters concerning the Company's business or in relation to the discharge of the Director's responsibilities. Subject to approval of the Chairman the Company will reimburse the Director(s) some or all of the reasonable costs of the advice. During the reporting period, no Director has sought leave to obtain such advice.

Loans to Directors

No loans or advances have been made to Directors, their spouses or dependants, or to related parties during the year.

5. EMPLOYEE REMUNERATION

Detailed below is the number of employees who received remuneration in their capacity as employees of \$100,000 or more during the year ended 31 December 2018.

Remuneration	Number of Employees
\$110,000 - \$120,000	1
\$170,000 - \$180,000	1
\$200,000 - \$210,000	1

The above remunerations include Company contributions to employees' superannuation (KiwiSaver and other), medical insurances and discretionary bonus payments.

6. AUDIT AND RISK MANAGEMENT

Pursuant to Section 15 of the Public Audit Act 2001 the Company's auditor is the Auditor General who has appointed Silvio Bruinsma using the staff and resources of Deloitte Limited to carry out the audit on his behalf.

The Risk and Audit Committee (RAC) comprises the full Board. John Melville is the Chairman of this committee. RAC met five times in 2018: the Auditor attended two of those meetings and a part of one of those meetings was held without management present.

7. DONATIONS

No donations have been made during the year by any Company in the Group (2017: \$0).

8. STAFF

We sincerely thank the staff for their work during the year. They are: Caroline Bedford, Ian Brown, Chathuri Mendis, Sylvia Jackson, Tim Sole, Mersina Toulis, Bas van Laanen, and Glenn Watkin.



Tony Marryatt **Chairman**
March 2019

DIRECTORS

Anthony (Tony) J. Marryatt (Chairman)
Mark A. Butcher
Anthony (Tony) T. Gray
Michael C. Hannan
John B. Melville
Basil J. Morrison CNZM JP

EXECUTIVE OFFICERS

Chief Executive : Ian Brown
Chief Operating Officer : Caroline Bedford CPA

AUDITORS

The Auditor General, who has appointed Silvio Bruinsma, Deloitte Limited to carry out the audit on his behalf

BANKERS

ANZ Banking Group (New Zealand) Limited

LEGAL ADVISERS

Brandons
Kensington Swan

COMPANY REGISTRATION NO: 13271

REGISTERED OFFICE

Level 9, Civic Assurance House, 116 Lambton Quay, Wellington 6011

POSTAL ADDRESS

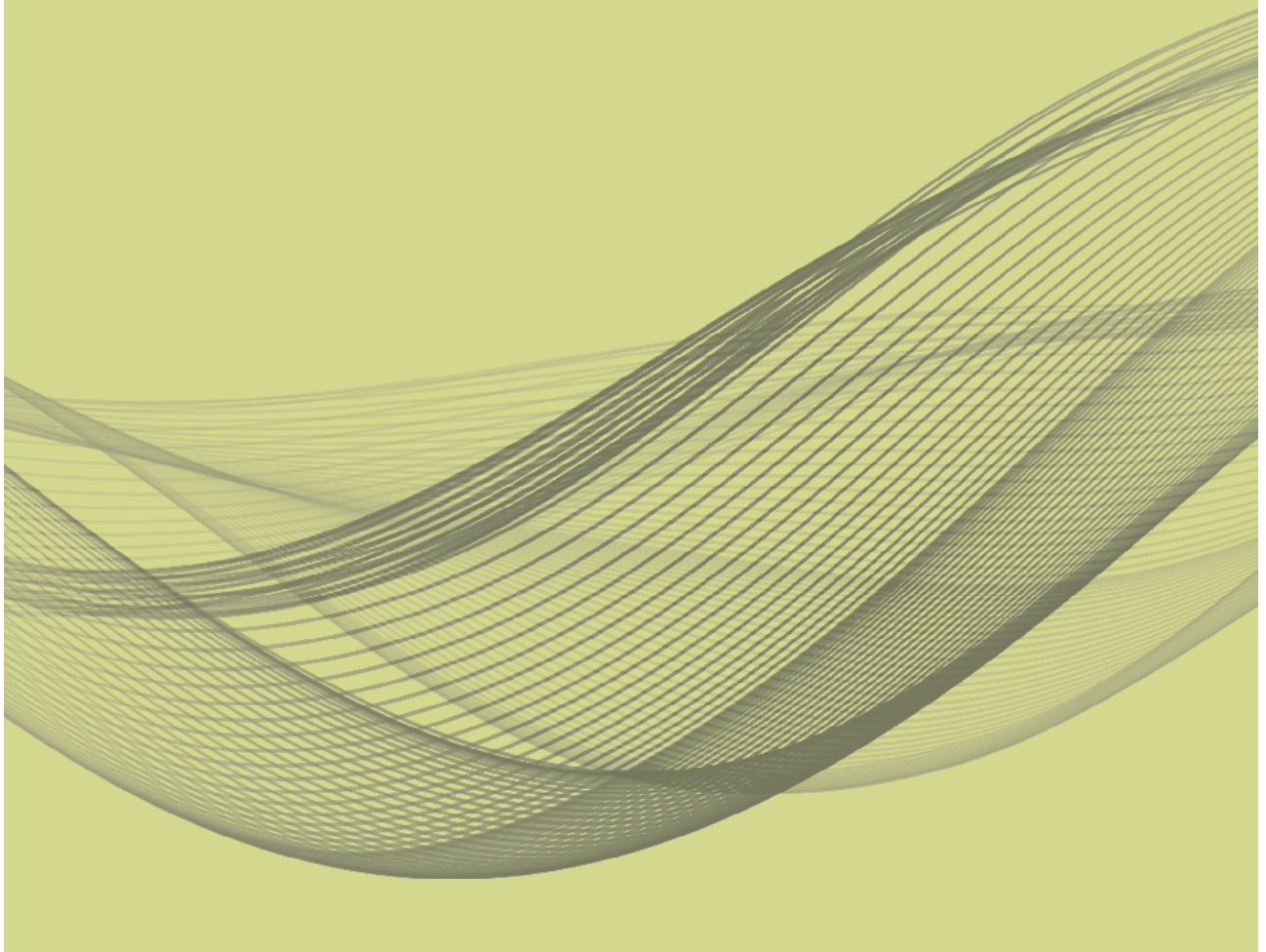
Civic Financial Services Ltd, PO Box 5521, Wellington 6140

