



ANNUAL  
REPORT  
2020

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**ANNUAL REPORT AND STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2020**

Your Directors have pleasure in submitting the 60th Annual Report of the affairs of the Company (formerly New Zealand Local Government Insurance Corporation Ltd trading as Civic Assurance) for the year ended 31 December 2020, which is to be presented at the Annual General Meeting of Members in June 2021.

**1. PERFORMANCE**

Civic's before-tax profit in 2020 was \$480,458.

This compares favourably to the forecasted before-tax surplus of \$258,772 as set out in the 2020 Statement of Intent.

This increased profit is due to receiving higher than anticipated administration fees combined with reduced marketing and operating expenses.

**2. OPERATIONS***Administration Services*

Fees in 2020 from providing services to LAPP, Riskpool and the SuperEasy and SuperEasy KiwiSaver Superannuation Schemes were \$2,973,440 (2019: \$2,947,683).

*Investment Revenue*

Income from investments was \$141,233 (2019: \$329,517).

*Sponsorship and Support for the Sector*

The Company continues as a sponsor of Taituarā – Local Government Professionals Aotearoa (previously known as SOLGM – Society of Local Government Managers) events both at a regional and national level.

**3. ASSOCIATED ENTITIES***Local Government Superannuation Trustee Limited*

Local Government Superannuation Trustee Limited (LGST) is a 100% subsidiary of Civic and is the trustee to the SuperEasy and SuperEasy KiwiSaver Superannuation Schemes. Both are administered by Civic and from 1 April 2016 both have been registered with the FMA (Financial Markets Authority). Director appointments to LGST are made by LGNZ (two), Civic (one), CTU (one), Taituarā (one) and one, who must be a Licensed Independent Trustee, by the LGST Board.

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

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

Superannuation funds under management as at December 2020 were \$470 million (December 2019 \$420 Million) and the combined membership of over 11,000. SuperEasy's fund managers are AMP Capital Investors (New Zealand) Ltd and ANZ New Zealand Investments Ltd. Of the councils that have a preferred provider for KiwiSaver, 70 out of 74 (94%) have appointed Civic.

The SuperEasy website is [www.supereasy.co.nz](http://www.supereasy.co.nz).

*LAPP Disaster Fund*

LAPP is a charitable trust that was set up by LGNZ and Civic in 1993 to assist with the reinstatement of lost or damaged local government underground infrastructure. LAPP's membership is 23. It could be said that LAPP is New Zealand's original LASS (Local Authority Shared Services).

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

LAPP settled its Kaikoura-Hurunui earthquake claims with the settlement of the Hurunui District Council's claim in April 2019 having previously settled with Kaikoura and Marlborough District Councils in 2018, for a combined settlement of \$4.66 million.

Civic is the administration and fund manager for LAPP. LAPP's website is: [www.lappfund.co.nz](http://www.lappfund.co.nz).

## DIRECTORS' REPORT

### *Riskpool/Civic Liability Pool (CLP)*

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

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

As a result Riskpool/CLP decided to no longer provide cover after 30 June 2017 and is now in run-off mode.

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

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

Riskpool members were advised in October 2018 that due to deteriorating claims experience in 2017–18 that Riskpool needed to make one interim call before a final call is made on wind up. The call which has been paid was for an amount of \$6 million payable on 1 July 2019, split \$3 million each to fund years 7 and 10.

A final call from Riskpool is likely in 2025 or 2026. It is expected that the amount of that call will be less than this previous call.

## 4. DIRECTORS

As at 31 December 2020 there were five directors: A.T. Gray, J.E. Miller, A.J. Marryatt, J.B. Melville and B.J. Morrison. M.C. Hannan retired as a director with effect from 4 December 2020.

### *Director attendances at Board meetings held in 2020:*

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

Jo Miller was appointed a Director on 18 December 2020, as such did not attend any Board meetings held in 2020.

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

### *Section 139 of the Companies Act 1993*

All Civic directors are directors of LGMFT except Basil Morrison who resigned from LGMFT in March 2019 to ensure that one Civic director was independent of LGMFT. Subsequently there are two secured loan facility agreements that have been entered into between the Company and LGMFT whereby Civic loans LGMFT up to \$2,250,000 under each of two separate loans.

