



Hastings District Council

*Civic Administration Building
Lyndon Road East, Hastings*

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OPEN

ATTACHMENTS UNDER SEPARATE COVER

COUNCIL MEETING

Meeting Date: **Wednesday, 27 November
2019**

Time: **1.00pm**

Venue: **Council Chamber
Ground Floor
Civic Administration Building
Lyndon Road East
Hastings**

ITEM	SUBJECT	PAGE
8.	NEW ZEALAND LOCAL GOVERNMENT FUNDING AGENCY LIMITED - ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2019	
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30 August 2019

Dear Shareholder

LGFA 2019 Annual Report

I attach our Annual Report for 2019 as required under section 8 of our Statement of Intent (SOI).

We are pleased to highlight another strong year for LGFA that included several achievements.

1. We have made longer dated borrowing options available to an increased number of council borrowers

By 30 June 2019, LGFA had loans outstanding of \$9.31 billion to sixty-three participating councils. This is an increase over the past year of \$1.35 billion in loans and we added eight new council members to bring the number of member councils to sixty-four.

2. Significant market share of sector borrowing for the year.

For the 12-month period to 30 June 2019, LGFA provided 92.3% of the sector borrowing and we are appreciative of the support from our borrowing councils.

3. A strong financial position has ensured a dividend payment of 4.62% for shareholders.

The financial strength of LGFA has been enhanced with a Net Operating Profit of \$11.2 million for the 2018/19 year and Shareholder Equity of \$74.15 million as at 30 June 2019. A \$1.155 million dividend has been declared by the LGFA Board for the year ended 30 June 2019 and we will be sending out the dividend notice to you shortly. The dividend rate is \$0.0462 per paid up share and will be paid to you on Friday 6 September.

A copy of the Annual Report is attached, it is also be available on our website www.lgfa.co.nz. If you would like a hard copy version, please contact jane.phelan@lgfa.co.nz.

We intend holding our Annual General Meeting (AGM) on Thursday 21st November 2019 in Wellington. We will send out the Notice of AGM and Agenda by Thursday 26th September 2019.

Please do not hesitate to contact me if you have any comments or questions.

Kind regards

A handwritten signature in black ink, appearing to read 'Mark Butcher', is written over a light blue horizontal line.

Mark Butcher
Chief Executive

NEW ZEALAND LOCAL GOVERNMENT FUNDING AGENCY LIMITED
 AUCKLAND Level 5, Walker Wayland Centre, 53 Fort Street
 WELLINGTON Level 8, City Chambers, 142 Featherston Street
 PO Box 5704, Lambton Quay, Wellington 6145 | PH +64 4 974 6530 | www.lgfa.co.nz


Meeting the financing needs of New Zealand councils

**Mā te huruhuru
ka rere te manu**

Annual report
30 June 2019



NEW ZEALAND LOCAL
GOVERNMENT FUNDING AGENCY
TE PŪTEA KĀWANATANGA Ā-ROHE



Ma te huruhuru ka rere te manu is a traditional saying literally meaning ‘birds need feathers to fly’.

Its wider meaning is that ‘investment is needed for success’.

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About us Ko ngāi mātou

Establishment

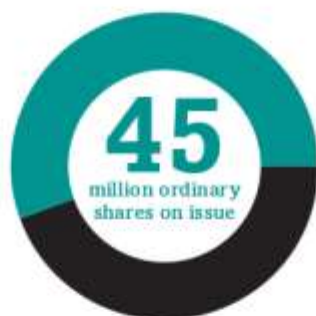
The New Zealand Local Government Funding Agency Ltd (LGFA) specialises in funding the New Zealand local government sector, the primary purpose being to provide more efficient funding costs and diversified funding sources for New Zealand local authorities. LGFA was established to raise debt on behalf of local authorities on terms that are more favourable to them than if they raised the debt directly.

Incorporated
on 1 December
2011 under the
Companies
Act 1993.

Enabled
by Local
Government
Borrowing
Act 2011

Council-
controlled
organisation
under the Local
Government
Act 2002.

Ownership



20 million of which
remain **uncalled**.



20%
New Zealand
Government
80%
30 councils

Share ownership is restricted
to New Zealand Government
or councils.

Guarantee structure

LGFA's securities obligations are
guaranteed by the councils that
are Guarantors.

LGFA is not guaranteed by the
New Zealand Government.

All shareholder councils must be
a Guarantor as well as any council
with aggregate borrowings over
\$20 million.

Credit rating

as at 30 June 2019

Domestic Currency AA+ / Foreign Currency AA (Positive Outlook)

Standard & Poor's

Domestic Currency AA+ / Foreign Currency AA (Stable Outlook)

Fitch Ratings

These credit ratings are the same as the New Zealand Government ratings.

Face value of bonds on issue

as at 30 June 2019 (NZ\$ million)

\$9,335
million

Bills on issue

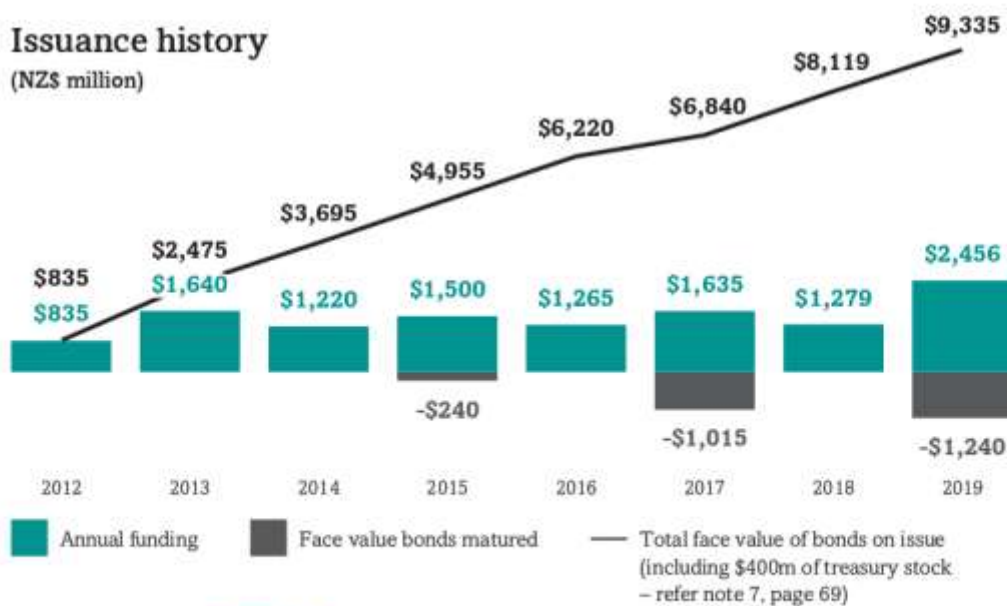
as at 30 June 2019 (NZ\$ million)

\$505
million



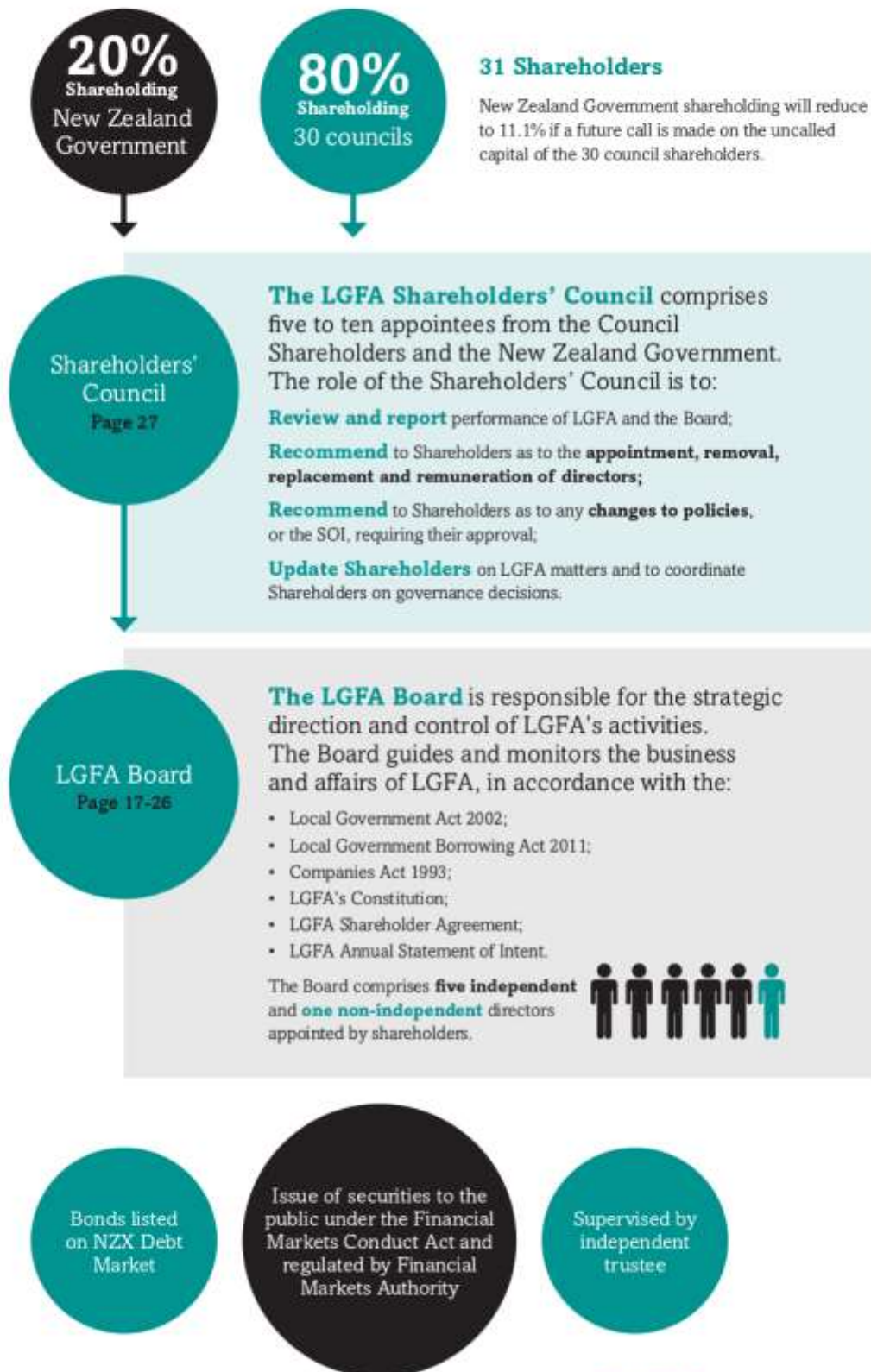
Issuance history

(NZ\$ million)

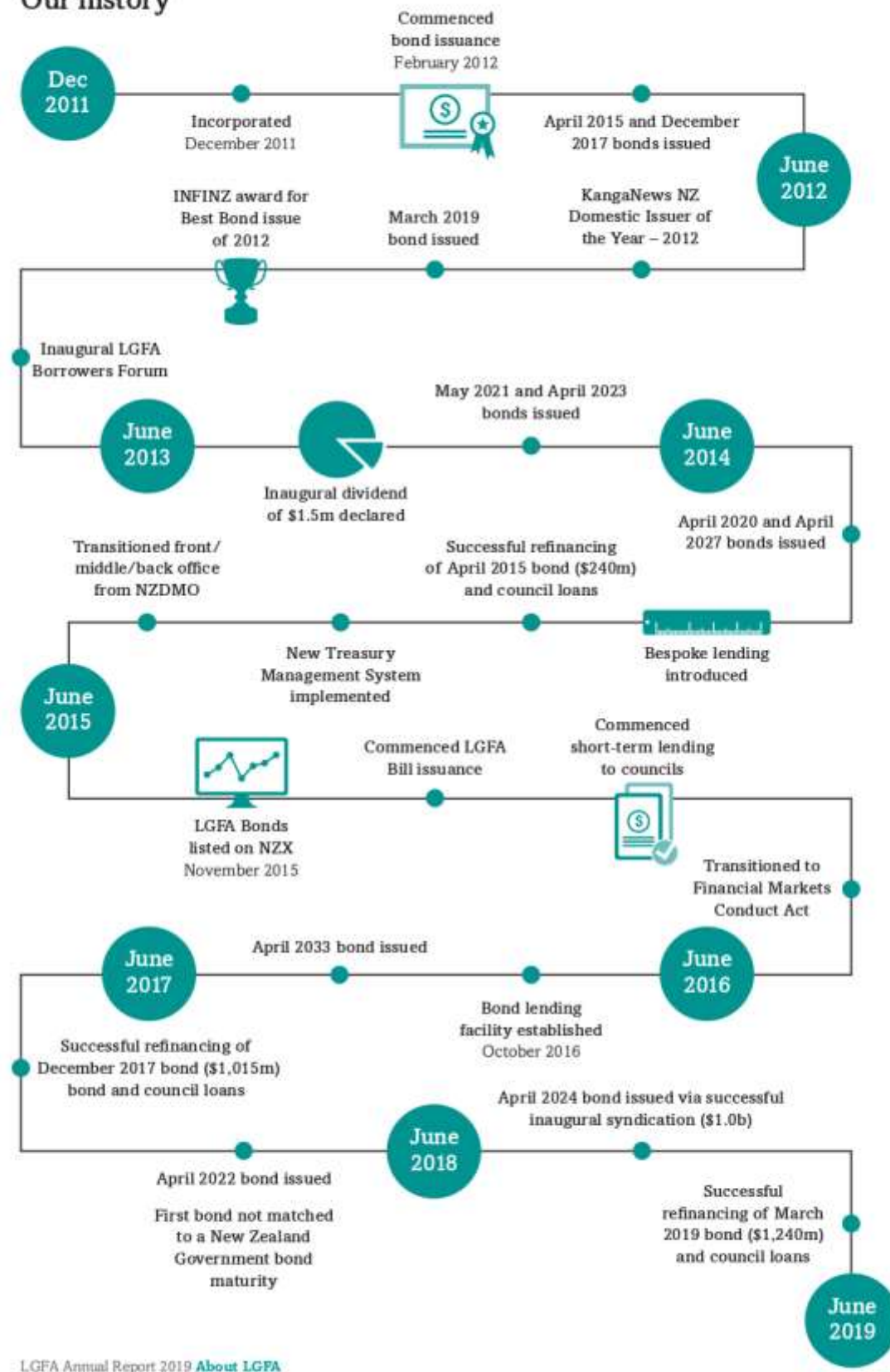


LGFA Annual Report 2019 [About LGFA](#)

Governance overview



Our history



Item 8

Attachment 2

LGFA's 64 participating councils by year of joining

North Island

2011-12	Auckland Council	Shareholder
2011-12	Bay of Plenty Regional Council	Shareholder
2011-12	Greater Wellington Regional Council	Shareholder
2011-12	Hamilton City Council	Shareholder
2011-12	Hastings District Council	Shareholder
2011-12	Manurewa District Council	Shareholder
2011-12	New Plymouth District Council	Shareholder
2011-12	South Taranaki District Council	Shareholder
2011-12	Taupo District Council	Shareholder
2011-12	Tairāngia City Council	Shareholder
2011-12	Waipa District Council	Shareholder
2011-12	Wellington City Council	Shareholder
2011-12	Western Bay of Plenty District Council	Shareholder
2011-12	Whangarei District Council	Shareholder
2012-13	Far North District Council	Borrower and Guarantor
2012-13	Gisborne District Council	Shareholder
2012-13	Hauraki District Council	Shareholder
2012-13	Horowhenua District Council	Shareholder
2012-13	Hutt City Council	Shareholder
2012-13	Kapiti Coast District Council	Shareholder
2012-13	Manawatu District Council	Shareholder
2012-13	Matamata-Piako District Council	Borrower and Guarantor
2012-13	Palmerston North City Council	Shareholder
2012-13	Rotorua District Council	Borrower and Guarantor
2012-13	Thames-Coromandel District Council	Shareholder
2012-13	Waikato District Council	Borrower and Guarantor
2012-13	Whakatane District Council	Shareholder
2012-13	Whanganui District Council	Shareholder
2013-14	Horizons District Council	Borrower and Guarantor
2013-14	Upper Hutt City Council	Borrower and Guarantor
2014-15	Opotiki District Council	Borrower
2014-15	Porirua City Council	Borrower and Guarantor
2014-15	Taranaki District Council	Borrower
2015-16	Kaipara District Council	Borrower and Guarantor
2015-16	South Wairarapa District Council	Borrower and Guarantor
2016-17	Central Hawkes Bay District Council	Borrower
2016-17	Northland Regional Council	Borrower
2016-17	Waikato District Council	Borrower and Guarantor
2016-17	Rangitikei District Council	Borrower
2016-17	Stratford District Council	Borrower
2018-19	Hawkes Bay Regional Council	Borrower and Guarantor
2018-19	Ruapehu District Council	Borrower and Guarantor
2018-19	Waikato Regional Council	Borrower and Guarantor
2018-19	Waioira District Council	Borrower

South Island

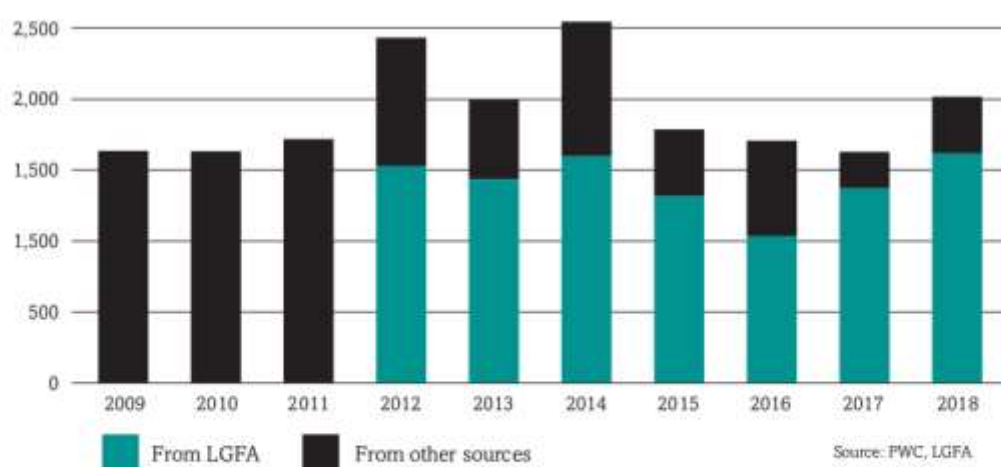
2011-12	Christchurch City Council	Shareholder
2011-12	Otago District Council	Shareholder
2011-12	Selwyn District Council	Shareholder
2011-12	Tasman District Council	Shareholder
2012-13	Ashburton District Council	Borrower and Guarantor
2012-13	Grey District Council	Borrower
2012-13	Marlborough District Council	Shareholder
2012-13	Nelson City Council	Borrower and Guarantor
2012-13	Queenstown Lakes District Council	Borrower and Guarantor
2012-13	Timaru District Council	Borrower and Guarantor
2012-13	Waimakariri District Council	Shareholder
2013-14	Hurunui District Council	Borrower and Guarantor
2015-16	Buller District Council	Borrower
2015-16	Canterbury Regional Council	Borrower and Guarantor
2015-16	Gore District Council	Borrower
2015-16	Westland District Council	Borrower
2018-19	Clutha District Council	Borrower
2018-19	Invercargill City Council	Borrower and Guarantor
2018-19	Mackenzie District Council	Borrower
2018-19	West Coast Regional Council	Borrower

Participating councils

Borrower Type	Number of Councils	Amount Borrowed (NZ\$ million)	Percentage of Total Borrowing
Guarantors	52	9,200	98.8%
Non Guarantors	12	111	1.2%
Total	64	9,311	100.0%

Councils' borrowing

All councils (NZ\$ million) calendar year



New member Councils

LGFA welcomes the following eight councils who joined as eligible borrowers in the year ended 30 June 2019:



Message from the Chair

He karere mai i te Toihau

For the year ended 30 June 2019

"LGFA continues to meet council borrowing needs on a cost-effective basis while providing investors with a highly-rated, higher-yielding alternative to New Zealand Government Bonds"

"Kei te tutuki tonu a LGFA i ngā hiahia mino i runga i te āhua utu tōtika i a rātou e whakarato tonu ana ki ngā kaiwhakangao he āhuatanga kē nui ake te whakatauranga, nui ake hoki te whakahokinga pūtea ki tērā a ngā New Zealand Government Bonds"

Craig Stobo, Chair LGFA Board



Directors are pleased to record another period of strong financial and non-financial performance to 30 June 2019 and to highlight the following developments over the past year.

Strong financial and operational performance

LGFA total interest income for the financial year of \$361.1 million was a 5.3% increase over the 2017-18 financial year result of \$342.8 million while net operating profit of \$11.2 million for the financial year was a 5.1% decrease on the 2017-18 financial year result of \$11.8 million.

While operating profit was lower than the previous year's result, it did exceed the Statement of Intent (SOI) forecasts due to the larger than expected growth in council loans. Lower profitability was due to the lower level of interest rates reducing income on the Liquid Assets Portfolio, and the refinancing by councils of their previous higher margin loans as they matured with lower margin loans.

Expenses have been managed under budget over the past year owing to reduced utilisation of the standby facility and lower Approved Issuer Levy (AIL) payment due to fewer offshore investor holdings relative to budget. These savings were partially offset by higher legal and NZX costs associated with the record amount of council lending and associated bond issuance.

Investor relations

LGFA bonds continue to be an attractive investment for investors while LGFA has also delivered savings in borrowing costs and extended the tenor of lending available to our council borrowers.

The financial strength of LGFA was reaffirmed by credit rating agencies S&P Ratings and Fitch Ratings who both maintained LGFA's credit rating at 'AA+', which, very importantly, is the same as the New Zealand Government. In March 2019, S&P Ratings placed LGFA's local currency long-term issuer rating on positive outlook.

Borrowing activity

LGFA issued \$2.456 billion of bonds over the financial year and outstandings now total \$9.335 billion (including \$400 million of treasury stock) across eight maturities from 2020 to 2033. The amount issued during the year was significantly more than the average historical issuance amount of \$1.5 billion per financial year. The issuance highlight was the debut of an April 2024 bond by syndication which provided a new mid curve maturity for investors. The issuance of the new bond was

undertaken via a syndicate of two banks and this was a change from the previous strategy of issuing via bond tenders. The issue size of \$1 billion was a record amount issued in a single transaction by a New Zealand issuer other than the New Zealand Government. LGFA issued the new maturity to help reduce the mismatch between LGFA bond issuance and on-lending to councils, and issued via syndication because of the opportunity to cost effectively issue a large amount of bonds.

LGFA is the largest issuer of New Zealand dollar (NZD) securities after the New Zealand Government and its bonds are amongst the largest and most liquid New Zealand-dollar debt instruments available for investors. It is pleasing to note increased activity in the secondary market in LGFA bonds.

The performance of LGFA bonds over the past year was pleasing with LGFA bond spreads to New Zealand Government Bonds (NZGB) tighter on all LGFA bond maturities. While LGFA bond spreads to swap were tighter from 2023 maturities and longer, spreads were wider on the shorter-dated LGFA bonds. Outright yields declined between 63 bps (0.63%) on the 2020 maturity and 140 bps (1.40%) on the 2033 maturity over the year.

LGFA continues to issue short-dated LGFA Bills ranging in maturities from three months to twelve months through a combination of monthly tenders and private placements. Outstandings under the programme have reached \$505 million. These instruments provide a source of funding for short-dated lending to council borrowers and assist LGFA with liquidity management.

Lending to the sector

LGFA was established in December 2011 to provide long-dated borrowing, certainty of access to markets and to reduce the borrowing costs for the local government sector. The original 31 shareholders including the Crown remain as shareholders. Over the past year, eight new members were added with Clutha District, Hawkes Bay Regional, Invercargill City, Mackenzie District, Ruapehu District, Waikato Regional, Wairoa District and West Coast Regional Councils all joining. Total membership is now 64 councils, and this is expected to rise by a smaller amount in the coming year.

Long-dated lending to councils over the 2018-19 year was a record \$2.446 billion as councils refinanced their March 2019 loans, increased their borrowing to fund infrastructure and new council members utilised LGFA as a source of funding. The average tenor of long-dated borrowing by councils was 6.0 years over the 12-month period, which was longer than the prior year's 4.5 years.

Short-dated lending for terms less than 12 months has been well received by councils and as at 30 June 2019, LGFA had \$360 million of short-term loans outstanding to thirty councils.

The credit quality of the sector (and the LGFA loan book) continues to improve with 11 of councils either receiving an improved credit rating or a positive change to their rating outlooks while only two councils have a negative change. All member councils remain compliant with the LGFA lending covenants.

The sector outlook and impact on LGFA

The success of LGFA over the past six years has been in part due to its ability to evolve and adapt to meet the needs of the local government sector. This has been apparent with the introduction of short-term lending, bespoke lending and the introduction of long-dated bond maturities allowing councils to undertake long-dated borrowing. In the past year has progressed work on moving LGFA into a position where it can lend directly to Council-Controlled Organisations in the future within an appropriate framework to manage risk.

Councils have published their 2018-28 Long Term Plans in the past year and the sector is forecasting in aggregate a large increase in their potential debt levels as they look to invest in infrastructure. Some of the investment will be funded from other sources but LGFA is confident it can meet the borrowing needs of the sector. The sector is still awaiting guidance from Central Government regarding the Productivity Commission review into local government funding and financing and the review of the management of drinking water, stormwater and waste water (three waters). These may have a medium-term impact on the sector but LGFA remains comfortable in its ability to assist the sector in meeting any changes as a result of these initiatives.

Acknowledgments

The Agency's work cannot be implemented without the support of staff, directors, Shareholders Council and the New Zealand Debt Management (NZDM), all whose efforts should be acknowledged. I would like to also thank Mark Butcher, our Chief Executive for his leadership of the organisation over the past year. Directors believe the Agency's future remains positive and look forward to working with all stakeholders in the year ahead.