OTHER CONTACT DETAILS

Telephone (04) 978 1250
Facsimile (04) 978 1260
Email admin@civicfs.co.nz
Website www.civicfs.co.nz

The Company is a participant in the Insurance & Financial Services Ombudsman Scheme (Inc)
Participant Number 2000427

Statement of Accounts



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	NOTE	2018 \$	2017 \$
REVENUE			
Administration Fees		2,792,697	2,750,037
Interest Income	4	262,878	173,515
Property Income		885,736	808,771
Other Income	15	202	120,355
Total Revenue		3,941,513	3,852,678
EXPENDITURE			
Audit Fee			
Statutory Audit of the Financial Statements		109,779	114,317
Other Fees Paid to Auditors Re Assurance Services		27,500	41,358
Other Fees Paid to Auditors Re Tax Compliance		30,500	22,550
Compliance Costs		110,085	110,899
Consultants		47,936	85,020
Depreciation	6	46,134	38,609
Amortisation	6	246	406
Directors' Remuneration	3	113,344	133,594
Interest Expense		9,429	-
Legal Fees		29,547	60,401
Property Operating Expenses		512,887	518,811
Other Expenses		989,600	977,958
Employee Remuneration	3	825,430	868,860
Superannuation Subsidies		25,824	51,040
Total Expenditure		2,878,241	3,023,823
Surplus Before Revaluation of Investment Property and Taxation		1,063,272	828,855
Net Change in Value of Investment Property	7	133,070	(798,043)
Surplus Before Taxation		1,196,342	30,812
Taxation Expense	10	298,891	186,932
TOTAL COMPREHENSIVE SURPLUS/(DEFICIT) AFTER TAX ATTRIBUTABLE TO OWNERS OF THE COMPANY	14	897,451	(156,120)

This statement is to be read in conjunction with the notes on pages 11 to 29.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	NOTE	2018 \$	2017 \$
SHAREHOLDERS' EQUITY			
Issued and Paid-Up Ordinary Shares			
Ordinary Shares fully paid up	14	10,763,506	10,763,506
Retained Earnings	14	7,181,545	6,284,094
TOTAL EQUITY		17,945,051	17,047,600
Represented By:			
CURRENT ASSETS			
Cash & Cash Equivalents		3,414,025	1,702,397
Term Deposits		1,200,000	3,500,000
Sundry Debtors and Prepayments	12	787,885	728,100
Loan Receivable	13	6,086,844	1,109,874
Income Tax Receivable	10	3,580	3,580
Total Current Assets		11,492,334	7,043,951
NON CURRENT ASSETS			
Property, Plant and Equipment	6	165,120	189,831
Intangible Assets (Software)	6	89,000	89,246
Deferred Tax Asset	10	2,786,961	3,085,852
Investment Property	7	7,777,583	7,175,000
Total Non Current Assets		10,818,664	10,539,929
TOTAL ASSETS		22,310,998	17,583,880
CURRENT LIABILITIES			
Sundry Creditors & Accrued Charges	12	204,028	150,901
Accrued Holiday Pay		45,228	42,853
Borrowings	13	4,000,000	-
CLP/ Riskpool Admin Fee Reserve		52,530	52,530
Total Current Liabilities		4,301,786	246,284
NON-CURRENT LIABILITIES			
CLP/ Riskpool Admin Fee Reserve		64,161	289,996
Total Non Current Liabilities		64,161	289,996
TOTAL LIABILITIES		4,365,947	536,280
EXCESS OF ASSETS OVER LIABILITIES		17,945,051	17,047,600

For and on behalf of the Directors:



TONY MARRYATT Chairman
15 March 2019



JOHN MELVILLE Director
15 March 2019

This statement is to be read in conjunction with the notes on pages 11 to 29.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	NOTE	2018 \$	2017 \$
OPENING EQUITY		17,047,600	17,203,720
Total Comprehensive Surplus/(Deficit) Net of Tax		897,451	(156,120)
Ordinary Shares issued during the year	14	-	-
CLOSING EQUITY		17,945,051	17,047,600

This statement is to be read in conjunction with the notes on pages 11 to 29.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