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

For the year ended 31 December 2020, Directors' remuneration was:

Tony Gray	\$15,569
Mike Hannan	\$14,418
Tony Marryatt	\$31,139
John Melville	\$23,354
Jo Miller	\$597
Basil Morrison	\$15,569
	<b>\$100,646</b>

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

Tony Gray	(Riskpool)	\$8,310
Mike Hannan	(Riskpool)	\$7,700
Tony Marryatt	(Riskpool)	\$16,620
John Melville	(Riskpool)	\$8,310
Jo Miller	(Riskpool)	\$316
Basil Morrison	(LGST)	\$12,571
		<b>\$53,827</b>

**DIRECTORS' REPORT****Interests Register**

Directors' interests are tabled at the beginning of each Board meeting. Directorship and other disclosures as at 31 December 2020 were:

A.T. Gray	Chair of Ngati Pukenga Investments Ltd; Chair of Tatau Tatau o Te Wairoa Commercial Limited; Artemis Nominees Ltd; Quality Roadng and Services (Wairoa) Limited; Local Government Mutual Funds Trustee Ltd; Chair of Establishment Board, Hawke's Bay Food Innovation Hub; Nga Hua o Ngati Pukenga Limited; Chair of Te Turapa Wai Ariki Limited; Centralines Limited; EA Networks Limited; Executive Project Advisor to Hastings District Council; Trustee of Civic Property Pool; a party to an agreement for finance with the LGMFT.
A.J. Marryatt	Chair of Local Government Mutual Funds Trustee Ltd; AJM Holdings Ltd; Trustee of Civic Property Pool; Member of SuperEasy KiwiSaver Superannuation Scheme; a party to an agreement for finance with the LGMFT.
J.B. Melville	Trustee of Civic Property Pool; Director of Local Government Mutual Funds Trustee Ltd; a party to an agreement for finance with the LGMFT.
J. E. Miller	Trustee of Civic Property Pool; Member of SuperEasy KiwiSaver Superannuation Scheme; Chief Executive of Hutt City Council; Taituarā (previously known as SOLGM) Executive Council Member; Board Member Hutt Valley Chamber of Commerce; Director of Local Government Mutual Funds Trustee Ltd; a party to an agreement for finance the LGMFT.
B.J. Morrison	Chairman of Local Government Superannuation Trustee Ltd; Basil J Morrison & Associates Ltd; Member of SuperEasy KiwiSaver Superannuation Scheme; Trustee of Civic Property Pool; Trustee of the Martha Trust; Trustee of Hauraki Railtrail Charitable Trust; Waitangi Tribunal Member; Independent Hearings Commissioner for Auckland Council; Thames-Coromandel District Council Hearings Panel, Waikato Regional Council Hearings Commissioner; NZ Freshwater Commissioner; Accredited Commissioner – RMA.

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

**Conduct of the Board and Board Committee**

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

**Use of Information**

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

**Loans to Directors**

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

**5. EMPLOYEE REMUNERATION**

Detailed below is the number of employees who received remuneration in their capacity as employees of \$100,000 or more during the year ended 31 December 2020.

Remuneration	Number of Employees
\$150,000 – \$160,000	1
\$190,000 – \$200,000	1

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

## DIRECTORS' REPORT

### 6. AUDIT AND RISK MANAGEMENT

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

The Risk and Audit Committee (RAC) comprises the full Board. John Melville is the Chairman of this committee. RAC met five times in 2020: the Auditor attended two of those meetings and a part of one of those meetings was held without management present.

### 7. DONATIONS

No donations have been made during the year by any Company in the Group (2019: \$0).

### 8. STAFF

We sincerely thank the staff for their work during the year. They are: Ian Brown, Sylvia Jackson, Chathuri Mendis, Lisa Norris, Tim Sole, Sue Tong and Glenn Watkin.



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Tony Marryatt **Chairman**  
March 2021

***DIRECTORS***

Anthony (Tony) J. Marryatt (Chairman)  
Anthony (Tony) T. Gray  
John B. Melville  
Johanna (Jo) E. Miller  
Basil J. Morrison CNZM JP

***EXECUTIVE OFFICERS***

**Chief Executive** : Ian Brown  
**Chief Financial Officer** : Glenn Watkin

COMPANY REGISTRATION NO: 13271

***AUDITORS***

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

***BANKERS***

ANZ Banking Group (New Zealand) Limited  
Bank of New Zealand

***LEGAL ADVISERS***

Dentons Kensington Swan

***REGISTERED OFFICE***

Level 7, Civic Assurance House, 116 Lambton Quay, Wellington 6011

***POSTAL ADDRESS***

Civic Financial Services Ltd, PO Box 5521, Wellington 6140

***OTHER CONTACT DETAILS***

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

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

The cover page features a light blue background with large, overlapping, semi-transparent circular shapes in various shades of blue and grey. In the lower-left quadrant, there is a circular inset showing a close-up, perspective view of a modern building's ceiling, characterized by a grid of square, recessed lighting fixtures. The text 'Statement of Accounts' is centered in a dark blue, sans-serif font.