Craig Stobo
Chair, LGFA Board



Item 8

Attachment 2

Performance highlights

Putanga mahi matua

Bonds issued over
the financial year

\$2.456
billion

Lending to councils
over the financial year

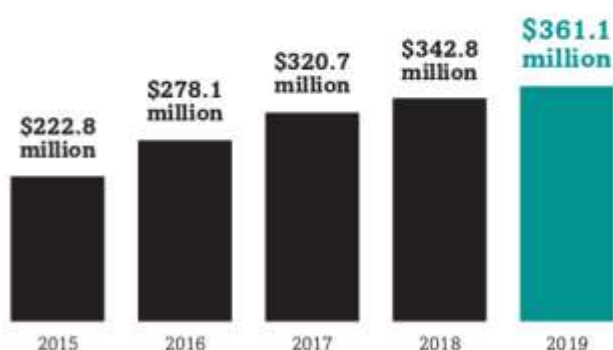
\$2.446
billion

Total interest income

\$361.1
million

▲ **5.3%**

increase over the 2017-18
financial year

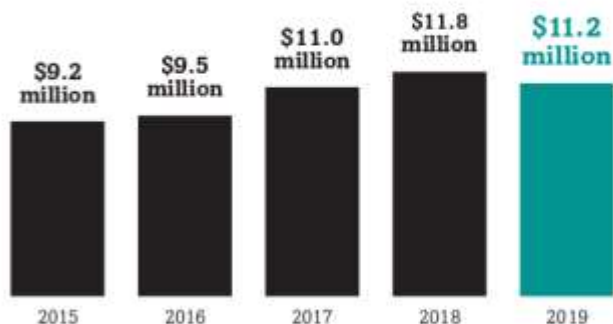


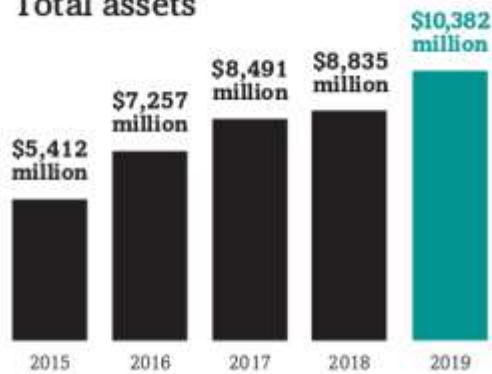
Net operating profit

\$11.2
million

▼ **5.1%**

decrease over the 2017-18
financial year

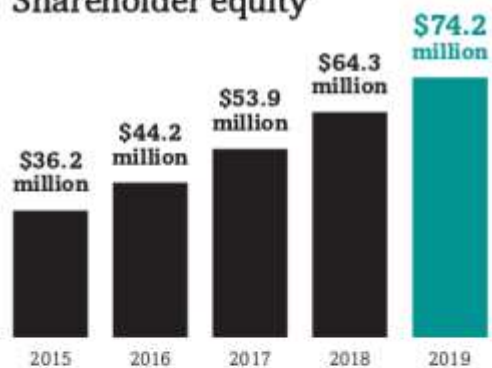
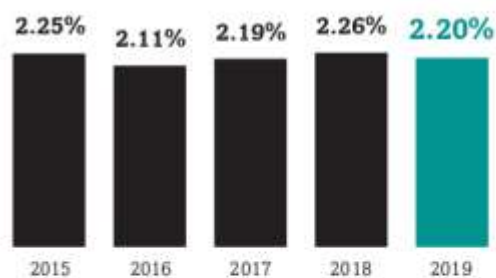


Total assets**Liquidity** as at 30 June 2019**Shareholder funds** 30 June 2019

Fully paid shares

\$25m

Retained earnings

\$49m**Shareholder equity****Shareholder funds and borrower notes / total assets**

Borrower Notes are subordinated convertible debt instruments subscribed for by borrowing councils.

Corporate governance Ārahitanga ā-rangatōpū

NZX Corporate Governance Best Practice Code

The LGFA Board is committed to ensuring LGFA demonstrates ongoing commitment to strong and sound corporate governance.

LGFA is a listed issuer on the NZX Main Board and this section sets out LGFA's compliance with the eight core principles underpinning the NZX Corporate Governance Best Practice Code 2019.

LGFA considers that its governance practices have not materially differed from the NZX Code for the year ended 30 June 2019. Areas where LGFA has implemented alternative measures to the Code are as follows:

An Issuer should establish a nomination committee to recommend director appointments to the Board.

An Issuer should have a remuneration committee which operates under a written charter.

The process for the nomination and remuneration of directors is documented in the Constitution of New Zealand Local Government Funding Agency Limited and outlined below.

The following governance documents referred to in this section are available on the LGFA website: lgfa.co.nz/about-lgfa/governance:

- LGFA Constitution
- Shareholders Agreement
- Code of Ethics
- Board Charter
- Audit and Risk Committee Charter
- Internal Audit Charter
- Diversity Policy
- Remuneration Policy

Principle 1 Code of ethical behaviour

Directors should set high standards of ethical behaviour, model this behaviour and hold management accountable for these standards being followed throughout the organisation.

Code of Ethics

LGFA has adopted a formal Code of Ethics, incorporating its Conflicts of Interest Policy and Code of Conduct Policy, which sets out the standards that both directors and employees of LGFA are expected to follow to reflect the values of LGFA.

LGFA recognises impartiality and transparency in governance and administration are essential to maintaining the integrity of LGFA. Accordingly, the Conflicts of Interest Policy formally provides guidance to employees and directors of LGFA in relation to conflicts of interest and potential conflicts of interest, including specific guidance on the process for managing potential conflicts that may arise for non-independent directors. Directors and employees are expected to avoid all actions, relationships and other circumstances that may impact on their ability to exercise their professional duties.

The Code of Conduct Policy requires employees and directors to carry out their roles while maintaining high standards of integrity and conduct by clearly setting out standards for expected behaviour.

In addition, the policy sets out LGFA's commitment to behave in a fair and reasonable manner to employees, while providing a fair and safe working environment.

Protected Disclosures and Whistle Blowing

LGFA has adopted a Protected Disclosures and Whistle Blowing Policy which provides procedure, support and protection to persons who disclose information which they reasonably believe to be about serious wrong-doing in or by LGFA.

Financial Products Trading Policy

LGFA has formally adopted a Financial Products Trading Policy, which applies to all directors, employees and contractors, and details LGFA's policy on, and rules for dealing in, listed debt securities issued by LGFA and any other quoted financial products of LGFA.

To ensure an effective Board, there should be a balance of independence, skills, knowledge, experience and perspectives.

Principle 2 Board composition and performance

LGFA Board Charter

The LGFA Board has adopted a Board Charter which describes the Board's role and responsibilities and regulates the Board's procedures. The Board Charter states that the role of the Board is to ensure LGFA achieves its goals. Having regard to its role the Board will direct, and supervise the

management of, the business and affairs of LGFA, including:

- ensuring that LGFA's goals are clearly established, and that strategies are in place for achieving them (such strategies being expected to originate, in the first instance, from management);

- establishing policies for strengthening LGFA's performance;
- ensuring strategies are in place for meeting expectations set out in the current Statement of Intent and monitoring performance against those expectations, in particular LGFA's primary objective of optimising the debt funding terms and conditions for participating local authorities;
- monitoring the performance of management;
- appointing the CEO, setting the terms of the CEO's employment contract and, where necessary, terminating the CEO's employment;
- deciding on whatever steps are necessary to protect LGFA's financial position and the ability to meet its debts and other obligations when they fall due, and ensuring that such steps are taken;
- ensuring that LGFA's financial statements are true and fair and otherwise conform with law;
- ensuring that LGFA adheres to high standards of ethics and corporate behaviour; and
- ensuring that LGFA has appropriate risk management/regulatory compliance policies in place.

In the normal course of events, day-to-day management of LGFA will be in the hands of management. The Board will satisfy itself that LGFA is achieving its goals, and engaging and communicating with Shareholders' Council.

Board composition

The LGFA Board comprises five independent Directors and one non-independent Director. An independent director is a director who, within five years prior to appointment, was not an employee of any shareholder, employee of a Council-Controlled Organisation owned by a shareholder, or a councillor of any local authority which is a shareholder.

The directors of LGFA as at 30 June 2019:



Craig Stobo
Independent Chair

*BA (Hons) Economics. First Class, Otago
C.F.Inst.D*

Associate Member CFA Society New Zealand

Craig has worked as a diplomat, economist, investment banker and Chief Executive Officer of BT Funds Management (NZ) Limited. He has completed the Advanced Management Programme at Wharton Business School in Philadelphia, authored reports to the New Zealand Government on the Taxation of Investment Income (which led to the PIE regime), and the creation of New Zealand as a funds domicile. He currently chairs the listed companies Precinct Properties New Zealand Limited and AIG Insurance (NZ Board). He has directorship and private equity interests in financial services and other businesses.



John Avery
Independent Director

LLB, C.F.Inst.D

John was Managing Partner, then Chairman of Hesketh Henry. He was a director of The Warehouse Group Limited, several start-up businesses, a number of CCOs, an industry cooperative 'ITM', Regional Facilities Auckland Limited and Spider Tracks Limited. He is currently an independent director of Strategic Pay Limited and a Trustee of the Royal New Zealand Ballet.



Philip Cory-Wright
Independent Director

*LLB (Hons), BCA Business Management,
INFINZ (Cert), C.F.Inst.D*

Philip is a solicitor of the High Court of New Zealand and Victoria. He has worked as a corporate finance adviser in New Zealand to the corporate sector on debt and equity matters for more than 30 years. He is currently a director of Powerco (from 1 October 2019), Matariki Forests, South Port New Zealand Limited and Papa Rerangi I Puketapu (New Plymouth Airport). Philip is also a strategic adviser to clients in the energy and infrastructure sectors. He was a member of the Local Government Infrastructure Expert Advisory Group tasked with advising the Minister of Local Government on improvements in local government infrastructure efficiency.



Linda Robertson
Independent Director

*B.Com, Dip Banking, INFINZ
(Distinguished Fellow), C.F.Inst.D, GAICD*

Linda is a professional director with nearly 20 years governance experience and over 30 years experience in executive finance roles, having worked in the banking and energy sector in New Zealand. She is Chair of Pacific Radiology Group, Central Lakes Trust, Crown Irrigation Investments Ltd and Central Otago District Council Audit & Risk Committee, a director of Dunedin City Holdings Limited, Dunedin City Treasury Limited, Dunedin Stadium Property Limited and Central Lakes Direct Limited. Linda is also a member of the Treasury's Capital Markets Advisory Committee and the Treasury's Risk & Audit Committee.



Mike Timmer
Non-Independent Director

CA, BBS, BAgSci, INFINZ (Cert), M.Inst.D

Mike has worked for Citibank in its financial market section and held accountancy and treasury roles in the health sector and is presently Treasurer at the Greater Wellington Regional Council. He is Chairman of the Finance Committee of Physiotherapy New Zealand Incorporated and past Deputy Chair of the LGFA Shareholders' Council.



Anthony Quirk
Independent Director

*BCA Hons (First Class), INFINZ (Fellow),
AFA, M.Inst.D*

Anthony is an experienced financial services sector professional with over thirty years executive experience in the sector, including nine years as Managing Director of Milford Asset Management. He has a varied portfolio of governance interests with an emphasis on areas that improve or contribute to communities. He is a Fellow of the Institute of Finance Professionals New Zealand (INFINZ) and is a former Chairman of that organisation. He was previously Chair of the Asset Management Advisory Board of the New Zealand Exchange, Deputy Chair and Board member of the New Zealand Society of Investment Analysts and a previous member of the Financial Reporting Standards Board of the New Zealand Society of Accountants.

Name of Director	Nature and extent of interest As at 30 June 2019	
Craig Stobo (Chair)	Director Precinct Properties New Zealand Limited Elevation Capital Management Limited Saturn Portfolio Management Limited Stobo Group Limited AIG Insurance NZ Limited SouthWest Trustees Limited Appello Services Limited Biomarine Group Limited Legend Terrace Limited	
John Avery	Director Strategic Pay Limited	General disclosure Stringer Trust (Trustee) Royal New Zealand Ballet (Trustee)
Philip Cory-Wright	Director South Port New Zealand Limited Matariki Forests Papa Rererangi i Puketapu (New Plymouth Airport)	
Anthony Quirk	Director Non-Executive Director and Shareholder, Milford Asset Management (and associated subsidiaries) Deputy Chair, Compass Housing NZ	General disclosure Chairman, New Zealand Water Polo
Linda Robertson	Director Dunedin City Holdings Limited Dunedin City Treasury Limited Dunedin Stadium Property Limited Central Lakes Trust (Chair) and associated subsidiaries. Crown Irrigation Investments Limited (Chair) Pacific Radiology Group Limited (Chair)	General disclosure Capital Markets Advisory Committee, The Treasury (Member) Risk & Audit Committee, The Treasury (Member) Audit & Risk Committee, Central Otago District Council (Chair)
Mike Timmer	General disclosure Officer, Greater Wellington Regional Council Chairman of Finance Committee, Physiotherapy New Zealand	

Nomination of Directors

Director nominations can only be made by a shareholder by written notice to LGFA and Shareholders' Council, with not more than three months, nor less than two months before a meeting of shareholders. All valid nominations are required to be sent by LGFA to all persons entitled to attend the meeting.

Retirement and re-election of Directors

Directors are appointed to the Board by an Ordinary Resolution of shareholders. At each Annual General Meeting, two directors must retire and, if desired, seek re-election. The directors who retire each year are one each of the independent and non-independent, who have been longest in office since their last appointment or, if there are more than one of equal term, those determined by lot, unless the Board resolves otherwise.

Director tenure

As at 30 June 2019

Director	Originally appointed	Last reappointed/elected	Tenure	Next reappointment
Craig Stobo (Chair)	1 December 2011	21 November 2017	7 years, 7 months	November 2021
John Avery	1 December 2011	21 November 2018	7 years, 7 months	November 2022
Philip Cory-Wright	1 December 2011	24 November 2016	7 years, 7 months	November 2020
Anthony Quirk	21 November 2017	21 November 2017	1 year, 7 months	November 2021
Linda Robertson	24 November 2015	24 November 2015	3 years, 7 months	November 2019
Mike Timmer	24 November 2015	21 November 2018	3 years, 7 months	November 2019

Meetings of the Board

The table below shows attendances at Board, committee and strategy meetings by directors during the year ended 30 June 2019. In addition to the scheduled meetings, additional meetings are convened as necessary to consider specific issues.

Director	Board	Audit and Risk Committee
Craig Stobo (Chair)	6/6	--
John Avery	4/6	--
Philip Cory-Wright	5/6	4/4
Anthony Quirk	6/6	4/4
Linda Robertson (ARC Chair)	6/6	4/4
Mike Timmer	6/6	4/4

Board performance review

The Board has established an annual formal self-assessment procedure to assess director, board and committee performance. In addition, Board performance is reviewed by external consultants on a periodic basis.

Director training

As part of LGFA's commitment to ongoing director education, LGFA regularly invites directors to attend relevant industry conferences and training events, as well as organising for industry experts to attend and present to directors at Board meetings.

Diversity

The LGFA is committed to promoting a culture that supports both workplace diversity and inclusion within the organisation.

LGFA has formally adopted a Diversity Policy which applies to both LGFA employees and directors. Diversity and inclusiveness at LGFA involves recognising the value of individual differences and managing them in the workplace. Diversity in this context covers gender, age, ethnicity, cultural background, sexual orientation, religious belief, disability, education and family responsibilities.

Appointments to the LGFA Board are made in accordance with LGFA's Constitution and the Shareholders Agreement.

Gender diversity of directors



2019
Female 1, Male 5



2018
Female 1, Male 5

Gender diversity of employees



2019
Female 2, Male 5



2018
Female 2, Male 4

Indemnities and insurance

Under LGFA's constitution, LGFA has indemnified directors for potential liabilities and costs they may incur for acts of omission in their capacity as directors. LGFA has arranged directors' and officers' liability insurance covering directors and management acting on behalf of LGFA. Cover is for damages, judgements, fines, penalties, legal costs awarded and defence costs arising from wrongful acts committed while acting for LGFA. The types of acts that are not covered are dishonest, fraudulent, malicious acts, or omissions, wilful breach of statute or regulation, or duty to LGFA, improper use of information to the detriment of LGFA, or breach of professional duty.

Principle 3 Board committees

The Board should use committees where this will enhance its effectiveness in key areas, while still retaining board responsibility.

Audit and Risk Committee

The LGFA Audit and Risk Committee is a committee of the Board.

The Audit and Risk Committee is governed by an Audit and Risk Committee Charter, which states that the purpose of the Audit and Risk Committee is to provide advice, assurance and observations to the Board relating to the effectiveness and adequacy of internal control and risk management systems, processes and activities across LGFA. It assists the Board to fulfil its duties by considering, reviewing and monitoring:

- Risk management framework and processes;
- Internal control environment and mechanisms;
- The operations and effectiveness of the internal audit function;
- Processes relating to the preparation and audit of financial statements of LGFA;

- The integrity of performance information, including financial reporting;
- The governance framework and process;
- Policies, processes and activities to ensure compliance with legislation, policies and procedures; and
- Statutory/regulatory disclosure and reporting and performance against Statement of Intent targets.

Audit and Risk Committee members are appointed by the Board. Membership comprises at least three directors, the majority of whom must be independent. The members of the Audit and Risk Committee as at the date of this Annual Report are:

- Linda Robertson (Chair)
- Philip Cory-Wright
- Anthony Quirk
- Mike Timmer

The Board should demand integrity in financial and non-financial reporting and in the timeliness and balance of corporate disclosures.

Principle 4 Reporting and disclosure

The Board is committed to ensuring the highest standards are maintained in financial reporting and disclosure of all relevant information.

The Audit and Risk Committee has responsibility to provide assurance to the Board that due process has been followed in the preparation and audit of the financial statements of LGFA and to ensure there are appropriate processes and activities to ensure compliance with relevant regulatory and statutory requirements.

LGFA has adopted a formal Continuous Disclosure Policy, the requirements of which ensure that LGFA meets the continuous disclosure requirements of the NZX Listing Rules including the disclosure for material environmental, social and governance (ESG) factors.

LGFA have adopted the GRI Sustainability Reporting Standards (GRI standards) and initiated a process for identifying material ESG factors, which will be disclosed in the 2020 Annual Report.

Principle 5 Remuneration

The remuneration of directors and the executives should be transparent, fair and reasonable.

The remuneration of the Board reflects LGFA's size and complexity and the responsibilities, skills, performance and experience of the directors. A specialist independent adviser may be used to ensure the remuneration is appropriate.

Board remuneration is determined by an Ordinary Resolution of shareholders. The current board remuneration was approved by shareholder resolution at the Annual General Meeting on 21 November 2017.

Approved Director annual fee breakdown

Position, Fees per annum	2019	2018
Board Chair	\$97,000	\$97,000
Audit and Risk Committee Chair	\$60,000	\$60,000
Director	\$55,000	\$55,000

Director remuneration

Director	2019
Craig Stobo	\$97,000
John Avery	\$55,000
Philip Cory-Wright	\$55,000
Anthony Quirk	\$55,000
Linda Robertson	\$60,000
Mike Timmer	\$55,000
Total	377,000

The remuneration of the CEO is determined by the Board and is reviewed on an annual basis taking into consideration the scope and complexity of the position with reference to the remuneration of CEOs of similar organisations. A specialist independent adviser may be used to ensure the remuneration is appropriate.

The CEO remuneration package comprises a fixed cash component of \$530,000 per annum as at 30 June 2019 (\$504,000, 2018) and an at-risk short-term incentive of up to 15% of the fixed cash component. The short-term incentive payment is made annually at the Board's discretion subject to the CEO and LGFA meeting a range of specific performance objectives for the respective financial year.

Chief Executive remuneration

	2019	2018
Salary	\$530,000	\$504,000
Taxable benefits	-	-
Subtotal	\$530,000	\$504,000
Pay for Performance STI	\$71,550	\$75,600
Total remuneration	\$601,550	\$579,600

Staff remuneration

Total remuneration	2019
\$130,000 to \$139,999	1
\$150,000 to \$159,999	1
\$240,000 to \$249,999	1
\$300,000 to \$309,999	1
\$600,000 to \$609,999	1
Total staff receiving \$100,000 or more	5

Directors should have a sound understanding of the material risks faced by the issuer and how to manage them. The Board should regularly verify that the issuer has appropriate processes that identify and manage potential and material risks.

Principle 6 Risk management

LGFA recognises that an effective risk management framework is a critical part of its business structure. LGFA is exposed to both business and treasury related risks because of its normal business activities that relate to raising and on-lending funds to local councils.

LGFA adopts the three lines of defence model to ensure that essential risk management functions are completed using a systematic approach that reflects industry best practice:

- The first line of defence relates to the operational risk and control within the business. Managers within the business are responsible for identifying controls, maintaining effective controls, assessing the controls and mitigating risks. The first line of defence establishes risk ownership within the business.
- The second line of defence relates to establishing risk control within the organisation and involves reviewing risk reports, checking compliance against the risk management framework and ensuring that risks are actively and appropriately managed.
- The third line of defence establishes risk assurance using both internal and external audit functions to highlight control weaknesses and inefficiencies to management. The audit functions provide independent assurance on the risk governance framework.

The Audit and Risk Committee assists the Board by considering, reviewing and monitoring LGFA's risk management framework and processes, and the internal control environment and mechanisms.

LGFA continually reviews its core business risks. This review process includes the identification and assessment of core business risks which are ranked using predetermined criteria for both the likelihood and potential impact of each risk. LGFA maintains a company-wide risk register which records all identified risks, potential impacts and the controls and mitigation strategies used to manage the risks.

LGFA has treasury exposures arising from its normal business activities that principally relate to the raising and on-lending of funds. A detailed description of LGFA's risk management processes for treasury exposures is detailed in the Treasury Risk Management section of this report.

Internal audit

LGFA has established an internal audit function to provide assurance that LGFA's risk management, governance and internal controls are operating effectively.

The Audit and Risk Committee has responsibility for oversight of the internal audit function, including:

- Reviewing the Internal Audit Charter, the operations of the internal audit and organisational structure of the internal audit function;
- Reviewing and approving the annual audit plan;
- Reviewing the effectiveness of the internal audit function; and
- Meeting separately with the internal auditor to discuss any matters that the Audit and Risk Committee or Internal Audit believes should be discussed privately.

Health and safety

LGFA is committed to a safe and healthy work environment and has formally adopted a Health and Safety Policy that clearly sets out the duty of directors and staff under the Health and Safety at Work Act 2015. A staff health and safety committee has been established with responsibility to continuously review health and safety issues and ongoing compliance with the Act, with reporting to the Board on health and safety issues at each Board meeting.

Principle 7 Auditors

The Board should ensure the quality and independence of the external audit process.

External audit

The external audit of LGFA is conducted in accordance with Section 14 of the Public Audit Act 2001, including the appointment of the external auditors of LGFA by the Auditor-General.

The Audit and Risk Committee has responsibility for all processes relating to the audit of financial statements, including the setting of audit fees and ensuring the independence and objectivity of the auditors.

The external audit of LGFA is conducted in accordance with a formal external audit plan which is reviewed and approved by the Audit and Risk Committee on an annual basis. The external auditor attends LGFA's Annual General Meeting.

The Board should respect the rights of shareholders and foster relationships with shareholders that encourage them to engage with the issuer.

Principle 8 Shareholder rights and relations

LGFA has 31 Shareholders, comprising the New Zealand Government (20%) and 30 councils (80%).

New Zealand Government
Auckland Council
Bay of Plenty Regional Council
Christchurch City Council
Gisborne District Council
Greater Wellington Regional Council
Hamilton City Council
Hastings District Council
Hauraki District Council
Horowhenua District Council
Hutt City Council
Kapiti Coast District Council
Manawatu District Council
Marlborough District Council
Masterton District Council
New Plymouth District Council

Otorohanga District Council
Palmerston North City Council
Selwyn District Council
South Taranaki District Council
Tasman District Council
Taupo District Council
Tauranga City Council
Thames-Coromandel District Council
Waimakariri District Council
Waipa District Council
Wellington City Council
Western Bay of Plenty District Council
Whakatane District Council
Whanganui District Council
Whangarei District Council

Foundation documents

The LGFA Constitution and the Shareholders' Agreement are foundation documents.

The LGFA Constitution defines the rights and the exercise of powers of shareholders, the acquisition and redemption of company shares, proceedings of shareholder meetings, voting at meetings and the right to demand polls, shareholder proposals and review of management.

The Shareholders' Agreement is an agreement between the Company and its shareholders which clearly defines LGFA's business, its objectives, the role of the Board, the establishment of the Shareholders' Council and the approval rights of the shareholders.

LGFA Shareholders' Council

The LGFA Shareholders' Council comprises five to ten appointees from the Council Shareholders and the New Zealand Government. The role of the Shareholders' Council comprises the following:

- Review and report performance of LGFA and the Board;
- Recommendations to Shareholders as to the appointment, removal, replacement and remuneration of directors;
- Recommendations to Shareholders as to any changes to policies, or the Statement of Intent (SOI), requiring their approval;
- Update Shareholders on LGFA matters and to coordinate Shareholders on governance decisions.

Members of the Shareholders' Council as at 30 June 2019

- Alan Adcock, Whangarei District Council, Chair
- John Bishop, Auckland Council, Deputy Chair
- Mohan de Mel, Tauranga City Council
- David Bryant, Hamilton City Council
- Kumaren Perumal, Western Bay of Plenty District Council
- Mat Taylor, Bay of Plenty Regional Council
- Martin Read, Wellington City Council
- Mike Drummond, Tasman District Council
- Carol Bellette, Christchurch City Council
- Richard Hardie/Oliver Martin, New Zealand Government

Sustainability and Social Responsibility Te Rōnakitanga me te Haepapa ā-Pāpori

The LGFA Board is responsible for corporate social responsibility and I am pleased to advise that work is currently progressing on incorporating social responsibility and sustainability as inherent components of our operational environment, as well as working to improve LGFA's non-financial disclosures.

Over the course of the coming year LGFA will continue developing its environmental, social and governance responsibilities and practices, including identifying the material topics that reflect LGFA's economic, environmental and social impacts, or that substantively influence the assessments and decisions of stakeholders.

For the first time, this year LGFA have incorporated Global Reporting Initiative (GRI) standards in preparing our Annual Report and a GRI index has been included as an appendix (Page 80).

As at the date of this report, work is still progressing on identifying and reporting on the material topics that reflect LGFA's significant economic, environmental and social impacts. It is anticipated that this work will be complete for inclusion in the 2020 Annual Report.

The GRI Sustainability Reporting Standards (GRI Standards) are the first and most widely adopted global standards for sustainability reporting and our objective is that future reports will be prepared in accordance with the GRI standards.

Craig Stobo
Chair, LGFA Board



Item 8

Attachment 2

Enhancing local community wellbeing

Te whakarei i te oranga haporī ā-rohe

LGFA's investment in local government enables councils to generate value through projects that create wellbeing in their local communities. Wellbeing is underpinned by social, environmental and economic capitals. Enhancing community wellbeing builds on this capital and generates value including economic and/or social benefits, safety, resilience, or environmental benefits. Two examples of local government investments in community wellbeing follow.

The Thames-Coromandel District Council



Clean green travel

The Thames-Coromandel District Council's 'Coromandel Electric Vehicle Touring Loop' comprises a network of fast-charging stations at various locations around the Coromandel which puts most of the district within range of electric vehicle travel.

The chargers, which can charge an electric vehicle (EV) in about 20 minutes, have been installed thanks to a collaboration between our Council, Powerco, ChargeNet NZ and the Energy Efficiency Conservation Authority.

Establishing EV infrastructure in the Thames-Coromandel District creates community wellbeing through the economic benefits of EV tourism, environmental benefits of electric mobility and through future-proofing the community's travel choices.

The Thames-Coromandel District Council was a finalist in the 2019 Local Government New Zealand (LGNZ) EXCELLENCE Awards for Environmental Well-being award which recognises projects that enhance the environmental well-being of their community.

Pictured is Mayor Sandra Goudie at the launch of the Scenic Touring Route in December 2017.



Item 8

Attachment 2

Better Lighting, safer communities

Hamilton's streets are now better-lit, safer and cheaper to illuminate thanks to the installation of 16,000 LED customised streetlights.