	NOTE	2018 \$	2017 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was provided from:			
Rent Received		889,802	808,516
Administration Fees Received		2,574,636	2,693,894
Other Income		202	179
Taxation (Paid)/Refunded		133	(5,390)
		3,464,773	3,497,199
Cash was applied to:			
Payments to Suppliers and Employees		2,838,687	3,382,809
		2,838,687	3,382,809
Net Cash Flow from Operating Activities	11	626,086	114,390
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was provided from:			
Investment Income		76,150	91,914
Term Deposits		2,300,000	-
Loans Repaid from Related Parties		3,842,591	4,416,421
		6,218,741	4,508,335
Cash was applied to:			
Term Deposits		-	500,000
Purchase of Property, Plant and Equipment		21,423	39,285
Capital Additions to Investment Property		469,514	48,043
Loans Issued to Related Parties		8,790,242	5,512,974
		9,281,179	6,100,302
Net Cash Flow from Investing Activities		(3,062,438)	(1,591,967)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash was provided from:			
Loan Interest Received		157,409	68,280
Borrowings		4,000,000	-
		4,157,409	68,280
Cash was applied to:			
Interest Paid		9,429	-
		9,429	-
Net Cash Flow from Financing Activities		4,147,980	68,280
Net (Decrease)/Increase in Cash Held		1,711,628	(1,409,297)
Opening Cash Balance as at 1 January		1,702,397	3,111,694
Closing Cash Balance as at 31 December		3,414,025	1,702,397
Being:			
Cash & Cash Equivalents		3,414,025	1,702,397

This statement is to be read in conjunction with the notes on pages 11 to 29.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

NOTE 1 REPORTING ENTITY

The reporting entity is Civic Financial Services Ltd (the "Company"), formerly known as New Zealand Local Government Insurance Corporation Ltd (trading as Civic Assurance). The Group comprises the Company and its subsidiaries listed in note 2 (b). The Group provides financial services principally for New Zealand local government and also provides property services. The Company provided insurance products to New Zealand local authorities until 31 December 2016 and subsequently opted to cancel its provisional insurance licence with the Reserve Bank of New Zealand. As a result this entity is not an FMC reporting entity from 17 January 2017.

Statement of Compliance

The Group is a Tier 2 Public Sector Public Benefit Entity and the financial statements have been prepared in accordance with and comply with Tier 2 Public Sector Public Benefit Entity (PBE) Standards.

NOTE 2 STATEMENT OF ACCOUNTING POLICIES

General Accounting Policies

The measurement and reporting of profits on a historical cost basis have been followed by the Group, except for specific policies as described below. The reporting currency is New Zealand dollars. The Group is no longer subject to the requirements under the Insurance (Prudential Supervision) Act 2010 as a provisional licence holder.

Critical Judgements and Estimates in Applying the Accounting Policies

In the application of the PBE Standards the Directors are required to make judgements, estimates and assumptions about the carrying value of assets and liabilities that are not readily apparent from other sources. These are based on historical experience and other various factors and are reviewed on an ongoing basis.

The Directors believe that, as at the date of these financial statements, there are no significant sources of estimation uncertainty that have not been disclosed in these notes. The most significant judgements, estimates and assumptions made in the preparation of these financial statements are in respect of the recognition of the deferred tax asset (Note 10) and the valuation of investment property (Note 7).

Particular Accounting Policies

The following particular accounting policies which materially affect the measurement of surplus and financial position have been applied. Further particular accounting policies are contained in the relevant notes to the financial statements.

(a) Consolidation of Subsidiaries

The Group financial statements incorporate the financial statements of the Company and its subsidiaries, which have been consolidated using the acquisition method. The results of any subsidiaries acquired or disposed of during the year are consolidated from the effective dates of acquisition or until the effective dates of disposal. All inter-company transactions, balances and unrealised profits are eliminated on consolidation.

(b) Investment in Subsidiaries

At 31 December 2018 the Company had four wholly owned subsidiaries which are all incorporated in New Zealand. Three of these, Local Government Superannuation Trustee Limited, SuperEasy Limited and Local Government Finance Corporation Limited with balance dates of 31 December and Local Government Mutual Funds Trustee Limited with its balance date of 30 June did not have any significant assets, liabilities, revenue or expenses during the years ended 31 December 2017 and 31 December 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

NOTE 2 STATEMENT OF ACCOUNTING POLICIES CONTINUED**(c) Administration Fees**

Administration fees are recognised at the agreed amounts based on time and expenses incurred. Administration fees collected during the year that will be utilised in future periods are held within the administration fee reserve on the Statement of Financial Position, until the point in time where administration services have been provided.

(d) Property Income

Property rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

(e) Employee Benefits

Provision is made for benefits accruing to employees in respect of wages and salaries and annual leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

(f) Basis of Measuring Other Income and Expenses

Income and expenses are accounted for on an accruals basis. All revenue is exchange revenue.

(g) Changes in Accounting Policies

There have been no material changes in the accounting policies during the year. All policies have been applied on bases consistent with those used in the prior year.

NOTE 3 KEY MANAGEMENT PERSONNEL AND RELATED PARTIES

The compensation of the Directors and executives, being the key management personnel of the Group, is set out below.

	2018	2017	2018	2017
	Number		\$	\$
Short term employee benefits				
Executive Management Personnel	3	3	479,523	537,194
Directors	6	6	113,344	133,594
			592,867	670,788

All related party transactions that the Group entered into during the year occurred within a normal client/supplier relationship and under terms equivalent to those that prevail in arm's length transactions in similar circumstances. Refer to Note 13 for information relating to loans with subsidiaries.

As at 31 December 2018 the Company had a loan receivable from New Zealand Mutual Liability Riskpool ("Riskpool") of \$6,086,844 (2017: \$1,109,874).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

NOTE 4 FINANCIAL INSTRUMENTS

Accounting Policies:

i) Classification and Measurement

Financial instruments are transacted on a commercial basis to derive an interest yield / cost with the terms and conditions having due regard to the nature of the transaction and the risks involved. Financial instruments are recognised and accounted for on a settlement date basis.

Loans and Receivables

Other receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate.

Bank and Cash Equivalents

Bank and cash equivalents are measured at amortised cost using the effective interest rate.