# Statement of Accounts



**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

FOR THE YEAR ENDED 31 DECEMBER 2020

	NOTE	2020 \$	2019 \$
<b>REVENUE</b>			
Administration Fees		2,973,440	2,947,683
Interest Income	4	141,233	329,517
Property Income		-	571,970
Gain on sale of Building	7	-	1,209,909
Other Income		608	129
<b>Total Revenue</b>		<b>3,115,281</b>	<b>5,059,208</b>
<b>EXPENDITURE</b>			
Audit Fee	14		
Statutory Audit of the Financial Statements		127,639	116,462
Other Fees Paid to Auditors Re Assurance Services		26,784	30,500
Other Fees Paid to Auditors Re Tax Compliance		37,388	19,077
Compliance Costs		140,179	103,122
Consultants		82,075	44,852
Depreciation	6	16,107	35,053
Amortisation	6	65	-
Directors' Remuneration	3	100,646	103,511
Interest Expense		-	130,249
Legal Fees		180,747	38,273
Property Operating Expenses		119	396,332
Other Expenses		1,176,616	1,039,624
Employee Remuneration	3	725,518	729,533
Superannuation Subsidies		20,940	21,261
<b>Total Expenditure</b>		<b>2,634,823</b>	<b>2,807,849</b>
<b>Surplus Before Taxation</b>		<b>480,458</b>	<b>2,251,359</b>
Taxation Expense	10	135,635	300,881
<b>TOTAL COMPREHENSIVE SURPLUS AFTER TAX ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>	15	<b>344,823</b>	<b>1,950,478</b>

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

AS AT 31 DECEMBER 2020

	NOTE	2020 \$	2019 \$
<b>SHAREHOLDERS' EQUITY</b>			
<b>Issued and Paid-Up Ordinary Shares</b>			
Ordinary Shares fully paid up	15	10,763,506	10,763,506
Retained Earnings	15	58,366	(286,457)
<b>TOTAL EQUITY</b>		<b>10,821,872</b>	<b>10,477,049</b>
Represented By:			
<b>CURRENT ASSETS</b>			
Cash & Cash Equivalents		897,157	274,428
Term Deposits		4,735,000	5,290,045
Sundry Debtors and Prepayments	12	526,169	554,609
Loan Receivable	13	2,588,354	1,996,527
<b>Total Current Assets</b>		<b>8,746,680</b>	<b>8,115,609</b>
<b>NON CURRENT ASSETS</b>			
Property, Plant and Equipment	6	28,728	34,447
Intangible Assets (Software)	6	170,885	89,000
Deferred Tax Asset	10	2,350,445	2,486,080
<b>Total Non Current Assets</b>		<b>2,550,058</b>	<b>2,609,527</b>
<b>TOTAL ASSETS</b>		<b>11,296,738</b>	<b>10,725,136</b>
<b>CURRENT LIABILITIES</b>			
Sundry Creditors and Accrued Charges	12	328,375	112,990
Accrued Holiday Pay		68,312	37,662
CLP/ Riskpool Admin Fee Reserve		52,530	52,530
<b>Total Current Liabilities</b>		<b>449,217</b>	<b>203,182</b>
<b>NON-CURRENT LIABILITIES</b>			
CLP/ Riskpool Admin Fee Reserve		25,649	44,905
<b>Total Non Current Liabilities</b>		<b>25,649</b>	<b>44,905</b>
<b>TOTAL LIABILITIES</b>		<b>474,866</b>	<b>248,087</b>
<b>EXCESS OF ASSETS OVER LIABILITIES</b>		<b>10,821,872</b>	<b>10,477,049</b>

For and on behalf of the Directors:



TONY MARRYATT Chairman 12 March 2021



JOHN MELVILLE Director 12 March 2021

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

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

FOR THE YEAR ENDED 31 DECEMBER 2020

	NOTE	2020 \$	2019 \$
<b>OPENING EQUITY</b>		10,477,049	17,945,051
Total Comprehensive Surplus Net of Tax		344,823	1,950,478
Dividend Payment		-	(9,418,480)
Ordinary Shares issued during the year	15	-	-
<b>CLOSING EQUITY</b>		<b>10,821,872</b>	<b>10,477,049</b>

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

**CONSOLIDATED STATEMENT OF CASH FLOWS**

FOR THE YEAR ENDED 31 DECEMBER 2020

	NOTE	2020 \$	2019 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Cash was provided from:</b>			
Rent Received		-	561,561
Administration Fees Received		2,970,690	2,849,062
Other Income		608	129
Taxation (Paid)/Refunded		-	(5,133)
		2,971,298	3,405,619
<b>Cash was applied to:</b>			
Payments to Suppliers and Employees		2,360,681	2,605,883
		2,360,681	2,605,883
<b>Net Cash Flow from Operating Activities</b>	<b>11</b>	<b>610,617</b>	<b>799,736</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>Cash was provided from:</b>			
Investment Income		90,268	115,061
Term Deposits		555,045	-
Investment Property		-	9,116,888
Loans Repaid from Related Parties		3,422,432	5,300,000
		4,067,745	14,531,949
<b>Cash was applied to:</b>			
Term Deposits		-	4,090,045
Purchase of Property, Plant and Equipment		92,338	30,721
Loans Issued to Related Parties		3,963,376	985,550
		4,055,714	5,106,316
<b>Net Cash Flow from Investing Activities</b>		<b>12,031</b>	<b>9,425,633</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>Cash was provided from:</b>			
Loan Interest Received		81	183,763
Borrowings		-	(4,000,000)
		81	(3,816,237)
<b>Cash was applied to:</b>			
Interest Paid		-	130,249
Dividend Paid		-	9,418,480
		-	9,548,729
<b>Net Cash Flow from Financing Activities</b>		<b>81</b>	<b>(13,364,966)</b>
Net (Decrease)/Increase in Cash Held		622,729	(3,139,597)
Opening Cash Balance as at 1 January		274,428	3,414,025
<b>Closing Cash Balance as at 31 December</b>		<b>897,157</b>	<b>274,428</b>
<b>Being:</b>			
<b>Cash &amp; Cash Equivalents</b>		<b>897,157</b>	<b>274,428</b>

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2020

**NOTE 1 REPORTING ENTITY**

The reporting entity is Civic Financial Services Ltd (the "Company"). The Group comprises the Company and its subsidiaries listed in Note 2 (b). The Group provides financial services principally for New Zealand local government.

**Statement of Compliance**

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

**NOTE 2 STATEMENT OF ACCOUNTING POLICIES****General Accounting Policies**

The measurement and reporting of profits on a historical cost basis have been followed by the Group, except for specific policies as described below. The reporting currency is New Zealand dollars.

**Critical Judgements and Estimates in Applying the Accounting Policies**

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

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

**Particular Accounting Policies**

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

**(a) Consolidation of Subsidiaries**

The Group financial statements incorporate the financial statements of the Company and its subsidiaries. All inter-company transactions, balances and unrealised profits are eliminated on consolidation.

**(b) Investment in Subsidiaries**

At 31 December 2020 the Company had three wholly owned subsidiaries which are all incorporated in New Zealand. Two of these, Local Government Superannuation Trustee Limited and SuperEasy Limited with balance dates of 31 December and Local Government Mutual Funds Trustee Limited (LGMFTL) with its balance date of 30 June did not have any significant assets, liabilities, revenue or expenses during the years ended 31 December 2019 and 31 December 2020.