The project saved Hamilton City Council (HCC) \$250,000 in reduced power and maintenance in the first year, and \$550,000 in the second year. It has made major health and road safety improvements and protected the things Hamiltonians value most.

It has also changed national lighting specifications which, over time, will drive fundamental change in the way New Zealanders see and experience light. The work from HCC has been universally praised by environmentalists, health professionals, lighting experts and astronomers and most importantly, the wider community.

Finally, the project has done the most important thing of all. It has directly contributed to Hamilton City Council's core purpose, "to improve the well-being of all Hamiltonians".



Treasury risk Management

Whakahaeretanga ā-mōrearea

LGFA funds itself through domestic and international wholesale and retail debt capital markets, with the funds raised on-lent to participating New Zealand Local Authority borrowers. LGFA activities are governed by the Local Government Borrowing Act 2011, the Local Government Act 2002, and the Companies Act 1993. In addition, the company is required to comply with 'Foundation Policies' outlined in the Shareholders Agreement. Any change to the Foundation Policies require shareholders' consent.

The LGFA risk management framework uses an approved risk identification and assessment framework to actively monitor and manage all treasury and financial risks using best practice risk management principles, processes and practices.

LGFA has treasury exposures arising from its normal business activities that principally relate to the raising and on-lending of funds. LGFA manages treasury exposures under a Board-approved Treasury Policy. The objectives for the Treasury Policy are to:

- Effectively manage treasury risks within approved compliance limits to protect LGFA's capital position and Net Interest Margin over time.
- Fund participating local authorities in the most cost-effective manner and in accordance with the operating principles, values and objectives of the LGFA.
- Protect LGFA's assets and prevent unauthorised transactions.

- Promote professional expertise of financial and management control to all external parties.
- Minimise operational risk by maintaining adequate internal controls, systems and staffing competencies.
- Provide timely reporting to the LGFA Board with meaningful and accurate reporting of interest rate exposures, liquidity, asset and liability maturity, funding, counterparty credit, performance and Policy compliance.

Specific treasury exposures relate to liquidity, interest rate/market risk, foreign exchange, counterparty credit, operational and lending risks.

Liquidity risk

Liquidity risk refers to the potential inability of LGFA to meet its financial obligations when they become due, under normal or abnormal/stressed operating conditions.

Liquidity risk is managed using a forecasted cashflow approach measured over 30-day, 90-day and one-year periods. LGFA is required to maintain sufficient liquidity (comprising a government standby facility and holdings of cash and liquid investments) to support 12 months operating and funding commitments.

Interest rate risk / market risk

Interest rate risk is the risk that financial assets may re-price/mature at a different time and/or by a different amount than financial liabilities.

Market risk is managed using Value at Risk (VaR) and Partial Differential Hedge (PDH) limits to mitigate the potential change in value of the balance sheet due to changes in interest rates.

- PDH risk measures the sensitivity of a portfolio to a one basis point change in underlying interest rates. For example, a PDH of NZD\$40,000 means that the portfolio value will increase by NZD \$40,000 for a one basis point fall in interest rates.
- Value at Risk is used to measure market risk. The VaR model calculates the potential amount LGFA's portfolio could be expected to lose 5% of the time over a given time period. It is calculated using historical changes in underlying risk variables and applying those changes to the current portfolio.

LGFA measures VaR over a daily time horizon with a 95% confidence interval. A daily 95% VaR exposure of \$100,000 means that there is a 5% chance that the portfolio could potentially lose more than \$100,000 over the next business day.

Counterparty credit risk

Counterparty credit risk is the risk of financial loss to LGFA (realised or unrealised) arising from a counterparty defaulting on an investment, security and/or financial instrument where LGFA is a holder or party.

Counterparty credit risk is managed through:

- Counterparty limits for investments. These are determined as a function of the term of investment, liquidity and credit quality of the counterparty (as measured by credit rating).
- Counterparty risk on derivative contracts is mitigated by utilising the Treasury (New Zealand Debt Management) as the counterparty to derivative contracts.

Investment is restricted to approved financial investments listed in the Treasury Policy.

Foreign currency risk

Exposure to foreign exchange could exist if LGFA accesses foreign capital markets for funding purposes.

Foreign exchange risk is managed through a requirement for LGFA to fully hedge back to floating rate NZD the full amount and term of all foreign currency funding and cash flows.

Operational risk

Operational risk, with respect to treasury management, is the risk of financial and/or reputation loss because of human error (or fraud), negligent behaviour, system failures and inadequate procedures and controls.

Operational risk is managed using internal controls and procedures across LGFA's operational functions. Segregation of duties between staff members who have the authority to enter transactions with external counterparties and the staff who control, check and confirm such transactions is a cornerstone internal control principle.

Financial instruments are not entered into if the systems, operations and internal controls do not satisfactorily support the measurement, management and reporting of the risks.

Lending risk

LGFA provides debt funding solely to New Zealand Local Government councils i.e. the Local Government borrowing counterparty will be the Council itself and will not be any Council-Controlled Organisation, Council-Controlled Trading Organisation, Council joint venture or partially-owned entity.

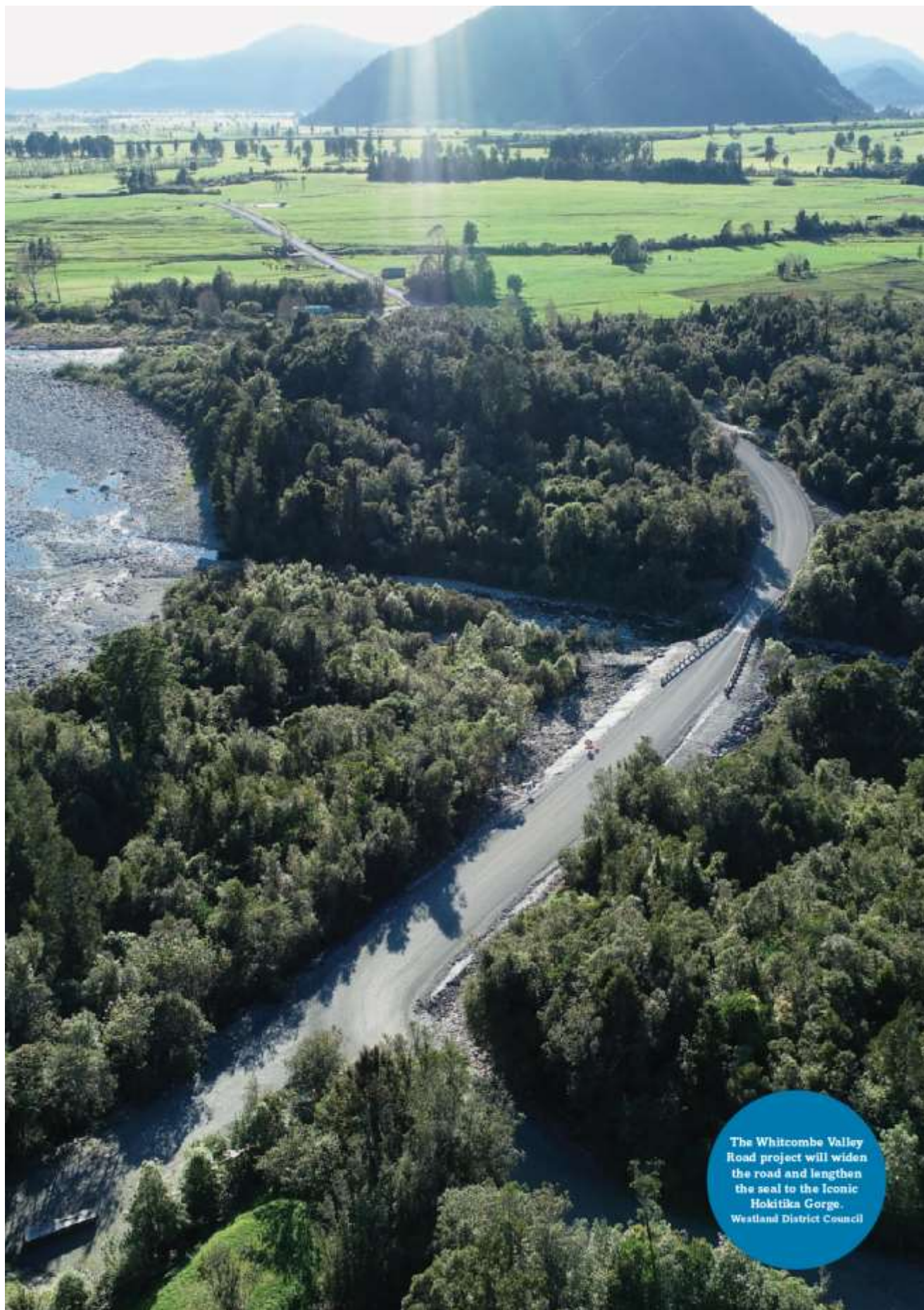
The LGFA Board have ultimate discretion on approving term funding to councils.

All Local Authorities that borrow from LGFA:

- Provide debenture security in relation to their borrowing from LGFA and related obligations, and (if relevant), equity commitment liabilities to LGFA and (if relevant) guarantee liabilities to a security trustee approved for LGFA's creditors.
- If the principal amount of a Local Authority's borrowings is at any time equal to, or greater than, NZD 20 million, then it is required to become a party to a deed of guarantee and an equity commitment deed.
- Issue securities (bonds/floating rate notes/commercial paper) to LGFA (i.e. not enter into facility arrangements).
- Comply with their own internal borrowing policies.
- Comply with the financial covenants outlined in the following table, provided that:
 - Unrated Local Authorities or Local Authorities with a long-term credit rating lower than 'A' equivalent can have bespoke financial covenants that exceed the:
 - Lending policy covenants outlined in the following table only with the approval of the Board;
 - Foundation policy covenants outlined in the following table only with the approval of an Ordinary Resolution of shareholders.

Financial covenant	Lending policy covenants Non-rated councils	Foundation policy covenants Rated councils
Net debt / total revenue	<175%	<250%
Net interest / total revenue	<20%	<20%
Net interest / annual rates income	<25%	<30%
Liquidity	>110%	>110%

- Local Authorities with a long-term credit rating of 'A' equivalent or higher can have bespoke financial covenants that exceed the foundation policy covenants only with the approval of an Ordinary Resolution of shareholders.
 - Any Board or Ordinary Resolution approval of bespoke financial covenants will only be provided after a robust credit analysis and any approval must also include bespoke reporting and monitoring arrangements.
 - Non-compliance with the financial covenants will either preclude a council from borrowing from LGFA or, in the case of existing council, borrowers trigger an event of review. An event of default will occur if (among other things) a council fails to meet an interest or principal payment (subject to grace periods). An event of default will enable LGFA to accelerate all loans to the defaulting council.
 - Total revenue is defined as cash earnings from rates, government grants and subsidies, user charges, interest, dividends, financial and other revenue and excludes non-government capital contributions, e.g. developer contributions and vested assets.
 - Net debt is defined as total consolidated debt less liquid financial assets and investments.
 - Liquidity is defined as external debt plus committed loan facilities plus liquid investments divided by external debt.
 - Net interest is defined as the amount equal to all interest and financing costs less interest income for the relevant period.
 - Annual rates income is defined as the amount equal to the total revenue from any funding mechanism authorised by the Local Government (Rating) Act 2002 together with any revenue received from other local governments for services provided and for which the other local governments rate.
- Financial covenants are measured on Council only, not consolidated group (except Auckland Council, or if specifically requested by any other council).
- To minimise concentration risk, LGFA requires that no more than the greater of NZD 100 million or 33% of a Council's borrowings from LGFA will mature in any 12-month period.
- Auckland Council is limited to a maximum of 40% of LGFA's total Local Government assets.



The Whitcombe Valley Road project will widen the road and lengthen the seal to the iconic Hokitika Gorge. Westland District Council

Item 8

Attachment 2

Performance against objectives Tutukinga mahi ki ōna whāinga

The statement of service performance details LGFA's performance against the objectives and targets set out in the LGFA Statement of Intent 2018-19 (SOI)

Performance against primary objectives

This section sets out LGFA's performance for the year ended 30 June 2019 against the two primary objectives set out in the 2018-19 SOI.

1. **LGFA will operate with the primary objective of optimising the debt funding terms and conditions for Participating Local Authorities. Among other things this includes:**

- i. **Providing savings in annual interest costs for all Participating Local Authorities on a relative basis to other sources of financing;**

LGFA aims to minimise its issuance margin over swap rates to provide cost-effective funding to councils. The LGFA margin to swap will depend upon several factors including the relative demand and supply of high grade bonds, general credit market conditions, performance of New Zealand Government bonds and swap rates, investor perceptions of LGFA and the issuance volume and tenor of LGFA bonds.

2018-19 performance objectives

The SOI set out two primary performance objectives and eight additional objectives for LGFA for the year ended 30 June 2019:

Primary objectives

1. LGFA will operate with the primary objective of optimising the debt funding terms and conditions for Participating Local Authorities. Among other things this includes:
 - i. Providing savings in annual interest costs for all Participating Local Authorities on a relative basis to other sources of financing;
 - ii. Making longer-term borrowings available to Participating Local Authorities;
 - iii. Enhancing the certainty of access to debt markets for Participating Local Authorities, subject always to operating in accordance with sound business practice; and
 - iv. Offering more flexible lending terms to Participating Local Authorities.
2. LGFA will monitor the quality of the asset book so that it remains of a high standard by ensuring it understands each Participating Local Authority's financial position and the general issues confronting the Local Government sector. This includes
 - i. LGFA will review each Participating Local Authority's financial position, its financial headroom under LGFA policies and endeavour to visit each Participating Local Authority on an annual basis;
 - ii. LGFA will analyse finances at the Council group level where appropriate;
 - iii. LGFA will review its debt covenant methodology and assessment of council financial position at group vs parent. LGFA will present its findings to councils at the

LGFA Shareholder-Borrower Day, including a comparison of LGFA methodology to that of the credit rating agencies;

- iv. LGFA will work closely with the Department of Internal Affairs (DIA), Office of the Auditor General (OAG) and Local Government New Zealand (LGNZ) on sector and individual council issues; and
- v. LGFA will take a proactive role to enhance the financial strength and depth of the local government debt market

Additional objectives

1. Operate with a view to making a profit sufficient to pay a dividend in accordance with its stated Dividend Policy set out in section 6 of the SOI;
2. Provide at least 50% of aggregate long-term debt funding to the Local Government sector;
3. Ensure its products and services are delivered at a cost that does not exceed the forecast for issuance and operating expenses set out in section 4 of the SOI;
4. Take appropriate steps to ensure compliance with the Health and Safety at Work Act 2015;
5. Maintain LGFA's credit rating equal to the New Zealand Government sovereign rating where both entities are rated by the same Rating Agency;
6. Achieve the Financial Forecasts (excluding the impact of AIL) set out in section 4 of the SOI;
7. Meet or exceed the Performance Targets outlined in section 5 of the SOI; and
8. Comply with its Treasury Policy, as approved by the Board.

Given that LGFA tends to match fund its on-lending to councils where possible, i.e. tends to issue bonds in a similar tenor and volume as its on-lending, then LGFA only has influence over investor perception amongst the above factors that determine LGFA spreads to swap.

There will be periods within the interest rate and credit market cycles when LGFA bonds will outperform its benchmarks (spread narrowing) and there will be periods of time when LGFA bonds underperform (spread widening). It is also very

difficult to find an appropriate benchmark to measure performance against.

LGFA spreads to swap have consistently narrowed since it first began issuing bonds in February 2012 and over the past year, spreads to swap as measured by secondary market levels have widened on the shorter LGFA bond maturities and narrowed on the long-dated maturities.

LGFA bond margin to swap Basis points	As at 30 June 2019	As at 30 June 2018	Spread movement increase (reduction)
15-Mar-19	n/a	4	n/a
15-Apr-20	11	5	6
15-May-21	15	11	4
14-Apr-22	22	20	2
15-Apr-23	30	34	(4)
15-Apr-24*	37	n/a	n/a
15-Apr-25	41	53	(12)
15-Apr-27	46	54	(8)
14-Apr-33	67	79	(12)

* The first tranche of the 2024 bond was issued in March 2019.

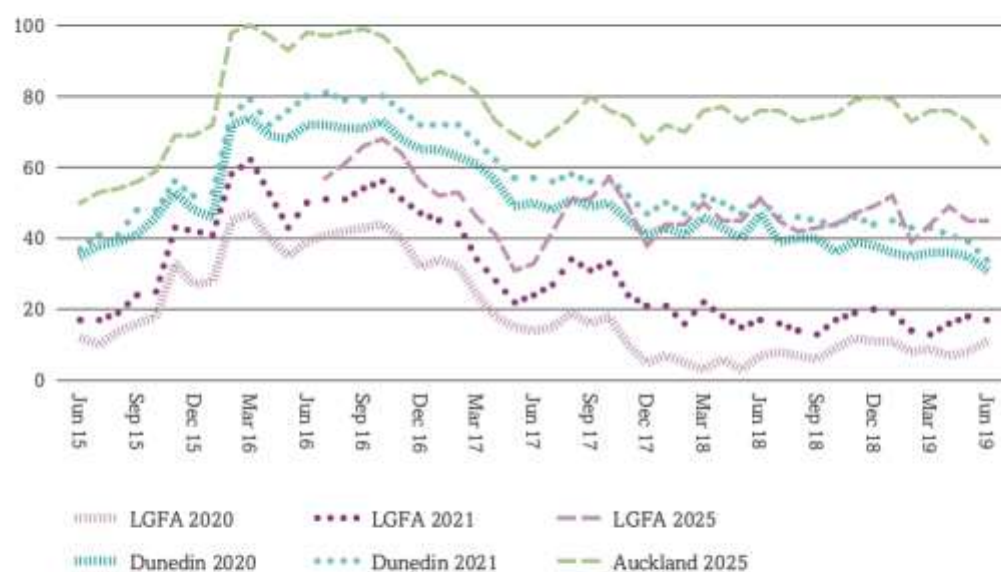
Some of the movement is due to the changes in the spread between swap rates and NZ Government Bond (NZGB) yields as over the same period LGFA spreads to NZGB have narrowed for all maturities.

LGFA bond margin to NZGB Basis points	As at 30 June 2019	As at 30 June 2018	Spread movement increase (reduction)
15-Mar-19	n/a	30	n/a
15-Apr-20	35	37	(2)
15-May-21	36	44	(8)
14-Apr-22	42	53	(11)
15-Apr-23	51	69	(18)
15-Apr-24*	59	n/a	n/a
15-Apr-25	65	83	(18)
15-Apr-27	70	83	(13)
14-Apr-33	92	104	(12)

* The first tranche of the 2024 bond was issued in March 2019.

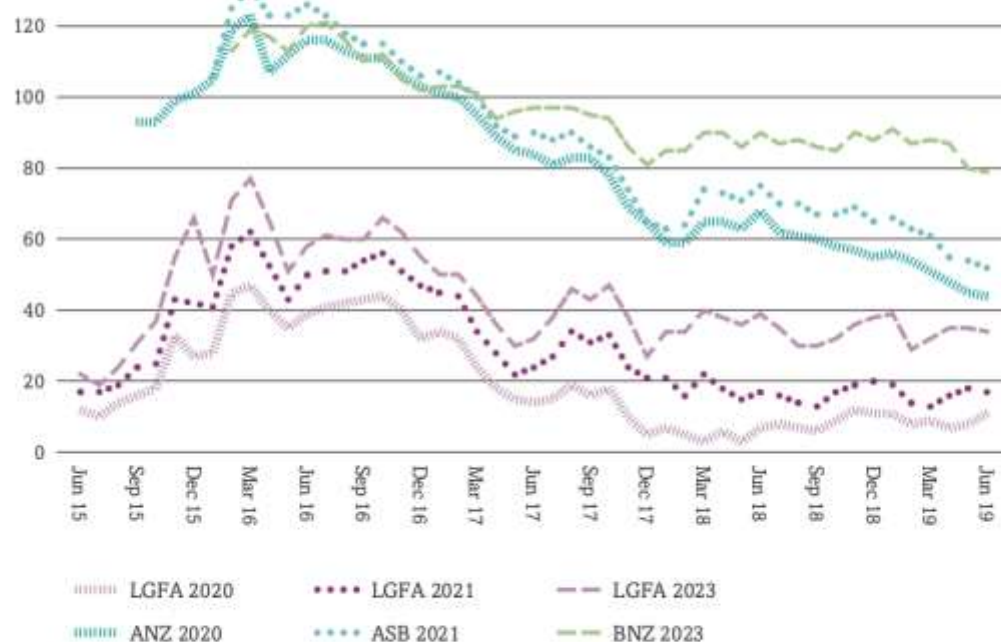
LGFA continues to provide savings in borrowing cost for councils relative to other sources of borrowing. LGFA compares secondary market spreads on its bonds to those of Auckland Council and Dunedin City Treasury (as a proxy for councils borrowing in their own name) and a mix of banks (as a proxy for general market conditions).

Secondary market credit spread to swap for LGFA and council bonds (basis points)



Source: Bloomberg, LGFA

Secondary market credit spread to swap for LGFA and bank bonds (basis points)



Source: Bloomberg, LGFA

From the table below, based upon secondary market spread as at 30 June 2019, LGFA saved AA-rated councils an estimated 7 bps to 9 bps depending upon the term of maturity. This compares to savings of between 10 bps and 21 bps a year ago. The savings are less than a year ago due to (i) the relative size of issuance between LGFA and the two councils over the past year (ii) in the current low interest rate environment, investors have been seeking additional yield and the contraction in margins has been greater for higher yielding bonds.

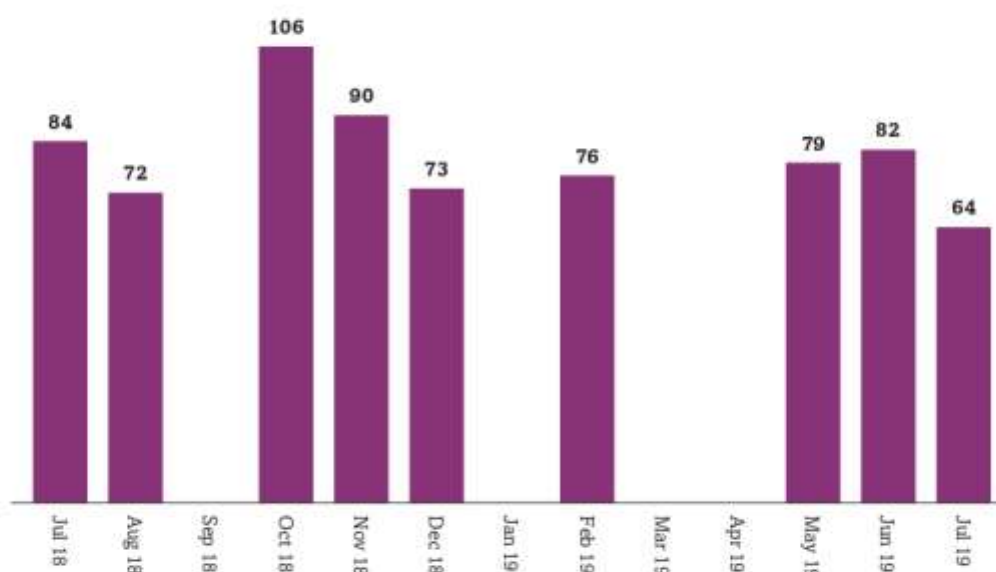
30 June 2019	Dunedin 2020	Dunedin 2021	Auckland 2022	Auckland 2025	Auckland 2025
AA-rated councils' margin to swap	29	34	39	58	73
Less LGFA margin to swap	(11)	(15)	(22)	(41)	(53)
LGFA Gross Funding Advantage	18	19	17	17	20
Less LGFA Base Margin	(10)	(10)	(10)	(10)	(10)
Total Saving	8	9	7	7	10

ii. Making longer-term borrowings available to Participating Local Authorities;

The average borrowing term (excluding short-dated borrowing) for the 12-month period to June 2019 by council members was 6.0 years and this was longer than the average borrowing term of 4.5 years for the prior year. The lengthening in term was due

to councils reacting to the narrowing in borrowing spreads and low outright yields. However, the length of borrowing remains short relative to the 2015/16 year (7.8 years) and 2016/17 year (8.1 years) and relative to the forecast increase in sector projected debt levels in the future combined with low interest rates.

Average total months to maturity – on-lending to councils



While LGFA provides councils with the ability to borrow from LGFA for terms from one month to 14 years, it is up to the councils to determine their preferred term of borrowing.

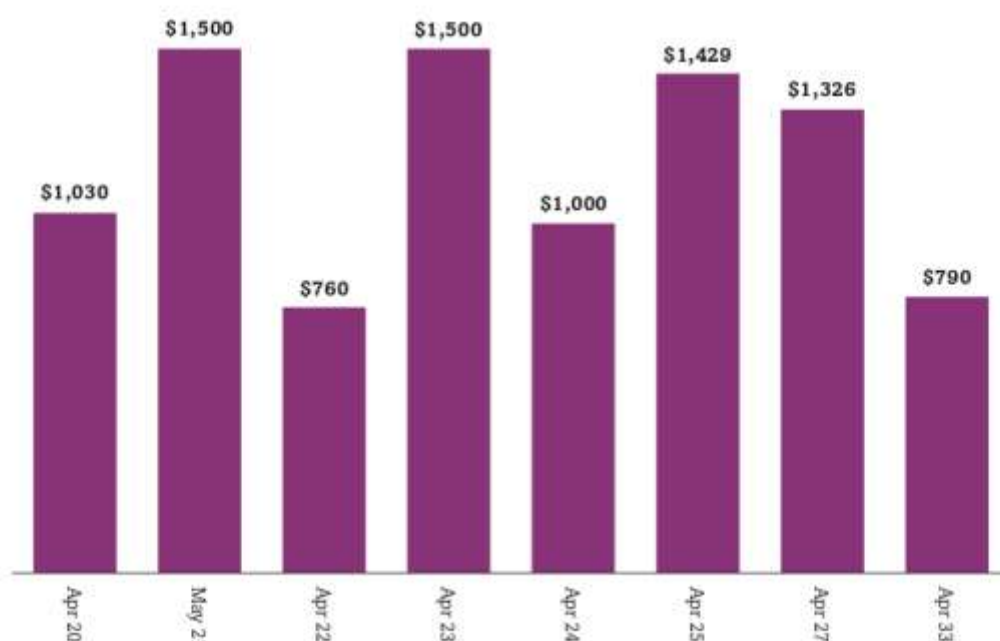
In March 2019 LGFA commenced the issuance of a 5-year bond (April 2024) and this shorter maturity was, for the second consecutive year, against the previous trend of introducing a new longer-dated bond each financial year. The decision to issue

a new mid-curve bond maturity was made to reduce the mismatch between bond issuance and council on-lending. However, with the ongoing issuance of the April 2033 LGFA bond, councils can borrow on a bespoke basis out to 14 years.

The following chart shows the total LGFA bond outstandings, including treasury stock, by maturity as at 30 June 2019.