Financial Liabilities

Financial liabilities include Sundry Creditors, Accrued Charges and Subordinated Debt. Financial liabilities are recorded initially at fair value, net of transaction costs. Subsequent to initial recognition, liabilities are measured at amortised cost.

ii) Offsetting Financial Instruments

Financial assets and liabilities are not offset as there is no legally enforceable right to set-off.

iii) Asset Quality

Impairment of Financial Assets

Financial assets measured at amortised cost are reviewed at each balance date to determine whether there is any objective evidence of impairment. If any such condition exists, the asset's recoverable amount is estimated and provision is made for the difference between the carrying amount and the recoverable amount.

As at the date of these Financial Statements, no such evidence of impairment exists.

iv) Fair Value of Financial Instruments

Fair value measurements recognised in the Statement of Financial Position

Financial instruments are categorised into 3 levels:

- **Level 1** fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- **Level 2** fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- **Level 3** fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

v) Derivatives

The Group do not use any derivative financial instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

NOTE 4 FINANCIAL INSTRUMENTS CONTINUED*Accounting Policies: continued***(1) Income Relating to Financial Assets**

	2018 \$	2017 \$
Loans		
Interest Received – Loans	76,149	81,601
Cash & Cash Equivalents		
Interest Received – Short Term Deposits	186,729	91,914
Total Interest Income	262,878	173,515

(2) Financial Assets and Liabilities

The carrying amounts of all financial assets and liabilities are considered to be equivalent to their market value, which for these assets and liabilities is also considered to be fair value.

The Subordinated Debt is measured at amortised cost which is considered to be fair value.

All fixed interest investments were managed around a 90 day duration and carry a minimum Standard and Poors credit rating of "A" or equivalent.

Loans are secured against Riskpool's future contributions and repayable with six months notice (refer to Note 13).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

NOTE 4 FINANCIAL INSTRUMENTS CONTINUED

(2) Financial Assets and Liabilities continued

Carrying value of Financial Assets and Financial Liabilities

	2018 \$	2017 \$
Financial Asset: Loans and Receivables		
Sundry Debtors	637,748	590,921
Loans	6,086,844	1,109,874
Total Loans and Receivables	6,724,592	1,700,795
Financial Asset: Amortised Cost		
Cash & Cash Equivalents	3,414,025	5,202,397
Financial Liability: Amortised Cost		
Sundry Creditors & Accrued Charges	204,028	150,901
Borrowings	4,000,000	-
Total Amortised Cost	4,204,028	150,901

(3) Financial Risk – Structure and Management

The Group manages its capital to ensure that the entities in the Group will be able to continue as a going concern. The Group's overall strategy is reviewed annually and remains unchanged.

Financial instruments which potentially subject the Group to a concentration of credit risk consist principally of cash and interest bearing deposits. The Group has no debt liability instruments.

The Group does not require collateral or other security to support financial instruments with credit risk and as such, no collateral exists for any of the investments held by the Group. The maximum credit risk exposure is the carrying amount of the individual debtor and investment balances.

The Group has placed interest bearing deposits and funds to be managed with financial institutions and limits its amount of credit exposure to any one such institution.

(a) Market Risk

All financial assets and liabilities are New Zealand Dollar based and are recorded at amortised cost, therefore changes in interest rates and foreign currency values do not impact on their carrying value.

(b) Carrying Amount and Fair Value

The carrying amounts of all financial assets and liabilities are considered to be equivalent to their fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

NOTE 4 FINANCIAL INSTRUMENTS CONTINUED**(3) Financial Risk – Structure and Management** continued**(c) Liquidity Risk**

Liquidity Risk is the risk that the Group will encounter difficulties in raising funds at short notice to meet commitments associated with financial instruments. Management of liquidity risk is designed to ensure that the Group has the ability to meet financial obligations as they fall due.

The following tables include an analysis of the contractual undiscounted cash flows relating to the Group's financial assets and liabilities categorised by the maturity dates.

Maturity Analysis as at 31 December 2018						
	Interest Rate Spread %	Within 6 months \$	6 to 12 months \$	1 to 2 years \$	2 to 5 years \$	Total \$
Assets						
Cash & Cash Equivalents	0 to 3.45%	3,414,025	-	-	-	3,414,025
Term Deposits	3.05%	1,200,000	-	-	-	1,200,000
Other Receivables	n/a	637,748	-	-	-	637,748
Loans	4.71% to 6.28%	6,086,844	-	-	-	6,086,844
Total Financial Assets		11,338,617	-	-	-	11,338,617
Liabilities						
Sundry Creditors & Accrued Expenses	n/a	204,028	-	-	-	204,028
Borrowings	4.78%	-	4,000,000	-	-	4,000,000
Total Financial Liabilities		204,028	4,000,000	-	-	4,204,028
Maturity Analysis as at 31 December 2017						
	Interest Rate Spread %	Within 6 months \$	6 to 12 months \$	1 to 2 years \$	2 to 5 years \$	Total \$
Assets						
Cash & Cash Equivalents	0 to 3.45%	1,702,397	-	-	-	1,702,397
Term Deposits	2.10% to 3.45%	3,500,000	-	-	-	3,500,000
Other Receivables	n/a	590,921	-	-	-	590,921
Loans	5.13% to 5.15%	1,109,874	-	-	-	1,109,874
Total Financial Assets		6,903,192	-	-	-	6,903,192
Liabilities						
Sundry Creditors & Accrued Expenses	n/a	150,901	-	-	-	150,901
Total Financial Liabilities		150,901	-	-	-	150,901

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

NOTE 4 FINANCIAL INSTRUMENTS CONTINUED

(3) Financial Risk – Structure and Management continued

(d) Credit Risk

All investments are in the form of cash held at registered banks and loans. The registered banks have a credit rating of "A" or better. Loans are with Riskpool (refer to Note 13).