LGMFTL is the trustee of New Zealand Mutual Liability Riskpool ("Riskpool") and Civic Liability Pool ("CLP"). The Company provides administrative services to Riskpool and CLP.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2020

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

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

**(d) Employee Benefits**

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

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

**(e) Basis of Measuring Other Income and Expenses**

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

**(f) Changes in Accounting Policies**

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

**NOTE 3 KEY MANAGEMENT PERSONNEL AND RELATED PARTIES**

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

	2020	2019	2020	2019
	Number		\$	\$
<b>Short term employee benefits</b>				
Executive Management Personnel	3	3	427,434	409,204
Directors	5	6	100,646	103,511
			<b>528,080</b>	<b>512,715</b>

As at 31 December 2020 the Company had a loan receivable from New Zealand Mutual Liability Riskpool ("Riskpool") of \$2,074,371 (2019: \$973,927) and from Civic Liability Pool ("CLP") of \$513,983 (2019: \$1,022,600). Refer to Note 13 for the terms and information relating to loans with subsidiaries.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2020

**NOTE 4 FINANCIAL INSTRUMENTS**

Accounting Policies:

**i) Classification and Measurement**

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

**Loans and Receivables**

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

**Bank and Cash Equivalents**

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

**Financial Liabilities**

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

**ii) Offsetting Financial Instruments**

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

**iii) Asset Quality****Impairment of Financial Assets**

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

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

**iv) Fair Value of Financial Instruments**

Fair value measurements recognised in the Statement of Financial Position

Financial instruments are categorised into 3 levels:

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

**v) Derivatives**

The Group do not use any derivative financial instruments.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2020

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

	2020 \$	2019 \$
<b>Loans</b>		
Interest Received – Loans	50,965	214,456
<b>Cash &amp; Cash Equivalents</b>		
Interest Received – Short Term Deposits	90,268	115,061
<b>Total Interest Income</b>	<b>141,233</b>	<b>329,517</b>

**(2) Financial Assets and Liabilities**

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

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

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

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



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2020

**NOTE 4 FINANCIAL INSTRUMENTS** CONTINUED**(2) Financial Assets and Liabilities** continued*Carrying value of Financial Assets and Financial Liabilities*

	2020 \$	2019 \$
<b>Financial Asset: Loans and Receivables</b>		
Sundry Debtors	484,840	501,440
Loans	2,588,354	1,996,527
<b>Total Loans and Receivables</b>	<b>3,073,194</b>	<b>2,497,967</b>
<b>Financial Asset: Amortised Cost</b>		
Cash & Cash Equivalents	897,157	274,428
<b>Financial Liability: Amortised Cost</b>		
Sundry Creditors & Accrued Charges	328,375	112,990
<b>Total Amortised Cost</b>	<b>328,375</b>	<b>112,990</b>

**(3) Financial Risk – Structure and Management**

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

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

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

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

**(a) Market Risk**

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

**(b) Carrying Amount and Fair Value**

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2020

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

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

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

<b>Maturity Analysis as at 31 December 2020</b>						
	<b>Interest Rate Spread %</b>	<b>Within 6 months \$</b>	<b>6 to 12 months \$</b>	<b>1 to 2 years \$</b>	<b>2 to 5 years \$</b>	<b>Total \$</b>
<b>Assets</b>						
Cash & Cash Equivalents	0 to 0.48%	897,157	-	-	-	897,157
Term Deposits	0.7% to 1.78%	2,735,000	2,000,000	-	-	4,735,000
Other Receivables	n/a	484,840	-	-	-	484,840
Loans	2.96% to 3.96%	2,588,354	-	-	-	2,588,354
<b>Total Financial Assets</b>		<b>6,705,351</b>	<b>2,000,000</b>	<b>-</b>	<b>-</b>	<b>8,705,351</b>
<b>Liabilities</b>						
Sundry Creditors & Accrued Expenses	n/a	328,375	-	-	-	328,375
<b>Total Financial Liabilities</b>		<b>328,375</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>328,375</b>
<b>Maturity Analysis as at 31 December 2019</b>						
	<b>Interest Rate Spread %</b>	<b>Within 6 months \$</b>	<b>6 to 12 months \$</b>	<b>1 to 2 years \$</b>	<b>2 to 5 years \$</b>	<b>Total \$</b>
<b>Assets</b>						
Cash & Cash Equivalents	0 to 0.35%	274,428	-	-	-	274,428
Term Deposits	1.75% to 2.75%	5,290,045	-	-	-	5,290,045
Other Receivables	n/a	501,440	-	-	-	501,440
Loans	3.79% to 4.52%	1,996,527	-	-	-	1,996,527
<b>Total Financial Assets</b>		<b>8,062,440</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,062,440</b>
<b>Liabilities</b>						
Sundry Creditors & Accrued Expenses	n/a	112,990	-	-	-	112,990
<b>Total Financial Liabilities</b>		<b>112,990</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>112,990</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2020

