

CIVIC FINANCIAL SERVICES LIMITED
STATEMENT OF INTENT
FOR THE YEAR ENDED 31 DECEMBER 2020

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1.0 Mission Statement

| Mission Statement of Civic Financial Services Ltd |
|---|
| To provide superannuation and risk-financing solutions to the local government sector |

2.0 Corporate Goals

The specific goals of the Company are:

- 2.1 To operate as a sound and successful business.
- 2.2 To be the primary supplier of superannuation and risk-financing services to the local government sector.
- 2.3 To investigate and facilitate, as appropriate, new products and markets in superannuation and risk-financing and such other markets that it believes could prove beneficial to its shareholders and the local government sector.

3.0 Nature and Scope of Activities

- 3.1 The Company administers superannuation services for local government and local government staff via SuperEasy and the SuperEasy KiwiSaver Superannuation Scheme.
- 3.2 The Company provides administration, accounting, and a range of other services to LAPP, Riskpool, CLP (Civic Liability Pool) and CPP (Civic Property Pool).
- 3.3 The Company investigates and facilitates as appropriate such new superannuation and risk-financing services and/or markets that it believes will prove beneficial to its shareholders and the local government sector.
- 3.4 In a modest and selective way the Company provides sponsorship for a range of local government activities at regional and national level.

4.0 Financial Projections

Civic's projected profit outlook over the next three years is shown in the tables below.

Civic's main revenue streams will come from the two following sources: fees from providing administration services and investment income.

Profits from providing administration services: Civic's source of income in 2020 will primarily come from providing administration services as described in section 3.1. (superannuation services for local government and local government staff via the SuperEasy and the SuperEasy KiwiSaver Superannuation Schemes) and additionally supported by services described in 3.2. (administration, accounting, and a range of other services to LAPP, Riskpool, Civic Liability Pool and Civic Property Pool).

Profits from investment income: Civic's income in 2020 other than from providing administration services will come solely from investment income. As communicated to you in the 2019 Statement of Intent, the strengthening work to prepare Civic Assurance House would be completed by 31 March 2019; at which time the building would be taken to market. A satisfactory price was subsequently received, and the building sold with a settlement date of 15 August 2019. On 19 August Civic paid a Special Dividend to its shareholders, totalling an amount of \$9,418,480 plus accompanying imputation credits of \$3,662,742.22; representing the sale price of \$10,115,000 less selling costs of \$696,520. The sale of Civic Assurance House and subsequent removal of rental income has been taken into consideration in the projections below.

Paying future dividends: To support and enhance Civic's primary source of income from providing administration services to its SuperEasy and SuperEasy KiwiSaver Superannuation Schemes, for the period of this Statement Of Intent (2020 – 2022) Civic will not be paying a dividend to its shareholders. We will be using the funds that would otherwise be provided as dividends by way of applying this as a reduction to the management fees for the members of these schemes. The effective date of introducing this fee reduction is 1 April 2020 at which time the schemes' base management fee will be reducing from 0.5% per annum to 0.44% per annum. This reduced fee structure has been taken into consideration and is reflected in the projections below.

Financial projections for 2020 to 2022 are:

| | 2020 | 2021 | 2022 |
|---------------------------|-------------------|------------------|------------------|
| Administration Income | \$2,130,746 | \$2,157,238 | \$2,242,406 |
| Investment Income | \$152,513 | \$158,000 | \$163,000 |
| Revenue | \$2,283,258 | \$2,315,238 | \$2,405,406 |
| | | | |
| Expenses | \$2,024,486 | \$2,114,520 | \$2,139,963 |
| | | | |
| Surplus before tax | \$ 258,772 | \$200,718 | \$265,443 |

Please note that these are projections, not firm predictions.

5.0 Performance Targets and Measures

- 5.1 To provide superannuation services to at least 90% of local authorities.
- 5.2 To continue to be an efficient and effective administration manager for LAPP, Riskpool, CLP and CPP.

6.0 Reporting to Shareholders

- 6.1 An audited annual report for 2019 by 30 April 2020.
- 6.2 A report on the first half of 2020 by 30 September 2020 containing a review of the Company's operations during the half year and unaudited half-yearly accounts.

7.0 Acquisitions/Disposals

Any acquisition or disposal that is equivalent to 50% or more of the Company's assets will constitute a "major transaction" under the Company's constitution and approval of the shareholders will be sought in accordance with the constitution. Any acquisition that is equivalent to 25% or more but less than half of the Company's assets will constitute a "minor transaction" under the Company's constitution and consultation with shareholders will take place.

8.0 Transactions with Related Parties

The Company has 72 local authority shareholder members plus TrustPower (holding 1.22%). Local Government Superannuation Trustee Limited and Local Government Mutual Funds Trustee Limited are wholly owned subsidiaries of the Company. Because it is sharing management resources, the Local Authority Protection Programme (LAPP), Riskpool, CLP and CPP are also considered to be related parties. Transactions with shareholder members include risk-financing services and superannuation related financial services.

Charges to and from shareholder members will be made for services provided as part of the normal trading activities of the Company and its subsidiaries. Transactions with shareholder members are on a wholly commercial basis.

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