(i) Exposure to Credit Risk

	2018 \$	2017 \$
Cash & Cash Equivalents	3,414,025	1,702,397
Term Deposits	1,200,000	3,500,000
Other Receivables	637,748	590,921
Loans	6,086,844	1,109,874
Total	11,338,617	6,903,192

(ii) Concentration of Credit Exposure

94% of the Company's credit exposure is in the form of cash and term deposits held with registered banks and loans to Riskpool.

NOTE 5 OPERATING LEASE COMMITMENTS

	2018 \$	2017 \$
Operating Lease Expense Commitments:		
not later than one year	12,444	12,444
later than one year but not later than five years	29,035	41,478
	41,479	53,922
Operating Lease Income Commitments:		
not later than one year	792,940	823,306
later than one year but not later than five years	2,247,948	2,984,210
later than five years	96,562	285,729
	3,137,450	4,093,245

Operating lease income relates to a combination of office and retail tenancies to the Investment Property referred to in Note 7. The property is subject to a combination of multiple office and retail tenancies over varying lease periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

NOTE 6 PROPERTY, PLANT & EQUIPMENT AND INTANGIBLE ASSETS**Accounting Policy:**

Assets are depreciated on a straight line basis at rates calculated to allocate the assets' cost, in equal instalments over their estimated useful lives which are assessed and regularly reviewed.

Depreciation Rates	
Office Furniture and Equipment	up to 17 years
Intangibles – Software	5 years

	2018 \$	2017 \$
(a) Property, Plant and Equipment		
Office Furniture and Equipment – cost	669,274	629,989
Plus Additions	21,423	39,285
Less Disposals	-	-
Closing Value - cost	690,697	669,274
Office Furniture and Equipment - Accumulated Depreciation	(479,443)	(440,834)
Less Depreciation Charge	(46,134)	(38,609)
Less Disposals	-	-
Closing Accumulated Depreciation	(525,577)	(479,443)
Net Book Value	165,120	189,831

The Total Comprehensive Surplus/(Deficit) After Tax in the Statement of Comprehensive Income includes a \$nil loss on disposal of fixed assets (2017: nil).

(b) Intangible Assets		
Software - cost	519,453	519,453
Plus Additions	-	-
Less Disposals	-	-
Closing Value - cost	519,453	519,453
Software - Accumulated Amortisation	(430,207)	(429,801)
Less Amortisation Charge	(246)	(406)
Less Disposals	-	-
Closing Accumulated Amortisation	(430,453)	(430,207)
Net Book Value	89,000	89,246

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

NOTE 7 INVESTMENT PROPERTY

Accounting Policy:

Investment property is measured at fair value, by reference to an external market valuation (performed annually), with any resulting unrealised gain or loss recognised in the Statement of Comprehensive Income.

	2018 \$	2017 \$
Civic Assurance House, Lambton Quay, Wellington		
(a) Land and Building	7,150,000	7,900,000
Refurbishment	469,513	48,043
Increase/(Decrease) in value	133,070	(798,043)
Level 3 Fair Value	7,752,583	7,150,000
(b) Artwork valuation	25,000	25,000
Fair Value	25,000	25,000
	7,777,583	7,175,000

The Company has received preliminary advice that investigations and calculations as part of a seismic assessment review have highlighted an issue with unreinforced masonry in non-structural parts of the building and, under the Building (Earthquake-prone Buildings) Amendment Act 2016, the building is therefore potentially earthquake prone.

The Company has resolved to mitigate this risk and proceed with seismic strengthening with an expected completion date of 31 March 2019. Civic Assurance House is expected to achieve a 70% New Building Standard (NBS) rating when this strengthening work is completed. The investment property valuation has been obtained as at 30 October 2018 on an 'as if complete' basis in regards to the strengthening and asbestos works that are required to be completed. As at 31 December 2018 \$352k had been spent on earthquake strengthening and \$51k had been spent on asbestos works, with further works to be completed after 31 December 2018. The amount spent as at year end on the works has been added onto the valuers valuation of the property to reach the final fair value of the property.

The investment property is revalued every year. The investment property valuation as at 30 October 2018 was completed on 7 November 2018 by independent registered valuer Martin Veale (ANZIV, SPINZ) of the firm Telfer Young (Wgtn) Ltd. The property is valued in accordance with International Valuation Standards 2017. The Investment property is Level 3 fair value due to containing unobservable inputs.

The adopted market value has been established by consideration of the Income Capitalisation and Discounted Cashflow approaches. Major inputs and assumptions used in the valuation are rental income, capital expenditure, capitalisation rate and market rent per square metre, discount rate, occupancy and weighted average lease terms.

The Company borrowed \$4,000,000 from the ANZ Bank with this loan secured over Civic Assurance House.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

NOTE 7 INVESTMENT PROPERTY CONTINUED**Investment Property Metrics**

	2018	2017
Average Growth Factor	1.52%	1.40%
Capitalisation Rate	8.00%	8.00%
Terminal Yield	8.00%	8.25%
Discount Rate	9.25%	9.25%
Rent per sqm	\$368	\$355
Occupancy (net lettable area)	94.22%	92.84%
Weighted average lease term (years)	1.90	2.00

NOTE 8 ANALYSIS OF FINANCIAL ASSETS NOT IMPAIRED

There are no financial assets that are impaired or past due at balance date (2017: \$nil).