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

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

**(i) Exposure to Credit Risk**

	2020 \$	2019 \$
Cash & Cash Equivalents	897,157	274,428
Term Deposits	4,735,000	5,290,045
Other Receivables	484,840	501,440
Loans	2,588,354	1,996,527
<b>Total</b>	<b>8,705,351</b>	<b>8,062,440</b>

**(ii) Concentration of Credit Exposure**

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

**NOTE 5 OPERATING LEASE COMMITMENTS**

	2020 \$	2019 \$
<b>Operating Lease Expense Commitments:</b>		
not later than one year	69,807	74,208
later than one year but not later than five years	251,888	256,832
later than five years	-	37,400
	<b>321,695</b>	<b>368,440</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2020

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

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

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

	2020 \$	2019 \$
<b>(a) Property, Plant and Equipment</b>		
Office Furniture and Equipment – cost	129,384	690,697
Plus Additions	10,388	33,776
Less Disposals	-	(595,089)
Closing Value – cost	139,772	129,384
Office Furniture and Equipment – Accumulated Depreciation	(94,937)	(525,577)
Less Depreciation Charge	(16,107)	(35,053)
Less Disposals	-	465,693
Closing Accumulated Depreciation	(111,044)	(94,937)
<b>Net Book Value</b>	<b>28,728</b>	<b>34,447</b>

The Total Comprehensive Surplus After Tax in the Statement of Comprehensive Income includes no gains or losses on disposal of fixed assets (2019: \$3,055 loss).

	2020 \$	2019 \$
<b>(b) Intangible Assets</b>		
Software - cost	519,453	519,453
Plus Additions	81,950	-
Less Disposals	-	-
Closing Value – cost	601,403	519,453
Software – Accumulated Amortisation	(430,453)	(430,453)
Less Amortisation Charge	(65)	-
Less Disposals	-	-
Closing Accumulated Amortisation	(430,518)	(430,453)
<b>Net Book Value</b>	<b>170,885</b>	<b>89,000</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2020

**NOTE 7 INVESTMENT PROPERTY****Accounting Policy:**

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

The investment property was sold during in 2019 for \$10,115,000 following the completion of earthquake strengthening and asbestos works. Settlement for the sale of Civic Assurance House was 15 August 2019. Following settlement, on 19 August 2019 the Company paid a special dividend to shareholders of \$9,418,480 plus accompanying imputation credits to offset any tax liability for shareholders.

**NOTE 8 ANALYSIS OF FINANCIAL ASSETS NOT IMPAIRED**

There are no financial assets that are impaired or past due at balance date (2019: \$nil).

**NOTE 9 CONTINGENT LIABILITIES**

There are no contingent liabilities (2019: \$nil).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

### NOTE 10 TAXATION

#### Accounting Policies:

##### *i) Current Tax*

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

##### *ii) Deferred Tax*

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

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

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

*Significant judgements, estimates and assumptions are made in respect of the recognition of the deferred tax asset. It is recognised that the deferred tax asset will be utilised over a relatively long time period. The Entity expects to remain profitable and have a steady income stream over the medium to long term, matching its low margin long dated products.*

##### *iii) Goods and Services Tax (GST)*

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

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2020

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

	2020 \$	2019 \$
<b>Tax expense comprises:</b>		
Current tax expense	-	-
Adjustments recognised in the current year in relation to the current tax of prior years	-	-
Deferred tax relating to temporary differences	135,635	300,881
<b>Total tax expense</b>	<b>135,635</b>	<b>300,881</b>
<b>Attributable to:</b>		
Continuing operations	135,635	300,881
	<b>135,635</b>	<b>300,881</b>

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

	2020 \$	2019 \$
Surplus before tax	480,458	2,251,359
Income tax calculated at 28%	134,528	630,382
Tax effect of permanent differences	830	(337,412)
Prior Period Adjustment	277	7,912
<b>Income Tax Expense</b>	<b>135,635</b>	<b>300,881</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2020

**NOTE 10 TAXATION** CONTINUED**(b) Current tax assets and liabilities**

	2020 \$	2019 \$
Tax refund receivable	-	-
	-	-

**(c) Deferred tax balances**

	2020 \$	2019 \$
<b>Deferred tax assets comprise:</b>		
Temporary differences	2,349,610	2,484,665
	2,349,610	2,484,665
<b>Deferred tax liabilities comprise:</b>		
Temporary differences	835	1,416
	835	1,416
<b>Net Deferred Tax balance</b>	<b>2,350,445</b>	<b>2,486,080</b>