LGFA bonds on issue (NZ\$ million)

As 30 June 2019 : NZ\$9,335 million
Includes NZ\$400 million treasury stock



iii. Enhancing the certainty of access to debt markets for Participating Local Authorities, subject always to operating in accordance with sound business practice;

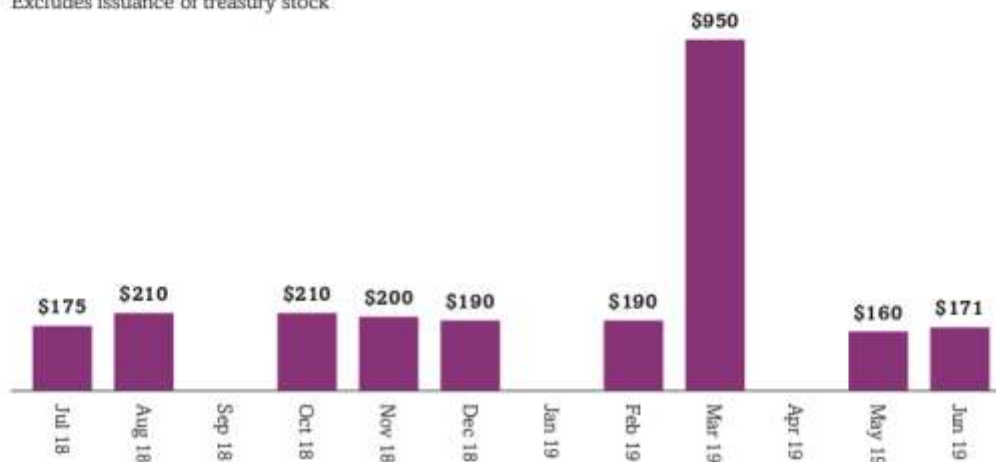
LGFA listed its bonds on the NZX Debt Market in November 2015 and this has led to greater awareness and participation in LGFA bonds by domestic retail and offshore investors. Average turnover on the NZX Debt Market since listing has been \$11 million per month or 8% of the total turnover of the NZX Debt Market. Turnover has remained at lower than normal levels over the past twelve months as retail investors are more attracted to higher term deposit rates.

LGFA commenced the issuance of LGFA Bills for terms of three months and six months in late 2015. Because of this issuance, LGFA has offered short-term loans of less than one year to councils since 2015. As at 30 June 2019, LGFA has short-term loans outstanding to 29 councils of \$360 million funded by LGFA Bills on issue of \$505 million.

LGFA held eight bond tenders during the 12-month period to 30 June 2019, with an average tender volume of \$188 million and a range of \$160 million to \$210 million in size. LGFA also issued \$1.0 billion of an April 2024 maturity via syndication in March 2019. This was LGFA's first syndicated issue.

LGFA bond issuance by tender (NZ\$ million)

Excludes issuance of treasury stock.



All tenders were successful although in general, demand was less than in previous years due to lower interest rates and tighter spreads to NZGBs. The average bid-coverage ratio across the eight bond tenders was 2.6 times and this compared to the average of 3.1 times for the sixty-four bond tenders held since LGFA first commenced issuance in February 2012.

LGFA bond tender results by maturity	2018-19 annual issuance amount (NZ\$ million)	LGFA tender average bid coverage ratio	LGFA tender average successful bid range
15 March 2019	Nil	n/a	n/a
15 April 2020	Nil	n/a	n/a
15 May 2021	30	3.17x	0 bps
14 April 2022	440	2.26x	1.0 bps
15 April 2023	21	2.81x	0 bps
15 April 2024*	1,000	n/a	n/a
15 April 2025	410	3.18x	1.9 bps
15 April 2027	220	2.30x	2.9bps
14 April 2033	385	2.10x	5.0 bps
Across all LGFA maturities	1506	2.6x	1.8bps

* \$1.0 billion issued via syndication.

The successful bid range (difference between the highest and lowest successful bid yield) for each maturity at each tender averaged between 0 bps and 5 bps with an average successful bid range of 1.8 bps across all maturities and all tenders over the year.

LGFA issued \$1.0 billion of a new 15 April 2024 bond in March 2019 via its first syndication. Previous years' issuance had been by tenders. The syndication was timed to coincide with the large amount of LGFA, NZGB and Kauri bond maturities that month.

iv. Offering more flexible lending terms to Participating Local Authorities.

Councils can currently access flexible lending conditions by using the short-term lending and bespoke lending products. Short-term lending is for loans between 30 days and 364 days while bespoke lending is where councils can borrow for any term between one year and the longest-dated LGFA bond maturity (currently 14 April 2033) on any drawdown date. Therefore, council members can borrow for terms ranging from 30 days to almost 14 years at any time they wish to drawdown.

Bespoke lending into non-LGFA bond maturity dates for council members has continued to grow in popularity over the past year. During the 12-month period to 30 June 2019, LGFA lent \$1.102 billion on a bespoke maturity basis across 111 individual loans. This was 45% of total term lending to council members over that period.

Short-term borrowing by councils as at 30 June 2019 was \$360 million comprising borrowing from 29 councils for terms between one and 12 months.

2. LGFA will monitor the quality of the asset book so that it remains of a high standard by ensuring it understands each Participating Local Authority's financial position and the general issues confronting the Local Government sector. This includes

i. LGFA will review each Participating Local Authority's financial position, its financial headroom under LGFA policies and endeavour to visit each Participating Local Authority on an annual basis;

LGFA undertakes a detailed financial assessment on each of its borrowers and meets with all member councils on an annual basis while monitoring council performance throughout the year. LGFA reviews the annual and long-term plans for each council and the annual financial statements. All councils were compliant with LGFA financial covenants as at 30 June 2018 and a copy of each council's borrowing position and compliance with LGFA covenants was provided to LGFA shareholders and non-shareholder guarantors in December 2018. LGFA assigns an internal credit rating to each of its council members as part of the review exercise.

LGFA management met with 47 individual councils over the 12-month period to 30 June 2019.

ii. LGFA will analyse finances at the Council group level where appropriate;

LGFA reviews the financial position of each council on a parent basis except for Auckland Council where LGFA analyses the financial statements at both parent and group level. This is because Auckland Council is the only council to deliver a wide range of its essential services on a group basis.

iii. LGFA will review its debt covenant methodology and assessment of council financial position at group vs parent. LGFA will present its findings to councils at the LGFA Shareholder-Borrower Day, including a comparison of LGFA methodology to that of the credit rating agencies;

LGFA has undertaken an assessment of councils' financial position on a group basis but has yet to present the comparison to the credit rating agency methodologies because both rating agencies (S&P Ratings and Fitch Ratings) had changed their methodology in 2019.

iv. LGFA will work closely with the Department of Internal Affairs (DIA), Office of the Auditor General (OAG) and Local Government New Zealand (LGNZ) on sector and individual council issues;

LGFA staff and directors have met with DIA, OAG, LGNZ, SOLGM, Treasury and the Productivity Commission during the 2018-19 year to discuss sector issues. LGFA participated in sector-wide risk and audit forums.

v. LGFA will take a proactive role to enhance the financial strength and depth of the local government debt market.

LGFA management aim to meet with the management team of each council at least once a year. LGFA also presented to elected officials at councils prior to joining to advise them of their obligations.

LGFA have been involved in discussions between Central Government agencies around Infrastructure Funding and Financing to assist both Central and Local Government with this workstream.

LGFA presented at various capital market conferences and regularly met with banks and investors.

Performance against additional objectives

In addition to the two primary performance objectives, LGFA has eight performance objectives which complement the primary objectives. This section sets out LGFA's performance for the year ended 30 June 2019 against the additional objectives set out in the 2018-19 Statement of Intent.

2.1 Operate with a view to making a profit sufficient to pay a dividend in accordance with its stated Dividend Policy set out in section 6 of the SOI;

The LGFA Board has the sole discretion to set the dividend and the policy is to pay a dividend that provides an annual rate of return to shareholders equal to LGFA's cost of funds plus 2%.

On 27 August 2019, the directors of LGFA declared a dividend for the year to 30 June 2019 of \$1,155,000 (\$0.0462 per share). This is calculated on LGFA's cost of funds for the 2018-19 year of 2.62% plus a 2% margin. This is lower than the previous year dividend of \$0.0514 per share.

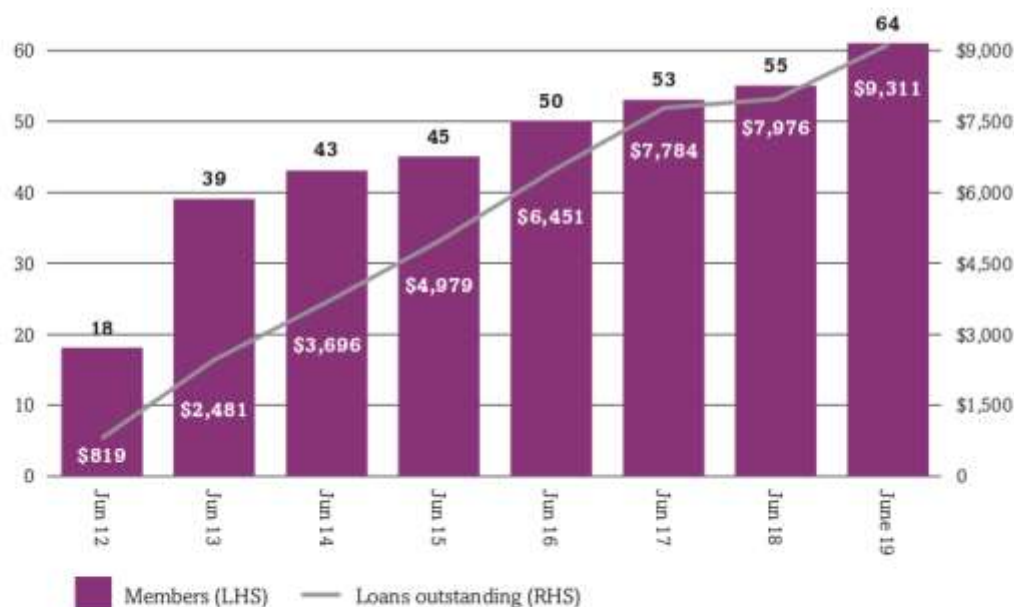
The impact from the current low interest rate environment is that LGFA has a lower cost of funds. While council borrowers benefit from lower borrowing costs, the dividend payment calculated on the above guidance is lower than it would otherwise be in an environment of higher interest rates.

2.2 Provide at least 50% of aggregate long-term debt funding to the Local Government sector.

Eight councils joined LGFA in the 12-month period to June 2019, bringing the total number of council members to 64. Ruapehu District, Waikato Regional, Hawkes Bay Regional and Invercargill City Councils joined as guarantor borrowers while Clutha District, Mackenzie District, Wairoa District and West Coast Regional Councils joined as non-guarantor borrowers.

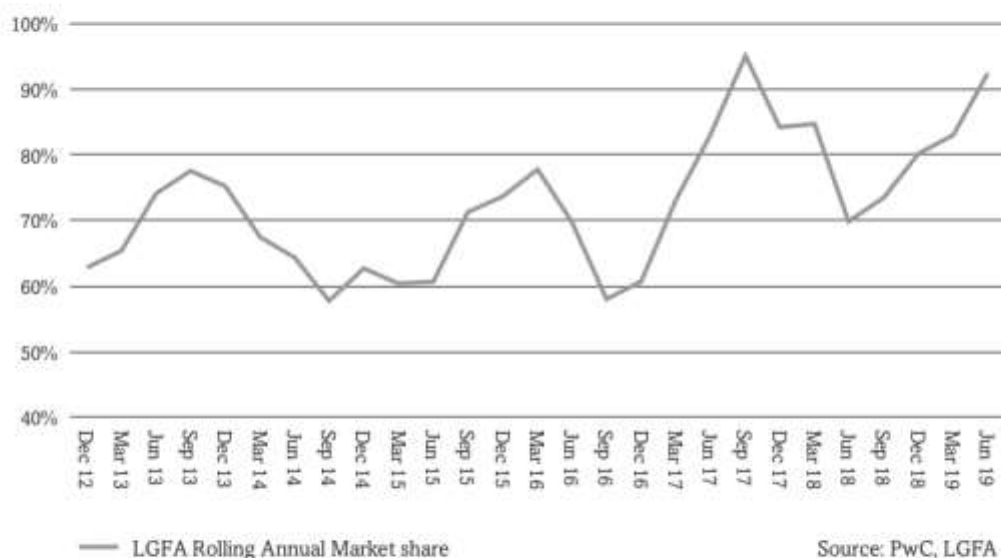
Councils have strongly supported LGFA by joining as members and borrowing from LGFA. As at 30 June 2019, 63 participating councils have so far borrowed from LGFA.

LGFA council members and nominal loans outstanding (NZ\$ million)



The following chart shows LGFA's share of new local government long-term debt issuance and is derived from survey data provided by PwC. LGFA's share of long-term borrowing by the sector including non-members of LGFA was 92.3% for the 12-month period to 30 June 2019.

LGFA council members and LGFA loans outstanding



2.3 Ensure its products and services are delivered at a cost that does not exceed the forecast for issuance and operating expenses set out in section 4 of the SOI;

Issuance and operating expenses for the 12-month period to 30 June 2019 were \$7.558 million which is \$0.175 million below SOI forecast. This variance is the consequence of:

- Issuance and on-lending costs (excluding Approved Issuer Levy payments) at \$2.579 million were \$0.263 million above budget. Lower fees than budgeted relating to the NZDMO facility were offset by higher NZX costs and legal costs. A larger amount of bond issuance and short-term lending increased these costs relative to budget.
- Operating costs at \$3.271 million were \$0.076 million below budget due to lower travel, governance and overhead costs, partially offset by additional legal costs relating to LGFA progressing its work on the ability to lend to CCOs.
- Approved Issuer Levy payments of \$1.708 million were less than forecast of \$2.070 million by \$0.362 million due to a lower level of LGFA bonds holdings by offshore investors relative to budget.

2.4 Take appropriate steps to ensure compliance with the Health and Safety at Work Act 2015;

LGFA has a Health and Safety Staff Committee and reporting on health and safety issues are made to the LGFA board on a regular basis by the Risk and Compliance Manager. There were no health and safety incidents during the 2018-19 year.

2.5 Maintain LGFA's credit rating equal to the New Zealand Government sovereign rating where both entities are rated by the same Rating Agency;

LGFA has credit ratings from S&P Global Ratings (S&P) and Fitch Ratings (Fitch) and meets with both agencies each year. Meetings were held in July 2018 with S&P and in September 2018 with Fitch.

On 4 February 2019, S&P placed LGFA's long-term credit rating on positive outlook, following their decision to place the long-term credit rating of the New Zealand Government on positive outlook the previous week.

On 18 November 2018, Fitch reaffirmed LGFA's long-term credit rating as AA+ and classified LGFA as a corporate mission, government related entity (GRE) under its GRE rating criteria. Fitch equalises LGFA's ratings with those of the New Zealand Government.

Both the S&P and Fitch ratings reports are available on LGFA's website (www.lgfa.co.nz/for-investors/ratings).

Both the S&P and Fitch ratings are the same as, and are capped by, New Zealand Government's credit ratings.

2.6 Achieve the Financial Forecasts (excluding the impact of AIL) set out in section 4 of the SOI;

For the 12-month period to 30 June 2019, Net Interest Income was \$0.151 million above budget while expenses were \$0.175 million below budget. Net Operating Gain of \$11.201 million was \$0.326 million above budget but \$0.601 million (5.1%) below the Net Operating Gain for the equivalent prior period.

In \$ million	30 June 2019 Actual	30 June 2019 SOI Forecast
Net interest revenue	18.76	18.6
Issuance and operating expenses excluding Approved Issuer Levy (AIL)	5.85	5.67
Approved Issuer Levy (AIL)	1.71	2.1
Net Operating Gain	11.2	10.9

2.7 Meet or exceed the Performance Targets outlined in section 5 of the SOI.

LGFA achieved one of its four performance targets in the 12-month period to 30 June 2019

Issuance and operating expenses (excluding AIL) exceeded budget by \$0.180 million for the 12-month period to 30 June 2019. Higher legal and NZX listing costs associated with larger bond issuance than forecast (due to higher council lending than forecast) have contributed to these costs exceeding budget.

LGFA changed its base lending margin for long-dated lending to a standard 10 bps margin regardless of the borrowing term from 1 July 2018. The average base margin target of 10 bps is not achieved by 0.1 bps when combined with the long-dated lending margin across the 12-month period to 30 June 2019 with short-dated lending outstanding as at 30 June 2019. The short-dated lending margins are higher than 10 bps because it is an all-in borrowing margin over BKBM (including the LGFA cost of borrowing).

LGFA have been unable to improve estimated interest cost savings for councils borrowing through LGFA compared to councils borrowing in their own name compared to the levels at the start of the financial year. This objective remains difficult to achieve as the spread between what councils borrow at over LGFA borrowing cost will naturally narrow as the borrowing term approaches maturity. The record volume of council borrowing has led to LGFA issuing a record amount of bonds in the financial year so while LGFA borrowing spreads have narrowed, they have not narrowed as much as the spread for other borrowers.

LGFA's volume of council lending is above the SOI forecast by \$1.157 billion due to both the larger amount of both short-term and long-term borrowing by councils through LGFA.

Performance targets

2018-19 performance targets	Target	Result for 12-month period to 30 June 2019	Outcome
The average margin above LGFA's cost of funds charged to the highest rated Participating Local Authorities for the period	<= 0.10%	0.101% (0.10% for long-term and 0.106% for short-term)	✗ Due to increase in short-term lending where the margin includes LGFA cost of borrowing.
LGFA's annual issuance and operating expenses (excluding AIL) for the period	<=\$5.67 million	\$5.85 million	✗ Due to additional NZX listing and legal fees associated with larger than forecast bond issuance and council lending.
Total lending to Participating Local Authorities	>= \$8,105 million	\$9.262 billion	✓
LGFA will demonstrate the savings to council borrowers on a relative basis to other sources of financing.	Improvement since prior year end relative to borrowing by councils directly.		✗ Due to a lack of single name issuance by councils and record issuance of LGFA bonds, these factors have created a supply-demand imbalance and reduced savings to councils.
	Council borrowing spreads as at June		
	2018:	2019:	
	2019 maturity 11 bps	2019 maturity n/a	
	2021 maturity 19 bps	2021 maturity 9 bps	
	2025 maturity 10 bps	2025 maturity 7 bps	

2.8 Comply with its Treasury Policy, as approved by the Board.

There was one compliance breach during the 12-month period to 30 June 2019 where a council had inadvertently breached the following Treasury Policy limit

"To minimise concentration risk, the LGFA will require that no more than the greater of \$NZD100 million or 33% of a council's borrowings from the LGFA will mature in any 12-month period."

The limit breach was discovered and then escalated to both the LGFA Board and Shareholder Council in May 2019. The breach occurred because a council had borrowed 100% of its financing through LGFA in short-dated loans (less than one year) and the LGFA management process had not picked up short-dated borrowing within this limit. This limit when established in 2012 was originally intended to monitor long-dated borrowing. It should be noted that the limit breach was the not the fault of the council. LGFA worked with the council to extend some of their short-term borrowing into long-dated funding to resolve the breach in June 2019.

Financial statements

Taukī pūtea

In the opinion of the directors of the New Zealand Local Government Funding Agency Limited, the financial statements and notes on pages 49 to 72:

- Comply with New Zealand generally accepted accounting practice (GAAP), New Zealand equivalents to International Financial Reporting Standards (NZIFRS) as appropriate for profit-oriented entities and give a true and fair view of the financial position of the Company as at 30 June 2019, and
- Have been prepared using appropriate accounting policies, which have been consistently applied and supported by reasonable judgements and estimates.

- The directors believe that proper accounting records have been kept which enables, with reasonable accuracy, the determination of the financial position of the Company and facilitates the compliance of the financial statements with the Financial Markets Conduct Act 2013 and the Financial Reporting Act 2013.

The directors consider that they have taken adequate steps to safeguard the assets of the Company, and to prevent and detect fraud and other irregularities. Internal control procedures are also considered to be sufficient to provide a reasonable assurance as to the integrity and reliability of the financial statements.

For and on behalf of the Board of Directors



Craig Stobo
Chair, LGFA Board
30 August 2019



Linda Robertson
Chair, Audit and Risk Committee
30 August 2019

Statement of comprehensive income

For the year ended ended 30 June 2019 in \$000s

	Note	Year ended 2019	Year ended 2018
Interest income			
Cash and cash equivalents		490	627
Marketable securities		4,118	3,116
Deposits		3,887	5,475
Derivatives		104,568	105,229
Loans to local government		248,015	228,381
Fair value hedge ineffectiveness	2c	-	-
Total interest income		361,078	342,828
Interest expense			
Bills		9,519	8,401
Bond repurchase transactions		358	240
Bonds		328,907	311,944
Borrower notes		3,535	3,278
Total interest expense		342,319	323,863
Net interest income		18,759	18,965
Operating expenses			
Issuance and on-lending expenses	3	4,287	4,182
Operating expenses	4	3,271	2,981
Total expenses		7,558	7,163
Net operating profit		11,201	11,802
Total comprehensive income		11,201	11,802

Statement of changes in equity

For the year ended 30 June 2019 in \$000s

	Note	Share capital	Retained earnings	Total equity
Equity as at 30 June 2017		25,000	28,878	53,878
Net operating profit			11,802	11,802
Total comprehensive income for the year			11,802	11,802
Transactions with owners			-	-
Dividend paid on 20 September 2017			(1,390)	(1,390)
Equity as at 30 June 2018		25,000	39,290	64,290
Adjustment on adoption of NZ IFRS 9			(57)	(57)
Net operating profit			11,201	11,201
Total comprehensive income for the year			11,201	11,201
Transactions with owners			-	-
Dividend paid on 7 September 2018			(1,285)	(1,285)
Equity as at 30 June 2019	12	25,000	49,149	74,149

Statement of financial position

As at 30 June 2019 in \$000s

	Note	2019	2018
Assets			
Financial assets			
Cash and bank balances		56,198	50,281
Marketable securities		255,715	231,420
Deposits		136,216	201,114
Derivatives in gain	2d	622,559	375,371
Loans to local government	5	9,310,617	7,975,728
Non-financial assets			
Prepayments		570	561
Other assets	14	457	609
Total assets		10,382,332	8,835,084
Equity			
Share capital		25,000	25,000
Retained earnings		49,149	39,290
Total equity		74,149	64,290
Liabilities			
Financial liabilities			
Payables and provisions		563	444
Bills	6	503,225	473,421
Bond repurchases	9	24,625	6,183
Derivatives in loss	2d	12,926	54,286
Bonds	7	9,612,394	8,101,004
Borrower notes	8	154,168	135,108
Non-financial liabilities			
Accrued expenses		282	348
Total liabilities		10,308,183	8,770,794
Total equity and liabilities		10,382,332	8,835,084

Statement of cash flows

For the year ended 30 June 2019 in \$000s

	Note	Year Ended 2019	Year Ended 2018
Cash Flow from Operating Activities			
Cash applied to loans to local government	11	(1,330,360)	(191,878)
Interest paid on bonds issued		(385,850)	(356,416)
Interest paid on bills issued		(9,516)	(8,400)
Interest paid on borrower notes		(2,874)	(2,648)
Interest paid on bond repurchases		(341)	(239)
Interest received from loans to local government		244,079	228,463
Interest received from cash & cash equivalents		490	627
Interest received from marketable securities		3,742	3,453
Interest received from deposits		4,786	5,310
Net interest on derivatives		160,664	149,898
Payments to suppliers and employees		(7,420)	(7,066)
Net cash flow from operating activities	10	(1,322,601)	(178,896)
Cashflow from Investing Activities			
Sale/(purchase of) marketable securities		(24,513)	(104,115)
Sale/(purchase of) deposits		64,000	(51,000)
Net Cashflow from Investing Activities		39,487	(155,115)
Cashflow from Financing Activities			
Cash proceeds from bonds issued	11	1,255,337	221,120
Cash proceeds from bills issued		29,802	125,241
Cash proceeds from/(applied to) bond repurchases		18,425	(5,778)
Cash proceeds from borrower notes		18,400	2,863
Dividends paid		(1,285)	(1,390)
Cash applied to derivatives		(31,647)	(7,683)
Net Cashflow from Financing Activities		1,289,032	334,373
Net (Decrease) / Increase in Cash		5,918	362
Cash, Cash Equivalents and Bank overdraft at beginning of year		50,281	49,919
Cash, Cash Equivalents and Bank overdraft at end of year		56,198	50,281

1 Statement of accounting policies

a. Reporting entity

The New Zealand Local Government Funding Agency Limited (LGFA) is a company registered under the Companies Act 1993 and is subject to the requirements of the Local Government Act 2002.

LGFA is controlled by participating local authorities and is a council-controlled organisation as defined under section 6 of the Local Government Act 2002. LGFA is a limited liability company incorporated and domiciled in New Zealand.

The primary objective of LGFA is to optimise the debt funding terms and conditions for participating local authorities.

The registered address of LGFA is Level 8, City Chambers, 142 Featherston Street, Wellington Central, Wellington 6011.

The financial statements are as at and for the year ended 30 June 2019.

These financial statements were authorised for issue by the Directors on 30 August 2018.

b. Statement of compliance

LGFA is an FMC reporting entity under the Financial Markets Conduct Act 2013 (FMCA). These financial statements have been prepared in accordance with that Act and the Financial Reporting Act 2013. LGFA's bonds are quoted on the NZX Debt Market.

LGFA is a profit orientated entity as defined under the New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS).

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP) and they comply with NZ IFRS and other applicable Financial Reporting Standard, as appropriate for Tier 1 for-profit entities. The financial statements also comply with International Financial Reporting Standards (IFRS).

c. Basis of preparation

Measurement base

The financial statements have been prepared on a historical cost basis modified by the revaluation of certain assets and liabilities.

The financial statements are prepared on an accrual basis.

Functional and presentation currency

The financial statements are presented in New Zealand dollars rounded to the nearest thousand, unless separately identified. The functional currency of LGFA is New Zealand dollars.

Foreign currency conversions

Transactions denominated in foreign currency are translated into New Zealand dollars using exchange rates applied on the trade date of the transaction.

Changes in accounting policies

NZ IFRS 9. New Zealand Equivalent to International Financial Reporting Standard 9. Financial Instruments.

NZ IFRS 9 (2014) is effective for the fiscal year commencing 1 July 2018.

NZ IFRS 9 replaces NZ IAS 39 Financial Instruments: Recognition and Measurement and sets out the requirements for hedge accounting and impairment for financial assets and liabilities. LGFA early adopted NZ IFRS 9 (2010) for the classification and measurement of financial instruments at commencement of business in 2012.

LGFA has elected to apply NZ IFRS 9 (2014) on a retrospective basis. Comparative information has not been restated as there has not been a material impact. Instead, the impact of adopting the new standard is reflected in opening equity on 1 July 2018.

Hedge accounting

There has been no change to accounting policy for hedge accounting as LGFA's current fair value hedge accounting meets the requirements of NZ IFRS 9.

Impairment

NZ IFRS 9 prescribes an expected credit loss impairment model which replaces the incurred loss impairment model in NZ IAS 39. The expected credit loss model requires LGFA to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition.