NOTE 9 CONTINGENT LIABILITIES

There are no contingent liabilities (2017: \$nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

NOTE 10 TAXATION

Accounting Policies:

i) Current Tax

The current income tax expense charged against the profit for the year is the estimated liability in respect of the taxable profit. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for the current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable). Tax assets are offset only when there is a legally enforceable right to set off the recognised amounts, and an intention to settle on a net basis.

ii) Deferred Tax

The liability method of accounting for deferred taxation is applied on a comprehensive balance sheet basis in respect of temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base of those items.

Deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the Statement of Comprehensive Income.

iii) Goods and Services Tax (GST)

Revenue, expenses, assets and liabilities are recognised net of the amount of GST except:

- When the GST incurred on a purchase of goods and services is not recoverable from the taxation authority the GST is recognised as part of the cost of the acquisition of the assets or as part of the expense item as applicable.
- Receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

NOTE 10 TAXATION CONTINUED**(a) Income tax recognised in the Statement of Comprehensive Income**

	2018 \$	2017 \$
Tax expense comprises:		
Current tax expense	-	-
Adjustments recognised in the current year in relation to the current tax of prior years	-	(13,947)
Deferred tax relating to temporary differences	298,891	200,879
Total tax expense	298,891	186,932
Attributable to:		
Continuing operations	298,891	186,932
	298,891	186,932

The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:

	2018 \$	2017 \$
Surplus before tax	1,196,342	30,812
Income tax calculated at 28%	334,977	8,628
Tax effect of permanent differences	(36,057)	192,251
Prior Period Adjustment	(28)	(13,947)
Income Tax Expense	298,891	186,933

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

NOTE 10 TAXATION CONTINUED

(b) Current tax assets and liabilities

	2018 \$	2017 \$
Tax refund receivable	3,580	3,580
	3,580	3,580

(c) Deferred tax balances

	2018 \$	2017 \$
Deferred tax assets comprise:		
Temporary differences	3,311,153	3,588,348
	3,311,153	3,588,348
Deferred tax liabilities comprise:		
Temporary differences	(524,191)	(502,496)
	(524,191)	(502,496)
Net Deferred Tax balance	2,786,961	3,085,852

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

NOTE 10 TAXATION CONTINUED**(c) Deferred tax balances continued**

Gross taxable and deductible temporary differences for the Group arise from the following:

		Opening Balance \$	Charged to Income \$	Charged to Equity \$	Prior Period Adjustment \$	Closing Balance \$
2018	Investment gains	-	-	-	-	-
	Building, property and equipment	(1,794,628)	(89,567)	-	12,086	(1,872,109)
		(1,794,628)	(89,567)	-	12,086	(1,872,109)
	Employee entitlements	40,265	867	-	-	41,132
	Losses carried forward	12,775,265	(978,865)	-	(11,987)	11,784,413
		12,815,530	(977,998)	-	(11,987)	11,825,545
	Attributable to:					
	Continuing operations	11,020,902	(1,067,565)	-	99	9,953,436
	Total	11,020,902	(1,067,565)	-	99	9,953,436
	Tax effect at 28%	3,085,852	(298,918)	-	28	2,786,961
2017	Investment gains	(40,315)	-	-	40,315	-
	Building, property and equipment	(1,698,639)	(95,989)	-	-	(1,794,628)
		(1,738,954)	(95,989)	-	40,315	(1,794,628)
	Employee entitlements	54,914	6,572	-	(21,221)	40,265
	Losses carried forward	13,372,556	(628,007)	-	30,716	12,775,265
		13,427,470	(621,435)	-	9,495	12,815,530
	Attributable to:					
	Continuing operations	11,688,516	(717,424)	-	49,810	11,020,902
	Total	11,688,516	(717,424)	-	49,810	11,020,902
	Tax effect at 28%	3,272,782	(200,877)	-	13,947	3,085,852

No liability has been recognised in respect of the undistributed earnings of subsidiaries because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

The deferred tax asset relating to tax losses carried forward has been recognised as the financial forecasts anticipate the Group maintaining sufficient profitability in future financial years (refer Note 19).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

NOTE 10 TAXATION CONTINUED

(d) Imputation Credit Account

	2018 \$	2017 \$
Closing Balance	5,259,812	5,259,812

NOTE 11 RECONCILIATION OF COMPREHENSIVE INCOME AFTER TAX WITH CASH FLOW FROM OPERATING ACTIVITIES

Accounting Policy:

The Statement of Cash Flows is prepared exclusive of GST, which is consistent with the method used in the Statement of Comprehensive Income. The GST component of cash flows arising from investing and financing activities, which is recoverable from or payable to, the taxation authority is classified as operating cash flow.

The following are definitions of the terms used in the Statement of Cash Flows:

- Bank comprises cash on hand and demand deposits.
- Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of Cash and which are subject to insignificant risk of changes in value.
- Cash flows are inflows and outflows of cash and cash equivalents.
- Operating activities are the principal revenue producing activities of the entity and other activities that are not investing or financing activities.
- Investing activities are the acquisition and disposal of long-term assets.
- Financing activities are activities that result in changes in the size and composition of the contributed equity and borrowings of the entity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