LGFA has not previously incurred any credit losses under the incurred loss impairment model (NZ IAS 39) and the introduction of the expected credit loss model (NZ IFRS 9) has not had a material impact on the measurement of LGFA's financial assets.

The changes to LGFA's accounting policies for expected credit losses on financial assets are set out below.

Methodology to determine expected credit losses

As at 30 June 2019, LGFA deemed that there had been no significant increase in credit risk since initial recognition for any financial asset and calculated the loss allowance for these instruments at an amount equal to 12-month expected credit losses, using the estimated probability of default multiplied by the estimated recovery rate.

The estimated probability of default is based on the Standard & Poor's' (S&P) Annual Global Default Study. Individual securities were assigned a probability of default over the 12-month period year based on their S&P, Fitch or Moody's credit rating. Unrated local authorities were assigned a shadow credit rating of A+, based on all complying with LGFA's financial covenants as at 31 December 2018, and S&P rating methodology where all New Zealand local authorities who have a credit rating from S&P are rated between AA and A+.

The estimated recovery rate is assigned using the S&P recovery rating scale. All local authorities were assigned a category of 1+, based on LGFA holding security over a council's rates which, in the event of a default, would give a statutory manager the legal right to impose a targeted rate to recover the principal and interest owing. All other financial assets were assigned a recovery rate based on the industry category and average S&P recovery rates for the security type.

The Treasury (New Zealand Debt Management) was assigned a category of 1+ for derivatives in gain.

Early adoption standards and interpretations

LGFA has not early adopted any standards.

New standards adopted

NZ IFRS 15. Revenue from Contracts with Customers.

NZ IFRS 15 has been adopted from 1 July 2018. There has been no impact on the financial statements.

Standards not yet adopted

LGFA does not consider any standards or interpretations in issue but not yet effective to have a significant impact on its financial statements.

NZ IFRS 16 Leases

NZ IFRS 16 becomes effective from 1 July 2019 and will not have a material impact on the financial statements.

Change in presentation. Statement of financial position

LGFA has changed the order of presentation of assets and liabilities in the Statement of financial position to reflect the order of liquidity for financial assets and liabilities. The change in presentation has been applied to both the current reporting period as well as associated comparatives.

d. Financial instruments

Financial assets

Financial assets, other than derivatives, are recognised initially at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest rate method.

Cash and cash equivalents include cash on hand; cash in transit, bank accounts and deposits with an original maturity of no more than three months.

Purchases and sales of all financial assets are accounted for at trade date.

At each balance date, an expected credit loss assessment is performed for all financial assets and is calculated as either:

- Credit losses that may arise from default events that are possible within the next 12 months, where no significant increase in credit risk has arisen since acquisition of the asset, or
- Credit losses that may arise from default events that are possible over the expected life of the financial asset, where a significant increase in credit risk has arisen since acquisition of the asset.

Impairment losses on financial assets will ordinarily be recognised on initial recognition as a 12-month expected loss allowance and move to a lifetime expected loss allowance if there is a significant deterioration in credit risk since acquisition.

Financial liabilities

Financial liabilities, other than derivatives, are recognised initially at fair value less transaction costs and subsequently measured at amortised cost using the effective interest rate method.

Derivatives

Derivative financial instruments are recognised both initially and subsequently at fair value. They are reported as either assets or liabilities depending on whether the derivative is in a net gain or net loss position respectively.

Fair value hedge

Where a derivative qualifies as a hedge of the exposure to changes in fair value of an asset or liability (fair value hedge) any gain or loss on the derivative is recognised in profit and loss together with any changes in the fair value of the hedged asset or liability.

The carrying amount of the hedged item is adjusted by the fair value gain or loss on the hedged item in respect of the risk being hedged. Effective parts of the hedge are recognised in the same area of profit and loss as the hedged item.

e. Other assets**Property, plant and equipment (PPE)**

Items of property, plant and equipment are initially recorded at cost.

Depreciation is charged on a straight-line basis at rates calculated to allocate the cost or valuation of an item of property, plant and equipment, less any estimated residual value, over its remaining useful life.

Intangible Assets

Intangible assets comprise software and project costs incurred for the implementation of the treasury management system. Capitalised computer software costs are amortised on a straight-line basis over the estimated useful life of the software (three to seven years). Costs associated with maintaining computer software are recognised as expenses.

f. Other liabilities**Employee entitlements**

Employee entitlements to salaries and wages, annual leave and other similar benefits are recognised in the profit and loss when they accrue to employees.

g. Revenue and expenses**Revenue****Interest income**

Interest income is accrued using the effective interest rate method.

The effective interest rate exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this rate to the principal outstanding to determine interest income each period.

Expenses

Expenses are recognised in the period to which they relate.

Interest expense

Interest expense is accrued using the effective interest rate method.

The effective interest rate exactly discounts estimated future cash payments through the expected life of the financial liability to that liability's net carrying amount. The method applies this rate to the principal outstanding to determine interest expense each period.

Income tax

LGFA is exempt from income tax under Section 14 of the Local Government Borrowing Act 2011.

Goods and services tax

All items in the financial statements are presented exclusive of goods and service tax (GST), except for receivables and payables, which are presented on a GST-inclusive basis. Where GST is not recoverable as input tax, then it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the IRD is included as part of receivables or payables in the statement of financial position.

The net GST paid to, or received from the IRD, including the GST relating to investing and financing activities, is classified as a net operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

h. Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

i. Segment reporting

LGFA operates in one segment being funding of participating local authorities in New Zealand.

j. Judgements and estimations

The preparation of these financial statements requires judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and income and

expenses. For example, the present value of large cash flows that are predicted to occur a long time into the future depends critically on judgements regarding future cash flows, including inflation assumptions and the risk-free discount rate used to calculate present values. Refer note 2a for fair value determination for financial instruments.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Where these judgements significantly affect the amounts recognised in the financial statements they are described below and in the following notes.

2 Analysis of financial assets and financial liabilities

a. Categories of financial instruments

Derivative financial instruments are the only instruments recognised in the statement of financial position at fair value.

Derivative financial instruments are valued under level 2 of the following hierarchy.

- **Level 1** – Quoted market prices: Fair value based on quoted prices in active markets for identical assets or liabilities.
- **Level 2** – Valuation techniques using observable market inputs: Fair value based on a valuation technique using other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
- **Level 3** – Valuation techniques using significant non-observable market inputs: Fair value based on a valuation technique using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value of derivative financial instruments is determined using a discounted cash flow analysis. Interest rates represent the most significant assumption used in valuing derivative financial instruments. The interest rates used to discount estimated cash flows are based on the New Zealand dollar swap curves at the reporting date.

Financial instruments recognised in the statement of financial position at amortised cost

Fair values of financial instruments not recognised in the statement of financial position at fair value are determined for note disclosure as follows:

Cash and bank, trade and other receivables, trade and other payables

The carrying value of cash and bank, trade and other receivables, trade and other payables approximate their fair value as they are short-term instruments.

Marketable securities and bonds

The fair value of bonds and marketable securities are determined using the quoted price for the instrument (Fair value hierarchy level 1).

Deposits

The fair value for deposits is determined using a discounted cash flow analysis. The interest rates used to discount the estimated cash flows are based on current market interest rates (Fair value hierarchy level 2).

Loans to local government

The fair value of loans to local government authorities is determined using a discounted cash flow analysis. The interest rates used to discount the estimated cash flows are based on LGFA bond yields at the reporting date plus an appropriate credit spread to reflect the counterparty's credit risk (Fair value hierarchy level 2).

Borrower notes

The fair value of borrower notes is determined using a discounted cash flow analysis. The interest rates used to discount the estimated cash flows are based on LGFA bond yields at the reporting date (Fair value hierarchy level 2).

Fair value of financial assets and financial liabilities

The fair value of financial assets and financial liabilities, together with the carrying amounts shown in the statement of financial position, are shown in the table below.

As at 30 June 2019 in \$000s	Financial liabilities at amortised cost	Financial assets at amortised cost	Financial assets measured at fair value in accordance with NZ IFRS 9	Fair value
Financial assets				
Cash and bank balances	-	56,198	-	56,198
Trade and other receivables	-	-	-	-
Marketable securities	-	255,715	-	257,124
Deposits	-	136,216	-	137,355
Derivatives	-	-	622,559	622,559
Loans to local government	-	9,310,617	-	9,640,053
	-	9,758,746	622,559	10,713,289
Financial liabilities				
Payables and provisions	563	-	-	563
Bills	503,225	-	-	503,451
Bond repurchases	24,625	-	-	24,625
Derivatives	-	-	12,926	12,926
Bonds	9,612,394	-	-	9,727,610
Borrower notes	154,168	-	-	155,935
	10,294,975	-	12,926	10,425,110

As at 30 June 2018 in \$000s	Financial liabilities at amortised cost	Financial assets at amortised cost	Financial assets measured at fair value in accordance with NZ IFRS 9	Fair value
Financial assets				
Cash and bank balances	-	50,281	-	50,281
Trade and other receivables	-	-	-	-
Marketable securities	-	231,420	-	225,570
Deposits	-	201,114	-	202,061
Derivatives	-	-	375,371	375,371
Loans to local government	-	7,975,728	-	8,224,666
	-	8,458,543	375,371	9,077,949
Financial liabilities				
Payables and provisions	444	-	-	444
Bills	473,421	-	-	473,467
Bond repurchases	6,183	-	-	6,183
Derivatives	-	-	54,286	54,286
Bonds	8,101,004	-	-	8,172,546
Borrower notes	135,108	-	-	134,956
	8,716,160	-	54,286	8,841,882

b. Financial risk management

The Board of Directors has overall responsibility for carrying out the business of LGFA in accordance with risk management policies, including those relating to investing, lending, borrowing and treasury activities. The use of financial instruments exposes LGFA to financial risks, the most significant being market risk, credit risk, and liquidity risk. The exposure and management of these risks is outlined below.

Market risk

Market risk is the risk that changes in market prices will affect LGFA's income or value of financial instruments. The most significant market risk which LGFA is exposed to is interest rate risk. LGFA has no significant exposure to foreign exchange risk.

Interest rate risk

Interest rate risk is the risk that future cash flows or the fair value of financial instruments will decrease because of a change in market interest rates. LGFA is exposed to interest rate risk through its interest-bearing financial assets and liabilities.

Interest rate risk is managed using Value at Risk (VaR) and Partial Differential Hedge (PDH) limits to mitigate the potential change in value of the balance sheet due to changes in interest rates. PDH risk measures the sensitivity of a portfolio to a one basis point change in underlying interest rates, whereas VaR measures the expected loss for a given period with a given confidence.

The table below indicates the earliest period in which the interest-bearing financial instruments reprice.

As at 30 June 2019 in \$000s	Face value	Less than 6 months	6 months - 1 year	1-2 years	2-5 years	Over 5 years
Financial assets						
Cash and bank Balances	56,198	56,198	-	-	-	-
Marketable securities	253,972	203,850	40,122	10,000	-	-
Deposits	135,000	55,000	80,000	-	-	-
Loans to local government	9,262,858	8,030,980	16,520	452,700	284,700	477,958
Financial liabilities						
Bills	(505,000)	(480,000)	(25,000)	-	-	-
Bond repurchases	(24,604)	(24,604)	-	-	-	-
Derivatives	-	(7,715,000)	938,750	1,027,500	2,828,750	2,920,000
Bonds	(8,935,000)	-	(980,000)	(1,450,000)	(3,110,000)	(3,395,000)
Borrower notes	(142,027)	(122,333)	(248)	(7,243)	(4,555)	(7,647)
Total	101,398	4,091	70,144	32,957	(1,105)	(4,689)

As at 30 June 2018 in \$000s	Face value	Less than 6 months	6 months - 1 year	1-2 years	2-5 years	Over 5 years
Financial assets						
Cash and bank Balances	50,281	50,281	-	-	-	-
Marketable securities	226,593	152,196	26,897	27,500	20,000	-
Deposits	199,000	130,000	69,000	-	-	-
Loans to local government	7,927,441	6,709,699	300,500	12,500	568,000	336,742
Financial liabilities						
Bills	(475,000)	(475,000)	-	-	-	-
Bond repurchases	-	-	-	-	-	-
Derivatives	-	(6,454,200)	936,200	938,750	2,516,250	2,063,000
Bonds	(7,719,000)	-	(1,240,000)	(980,000)	(3,119,000)	(2,380,000)
Borrower notes	(123,062)	(103,690)	(4,696)	(200)	(9,088)	(5,388)
Total	86,253	9,286	87,901	(1,450)	(23,838)	14,354

Interest rate sensitivity

Changes in interest rates impact the fair value of fixed rate assets and liabilities, cash flows on floating rate assets and liabilities, and the fair value and cash flows of interest rate swaps. A change of 100 basis

points in interest rates at the reporting date would have increased/ (decreased) profit or loss and equity by the amounts shown in the following table. This analysis assumes that all other variables remain constant.

For the period ending 30 June in \$000s	2019		2018	
	100 bps increase \$000s	100 bps decrease \$000s	100 bps increase \$000s	100 bps decrease \$000s
Fair value sensitivity analysis				
Fixed rate assets	-	-	-	-
Fixed rate liabilities	(369,387)	376,054	276,613	(281,357)
Derivative financial instruments	369,387	(376,054)	(276,613)	281,357
	-	-	-	-
Cash flow sensitivity analysis				
Variable rate assets	76,708	(76,708)	64,806	(64,806)
Variable rate liabilities	(1,227)	1,227	(1,037)	1,037
Derivative financial instruments	(79,320)	79,320	(66,432)	66,432
	(3,839)	3,839	(2,663)	2,663

Credit risk

Credit risk is the risk of financial loss if a counterparty to a financial instrument fails to meet its contractual obligations. LGFA is exposed to credit risk through its lending and investing activities.

Credit risk associated with lending activities is managed by requiring local authorities that borrow from LGFA to meet specific credit lending criteria and to provide security against the borrowing. The LGFA's credit risk framework restricts credit exposures to specific counterparties.

Credit risk associated with investing activities, excluding on-lending, is managed by only investing with New Zealand Government Agencies or counterparties that meet a minimum credit rating of A (Standard & Poor's equivalent). The LGFA's credit risk framework limits concentrations of credit risk for any single counterparty.

Exposure to credit risk

LGFA monitors the concentration of credit risk by the type of counterparty. The carrying value and maximum exposure to credit risk at the reporting date, before taking account of collateral or other credit enhancements, for significant counterparty types are shown in the table below.

As at 30 June 2019 in \$000s	NZ government agencies	NZ local authorities	NZ registered banks	Other counter- parties	Total carrying value
Financial assets					
Cash and bank balances	55,679	-	520	-	56,198
Trade and other receivables	-	-	-	-	-
Marketable securities	40,962	48,668	135,397	30,488	255,715
Deposits	-	-	136,216	-	136,216
Derivatives	609,632	-	-	-	609,632
Loans to local government	-	9,310,617	-	-	9,310,617
	706,273	9,359,285	272,333	30,488	10,368,378

As at 30 June 2018 in \$000s	NZ government agencies	NZ local authorities	NZ registered banks	Other counter- parties	Total carrying value
Financial assets					
Cash and bank balances	49,773	-	508	-	50,281
Trade and other receivables	-	-	-	-	-
Marketable securities	60,988	43,807	109,544	17,081	231,420
Deposits	-	-	201,114	-	201,114
Derivatives	321,085	-	-	-	321,085
Loans to local government	-	7,975,728	-	-	7,975,728
	431,846	8,019,535	311,166	17,081	8,779,628

Collateral and credit enhancements

LGFA holds collateral against borrowings from local authorities in the form of debenture securities and guarantees.

Credit quality of financial assets

All financial assets are neither past due nor impaired. The carrying value of the financial assets is expected to be recoverable.

Liquidity risk

Liquidity risk is the risk that LGFA will encounter difficulty in meeting the obligations of its financial

liabilities. LGFA manages liquidity risk by holding cash and a portfolio of liquid assets to meet obligations when they fall due. LGFA is required by policy to maintain sufficient liquidity (comprising a committed liquidity facility and holdings of cash and liquid investments) to meet all operating and funding commitments over a rolling 12-month period.

The Treasury (New Zealand Debt Management) provides a committed liquidity facility that LGFA can draw upon to meet any exceptional and temporary liquidity shortfall. As at 30 June 2019, the undrawn committed liquidity facility was \$700 million (2018: \$600 million).

Contractual cash flows of financial instruments.

The contractual cash flows associated with financial assets and liabilities are shown in the table below.

As at 30 June 2019 in \$000s	On demand	Up to 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Total contractual cash flows	Total carrying value
Financial assets							
Cash and bank balances	56,198	-	-	-	-	56,198	56,198
Trade and other receivables							
Marketable securities	-	127,363	52,615	80,815	-	260,793	255,715
Deposits	-	-	138,543	-	-	138,543	136,216
Loans to local government	-	279,328	936,604	5,556,479	3,583,112	10,355,524	9,310,617
Financial liabilities							
Payables and provisions	(563)	-	-	-	-	(563)	(563)
Bills	-	(330,000)	(175,000)	-	-	(505,000)	(503,225)
Bond repurchases	-	(24,628)	-	-	-	(24,628)	(24,625)
Bonds	-	-	(1,338,293)	(5,495,770)	(3,838,283)	(10,672,345)	(9,612,394)
Borrower notes	-	(332)	(10,820)	(92,580)	(65,981)	(169,713)	(154,168)
Derivatives	-	(42,732)	183,130	358,542	154,427	653,366	609,632
	55,635	8,998	(213,220)	407,487	(166,724)	92,176	73,403

As at 30 June 2018 in \$000s	On demand	Up to 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Total contractual cash flows	Total carrying value
Financial assets							
Cash and bank balances	50,281	-	-	-	-	50,281	50,281
Trade and other receivables	-	-	-	-	-	-	-
Marketable securities	-	114,836	59,305	61,268	-	235,409	231,420
Deposits	-	50,880	152,905	-	-	203,786	201,114
Loans to local government	-	236,487	1,460,213	4,447,506	2,859,147	9,003,353	7,975,728
Financial liabilities							
Payables and provisions	(444)	-	-	-	-	(444)	(444)
Bills	-	(375,000)	(100,000)	-	-	(475,000)	(473,421)
Bond repurchases	-	(6,184)	-	-	-	(6,184)	(6,183)
Bonds	-	(31,000)	(1,558,213)	(4,981,825)	(2,747,625)	(9,318,663)	(7,878,765)
Borrower notes	-	-	(23,639)	(74,147)	(52,889)	(150,675)	(135,108)
Derivatives	-	(15,961)	152,202	333,394	106,640	576,275	321,085
	49,837	(25,942)	142,774	(213,803)	165,273	118,138	285,707

c. Hedge accounting

LGFA is exposed to interest rate risk from fixed rate borrowing and variable rate lending to councils. LGFA uses interest rate swaps to manage this interest rate risk. For hedge accounting purposes, LGFA has designated these swaps in fair value relationships to its fixed rate borrowing and council loans.

The gain or loss on the hedging instrument and the hedged item attributable to the hedged risk for fair value hedge relationships is shown in the table below.

For the year ended ended 30 June in \$000s	2019 Gain/(loss)	2018 Gain/(loss)
Hedging instruments – interest rate swaps	312,996	58,487
Hedged items attributable to the hedged risk – fixed rate bonds	(312,996)	(58,487)
Ineffectiveness recognised in profit or loss from fair value hedges	-	-

The gains or losses on the hedging instrument (interest rate swaps) and the hedged item (bonds or loans) are mapped to the same fair value account. For this reason, the statement of comprehensive income will only report any ineffectiveness arising from the fair value hedge.

d. Offsetting

NZ IAS 32: Financial Instruments Presentation allows financial assets and liabilities to be offset only when there is a current legally enforceable right to set off the amounts and there is an intention either to settle on a net basis, or to realise the asset and settle the liability simultaneously. LGFA does not offset any amounts. The amounts subject to an enforceable master netting arrangement or similar agreement that are not offset in the statement of financial position are detailed in the table below.

As at 30 June 2019 in \$000s	Derivative assets	Derivative liabilities
Gross amounts	622,559	12,926
Amounts offset	-	-
Carrying amounts	622,559	12,926
Amounts that don't qualify for offsetting	-	-
Financial assets and liabilities	(12,926)	(12,926)
Collateral	-	-
Net Amount	609,633	-

As at 30 June 2018 in \$000s	Derivative assets	Derivative liabilities
Gross amounts	375,371	54,286
Amounts offset	-	-
Carrying amounts	375,371	54,286
Amounts that don't qualify for offsetting	-	-
Financial assets and liabilities	(54,286)	(54,286)
Collateral	-	-
Net Amount	321,085	-

3 Issuance and on-lending expenses

Issuance and on-lending expenses are those costs that are incurred as a necessary expense to facilitate the ongoing issuance of LGFA debt securities.

For the year ended 30 June in \$000s	2019	2018
NZDM facility fee	644	706
NZX	455	333
Rating agency fees	596	575
Legal fees for issuance	493	233
Regulatory, registry, other fees	147	106
Trustee fees	100	100
Approved issuer levy ¹	1,708	1,975
Information Services	144	154
	4,287	4,182

1. The amount of Approved Issuer Levy is a function of the number of the offshore holders of certain LGFA bond maturities.

4 Operating expenses

Operating expenses are all other expenses that are not classified as 'Issuance and on-lending expenses.'

For the year ended 30 June in \$000s	2019	2018
Consultants	205	188
Directors fees	377	377
Insurance	65	60
Legal fees	84	88
Other expenses	796	743
Auditors' remuneration		
Statutory audit	96	87
Advisory services	-	-
Personnel	1,648	1,418
Recruitment	-	20
	3,271	2,981

5 Loans to local government

As at 30 June in \$000s	2019		2018	
	Short-term loans	Loans	Short-term loans	Loans
Ashburton District Council	10,025	27,465	5,015	25,603
Auckland Council	-	2,422,898	-	2,101,357
Bay of Plenty Regional Council	90,974	50,631	-	-
Buller District Council	-	20,013	-	20,014
Canterbury Regional Council	6,006	32,108	-	30,103
Central Hawkes Bay District Council	-	2,027	-	2,027
Christchurch City Council	27,110	1,721,759	85,273	1,573,566
Clutha District Council	-	5,020	-	-
Far North District Council	-	40,149	-	40,130
Gisborne District Council	5,982	42,819	-	37,275
Gore District Council	6,011	13,059	6,014	11,064
Greater Wellington Regional Council	-	401,676	-	306,302
Grey District Council	4,978	15,305	-	20,446
Hamilton City Council	-	356,737	-	366,483
Hastings District Council	-	105,985	1,957	75,280
Hauraki District Council	-	38,192	-	38,156
Hawkes Bay Regional Council	-	2,509	-	-
Horizons Regional Council	-	35,182	-	20,035
Horowhenua District Council	11,006	85,780	6,008	72,868
Hurunui District Council	-	32,140	-	23,098
Hutt City Council	-	179,746	4,996	152,802
Invercargill City Council	25,093	30,095	-	-
Kaipara District Council	999	44,189	4,925	40,174
Kapiti Coast District Council	-	210,804	-	205,754
Manawatu District Council	-	68,229	-	61,180
Marlborough District Council	26,545	73,252	17,297	63,237
Masterton District Council	-	50,248	-	52,234
Matamata-Piako District Council	2,546	21,597	-	27,599
Nelson City Council	-	65,264	-	60,239
New Plymouth District Council	-	99,535	-	74,324
Northland Regional Council	-	9,728	-	8,634
Opotiki District Council	-	5,125	-	5,163
Otorohanga District Council	-	3,048	-	6,120
Palmerston North City Council	10,024	104,439	10,028	82,317

5 Loans to local government (cont)

As at 30 June in \$000s	2019		2018	
	Short-term loans	Loans	Short-term loans	Loans
Porirua City Council	-	86,894	-	61,754
Queenstown Lakes District Council	20,076	85,644	10,096	75,954
Rangitikei District Council	-	3,013	-	-
Rotorua District Council	2,817	180,186	-	150,266
Ruapehu District Council	3,027	13,070	-	-
Selwyn District Council	5,097	10,053	-	15,021
South Taranaki District Council	-	80,383	-	62,278
South Wairarapa District Council	-	20,023	-	17,629
Stratford District Council	1,003	13,570	-	4,513
Taranua District Council	4,020	21,104	2,011	15,064
Tasman District Council	25,380	127,172	10,007	109,006
Taupo District Council	-	115,452	-	125,430
Tauranga City Council	9,963	432,609	-	362,308
Thames-Coromandel District Council	-	51,244	-	45,175
Timaru District Council	17,568	67,313	12,524	67,331
Upper Hutt City Council	4,975	38,174	4,976	31,638
Waikato District Council	-	80,400	-	80,382
Waikato Regional Council	-	22,120	-	-
Waimakariri District Council	10,010	135,872	20,024	105,818
Waipa District Council	-	15,013	-	13,016
Wairoa District Council	1,514	3,519	-	-
Waitomo District Council	10,055	30,093	10,066	25,086
Wellington City Council	-	533,151	-	395,384
West Coast Regional Council	1,985	5,608	-	-
Western Bay Of Plenty District Council	-	90,478	-	105,426
Westland District Council	-	18,688	2,998	14,361
Whakatane District Council	5,008	57,298	6,011	48,220
Whanganui District Council	-	73,408	5,005	73,367
Whangarei District Council	9,976	122,543	9,971	132,516
	359,771	8,950,846	235,202	7,740,526

As at 30 June 2019, \$428.2 million of loans to local government are due to mature within 12 months. This comprises all short-term loans and \$68.4 million of loans.

6 Bills on issue

As at 30 June 2019 in \$000's	Face value	Unamortised premium	Accrued interest	Total
4 July 2019	25,000	-	(4)	24,996
10 July 2019	85,000	-	(41)	84,959
17 July 2019	25,000	-	(23)	24,977
29 July 2019	25,000	-	(35)	24,965
5 August 2019	25,000	-	(48)	24,952
14 August 2019	50,000	-	(109)	49,891
23 August 2019	45,000	-	(117)	44,883
11 September 2019	50,000	-	(174)	49,826
4 October 2019	25,000	-	(124)	24,876
9 October 2019	25,000	-	(125)	24,875
7 November 2019	25,000	-	(168)	24,832
13 November 2019	25,000	-	(159)	24,841
4 December 2019	25,000	-	(203)	24,797
11 December 2019	25,000	-	(180)	24,820
22 January 2020	25,000	-	(266)	24,734
	505,000	-	(1,775)	503,225

As at 30 June 2018 in \$000's	Face value	Unamortised premium	Accrued interest	Total
11 July 2018	50,000	-	(27)	49,973
27 July 2018	25,000	-	(36)	24,964
2 August 2018	125,000	-	(210)	124,790
6 August 2018	25,000	-	(47)	24,953
15 August 2018	50,000	-	(121)	49,879
23 August 2018	25,000	-	(72)	24,928
12 September 2018	50,000	-	(199)	49,801
26 September 2018	25,000	-	(121)	24,879
10 October 2018	25,000	-	(146)	24,854
31 October 2018	25,000	-	(177)	24,823
14 November 2018	25,000	-	(192)	24,808
12 December 2018	25,000	-	(232)	24,768
	475,000	-	(1,579)	473,421

7 Bonds on issue

Bonds on issue do not include \$400 million face value of issued LGFA bonds subscribed by LGFA and held as treasury stock. Refer Note 9: Treasury stock and bond repurchase transactions.