NOTE 11 RECONCILIATION OF COMPREHENSIVE INCOME AFTER TAX WITH CASH FLOW FROM OPERATING ACTIVITIES CONTINUED

	2018 \$	2017 \$
Total Comprehensive (Deficit)/Surplus	897,451	(156,120)
Add/(less) non cash items		
Loan Interest	(29,319)	(13,321)
Depreciation	46,134	38,609
Amortisation	246	406
Movement in CLP/ Riskpool Admin Fee Reserve	(225,835)	(43,879)
Movement in Deferred Tax Asset	298,891	186,932
Net change in fair value of investment property	(133,070)	798,043
Debt write-Off	-	(120,176)
	(42,953)	846,614
Add/(less) movements in other working capital items		
Sundry Debtors and Prepayments and Reinsurance Recoveries	(59,784)	(171,391)
Sundry Creditors and Accrued Charges	55,502	(241,936)
Tax Refund Due	-	(2,590)
	(4,282)	(415,917)
Add/(Less) Items Classified as Investing Activity	(76,150)	(91,914)
Add/(Less) Items Classified as Financing Activity	(147,980)	(68,273)
Net Cash Flow from Operating Activities	626,086	114,390

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

NOTE 12 SUNDRY DEBTORS AND CREDITORS

(a) Sundry Debtors and Prepayments

	2018 \$	2017 \$
Sundry Debtors	637,748	590,921
Prepayments	145,453	124,191
GST Receivable	4,684	12,987
Sundry Debtors and Prepayments	787,885	728,099

(b) Sundry Creditors and Accrued Charges

	2018 \$	2017 \$
Sundry Creditors and Accrued Charges	204,028	150,901
Sundry Creditors and Accrued Charges	204,028	150,901

NOTE 13 LOANS

Loan Receivable

Secured loan agreements between the Company and Local Government Mutual Funds Trustee Limited on behalf of New Zealand Mutual Liability Riskpool ("Riskpool") were entered into in February 2017, August 2017 and again in November 2018 to assist with Riskpool's cashflow. The amounts made available under the 2017 agreements were reduced in the current period to provide facilities of \$2,250,000 each (2017: \$3,000,000) and under the terms of the loans the interest rate is set as BKBM plus a margin. The November 2018 agreement provides a loan facility of \$4,000,000. Under the terms of the loan agreement the interest rate is set at the ANZ Bank lending rate plus a margin. Riskpool may repay the loans and any interest at any time without penalty. The Company may at any time withdraw the facilities by notice in writing to Riskpool to that effect, from which time no further funds will be provided but without giving rise to a requirement for Riskpool to repay the outstanding balance of the loan. The Company may require repayment of the loans (including all interest) in full or in part at any time with six months' notice. Either party may terminate the agreements on six months' notice or any other such period that both parties agree to. On termination, the loan outstanding and any interest due to the date of repayment must be paid within the period of notice. The first loan including interest of \$68,280 under the first agreement was repaid in full in October 2017. The loan outstanding at 31 December 2018 is \$6,086,843.91.

Borrowings

The Company borrowed \$4,000,000 from the ANZ Bank with this loan secured over Civic Assurance House.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

NOTE 14 SHAREHOLDERS' EQUITY

The Share Capital of the Group comprises solely authorised and issued ordinary shares with each share ranking equally in votes, dividends and surpluses. In 2017, there were no shares were issued. There were no shares issued during 2018.

	2018 \$	2017 \$
Retained Earnings		
Opening Balance	6,284,094	6,440,214
Net Surplus After Taxation	897,451	(156,120)
Closing balance	7,181,545	6,284,094
Shareholders Capital		
Opening Balance	10,763,506	10,763,506
Ordinary Shares issued during the year	-	-
Closing balance	10,763,506	10,763,506
Number of Ordinary Shares Fully Paid	11,249,364	11,249,364

NOTE 15 SUBORDINATED DEBT

New Zealand Local Government Finance Corporation Limited (NZLGFC) ceased active operations in February 2010 and was removed from the New Zealand Companies register on 25 September 2017. NZLGFC had total assets of \$50,533 and total liabilities of \$120,176 at 31 December 2016. On completion of the windup process during 2017, NZLGFC had no remaining assets available for distribution and was released from the remaining debt of \$120,176. This amount is included in the Statement of Comprehensive Income in 2017. No impact in the current year.

NOTE 16 EQUITY RETAINED FOR FINANCIAL SOUNDNESS

All shareholder equity is retained to ensure the financial soundness of the Group. The cash is retained for cash flow purposes and to balance the funds allocated in the building investment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

NOTE 17 STANDARDS APPROVED BUT NOT YET EFFECTIVE

Standards and Interpretations in issue not yet adopted

At the date of authorisation of the financial report, one Standard and Interpretation was in issue that was relevant to the Group, but not yet effective.

Initial application of the following Standard is not expected to affect any of the amounts recognised in the financial report or change the presentation and disclosures presently made in or relation to the Group's financial report:

	<i>Effective for annual reporting periods beginning on or after</i>	<i>Expected to be initially applied in the financial year ending</i>
Revised NZ IFRS 9 'Financial Instruments'	1 January 2021	31 December 2021

NOTE 18 SUBSEQUENT EVENTS

There have been no material events subsequent to 31 December 2018 that require adjustment to or disclosure in the financial statements.

NOTE 19 CAPITAL COMMITMENTS

The Company has capital commitments at balance date totalling \$431,527 (2017: \$0) for contracts relating to the earthquake strengthening and asbestos works.

NOTE 20 GOING CONCERN

The financial statements have been prepared on a going concern basis.

The profitability of financial and property services supports the going concern assumption for Civic Financial Services Ltd as a whole. The deferred tax asset is reviewed regularly and at balance date against forecast profits and future business opportunities. The Directors believe that it is probable that sufficient taxable profits will be available in the future against which the unused tax losses can be utilised.

INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF CIVIC FINANCIAL SERVICES LIMITED'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

The Auditor-General is the auditor of Civic Financial Services Limited and its subsidiaries (the 'Group'). The Auditor-General has appointed me, Silvio Bruinsma, using the staff and resources of Deloitte Limited, to carry out the audit of the consolidated financial statements of the Group on his behalf.

OPINION

We have audited the consolidated financial statements of the Group on pages 7 to 29, that comprise the consolidated statement of financial position as at 31 December 2018, the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and notes to the consolidated financial statements that include accounting policies and other explanatory information.

In our opinion, the consolidated financial statements of the Group:

- present fairly, in all material respects:
 - its financial position as at 31 December 2018; and
 - its financial performance and cash flows for the year then ended; and
- comply with generally accepted accounting practice in New Zealand in accordance with Public Sector Public Benefit Entity Standards.

Our audit was completed on 15 March 2019. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the audit of the consolidated financial statements, we comment on other information and we explain our independence.

BASIS FOR OUR OPINION

We carried out 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 Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

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

RESPONSIBILITIES OF THE BOARD OF DIRECTORS FOR THE FINANCIAL STATEMENTS

The Board of Directors is responsible on behalf of the Group for preparing consolidated financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand. The Board of Directors is responsible for such internal control as it determines is necessary to enable it to prepare financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible, on behalf of the Group, for assessing the Group's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Board of Directors intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors' responsibilities arise from the Companies Act 1993.

RESPONSIBILITIES OF THE AUDITOR FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated 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 carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers taken on the basis of these consolidated financial statements.

We did not evaluate the security and controls over the electronic publication of the consolidated 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. Also:

- We identify and assess the risk of material misstatement of the consolidated 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.
- We 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 Group's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of 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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of 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.

Our responsibilities arise from the Public Audit Act 2001.

INDEPENDENT AUDITOR'S REPORT *CONTINUED*

OTHER INFORMATION

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 1 to 5 but does not include the consolidated financial statements, and our auditor's report thereon.

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, 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.

INDEPENDENCE

We are independent of the Group in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board.

In addition to the audit, we have carried out engagements in the areas of tax compliance and controls assurance, which are compatible with those independence requirements. Other than the audit and these engagements, we have no relationship with or interests in the Group.



Silvio Bruinsma
Deloitte Limited
On behalf of the Auditor-General
Wellington, New Zealand

CIVIC FINANCIAL SERVICES SHAREHOLDERS AS AT 31 DECEMBER 2018

SHAREHOLDER MEMBER			NO. OF SHARES			SHAREHOLDER MEMBER			NO. OF SHARES		
CITY COUNCILS						DISTRICT COUNCILS (Cont'd)					
Auckland	2,195,042	19.51%	Rangitikei	35,338	0.31%						
Christchurch	1,417,704	12.60%	Rotorua	175,906	1.56%						
Dunedin	470,966	4.19%	Ruapehu	56,666	0.50%						
Hamilton	202,729	1.80%	South Taranaki	135,496	1.20%						
Hutt	479,822	4.27%	South Waikato	42,374	0.38%						
Invercargill	407,927	3.63%	South Wairarapa	53,930	0.48%						
Napier	283,842	2.52%	Southland	13,715	0.12%						
Nelson	95,543	0.85%	Stratford	65,608	0.58%						
Palmerston North	411,737	3.66%	Tararua	99,972	0.89%						
Porirua	140,146	1.25%	Tasman	65,584	0.58%						
Tauranga	124,242	1.10%	Taupo	83,971	0.75%						
Upper Hutt	51,209	0.46%	Thames-Coromandel	27,120	0.24%						
Wellington	526,821	4.68%	Timaru	230,118	2.05%						
			Waikato	41,070	0.37%						
			Waimakariri	88,172	0.78%						
DISTRICT COUNCILS						Waimate	30,458	0.27%			
Ashburton	56,016	0.50%	Waipa	149,082	1.33%						
Buller	27,698	0.25%	Wairoa	22,992	0.20%						
Carterton	23,642	0.21%	Waitaki	120,000	1.07%						
Central Hawke's Bay	28,580	0.25%	Waitomo	16,940	0.15%						
Central Otago	91,238	0.81%	Wanganui	289,660	2.57%						
Clutha	33,711	0.30%	Western Bay of Plenty	28,142	0.25%						
Far North	85,440	0.76%	Westland	28,356	0.25%						
Gisborne	99,404	0.88%	Whakatane	38,788	0.34%						
Gore	54,589	0.49%	Whangarei	63,524	0.56%						
Grey	33,742	0.30%									
Hastings	129,170	1.15%									
Hauraki	63,434	0.56%	REGIONAL COUNCILS								
Horowhenua	110,689	0.98%	Bay of Plenty	55,000	0.49%						
Hurunui	14,000	0.12%	Canterbury	152,696	1.36%						
Kaikoura	10,000	0.09%	Hawke's Bay	20,000	0.18%						
Kaipara	13,629	0.12%	Horizons	2,000	0.02%						
Kapiti Coast	15,060	0.13%	Southland	10,000	0.09%						
Kawerau	31,161	0.28%	Taranaki	1,000	0.01%						
Manawatu	203,964	1.81%	Waikato	22,000	0.20%						
Marlborough	86,022	0.76%	Wellington	80,127	0.71%						
Masterton	127,230	1.13%									
Matamata-Piako	122,554	1.09%	OTHER								
New Plymouth	441,456	3.92%	TrustPower	137,251	1.22%						
Opotiki	20,000	0.18%									
Otorohanga	5,000	0.04%									
Queenstown-Lakes	31,149	0.28%	Total Shares			11,249,364					