As at 30 June 2019 in \$000's	Face Value	Unamortised premium	Accrued interest	Fair value hedge adjustment	Total
15 April 2020	980,000	(2,674)	6,185		
15 May 2021	1,450,000	40,569	11,111		
14 April 2022	710,000	5,876	4,161		
15 April 2023	1,450,000	56,972	16,778		
15 April 2024	950,000	(3,895)	4,497		
15 April 2025	1,379,000	(38,648)	7,978		
15 April 2027	1,276,000	51,179	12,080		
14 April 2033	740,000	(35,533)	5,520		
Total	8,935,000	73,848	68,311	535,236	9,612,394

As at 30 June 2018 in \$000's	Face Value	Unamortised premium	Accrued interest	Fair value hedge adjustment	Total
15 March 2019	1,240,000	8,990	18,196		
15 April 2020	980,000	(5,904)	6,185		
15 May 2021	1,420,000	57,960	10,882		
14 April 2022	270,000	(223)	1,582		
15 April 2023	1,429,000	67,183	16,535		
15 April 2025	969,000	(44,090)	5,606		
15 April 2027	1,056,000	35,890	9,997		
14 April 2033	355,000	(31,672)	2,648		
Total	7,719,000	88,134	71,631	222,239	8,101,004

8 Borrower notes

Borrower notes are subordinated debt instruments which are required to be held by each local authority that borrows from LGFA in an amount equal to 1.6% of the aggregate borrowings by that local authority.

LGFA may convert borrower notes into redeemable shares if it has made calls for all unpaid capital to be paid in full and the LGFA Board determines it is still at risk of imminent default.

9 Treasury stock and bond repurchase transactions

Periodically, LGFA subscribes for LGFA bonds as part of its tender process and holds these bonds as treasury stock. LGFA bonds held by LGFA as treasury stock are derecognised at the time of issue and no liability is recognised in the statement of financial position.

LGFA makes these treasury stock bonds available to banks authorised as its tender counterparties to borrow under short-term repurchase transactions.

The objective of the bond lending facility is to assist with improving secondary market liquidity in LGFA bonds. Bonds lent to counterparties are disclosed as a separate stock lending liability on the face of the statement of financial position.

Each month, LGFA notifies the market the amount of outstanding repurchase transactions and LGFA bonds held as treasury stock.

As at 30 June 2019, bond repurchase transactions comprised:

		30 June 2019 Bond repurchase trades	30 June 2018 Bond repurchase trades
15 March 2019	5% coupon	-	1,035
15 April 2020	3% coupon	-	4,076
15 May 2021	6% coupon	-	-
14 April 2022	2.75% coupon	15,535	-
15 April 2023	5.5% coupon	-	-
15 April 2024	2.25% coupon	-	-
15 April 2025	2.75% coupon	-	-
15 April 2027	4.5% coupon	5,837	1,072
14 April 2033	3.5% coupon	3,252	-
		24,625	6,183

10 Reconciliation of net profit to net cash flow from operating activities

For the year ended 30 June in \$000s		2019	2018
Net profit/(loss) for the period		11,201	11,802
Cash applied to loans to local government	11	(1,330,360)	(191,878)
Non-cash adjustments			
Amortisation and depreciation		(3,579)	1,082
Working capital movements			
Net change in trade debtors and receivables		62	(9)
Net change in prepayments		(9)	(17)
Net change in accruals		(66)	(28)
Net Cash From Operating Activities		(1,322,752)	(179,048)

11 2018/19 Bond issuance and loans advanced

During the 12-months ended 30 June 2019, the gross nominal value of bonds issued and loans advanced were significantly higher than prior years:

Bonds issued: \$2,456m (2018: \$1,229m)

Loans advanced: \$2.446m (\$2018 1,088m)

12 Share Capital

As at 30 June 2019, LGFA had 45 million ordinary shares on issue, 20 million of which remain uncalled.

All ordinary shares rank equally with one vote attached to each ordinary share. Ordinary shares have a face value of \$1 per share.

Shareholder information

Registered holders of equity securities as at 30 June	2019		2018	
New Zealand Government	5,000,000	11.1%	5,000,000	11.1%
Auckland Council	3,731,960	8.3%	3,731,960	8.3%
Christchurch City Council	3,731,960	8.3%	3,731,960	8.3%
Hamilton City Council	3,731,960	8.3%	3,731,960	8.3%
Bay of Plenty Regional Council	3,731,958	8.3%	3,731,958	8.3%
Greater Wellington Regional Council	3,731,958	8.3%	3,731,958	8.3%
Tasman District Council	3,731,958	8.3%	3,731,958	8.3%
Tauranga City Council	3,731,958	8.3%	3,731,958	8.3%
Wellington City Council	3,731,958	8.3%	3,731,958	8.3%
Western Bay of Plenty District Council	3,731,958	8.3%	3,731,958	8.3%
Whangarei District Council	1,492,784	3.3%	1,492,784	3.3%
Hastings District Council	746,392	1.7%	746,392	1.7%
Marlborough District Council	400,000	0.9%	400,000	0.9%
Selwyn District Council	373,196	0.8%	373,196	0.8%
Gisborne District Council	200,000	0.4%	200,000	0.4%
Hauraki District Council	200,000	0.4%	200,000	0.4%
Horowhenua District Council	200,000	0.4%	200,000	0.4%
Hutt City Council	200,000	0.4%	200,000	0.4%
Kapiti Coast District Council	200,000	0.4%	200,000	0.4%
Manawatu District Council	200,000	0.4%	200,000	0.4%
Masterton District Council	200,000	0.4%	200,000	0.4%
New Plymouth District Council	200,000	0.4%	200,000	0.4%
Otorohanga District Council	200,000	0.4%	200,000	0.4%
Palmerston North District Council	200,000	0.4%	200,000	0.4%
South Taranaki District Council	200,000	0.4%	200,000	0.4%
Taupo District Council	200,000	0.4%	200,000	0.4%
Thames - Coromandel District Council	200,000	0.4%	200,000	0.4%
Waimakariri District Council	200,000	0.4%	200,000	0.4%
Waipa District Council	200,000	0.4%	200,000	0.4%
Whakatane District Council	200,000	0.4%	200,000	0.4%
Whanganui District Council	200,000	0.4%	200,000	0.4%
	45,000,000	100%	45,000,000	100%

Capital management

LGFA's capital is equity, which comprises share capital and retained earnings. The objective of managing LGFA's equity is to ensure LGFA achieves its goals and objectives for which it has been established, whilst remaining a going concern.

Dividend

LGFA paid a dividend of \$1,285,000 on 7 September 2018, being \$0.0514 per paid up share (2018: \$1,390,000 on 20 September 2017, being \$0.0556 per paid up share).

13 Operating Leases

	2019	2018
Less than one year	108,728	121,533
Between one and five years	119,094	262,770
Total non-cancellable operating leases	227,823	384,303

14 Other assets

As at 30 June in \$000s	2019	2018
Property, plant and equipment	-	-
Intangible assets ¹	457	609
Total other assets	457	609

1. Intangible assets comprise acquired and internally developed software costs incurred on the implementation of LGFA's treasury management system.

15 Capital commitments

As at 30 June 2019, there are no capital commitments.

16 Contingencies

There are no contingent liabilities at balance date.

17 Related parties

Identity of related parties

LGFA is related to the local authorities set out in the Shareholder Information in note 12.

LGFA operates under an annual Statement of Intent with the respective local authorities that sets out the intentions and expectations for LGFA's operations and lending to participating local authorities.

Shareholding local authorities, and non-shareholder local authorities who borrow more than \$20 million, are required to enter into a guarantee when they join or participate in LGFA. The guarantee is in respect of the payment obligations of other guaranteeing local authorities to the LGFA (cross guarantee) and of the LGFA itself.

Related party transactions

LGFA was established for the purpose of raising funds from the market to lend to participating councils. The lending to individual councils is disclosed in note 5, and interest income recognised on this lending is shown in the statement of comprehensive income.

The purchase of LGFA borrower notes by participating councils. Refer note 8.

The Treasury (New Zealand Debt Management) provides LGFA with a committed credit facility and is LGFA's derivatives counterparty.

Transactions with key management personnel:

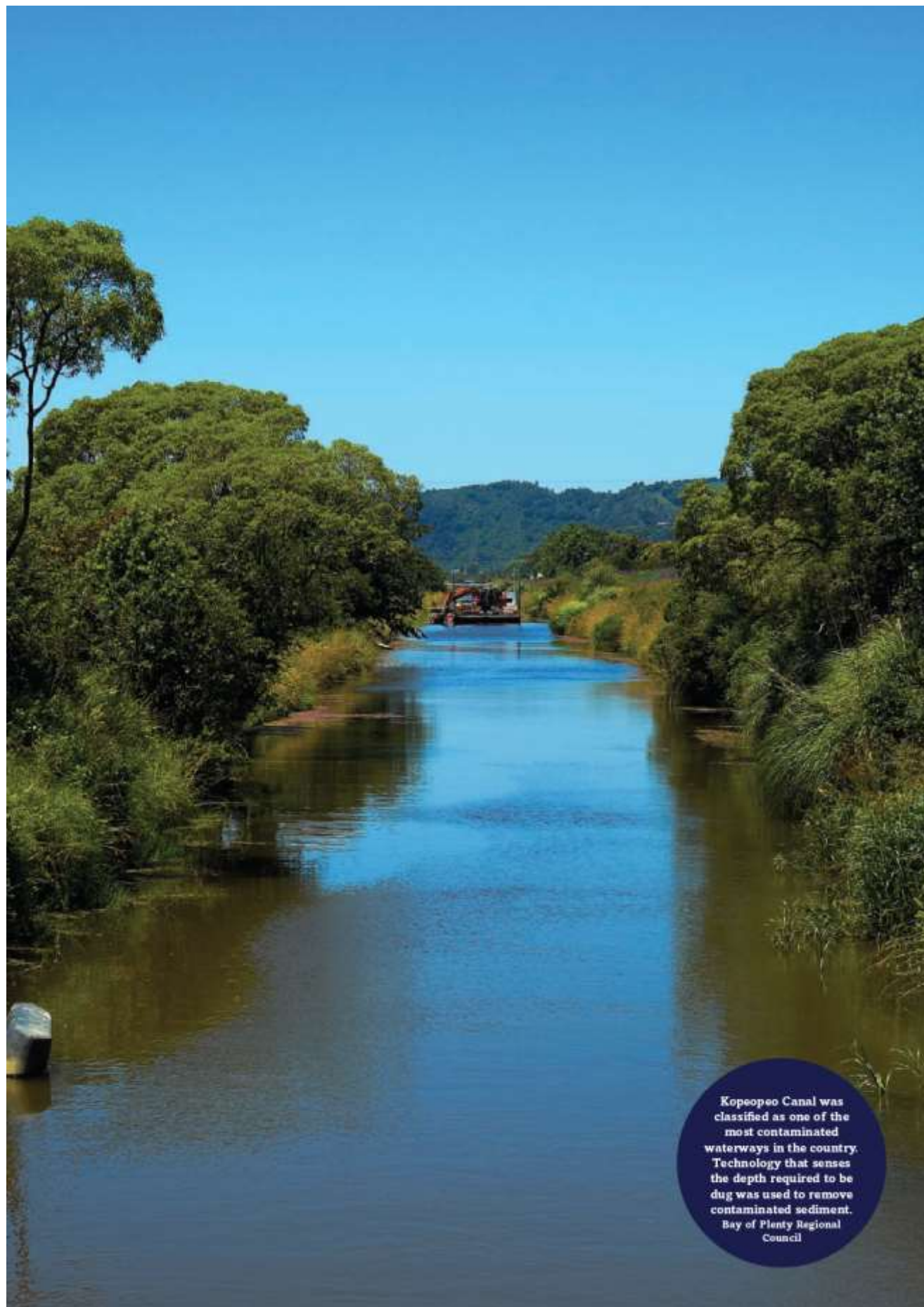
Salaries \$904,300 (2018: \$849,969)

Fees paid to directors are disclosed in operating expenses in Note 4.

18 Subsequent events

Subsequent to balance date, LGFA has issued \$670 million in bonds through one tender and a syndication.

Subsequent to balance date, on 27 August 2019, the Directors of LGFA declared a dividend of \$1,155,000 (\$0.0462 per paid up share).



Kopeopeo Canal was classified as one of the most contaminated waterways in the country. Technology that senses the depth required to be dug was used to remove contaminated sediment.
Bay of Plenty Regional Council

Item 8

Attachment 2



INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF NEW ZEALAND LOCAL GOVERNMENT FUNDING AGENCY LIMITED'S FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION FOR THE YEAR ENDED 30 JUNE 2019

The Auditor-General is the auditor of New Zealand Local Government Funding Agency Limited (the company). The Auditor-General has appointed me, Brent Manning, using the staff and resources of KPMG, to carry out the audit of the financial statements and performance information of the company on his behalf.

Opinion

We have audited:

- the financial statements of the company on pages 49 to 72, that comprise the statement of financial position as at 30 June 2019, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of the company on pages 36 to 47.

In our opinion:

- the financial statements of the company on pages 49 to 72:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2019; 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 New Zealand Accepted Accounting Practice (NZ GAAP) and they comply with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards (IFRS); and
- the performance information of the company on pages 36 to 47 presents fairly, in all material respects, the company's actual performance compared against the performance targets and other measures by which performance was judged in relation to the company's objectives for the year ended 30 June 2019.

Our audit was completed on 30 August 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 financial statements and the performance information, 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.

Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of



misstatements, both individually and on the financial statements as a whole. The materiality for the financial statements as a whole was set at \$74 million determined with reference to a benchmark of company Total Assets. We chose the benchmark because, in our view, this is a key measure of the company's performance. In addition, we also assess whether other matters that come to our attention during the audit would in our judgement change or influence the decisions of a reasonably knowledgeable person ('qualitative' materiality).

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the readers as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the financial statements as a whole and we do not express discrete opinions on separate elements of the financial statements.

The key audit matter	How the matter was addressed in our audit
Existence and impairment of loans	
Refer to Note 5 to the Financial Statements.	Our audit procedures included:
The loans LGFA has provided to local government make up over 90% of total assets. The loans are recognised at amortised cost and the nature of the counterparties is such that we do not consider these loans to be at high risk of significant misstatement. However, based on their materiality, and the judgement involved in assessing the credit worthiness of counterparties they are considered to be the area which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our audit.	<ul style="list-style-type: none"> - understanding the processes in place to assess borrowers and to record loan transactions. This included evaluating the control environment in place at LGFA. - agreeing the 30 June 2019 loan balances to external confirmations received from NZ Clear. - assessing the borrowers' compliance with financial covenants. <p>We did not identify any material differences in relation to the existence or impairment of loans.</p>
Application of hedge accounting	
Refer to Note 2 of the Financial Statements.	Our audit procedures included:
LGFA enters into derivatives (interest rate swaps) to manage interest rate risk related to issuing fixed rate bonds. Fair value hedge accounting is applied where specific requirements are met around documentation of the hedge relationship and the relationship is demonstrated as being an effective hedge. Hedge accounting is complex, particularly in the area of whether the requirements (both initial and ongoing) for its application are met. Should the requirements for hedge accounting not be met, LGFA could experience significant volatility in the Statement of Comprehensive Income from changes in the fair value of the derivatives.	<ul style="list-style-type: none"> - agreeing the terms of the derivatives to the confirmation provided by the derivative counterparty. - using our treasury valuation specialists we independently recalculated the fair value of all of the derivatives recorded by LGFA. - ensuring the hedge documentation supporting the application of hedge accounting was in accordance with relevant accounting standards. - determining that management's hedge effectiveness calculations were correctly performed using appropriate source information. <p>We did not identify any material differences in relation to the application of hedge accounting.</p>
Due to the size of the derivative positions and the complexity of hedge accounting we consider this to be a key audit matter.	



Responsibilities of the Board of Directors for the financial statements and the performance information

The Board of Directors is responsible on behalf of the company for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand. The Board of Directors is also responsible for preparing the performance information for the company.

The Board of Directors is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the performance information, the Board of Directors is responsible on behalf of the company for assessing the company'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 company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors' responsibilities arise from the Local Government Act 2002 and the Financial Markets Conduct Act 2013.

Responsibilities of the auditor for the audit of the financial statements and the performance information

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, 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 financial statements and the performance information.

For the budget information reported in the financial statements and the performance information, our procedures were limited to checking that the information agreed to the company's statement of intent.

We did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

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 risks of material misstatement of the financial statements and the performance information, 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 company'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 evaluate the appropriateness of the reported performance information within the company's framework for reporting its performance.



- 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 company's ability to continue as a going concern. If we conclude that a material uncertainty exists we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information 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.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 4 to 35, but does not include the financial statements and the performance information, and our auditor's report thereon.

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

In connection with our audit of the financial statements and the performance information, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the performance information 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 company 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.

Other than the audit, we have no relationship with, or interests in, the company.

Brent Manning
KPMG
On behalf of the Auditor-General
Wellington, New Zealand



Item 8

Attachment 2

Other disclosures

Whākitanga

Waivers from NZX Limited (NZX)

LGFA's fixed rate bonds are quoted on the NZX Debt Market (LGFA Bonds). NZX has granted LGFA a number of waivers from the NZX Listing Rules dated 1 October 2017.

Waiver from Rule 5.2.3

NZX has granted LGFA a waiver from NZX Listing Rule 5.2.3 to the extent that this requires the LGFA Bonds to be held by at least 100 members of the public holding at least 25% of the number of securities of that class issued.

The waiver from NZX Listing Rule 5.2.3 was provided on the conditions that:

- LGFA clearly and prominently disclose the waiver, its conditions and its implications in its annual reports and in each profile or Offering Document for the LGFA Bonds;
- LGFA will disclose market liquidity as a risk in each offering document (excluding any offering document referred to in paragraph (f) of the definition of "Offering Document" under NZX Listing Rule 1.6.1) for the LGFA Bonds; and
- the nature of LGFA's business and operations do not materially change from its business and operations as at the date of the waiver decision.

The effect of the waiver is that the LGFA Bonds may not be widely held and there may be reduced market liquidity in the LGFA Bonds.

Effective from 1 July 2019, LGFA ceased to rely on this waiver as a result of its transition to the revised

NZX Listing Rules dated 1 January 2019 (Revised Rules). The equivalent rules in the Revised Rules are not applicable to LGFA as an issuer of debt securities.

Waiver from Rule 6.3.2

NZX has granted LGFA a waiver from NZX Listing Rule 6.3.2 so that the deemed date of receipt of notices for a holder of LGFA Bonds who has supplied LGFA with an address outside of New Zealand, will be five working days after that notice is posted to that physical address.

Effective from 1 July 2019, LGFA ceased to rely on this waiver as a result of its transition to the Revised Rules. The equivalent rule in the Revised Rules is not applicable to LGFA as an issuer of debt securities.

Donations

No donations were made by LGFA during the year ended 30 June 2019.

Net Tangible Assets

Net tangible assets per \$1,000 of listed bonds as at 30 June 2019 is \$7.95 (2018: \$7.92).

Earnings per security

Earnings per security as at 30 June 2019 is \$1.20 (2018: \$1.45).

Amount per security of final dividends

Not applicable

Spread of Quoted Security holders

Holding range	Holder count	Holder Count %	Holding Quantity	Holding Quantity %
10,000 to 49,999	380	45.89	9,819,000	0.11
50,000 to 99,999	152	18.36	10,781,000	0.12
100,000 to 499,999	184	22.22	37,648,000	0.4
500,000 to 999,999	38	4.59	26,090,000	0.28
1,000,000 to 9,999,999,999,999	74	8.94	9,250,662,000	99.1
Total	828	100	9,335,000,000	100.01



Item 8

Attachment 2

Appendix: Sustainability Tāpiritanga

GRI Index

As part of LGFA's commitment on improving non-financial disclosures in relation to social responsibility and sustainability, LGFA has chosen to incorporate Global Reporting Initiative (GRI) standards when preparing this annual report.

As at the date of this report, work is still progressing on identifying and reporting on the material

topics that reflect LGFA's significant economic, environmental and social impacts. It is anticipated that this work will be complete for inclusion in the 2020 Annual Report.

The GRI index below shows where in this report information can be found about the indicators that are relevant to LGFA's business operations.

Disclosure title	Reference/ Disclosure
102-1. Name of the organisation	Page 4
102-2. Activities, brands, products and services	Pages 4-9
102-3. Location of headquarters	Page 81
102-4. Location of operations	Page 81
102-5. Ownership and legal form	Pages 4,53
102-6. Markets served	Pages 4-6, 11-12, 36-47 New Zealand
102-7. Scale of the organisation	Pages 4-9, 14-15, 22,51
102-8. Information on employees and other workers	Pg 24,79
102-9. Supply chain	Pages 4-9
102-10. Significant changes to the organisation and its supply chain	None.
102-11. Precautionary Principle or approach	N/A
102-12. External initiatives	Pg 16
102-13. Membership of Associations	Financial Service Providers Register
102-14. Statement from senior decision-maker	Pages 11-12, 28
102-16. Values, principles, standards, and norms of behavior	Pages 16-17, 25
102-40. List of stakeholder groups	Not reported, to be disclosed in 2020 Annual Report
102-41. Collective bargaining agreements	None
102-42. Identifying and selecting stakeholders	Not reported, to be disclosed in 2020 Annual Report
102-43. Approach to stakeholder engagement	Not reported, to be disclosed in 2020 Annual Report
102-44. Key topics and concerns raised	Not reported, to be disclosed in 2020 Annual Report
102-45. Entities included in the consolidated financial statements	Page 49
102-46. Defining report content and topic Boundaries	Not reported, to be disclosed in 2020 Annual Report
102-47. List of material topics	Not reported, to be disclosed in 2020 Annual Report

102-48. Restatements of information	None.
102-49. Changes in reporting	N/A (first year of reporting).
102-50. Reporting period	1 July 2018 to 30 June 2019.
102-51. Date of most recent report	2019 Annual Report.
102-52. Reporting cycle	Annual.
102-53. Contact point for questions regarding the report	lgfa@lgfa.co.nz
102-54. Claims of reporting in accordance with the GRI Standards	Not currently compliant.
102-55. GRI content index	Page 80
102-56. External assurance	None.
Topic disclosures	Reference /Disclosure
Diversity and equal opportunity	
103. Disclosure on management approach	Page 22
405-1. Diversity of governance bodies and employees	Page 22
Occupational health and safety	
103. Disclosure on management approach	Page 25

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Directory

Rārangi tauwaea



Postal address

PO Box 5704
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Wellington 6145



Phone

+64 4 974 6530



Personnel e-mail addresses

firstname.lastname@lgfa.co.nz

Website

www.lgfa.co.nz

General enquiries

lgfa@lgfa.co.nz

Office hours

Monday through Friday
09.00-17.30 hrs

Except Public Holidays

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AUCKLAND

Level 5
Walker Wayland Centre
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www.lgfa.co.nz

Annual Report

For the Year Ended 30 June 2019

Item 9

Attachment 1



Cover Image: Ivy, 2017, Tony Cragg (b.1949), gifted by the MTG Foundation, collection of Hawke's Bay Museums Trust, Ruawharo Tā-ū-rangi, 2018/25

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Item 9

Attachment 1

The Hawke's Bay Museums Trust works to protect, maintain and develop a regional collection that is acknowledged nationally as an outstanding reflection of Hawke's Bay's history and heritage.

Hawke's Bay Museums Trust

The Hawke's Bay Museums Trust (HBMT) holds one of the most significant regional collections in New Zealand, collected over 150 years. The collection comprises a wide range of treasures documenting the unique culture and heritage of the Hawke's Bay region.

The Hawke's Bay Museums Trust works to protect, maintain and develop a regional collection that is acknowledged nationally as an outstanding reflection of Hawke's Bay's history and heritage.

The Trust's mission is to hold, protect and develop the collection for the people of the Hawke's Bay in a manner that promotes understanding of, and interest in, our cultural heritage and the arts.

The Hawke's Bay Museums Trust provides value through:

- » A regional focus allowing economies of scale and a collection of national significance.
- » Political neutrality.
- » Independent stewardship on behalf of the Hawke's Bay community and future generations.
- » Charitable status that encourages funding support.
- » A governance structure that enables input from key stakeholders including funding councils, iwi, friends and the wider community.

The Hawke's Bay Museums Trust focuses on four main goals. These goals are pursued in accordance with Museum Industry Standards (MIS).

1. To protect the collection through appropriate:

- » Storage
- » Security
- » Records Management

2. To maintain and enhance the quality of the collection through appropriate

- » Conservation
- » Accessioning
- » Decaccessioning

3. To maximise access to the collection through:

- » Exhibitions - at the Hastings City Art Gallery and MTG Hawke's Bay
- » Faraday Centre and other institutions as appropriate
- » Research - based on the Hawke's Bay Museums Trust collection
- » Archives - at MTG Hawke's Bay

4. To further develop the collection through:

- » Fundraising - by working with the Hawke's Bay Museums Foundation
- » Reserves and bequests - that are strategically and appropriately budgeted and managed
- » Relationships - that are fostered and managed to support the ongoing development of the collection.

Chairman's Report

MTG Hawke's Bay continues to shine in the national industry awards, and was a finalist in two Museums Aotearoa award categories – 'Exhibition Excellence Social History' and 'Most Innovative: Public Programme.'

Due to reduced exhibition space and a higher than normal number of contemporary art exhibitions there were only three new collection-based exhibitions in 2018/19 – '5 Pākehā Painters,' 'Silver: Heirlooms from the Collection' and 'The Architectural Legacy of J.A. Louis Hay.' Longer term collection-based galleries continue, including; 'Tēnei Tonu, 1931 Hawke's Bay Earthquake' and 'The House of Webb: A Victorian family's journey to Ormondville,' along with design stories displayed in the stairwell cases.

There has been increased engagement with the collection through monthly tours at the off-site store, weekly Facebook posts highlighting collection items, and over 13,000 online catalogue searches. Visitor numbers into the facility continue to rise, with 304,952 coming through the doors for all MTG-related activities in 2018/19. Feedback from visitors about the displays and customer service is very positive.

Two publicly placed major sculptures were added to the collection this year, through the efforts of the MTG Foundation. A Tony Cragg sculpture, Ivy, was generously gifted to the collection by the Reydan and Roger Weiss Trust. This is the only work, by this internationally significant British artist, on publically accessible display in the country. A second sculpture, by Paul Dibble, The Garden, was acquired by the Foundation and is on permanent public display in Havelock North. Three William Colenso letters and a Hawke's Bay Agricultural & Pastoral Society medal were purchased by the Trust during the year, and a number of important nitrate negatives were digitised.

The community continues to generously gift to the collection including, this year, photographs of the Hawke's Bay Centennial Parade of 1958, a portrait of Peter Wells by Richard McWhanell, 1931 earthquake images not previously in the collection, a large jade Budai, and a significant kahu huruhuru.

This year a Joint Working Group has been convened to resolve the long-term storage needs for the collection. This group includes representatives from Napier City Council, Hastings District Council, Ngāti Kahungunu and the Hawke's Bay Museums Trust. The Napier City Library continues to reside in the MTG building while Napier City Council evaluates options for the new Napier City Library location.

Acting Mayor of Napier Faye White stood down from her role on the Trust Board during the year, and Councillor Tania Wright stepped in as Faye's replacement. The Board sincerely thanks Faye for her years of hard work, effort, vision and dedication to the Trust.

The Trust continues to maintain its stable financial condition, although a trend of reducing investment interest rates will have an impact on the Trust's future investment income. The effect of reduced rates has not impacted significantly on the 2018/19 interest income, due to continued prudent investment activity. However this cannot be expected to continue as investments mature and renew at lower interest rates. A high income result from 'Donations – Acquisitions' reflects the value of the two large valuable sculptures gifted to the Trust during the financial year.



Richard Grant

Entity Information

Entity Information For the Year Ended 30 June 2019

1. Legal Name

Hawke's Bay Museums Trust (Incorporated) - (the Trust).

2. Type of Entity and Legal Basis

The Hawke's Bay Museums Trust (Incorporated) is registered under the Charitable Trusts Act 1957 and is registered as a charitable entity under the Charities Act 2005 (Registration Number CC24406).

The Trust is controlled by Hastings District Council and Napier City Council, and is a council-controlled organisation as defined by in Section 6 of the Local Government Act 2002.

The registered office of the Trust is at the MTG, Herschell Street, Napier.

3. The Trust's General Objectives

- 3.1 To hold and protect its collection, known as 'The Regional Collection,' for the people of Hawke's Bay.
- 3.2 To encourage the development of quality cultural facilities capable of accessing or drawing upon the collection within Hawke's Bay.
- 3.3 To advance and promote cultural heritage and the arts through the use of the collection.
- 3.4 To oversee collection management through the development of collection policy, conservation and risk management strategies via a contract for services with Napier City Council.
- 3.5 To oversee collection development through the regulation of the acquisition and disposal of collection items.
- 3.6 To manage the bequests vested in the Trust in a way in which maximises benefit to the collection.

4. Structure of the Trust's Operations

The trust comprises of a Board of five trustees who oversee the governance of the Trust. The trustees are appointed as follows:

- 4.1 One appointed by the Napier City Council (Deputy Mayor Faye White until 29 May 2019, thereafter Councillor Tania Wright);
- 4.2 One appointed by the Hastings District Council (Councillor George Lyons);
- 4.3 One appointed by the Hawke's Bay Museums Foundation Charitable Trust Incorporated (Johanna Mouat);
- 4.4 One appointed by Ngati Kahungunu Iwi Incorporated (Mike Paku);
- 4.5 The Chairperson (Richard Grant) who is jointly appointed by Hastings District Council and Napier City Council.

The Trust's administrative and accounting functions are conducted by Napier City Council through a negotiated 'Contract for Service.'

5. Main Sources of the Trust's Cash and Resources

The Trust receives operating grants from Hastings District Council and Napier City Council. Funds are also received from donations, and interest income on the Trust's investments, which are applied to acquisitions, restoration work and other Trust initiatives by way of special funds.

Financial Statements

Statement of Financial Position as at 30 June 2019

	Note	2019 \$	2018 \$
Current Assets			
Bank Accounts and Cash	5	36,487	17,786
Investments	5	625,260	635,260
Prepayments & Accrued Revenue	8	3,409	7,908
Total Current Assets		665,156	660,954
Non Current Assets			
Artworks and Collection	9	40,983,614	40,179,424
Total Non Current Assets		40,983,614	40,179,424
Total Assets		41,648,770	40,840,378
Current Liabilities			
Accounts Payable and Accruals	10	5,500	21,590
GST Payable	10	281	740
Unspent Grants		5,137	8,026
Total Current Liabilities		10,918	30,356
Non-Current Liabilities			
Trust Funds Held on Behalf	11	75,260	75,260
Total Non-Current Liabilities		75,260	75,260
Total Liabilities		86,178	105,616
Accumulated Funds			
Retained Earnings	6	1,564,319	753,435
Asset Revaluation Reserve	6	39,474,064	39,474,064
Special Funds	6 & 7	524,209	507,263
Total Accumulated Funds		41,562,592	40,734,762
Total Funds Employed		41,648,770	40,840,378

The Trust Board of Hawke's Bay Museums Trust authorised these financial statements for issue on 27 September 2019 and are signed on behalf of the Board by:


Richard Grant - Chairman


Tania Wright - Trustee

Statement of Financial Performance For the Year Ended 30 June 2019

	Note	2019 \$	2018 \$
Operating Revenue			
Interest Received - Bank		19,435	19,588
Hastings District Council	2	598,198	466,160
Napier City Council	2	583,199	451,160
Donations - General	3	4,658	7,249
Donations - Acquisitions	3	801,201	49,974
Donations - Faraday Centre Assets	3	500	6,522
Marian Holt Grant Revenue	3	2,889	6,974
Embroidery Workshop Fees		-	1,000
Total Operating Income		2,010,080	1,008,627
Less: Operating Expenses			
Audit Fees		5,275	5,500
Accounting Charge	12	16,000	33,190
General Expenses		49	44
Legal Costs		-	1,145
Marian Holt Grant Expenditure		2,889	6,974
Conservation		-	3,945
Insurance		2,060	2,575
Management Fees	12	1,155,977	874,810
Loss on Disposal of Assets (Faraday Centre)		-	2,000
Total Operating Expenses		1,182,250	930,183
Net Surplus/(Deficit) - Operating Income		827,830	78,444

Item 9

Attachment 1

Statement of Movements in Equity For the Year Ended 30 June 2019

	Note	2019 \$	2018 \$
Net surplus/(deficit) for year			
Allocated to:			
Retained earnings		808,395	58,856
Special Funds		19,435	19,588
Net surplus/(deficit) for year		827,830	78,444
Opening balance of Equity at 1 July 2018		40,734,762	39,856,052
Prior period adjustment		-	-
Movement in asset revaluation reserve		-	800,266
Transfer of Restricted expenditure from Restricted Reserve		-	-
Transfer of conservation expenditure from Conservation Reserve		-	-
Closing balance of Equity at 30 June 2019	6	41,562,592	40,734,762



Image Ref: **Earthquake damage**, Post 03 Feb 1931, **Alleen Bain**, gifted by Lyn Collins, collection of Hawke's Bay Museums Trust, Ruawharo Tā-ū-rangi, 2019/15/9

Statement of Cashflows For the Year Ended 30 June 2019

	Note	2019 \$	2018 \$
Cashflows From Operating Activities			
Cash was provided from:			
Grants From Councils		1,181,397	917,320
Grants Marian Holt Trust		-	15,000
Donations		4,658	7,249
Other Operating Revenue		-	1,000
Interest Received		23,934	18,266
Goods and Services Tax (net inflow)		(459)	(647)
		1,209,530	958,188
Cash was disbursed to:			
Audit Fee		(5,275)	(5,200)
Management Fee & Education Grant to NCC		(1,155,977)	(874,810)
Accounting Fee to NCC		(32,090)	(17,100)
Marian Holt Grant Expenditure		(2,889)	(6,974)
Conservation Works		-	(3,945)
Insurance & Legal Costs		(2,060)	(3,720)
Other expenses		(49)	(44)
		(1,198,340)	(911,793)
Net Cashflows From Operating	4	11,190	46,395
Cashflows From Investing Activities			
Cash was provided from:			
Sale of collection assets		-	4,013
Cash was disbursed to:			
Purchase of collection assets		(2,489)	(3,739)
Net Cashflows From Investing		(2,489)	274
Cashflows From Financing Activities			
Cash was provided from:			
Bank bonds (on behalf HB Trustees Ltd - three trusts)		-	35,000
Net Cashflows From Financing		-	35,000
Net Cashflows		8,701	81,669
Add Opening Cash Balance (Including Investments)		653,046	571,377
Closing Cash Balance 30 June 2019		661,747	653,046

Notes to the Financial Statements

Item 9

Attachment 1

1. Statement of Accounting Policies

Reporting Entity

The Hawke's Bay Museums Trust (Incorporated) is registered under the Charitable Trusts Act 1957 and is registered as a charitable entity under the Charities Act 2005.

General accounting policies

The general accounting policies recognised as appropriate for the measurement and reporting of results, and financial position, under the historical cost method as modified by the revaluation of certain assets, have been followed in the preparation of these financial statements.

The Board has elected to apply PBE-SFR-A (PS) Public Benefit Entity Simple Format Reporting - Accrual (Public Sector) on the basis that the Trust does not have public accountability (as defined) and has total annual expenses of less than \$2 million.

The financial statements are prepared on the assumption that the Trust will continue to operate in the foreseeable future.

All transactions in the financial statements are reported using the accrual basis of accounting.

Significant accounting policies

Bank Accounts and Cash

Bank Accounts and Cash comprise cheque or savings accounts and deposits held on call with banks.

Investments

Investments comprise bank term deposits.

Accounts Receivable

Accounts receivable are stated at their estimated net realisable value.

Grants

Grants received are recognised in the Statement of Financial Performance when the requirements under the grant agreement have been met. Any grants for which the requirements under the grant agreement have not been completed will be carried as liabilities until the conditions have been fulfilled.

Donated Assets

Revenue from donated assets is recognised upon receipt of the asset if the asset has a useful life of more than 12 months and the value of the asset is readily obtainable and significant.

Artworks and Collection

The Trust has elected to apply Public Sector Accounting Standard 17 - Property, Plant and Equipment (PBE IPSAS 17). Items contained in collection assets tend to have an indefinite life and are generally not of a depreciable nature. Depreciation is therefore not applicable and collection assets are carried at fair value. Carrying values are reviewed at least every five years to ensure those values are not materially different to fair value.

Creditors and Accrued Expenses

Creditors and accrued expenses are measured on the amount owing.

GST

The Trust is registered for GST. The Statement of Financial Performance has been prepared so that all components are stated net of GST. All items in the Statement of Financial Position are stated net of GST, with the exception of receivables and payables, which include GST invoiced.

Interest Revenue

Interest revenue is recorded as it is earned during the year.

Income Tax

Hawke's Bay Museums Trust is exempt from paying income tax.

Changes in Accounting Policies

There have been no changes in accounting policies for the 2018/19 financial year.

Notes to the Financial Statements continue

2. Grants - Councils

The Hawke's Bay Museums Trust is jointly funded by Napier City Council and Hastings District Council.

	2019 \$	2018 \$
Hastings District Council	598,198	466,160
Napier City Council	583,199	451,160
	1,181,397	917,320

3. Grants and Donations - other

	2019 \$	2018 \$
Collection Additions	801,201	49,974
Grants (Marian Holt Grant)	2,889	6,974
Collection Additions - Faraday Centre	500	6,522
Donations - General	4,658	7,249
	809,248	70,719

4. Reconciliation of 'Net Surplus' to 'Net Cashflow from Operating Activities'

	2019 \$	2018 \$
Operating surplus/(deficit)	827,830	78,444
(Donated)/vested assets	(801,701)	(56,497)
Cash surplus/(deficit) from operations	26,129	21,947
Add/(less) movements in working capital items:		
Prepayments & accrued revenue	4,499	(1,323)
Accounts payable and accruals	(16,090)	16,390
Increase in unspent grants	(2,889)	8,026
Loss on Disposals	-	2,000
Net GST Movement	(459)	(645)
Net cash inflow/(outflow) from operating activities	11,190	46,395

5. Cash and Bank

	2019 \$	2018 \$
Bank Accounts and Cash		
Westpac Bank - Current Account	36,487	17,786
Total Bank Accounts and Cash	36,487	17,786
Investments		
Westpac Term Deposits - General Funds	550,000	560,000
Westpac Term Deposits - Trusts Held on Behalf		
M S Spence Trust	33,387	33,387
L D Bestall Trust	20,834	20,834
Estate L D Bestall	21,039	21,039
Total Investments	625,260	635,260
Total Investments Bank Accounts and Cash	661,747	653,046

*Notes to the Financial Statements continue***6. Movements in equity**

	Year Ended 30 June 2019 \$	Year Ended 30 June 2018 \$
Special reserves		
Restricted reserves		
Opening Balance 1 July 2018	14,115	13,634
Interest Income	479	481
Transfer to Other Reserves	-	-
Restricted Reserves Purchases for Year	-	-
Closing Balance Special Reserves	14,594	14,115
Unrestricted Reserves		
Opening Balance 1 July 2018	89,801	86,738
Interest Income	3,049	3,063
Grants and Donations	-	-
Transfer to Other Reserves	-	-
Transfer to Napier City Council	-	-
Closing Balance Unrestricted Reserves	92,850	89,801
Acquisitions Reserve		
Opening Balance 1 July 2018	369,199	356,337
Interest Income	12,493	12,589
Acquisitions Donations Received	-	-
Proceeds from De-accession	-	4,012
Acquisitions Purchases for Year	(2,489)	(3,739)
Closing Balance Acquisitions Reserve	379,203	369,199
Conservation Reserve Fund		
Opening Balance 1 July 2018	27,553	30,491
Interest Income	936	1,007
Conservations Donations Received	-	-
Conservation Purchases for Year	-	(3,945)
Closing Balance Conservation Reserve	28,489	27,553
Trusts Held on Behalf		
Opening Balance 1 July 2018	6,595	4,147
Interest Income	2,478	2,448
Acquisitions for Year	-	-
Closing Balance Trusts Held on Behalf	9,073	6,595
Total Special Reserves	524,209	507,263

Notes to the Financial Statements continue

6. Movements in equity

	Year Ended 30 June 2019 \$	Year Ended 30 June 2018 \$
Asset Revaluation Reserve		
Opening Balance 1 July 2018	39,474,064	38,673,798
Movement in Asset Revaluation Reserve	-	800,266
Closing Balance Revaluation Reserve	39,474,064	39,474,064
Retained earnings		
Opening Balance 1 July 2018	753,435	690,907
Net surplus/(deficit) for year	808,395	58,856
Transfer of capital expenditure from restricted reserve	-	-
Transfer of donations to acquisitions reserve	-	-
Transfer of proceeds of deaccession to acquisitions reserve	-	(4,012)
Transfer of capital expenditure from acquisitions reserve	2,489	3,739
Transfer of donations to conservation reserve	-	-
Transfer of capital expenditure from conservation reserve	-	3,945
Transfer of capital expenditure to conservation reserve	-	-
Transfer of donations to restricted reserve	-	-
Closing Balance Retained Earnings	1,564,319	753,435
	41,562,592	40,734,762

Restricted Reserves - Consist of reserves which have conditions of use attached to the funds held within the reserve.

Unrestricted Reserves - Funds held in equity which have no restrictions on conditions of use.

Acquisitions Reserve - Funds which the Trustees have identified and set aside for the specific purpose of acquisition of items for the Museum collection.

Conservation Reserve Fund - Funds which the Trustees have identified and set aside for applying to the cost of conservation of collection items.



Image Ref: Medal, Hawke's Bay Agricultural & Pastoral Society, awarded to D Campbell, 1880s, purchase, collection of Hawke's Bay Museums Trust, Ruawhoro Tā-ū-rangi, 2019/24

Notes to the Financial Statements continue

7. Special Funds

	Opening Balance as at 1 July 2018	Transfers	Grants Donations & Bequests Received	Expenditure From Special Funds for 12 Months to 30 Jun 2019	De- accessions for 12 Months to 30 Jun 2019	Allocation of Proportion Interest Income	Closing Balance as at 30 Jun 2019
Restricted Reserves							
QEII Award Fund	14,115	-	-	-	-	479	14,594
	14,115	-	-	-	-	479	14,594
Unrestricted Reserves							
HB Museum Building Fund	-	-	-	-	-	-	-
Lilliput Building Fund	89,801	-	-	-	-	3,049	92,850
	89,801	-	-	-	-	3,049	92,850
Acquisitions Reserve Fund							
Millin Estate	273,735	-	-	(2,480)	-	9,251	280,497
LJ Sanderson	80,226	-	-	-	-	2,724	82,950
M L Holt	13,162	-	-	-	-	447	13,609
James Walker	1,493	-	-	-	-	51	1,544
Webb Trust	583	-	-	-	-	20	603
	369,199	-	-	(2,480)	-	12,493	379,203
Conservation Reserve Fund							
Dobson Trust	4,865	-	-	-	-	165	5,030
B Horne	9,326	-	-	-	-	317	9,643
M L Holt	13,047	-	-	-	-	443	13,490
Other - FHBMA Care Fund	315	-	-	-	-	11	326
	27,553	-	-	-	-	936	28,489
Total HBMT Special Funds	500,668	-	-	(2,480)	-	16,957	515,136
Trusts Held on Behalf							
M S Spence Trust	2,927	-	-	-	-	1,099	4,026
L D Bestall Trust	1,798	-	-	-	-	686	2,484
Estate L D Bestall	1,870	-	-	-	-	693	2,563
Total Trusts Held on Behalf	6,595	-	-	-	-	2,478	9,073
Total Special Funds	507,263	-	-	(2,480)	-	19,435	524,209

*Notes to the Financial Statements continue***8. Accounts Receivable, Accrued Revenue & Prepayments**

	2019	2018
	\$	\$
Interest Accrued	3,409	7,908
	3,409	7,908

Item 9



Attachment 1

Image Ref: **Peter Wells: 2010, 2010, Richard McWhannell (b.1952)**, gift of Douglas Lloyd Jenkins in memory of Peter Northe Wells, collection of Hawke's Bay Museums Trust, Ruawhara Tā-ū-rangi, 2019/14

Notes to the Financial Statements continue

9. Artwork and Collection

Carrying values of the collection assets are reviewed at least every five years to ensure those values are not materially different to fair value.

The Faraday Centre Collection was valued by independent registered valuer Craig S Scoullar MPINZ of Asset Valuations Ltd as at 30 June 2017 using fair value. The other Museum Art & Collection Assets were valued by independent registered valuer Jessica Pearless MPINZ of Paragon Matter Limited as at 30 June 2018 using fair value. Both valuations have been brought to account in the 2017/18 financial statements. The basis for both valuations is 'Estimated Market Value.'

	Library Archives	Textiles & Associated Items	Taonga Maori	Fine Arts	Social History	Pottery Porcelain Glass Silver	Ethnology	Subtotal	Faraday Centre	Total
Carrying amount at 1 July 2017	1,754,417	769,944	25,343,587	8,394,153	957,739	375,043	1,249,826	38,844,709	480,226	39,324,935
Acquisitions	83	-	-	-	-	3,656	-	3,739	-	3,739
Donations	11,752	6,209	148	25,391	-	6,474	-	49,974	6,522	56,496
Deaccessions	-	-	-	(4,012)	-	-	-	(4,012)	(2,000)	(6,012)
Revaluation	-	10,304	92,609	622,310	24,304	33,217	17,522	800,266	-	800,266
Carrying amount at 30 June 2018	1,766,252	786,457	25,436,344	9,037,842	982,043	418,390	1,267,348	39,694,676	484,748	40,179,424
Carrying amount at 1 July 2018	1,766,252	786,457	25,436,344	9,037,842	982,043	418,390	1,267,348	39,694,676	484,748	40,179,424
Acquisitions	-	-	-	-	2,489	-	-	2,489	-	2,489
Donations	61,360	840	9,945	725,000	3,786	270	-	801,201	500	801,701
Deaccessions	-	-	-	-	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-	-	-	-	-
Carrying amount at 30 June 2019	1,827,612	787,297	25,446,289	9,762,842	988,318	418,660	1,267,348	40,498,366	485,248	40,983,614

*Notes to the Financial Statements continue***10. Accounts Payable & Accruals**

	2019	2018
	\$	\$
Accounts Payable & Accruals - Audit Fees	5,500	5,500
Napier City Council - Admin & Accounting	-	16,090
GST Payable	281	740
	5,781	22,330

11. Non-Current Liabilities

	2019	2018
	\$	\$
M S Spence Trust	33,387	33,387
L D Bestall Trust	20,834	20,834
Estate L D Bestall	21,039	21,039
	75,260	75,260

12. Related Parties

Hastings District Council and Napier City Council are related parties, to the extent that they contribute funds and are represented on the Board.

The Bay Museums Trust has contracted Napier City Council to provide administrative and accounting services for the Trust's operations. Payment for these services during the financial year was \$16,000 (2018: \$33,190).

The Hawke's Bay Museums Trust has also contracted Napier City Council to provide administrative and management services for the management of the collection. Payment for services during the financial year was \$1,157,977 (2018: \$874,810)

13. Commitments

	2019	2018
	\$	\$
Operating Commitments		
Conservation - Digitising of Nitrate Negatives	1,000	-
Capital Commitments		
Acquisitions - Colenso Biography	649	-

14. Contingencies

	2019	2018
	\$	\$
Known contingent events	-	-

Notes to the Financial Statements continue

Note 15. Statement of Intent

In its 2018/19 Statement of Intent the Trust set financial targets for the year. The following table summarises actual results against those targets, with explanations for variances.

	2018/19 Actual	2018/19 Target	Variance	
Revenue				
Council Funding (NCC & HDC)	1,181,397	1,181,397	-	
Interest Income	19,435	19,800	(365)	
Cash Donations	4,658	7,200	(2,542)	
Collection Donations	801,701	-	801,701	Reflects valuation of donated collection items.
Other Income (Including Grants)	2,889	-	2,889	Marian Holt Grant released.
Total Revenue	2,010,080	1,208,397	801,683	
Expenses				
Management Fee and Education Grant	964,977	964,977	-	
Off-Site Storage	176,000	176,000	-	
Education Grant	15,000	15,000	-	
Trust Admin & Management	16,000	16,000	-	
Audit Insurance Legal etc	7,384	9,420	2,036	
Other Expenditure (Including Grants)	2,889	-	(2,889)	Marian Holt Grant expended.
Conservation	-	13,500	13,500	
Accessions	2,489	13,500	11,011	William Colenso letters and HB A&P medals.
Total Expenses	1,184,739	1,208,397	23,658	
Surplus/(Deficit)	825,341	-	825,341	
Ratio of Shareholders Funds to Total Assets				
	99.8%	95.0%	4.8%	

Note: This ratio shows the proportion of assets on which the shareholders have a residual claim.



Image Ref: **Jade Budai**, from Buck's Great Wall Restaurant Napier, gifted by Alice Lim Buchanan and Byron Buchanan, collection of Hawke's Bay Museums Trust, Ruawhoro Tā-ū-rangi, 2019/6/1



Image Ref: **No. 8 Wire**, 2010, **Nigel Brown (b.1949)**, gifted by the MTG Foundation, collection of Hawke's Bay Museums Trust, Ruawhāro Tā-ū-rangi, 2019/11

Statement of Intent

Hawke's Bay Museums Trust

Policies and Objectives Regarding Ownership and Control

The Hawke's Bay Museum Trust is a Council Controlled Organisation as defined by Section 6 of the Local Government Act 2002.

The objectives of the Trust are:

- » To hold and protect the regional collection for the people of Hawke's Bay
- » To encourage the development of quality cultural facilities capable of accessing or drawing upon the collection within Hawke's Bay
- » To advance and promote cultural heritage and arts through the use of the collection
- » To oversee collection management through the development of collection policy, conservation and risk management strategies via a contract for services with the Napier City Council
- » To oversee collection development through the regulation of the acquisition and disposal of collection items
- » To manage the bequests vested in the Trust in a way which maximises benefit to the collection
- » There has been no change between the intended and actual nature and scope of activities delivered.

Performance Targets

The key performance targets and performance results (as reflected in the Trust's Annual Report for 2018/19) are:

Key Result Area	Performance Indicator	Target /Reporting Method	
		2018/19 Target	2018/19 Actual
Protection	Full insurance cover is provided for the collection.	Yes	Yes
	Collections are stored in an acceptable environment	No items reported to have suffered deterioration due to the environment	No damage
Quality	Every item accessioned into the collection has undergone a detailed selection process within the framework of the Collection Strategy	Yes	Yes
	De-accessions are managed in accordance with the Collection Strategy and reported to the Board	Yes	Yes
Access	HBMT collections are used for academic and personal research	1,500 enquiries	13,374 online catalogue sessions 576 enquiries
	Collections are made available to the public through quality exhibitions	Minimum of five collection based exhibitions	Three Louis Hay exhibition Silver exhibition Five Pākehā Painters
Development	Bequests fund income is used in the manner determined by the donor	Yes	Yes
	Conservation funds income is used solely for collection care	Yes	Yes
	Joint HBMT/Te Rōpū Kaiāwhina Taonga meeting held	1 per annum	0

The Trust recognises and appreciates the ongoing Collection acquisition support that it receives from the Hawke's Bay Museums Foundation and many private benefactors.



Image Ref: **Kahu huruhuru**, gifted by Tooki Proctor, collection of Hawke's Bay Museums Trust, Ruawhāro Tā-ū-rangi, 2018/33



Image Ref: **The Garden**, 2002, Paul Dibble (b.1943), gifted by the MTG Foundation, collection of Hawke's Bay Museums Trust, Ruawhara Tā-ū-rangi, 2019/7

Auditor's Report

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Independent Auditor's Report

To the readers of the Hawke's Bay Museums Trust's financial statements and performance information for the year ended 30 June 2019

The Auditor-General is the auditor of the Hawke's Bay Museums Trust (the Trust). The Auditor-General has appointed me, Stephen Lucy, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and performance information of the Trust on his behalf.

Opinion

We have audited:

- the financial statements of the Trust on pages 7 to 19, that comprise the statement of financial position as at 30 June 2019, the statement of financial performance, statement of movements in equity and statement of cashflows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of the Trust on page 21.

In our opinion:

- the financial statements of the Trust on pages 7 to 19:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2019; 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 the Public Benefit Entity Simple Format Reporting – Accrual (Public Sector) Standard; and
- the performance information of the Trust on page 21 presents fairly, in all material respects, the Trust's actual performance compared against the performance targets and other measures by which performance was judged in relation to the Trust's objectives for the year ended 30 June 2019.

Our audit was completed on 27 September 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 Trust Board and our responsibilities relating to the financial statements and the performance information, 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 Trust Board for the financial statements and the performance information

The Trust Board is responsible on behalf of the Trust for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand. The Trust Board is also responsible for preparing the performance information for the Trust.

The Trust Board is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

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

The Trust Board's responsibilities arise from the Local Government Act 2002.

Responsibilities of the auditor for the audit of the financial statements and the performance information

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, 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 financial statements and the performance information.

For the budget information reported in the financial statements and the performance information, our procedures were limited to checking that the information agreed to the Trust's statement of intent.

We did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

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 risks of material misstatement of the financial statements and the performance information, 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 Trust's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Trust Board.
- We evaluate the appropriateness of the reported performance information within the Trust's framework for reporting its performance.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Trust Board and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the performance information 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 Trust to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Trust Board 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.

Other Information

The Trust Board is responsible for the other information. The other information comprises the information included on pages 4 to 6 and 26 to 35, but does not include the financial statements and the performance information, and our auditor's report thereon.

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

In connection with our audit of the financial statements and the performance information, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the performance information 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 Trust 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.

Other than the audit, we have no relationship with, or interests in, the Trust.



S B Lucy
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand

Appendix I

List of Acquisitions

Items acquired 2018/19

System ID	Accession No	Name/Title	Primary Maker (name only)	Primary Prod Date	Credit Line
95608	2018/6	Coal Pickers Staffordshire	Roland Hipkins	1921	gifted by Joyce Mason
95829	2018/13	Napier Borough Council building	Percy Caz Sorrell		gifted by Carol Downey
95605	2018/14	Print, caricatures of prominent Napier men, 1904	Fred Hiscocks		gifted by Barrie Browne on behalf of the Napier Club
95606	2018/16	Pumping Station, Thackeray Street	McCann	05 Oct 1915	gifted by Michael Fowler
95712	2018/17/1	Sheet music, Look What You've Done (Lonely Blues)	Johnny Cooper, L T Watkins Ltd; His Master's Voice; Maoriand Publications Ltd		gifted by Tryphena Cracknell
95711	2018/17/2	Rock and Sing with Johnny Cooper and His Range Riders	His Master's Voice; Johnny Cooper	1956	gifted by Tryphena Cracknell
95609	2018/18/1	Ohurakura Mill	Ivan Hall	Dec 1935	gifted by Kevin Hall
95610	2018/18/2	Ohurakura School	Ivan Hall	Dec 1936	gifted by Kevin Hall
95611	2018/18/3	Flood, Ohurakura	Ivan Hall	1938	gifted by Kevin Hall
95612	2018/18/4	Ohurakura School	Ivan Hall	Oct 1936	gifted by Kevin Hall
95613	2018/18/5	Flood, Ohurakura	Ivan Hall	1938	gifted by Kevin Hall
95614	2018/18/6	Westshore Beach	Ivan Hall	Mar 1936	gifted by Kevin Hall
95615	2018/18/7	Snow at Ohurakura School	Ivan Hall	01 Aug 1936	gifted by Kevin Hall
95616	2018/18/8	Prizegiving, Ohurakura School	Ivan Hall	Dec 1936	gifted by Kevin Hall
95617	2018/18/9	Titikura	Ivan Hall	1937	gifted by Kevin Hall
95618	2018/18/10	Turangakumu	Ivan Hall	Sep 1936	gifted by Kevin Hall
95619	2018/18/11	Snow at Ohurakura village	Ivan Hall	01 Aug 1936	gifted by Kevin Hall
95620	2018/18/12	Pack horses	Ivan Hall	1936-1938	gifted by Kevin Hall
95621	2018/18/13	Napier, 1936	Ivan Hall	Mar 1936	gifted by Kevin Hall
95622	2018/18/14	Pack horses	Ivan Hall		gifted by Kevin Hall
95623	2018/18/15	People on bridge	Ivan Hall		gifted by Kevin Hall
95624	2018/18/16	Mohaka Viaduct	Ivan Hall	1937	gifted by Kevin Hall
95625	2018/18/17	Mill at Ohurakura	Ivan Hall	Feb 1937	gifted by Kevin Hall
95626	2018/18/18	Ohurakura bush	Ivan Hall	Feb 1937	gifted by Kevin Hall
95627	2018/18/19	Snow on hills, Ohurakura	Ivan Hall	Jul 1938	gifted by Kevin Hall
95628	2018/18/20	Ohurakura		Aug 1938	gifted by Kevin Hall
95629	2018/18/21	Esk Valley flood	Ivan Hall	Apr 1938	gifted by Kevin Hall

System ID	Accession No	Name/Title	Primary Maker (name only)	Primary Prod Date	Credit Line
95630	2018/18/22	Pickett and slip	Ivan Hall	May 1938	gifted by Kevin Hall
95631	2018/18/23	Te Pohue	Ivan Hall	Apr 1938	gifted by Kevin Hall
95632	2018/18/24	Flood damage, Ohurakura	Ivan Hall	Apr 1938	gifted by Kevin Hall
95633	2018/18/25	Flood damage, Ohurakura	Ivan Hall	Apr 1938	gifted by Kevin Hall
95634	2018/18/26	Flood, Ohurakura	Ivan Hall	Apr 1938	gifted by Kevin Hall
95635	2018/18/27	Flood damage, Ohurakura	Ivan Hall	25 Apr 1938	gifted by Kevin Hall
95636	2018/18/28	Grace Hall with Mrs Newman and son outside Ohurakura School	Ivan Hall	Apr 1938	gifted by Kevin Hall
95637	2018/18/29	Alice, Titiokura	Ivan Hall	Jul 1938	gifted by Kevin Hall
95676	2018/19/1	Fitzroy Road	David Nelson	1920	gifted by Dinah Okeby
95677	2018/19/2	Napier Police Station	David Nelson	1910	gifted by Dinah Okeby
95678	2018/19/3	View from Nelson family home in Fitzroy Road	David Nelson	Circa 1906	gifted by Dinah Okeby
95679	2018/19/4	Napier hills	David Nelson	1914	gifted by Dinah Okeby
95680	2018/19/5	Boy in scout uniform	David Nelson		gifted by Dinah Okeby
95681	2018/19/6	Motor trawler Kina	David Nelson		gifted by Dinah Okeby
95682	2018/19/7	NZ Headquarters staff in London	David Nelson		gifted by Dinah Okeby
95683	2018/19/8	Survey Dept	David Nelson	1914	gifted by Dinah Okeby
95684	2018/19/9	Pat and David Nelson	David Nelson	1910	gifted by Dinah Okeby
95685	2018/19/10	Ship at wharf	David Nelson		gifted by Dinah Okeby
95686	2018/19/11	Napier trawler, Countess	David Nelson	1907	gifted by Dinah Okeby
95687	2018/19/12	Trawler in dry dock, Westshore	David Nelson		gifted by Dinah Okeby
95688	2018/19/13	Te Araroa	David Nelson	1911	gifted by Dinah Okeby
95689	2018/19/14	Camp at head of Taurangakautuku stream under Raukumara	David Nelson	1910	gifted by Dinah Okeby
95690	2018/19/15	Big group	David Nelson		gifted by Dinah Okeby
95691	2018/19/16	Big group	David Nelson		gifted by Dinah Okeby
95692	2018/19/17	Group of people	David Nelson		gifted by Dinah Okeby
95693	2018/19/18	House	David Nelson		gifted by Dinah Okeby
95694	2018/19/19	Man on horse jumping over makeshift jump	David Nelson		gifted by Dinah Okeby
95696	2018/19/20	Men in stream	David Nelson		gifted by Dinah Okeby

System ID	Accession No	Name/Title	Primary Maker (name only)	Primary Prod Date	Credit Line
95697	2018/19/21	Elizabeth and Grace Nelson	David Nelson		gifted by Dinah Okeby
95698	2018/19/22	Nelson house	David Nelson		gifted by Dinah Okeby
95699	2018/19/23	Two men on boat	David Nelson		gifted by Dinah Okeby
95695	2018/19/24	Camp	David Nelson		gifted by Dinah Okeby
95700	2018/19/25	Camp	David Nelson		gifted by Dinah Okeby
95701	2018/19/26	Men on verandah	David Nelson		gifted by Dinah Okeby
95702	2018/19/27	Man with bagpipes	David Nelson		gifted by Dinah Okeby
95703	2018/19/28	People on ferry	David Nelson		gifted by Dinah Okeby
95704	2018/19/29	View from Napier hill	David Nelson		gifted by Dinah Okeby
95705	2018/19/30	Four Nelson brothers	David Nelson		gifted by Dinah Okeby
95706	2018/19/31	Napier Lands and Survey Department Christmas card	David Nelson		gifted by Dinah Okeby
95707	2018/19/32	Tangoio Falls	David Nelson	Circa 1920	gifted by Dinah Okeby
95708	2018/19/33	People at waterfall	David Nelson	Circa 1920	gifted by Dinah Okeby
95709	2018/19/34	People at waterfall	David Nelson	Circa 1920	gifted by Dinah Okeby
95710	2018/19/35	Logan's Hill	David Nelson	1911	gifted by Dinah Okeby
95713	2018/19/36	Napier hill	David Nelson	Circa 1910	gifted by Dinah Okeby
95714	2018/19/37	Muriel, Port Ahuriri	David Nelson		gifted by Dinah Okeby
95715	2018/19/38	Yacht and hills	David Nelson		gifted by Dinah Okeby
95716	2018/19/39	Dreadnought bluff	David Nelson	1912	gifted by Dinah Okeby
95717	2018/19/40	Bluff	David Nelson	1912	gifted by Dinah Okeby
95718	2018/19/41	Māori carving (tekoteko)	David Nelson		gifted by Dinah Okeby
95719	2018/19/42	Steam ship	David Nelson		gifted by Dinah Okeby
95720	2018/19/43	Sir William Wallace	David Nelson		gifted by Dinah Okeby
95721	2018/19/44	Heavy sea	David Nelson		gifted by Dinah Okeby
95722	2018/19/45	River bed	David Nelson		gifted by Dinah Okeby
95723	2018/19/46	Horse jumping	David Nelson		gifted by Dinah Okeby

System ID	Accession No	Name/Title	Primary Maker (name only)	Primary Prod Date	Credit Line
95724	2018/19/47	Trusty, Westshore	David Nelson		gifted by Dinah Okeby
95725	2018/19/48	Sir William Wallace	David Nelson		gifted by Dinah Okeby
95726	2018/19/49	Ship	David Nelson		gifted by Dinah Okeby
95727	2018/19/50	Ship	David Nelson		gifted by Dinah Okeby
95728	2018/19/51	Ship	David Nelson		gifted by Dinah Okeby
95729	2018/19/52	Ship, Mary Isabel	David Nelson		gifted by Dinah Okeby
95730	2018/19/53	Memorial	David Nelson		gifted by Dinah Okeby
95731	2018/19/54	Sailing ship	David Nelson		gifted by Dinah Okeby
95732	2018/19/55	Sailing ship	David Nelson		gifted by Dinah Okeby
95733	2018/19/56	Ship, Monowai, Napier	David Nelson		gifted by Dinah Okeby
95734	2018/19/57	Ship	David Nelson		gifted by Dinah Okeby
95735	2018/19/58	Gisborne, 1907	David Nelson	1907	gifted by Dinah Okeby
95736	2018/19/59	Shipping, Wellington	David Nelson		gifted by Dinah Okeby
95737	2018/19/60	Pendle Hill	David Nelson		gifted by Dinah Okeby
95738	2018/19/61	Four scenes, heavy seas	David Nelson	Apr 1910	gifted by Dinah Okeby
95740	2018/19/62	Kate Tatham	David Nelson		gifted by Dinah Okeby
95741	2018/19/63	Boat in dry dock, Westshore	David Nelson		gifted by Dinah Okeby
95742	2018/19/64	Sailing ship, Rona	David Nelson		gifted by Dinah Okeby
95743	2018/19/65	Person on a horse	David Nelson		gifted by Dinah Okeby
95667	2018/20/1	Letter and account statements, C G Watson Ltd	Kelly McNeil & Co	15 Sep 1955	gifted by Marie Watson
95668	2018/20/2	Receipt, Deeds and documents relating to the sale of C G Watson Ltd	Public Trust Office	15 Jul 1957	gifted by Marie Watson
95669	2018/20/3	C G Watson Cordial Manufacturers			gifted by Marie Watson
95670	2018/20/4	C G Watson company vehicle		1940	gifted by Marie Watson
95671	2018/20/5	C G Watson dairy delivery vehicles			gifted by Marie Watson
95673	2018/20/6	Clarence George Watson	Alfred Winzenberg		gifted by Marie Watson
95672	2018/20/7	C G Watson residence, Hastings			gifted by Marie Watson

System ID	Accession No	Name/Title	Primary Maker (name only)	Primary Prod Date	Credit Line
95674	2018/20/8	Clarence Watson and steam engine			gifted by Marie Watson
95675	2018/20/9	Clarence Watson			gifted by Marie Watson
95739	2018/21	Child's reins			gifted by Jillian Oliver
95664	2018/22/1	Letter, William Colenso to H G Warren	William Colenso	27 Jul 1897	purchase
95665	2018/22/2	Letter, William Colenso to W Dinwiddie	William Colenso	02 Aug 1893	purchase
95666	2018/22/3	Letter, William Colenso to T R Moore	William Colenso	20 Jun 1889	purchase
95752	2018/23/1	Relocation of former dental clinic building	Charles Crosby	1981	gifted by Eugene Crosby
95753	2018/23/2	Relocation of former dental clinic building	Charles Crosby	1981	gifted by Eugene Crosby
95754	2018/23/3	Relocation of former dental clinic building	Charles Crosby	1981	gifted by Eugene Crosby
95755	2018/23/4	Earthquake devastation	Denis Cummings	1931	gifted by Eugene Crosby
95756	2018/23/5	Hawke's Bay Centennial parade, Napier Intermediate School float	Eugene Crosby	1958	gifted by Eugene Crosby
95757	2018/23/6	Hawke's Bay Centennial parade, timber transport truck	Eugene Crosby	1958	gifted by Eugene Crosby
95758	2018/23/7	Hawke's Bay Centennial parade, Kiwi Cleaners Ltd float	Eugene Crosby	1958	gifted by Eugene Crosby
95759	2018/23/8	Hawke's Bay Centennial parade, Napier Tech float	Eugene Crosby	1958	gifted by Eugene Crosby
95760	2018/23/9	Hawke's Bay Centennial parade, fire department	Eugene Crosby	1958	gifted by Eugene Crosby
95761	2018/23/10	Hawke's Bay Centennial parade, Holt's float	Eugene Crosby	1958	gifted by Eugene Crosby
95762	2018/23/11	Hawke's Bay Centennial parade, shearer	Eugene Crosby	1958	gifted by Eugene Crosby
95763	2018/23/12	Hawke's Bay Centennial settler landing re-enactment	Eugene Crosby	1958	gifted by Eugene Crosby
95764	2018/23/13	Hawke's Bay Centennial parade, vintage cars and pipe band	Eugene Crosby	1958	gifted by Eugene Crosby
95765	2018/23/14	Hawke's Bay Centennial parade, Electricity Department float	Eugene Crosby	1958	gifted by Eugene Crosby
95766	2018/23/15	Hawke's Bay Centennial parade, Pirate Football Club float	Eugene Crosby	1958	gifted by Eugene Crosby
95767	2018/23/16	Hawke's Bay Centennial parade, Hastings Street School	Eugene Crosby	1958	gifted by Eugene Crosby

System ID	Accession No	Name/Title	Primary Maker (name only)	Primary Prod Date	Credit Line
95768	2018/23/17	Hawke's Bay Centennial parade, Master Builders' Association float	Eugene Crosby	1958	gifted by Eugene Crosby
95769	2018/23/18	Hawke's Bay Centennial parade, Hawke's Bay Catchment Board float	Eugene Crosby	1958	gifted by Eugene Crosby
95770	2018/23/19	Hawke's Bay Centennial parade, City of Napier float	Eugene Crosby	1958	gifted by Eugene Crosby
95771	2018/23/20	Hawke's Bay Centennial parade, welding float	Eugene Crosby	1958	gifted by Eugene Crosby
95772	2018/23/21	Hawke's Bay Centennial parade, Combined Bowling Clubs of Napier float	Eugene Crosby	1958	gifted by Eugene Crosby
95773	2018/23/22	Hawke's Bay Centennial parade, Combined Bowling Clubs of Napier float	Eugene Crosby	1958	gifted by Eugene Crosby
95774	2018/23/23	Hawke's Bay Centennial settler landing re-enactment	Eugene Crosby	1958	gifted by Eugene Crosby
95775	2018/23/24	Hawke's Bay Centennial parade, Napier Deerstalkers' Association float	Eugene Crosby	1958	gifted by Eugene Crosby
95776	2018/23/25	Hawke's Bay Centennial, waka at Pandora	Eugene Crosby	1958	gifted by Eugene Crosby
95777	2018/23/26	Hawke's Bay Centennial, settler re-enactment	Eugene Crosby	1958	gifted by Eugene Crosby
95746	2018/24/1	Teapot	Josiah Wedgwood & Sons Ltd		gifted by Cathy McGregor
95747	2018/24/2	Water jug	Josiah Wedgwood & Sons Ltd		gifted by Cathy McGregor
95748	2018/24/3	Sugar bowl	Josiah Wedgwood & Sons Ltd		gifted by Cathy McGregor
95795	2018/25	Ivy	Tony Cragg	2017	gifted by the MTG Foundation
95806	2018/26	Woman's two-piece suit and hat	Beverley Home		gifted by Leanne Kenah
95834	2018/27/1	Time and Wages Book, A A Hastings & Co Ltd	A.A. Hastings & Co Ltd	09 Oct 1930-28 Jul 1932	gifted by Claire Dawe
95836	2018/27/2	Time and Wages Book, A A Hastings & Co Ltd	A.A. Hastings & Co Ltd	04 Aug 1932-15 May 1936	gifted by Claire Dawe
95835	2018/27/3	Time and Wages Book, A A Hastings & Co Ltd	A.A. Hastings & Co Ltd	21 May 1936-26 May 1938	gifted by Claire Dawe
95833	2018/27/4	Desktop pen holder	Parker Pen Company		gifted by Claire Dawe
95823	2018/28/1	Toki			gifted by Alexandra Tylee
95825	2018/28/2	Toki			gifted by Alexandra Tylee
95826	2018/28/3	Toki			gifted by Alexandra Tylee
95828	2018/29	Maungapohatu school		1946	gifted by Robert Webster
95827	2018/30	Paol / Fern beater			from the estate of Marc Vigor Brown

System ID	Accession No	Name/Title	Primary Maker (name only)	Primary Prod Date	Credit Line
95831	2018/31	Men's self-supporting socks	Tenova Ltd		gifted by Mrs Winifred Bickerstaff
95887	2018/33	Kahu huruhuru			gifted by Tooki Proctor
95862	2018/34	Napoleon clock			gifted by Pamela Davis
95873	2019/1	Booklet, A Tale of Two Traditions	Sasanof Studi	1955	gifted by Laraine Sole
95874	2019/2	Coker Memorial Gates, Nelson Park, Napier, 1921	Warren Studios	1921	gifted by Wairoa Museum
95890	2019/3	Magazine, The Torch Bearer, 1950	Napier Girls' High School, Daily Telegraph Co., Ltd	1950	gifted by Marie Baggett
95885	2019/4/1	Stereoscope			gifted by Joanne Grant
95886	2019/4/2	Piezometer			gifted by Joanne Grant
95875	2019/5/1	Theatre programme, The New Moon, Napier Operatic Society		1956	gifted by Liz Pindar
95876	2019/5/2	Booklet, Waiapu Cathedral Dedication Service	Daily Telegraph Co., Ltd	1965	gifted by Liz Pindar
95872	2019/6/1	Jade Budai			gifted by Alice Lim Buchanan and Byron Buchanan
95877	2019/6/2	Jade Budai at Buck's Great Wall Restaurant, Napier		14 Feb 1989	gifted by Alice Lim Buchanan and Byron Buchanan
95878	2019/6/3	Buck's Great Wall Restaurant, A & B Corner, Napier			gifted by Alice Lim Buchanan and Byron Buchanan
95879	2019/6/4	Brochure, Land Mark Hotel, Napier			gifted by Alice Lim Buchanan and Byron Buchanan
95884	2019/7	The Garden	Paul Dibble	2002	gifted by the MTG Foundation
95881	2019/8/1	Postcard, Port Ahuriri, to Mrs F Hamshar from Freda	Freda Satchell, Muir & Moodie	Jan 1907	gifted by Robyn Kunaiti
95882	2019/8/2	Postcard, Interior Napier Cathedral, to Mrs Satchell from Freda	Freda Satchell	03 Aug 1913	gifted by Robyn Kunaiti
95883	2019/9	Napier Hospital Staff	A B Hurst & Son	Circa 1960s	gifted by Invercargill City Libraries and Archives
95926	2019/10/1	Postcard, Marine Parade, Napier			gifted by Dean Karauria
95930	2019/10/2	Postcard, Pania Statue, Marine Parade, Napier			gifted by Dean Karauria
95931	2019/10/3	Postcard, Floral Clock and War Memorial, Napier			gifted by Dean Karauria
95932	2019/10/4	Postcard, Marine Parade by Night, Napier			gifted by Dean Karauria

System ID	Accession No	Name/Title	Primary Maker (name only)	Primary Prod Date	Credit Line
95933	2019/10/5	Postcard, general view of waterfront, Napier			gifted by Dean Karauria
96021	2019/11	No. 8 Wire	Nigel Brown	2010	gifted by the MTG Foundation
95935	2019/12/1	Earthquake damage, Emerson Street	A B Hurst & Son	1931	gifted by Patricia Williamson
95938	2019/12/2	Earthquake damage, Emerson Street	Percy Caz Sorrelli	1931	gifted by Patricia Williamson
95940	2019/12/3	Earthquake damage, Napier		1931	gifted by Patricia Williamson
95939	2019/12/4	Earthquake damage, Boylands Buildings, Napier		1931	gifted by Patricia Williamson
95941	2019/12/5	Earthquake damage, Boylands Building, Napier		1931	gifted by Patricia Williamson
95942	2019/12/6	Earthquake damage, Boylands Buildings, Napier		1931	gifted by Patricia Williamson
95943	2019/12/7	Earthquake damage, Boylands Buildings, Napier		1931	gifted by Patricia Williamson
95944	2019/12/8	Earthquake damage, Boylands Buildings, Napier		1931	gifted by Patricia Williamson
95945	2019/12/9	Mavis and Jim Boyland in front of demolished building		1931	gifted by Patricia Williamson
95946	2019/12/10	Earthquake damage, Napier		1931	gifted by Patricia Williamson
95947	2019/12/11	Emerson Street after earthquake, before fire	Arthur Bendigo Hurst	1931	gifted by Patricia Williamson
95948	2019/12/12	Hastings Street, Napier	Frederick George Radcliffe		gifted by Patricia Williamson
95916	2019/13	Victorian bodice		1880s; 1890s	gifted by Mrs Colleen Gilbert
95927	2019/14	Peter Wells: 2010	Richard McWhannell	2010	gift of Douglas Lloyd Jenkins in memory of Peter Northe Wells
95950	2019/15/1	Earthquake damage	Aileen Bain	Post 03 Feb 1931	gifted by Lyn Collins
95951	2019/15/2	Earthquake damage	Aileen Bain	Post 03 Feb 1931	gifted by Lyn Collins
95953	2019/15/3	Earthquake damage	Aileen Bain	Post 03 Feb 1931	gifted by Lyn Collins
95954	2019/15/4	Earthquake damage	Aileen Bain	Post 03 Feb 1931	gifted by Lyn Collins
95955	2019/15/5	Earthquake damage	Aileen Bain	Post 03 Feb 1931	gifted by Lyn Collins
95956	2019/15/6	Earthquake damage	Aileen Bain	Post 03 Feb 1931	gifted by Lyn Collins
95957	2019/15/7	Earthquake damage	Aileen Bain	Post 03 Feb 1931	gifted by Lyn Collins
95958	2019/15/8	Earthquake damage	Aileen Bain	Post 03 Feb 1931	gifted by Lyn Collins
95952	2019/15/9	Earthquake damage	Aileen Bain	Post 03 Feb 1931	gifted by Lyn Collins

System ID	Accession No	Name/Title	Primary Maker (name only)	Primary Prod Date	Credit Line
95959	2019/15/10	Earthquake damage	Aileen Bain	Post 03 Feb 1931	gifted by Lyn Collins
95960	2019/15/11	Earthquake damage	Aileen Bain	Post 03 Feb 1931	gifted by Lyn Collins
95961	2019/15/12	Aileen Bain standing on site of house destroyed in Napier earthquake	Aileen Bain	Post 03 Feb 1931	gifted by Lyn Collins
95962	2019/15/13	Aileen Bain and dog among ruins of Napier earthquake	Aileen Bain	Post 03 Feb 1931	gifted by Lyn Collins
95964	2019/15/14	Aileen Bain outside Tin Town	Aileen Bain	Post 03 Feb 1931	gifted by Lyn Collins
95963	2019/15/15	Women standing at a picnic table	Aileen Bain		gifted by Lyn Collins
95966	2019/15/16	Women seated at a picnic	Aileen Bain		gifted by Lyn Collins
95922	2019/16	Badge, Marineland, Napier, NZ			gifted by John Akers
95986	2019/17/1	Postcard, Miss Henriquette Maude: The Daily Mirror's Little New Zealand Girl			
95988	2019/17/2	Postcard, Miss Henriquette Maude: The Daily Mirror's Little New Zealand Girl			
51965	2019/18	Illuminated address, Samuel Crowther	Henry Wundram; Dean Head	Mar 1907	gifted by Graeme Crowther
95991	2019/19/1	Shop Register, E Hyde, Hairdresser and Tobacconist	E Hyde	May 1904- Oct 1922	gifted by Mrs B Hyde
95995	2019/19/2	Norma Grange and bridal attendants	Arthur Bendigo Hurst	03 Nov 1945	gifted by Mrs B Hyde
95994	2019/19/3	Wedding of Leonard Hyde and Norma Grange	Arthur Bendigo Hurst	03 Nov 1945	gifted by Mrs B Hyde
95996	2019/19/4	Group portrait including Ada Grange			gifted by Mrs B Hyde
95997	2019/19/5	Group portrait including Major Chicken			gifted by Mrs B Hyde
95993	2019/19/6	Len Hyde	Franklin Shepherd Studios		gifted by Mrs B Hyde
95998	2019/19/7	Nurse Jess Elmes	Arthur Bendigo Hurst	Dec 1926	gifted by Mrs B Hyde
96001	2019/19/8	St Augustine's Parish Magazine, November 1960	Daily Telegraph Co., Ltd	Nov 1960	gifted by Mrs B Hyde
96003	2019/19/9	Baptismal certificates, Eric Leonard Hyde		27 May 1951	gifted by Mrs B Hyde
96005	2019/19/10	Brochure, Masonic Hotel, Napier			gifted by Mrs B Hyde
96006	2019/19/11	Building contract, residence for Mr & Mrs L Hyde		1962	gifted by Mrs B Hyde
96007	2019/19/12	Booklet, Official Napier Visitors Guide & Business Directory			gifted by Mrs B Hyde
96008	2019/19/13	Genealogical file, The Elmes Family in Australia and New Zealand			gifted by Mrs B Hyde

System ID	Accession No	Name/Title	Primary Maker (name only)	Primary Prod Date	Credit Line
96010	2019/19/14	Genealogical file, The Elmes Family in England			gifted by Mrs B Hyde
96011	2019/19/15	Genealogical file, Hyde family			gifted by Mrs B Hyde
96012	2019/19/16	Magazines, The Scindian	Napier Boys' High School; Daily Telegraph Print		gifted by Mrs B Hyde
96017	2019/19/17	Activity guide and map, Jasons Passport, Hawke's Bay & Eastland		1995	gifted by Mrs B Hyde
96019	2019/19/18	Prize sticker, Hastings Camera Club, Len Hyde			gifted by Mrs B Hyde
96100	2019/24	Medal, Hawke's Bay Agricultural & Pastoral Society, awarded to D Campbell	Hawke's Bay Agricultural and Pastoral Society; J Pinches		purchase

Item 9

Attachment 1

Item 9

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