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2020

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

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

	Opening Balance \$	Charged to Income \$	Charged to Equity \$	Prior Period Adjustment \$	Closing Balance \$	
2020	Investment gains	-	-	-	-	
	Building, property and equipment	5,057	(1,081)	-	2,987	
		<b>5,057</b>	<b>(1,081)</b>	-	<b>(989)</b>	<b>2,987</b>
	Employee entitlements	26,540	35,496	-	-	62,036
	Losses carried forward	8,847,264	(517,836)	-	-	8,329,428
		<b>8,873,804</b>	<b>(482,340)</b>	-	-	<b>8,391,464</b>
	<b>Attributable to:</b>					
	Continuing operations	8,878,861	(483,421)	-	(989)	8,394,451
	Total	8,878,861	(483,421)	-	(989)	8,394,451
	Tax effect at 28%	2,486,080	(135,358)	-	(277)	2,350,445
2019	Investment gains	-	-	-	-	
	Building, property and equipment	(1,872,109)	1,905,422	-	(28,256)	5,057
		<b>(1,872,109)</b>	<b>1,905,422</b>	-	<b>(28,256)</b>	<b>5,057</b>
	Employee entitlements	41,132	11,033	-	(25,625)	26,540
	Losses carried forward	11,784,413	(2,962,774)	-	25,625	8,847,264
		<b>11,825,545</b>	<b>(2,951,741)</b>	-	-	<b>8,873,804</b>
	<b>Attributable to:</b>					
	Continuing operations	9,953,436	(1,046,319)	-	(28,256)	8,878,861
	Total	9,953,436	(1,046,319)	-	(28,256)	8,878,861
	Tax effect at 28%	2,786,963	(292,970)	-	(7,913)	2,486,080

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

The deferred tax asset relating to tax losses carried forward has been recognised as the financial forecasts anticipate the Group maintaining sufficient profitability in future financial years (refer Note 20).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2020

**NOTE 10 TAXATION** CONTINUED**(d) Imputation Credit Account**

	2020 \$	2019 \$
Closing Balance	1,593,490	1,593,490

**NOTE 11 RECONCILIATION OF COMPREHENSIVE INCOME AFTER TAX WITH CASH FLOW FROM OPERATING ACTIVITIES****Accounting Policy:**

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

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2020

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

	2020 \$	2019 \$
<b>Total Comprehensive Surplus</b>	344,823	1,950,478
<b>Add/(less) non cash items</b>		
Loan Interest	(50,883)	(30,693)
Depreciation	16,107	35,053
Amortisation	65	-
Movement in CLP/ Riskpool Admin Fee Reserve	(19,256)	(19,256)
Movement in Deferred Tax Asset	135,635	300,881
Net change in fair value of investment property	-	-
	81,668	285,985
<b>Add/(less) movements in other working capital items</b>		
Sundry Debtors and Prepayments and Reinsurance Recoveries	28,440	39,835
Sundry Creditors and Accrued Charges	246,035	(98,603)
Tax Refund Due	-	3,580
	274,475	(55,188)
Add/(Less) Items Classified as Investing Activity	(90,349)	(1,511,787)
Add/(Less) Items Classified as Financing Activity	-	130,249
<b>Net Cash Flow from Operating Activities</b>	<b>610,617</b>	<b>799,736</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2020

**NOTE 12 SUNDRY DEBTORS AND CREDITORS****(a) Sundry Debtors and Prepayments**

	2020	2019
	\$	\$
Sundry Debtors	484,840	501,440
Prepayments	41,329	43,296
GST Receivable	-	9,873
<b>Sundry Debtors and Prepayments</b>	<b>526,169</b>	<b>554,609</b>

**(b) Sundry Creditors and Accrued Charges**

	2020	2019
	\$	\$
Sundry Creditors and Accrued Charges	165,435	112,990
GST Payable	162,940	-
<b>Sundry Creditors and Accrued Charges</b>	<b>328,375</b>	<b>112,990</b>

**NOTE 13 LOANS*****Loan Receivable***

Local Government Mutual Funds Trustee Limited is the trustee of Riskpool and CLP. The Company provides administrative services to Riskpool and CLP.

Secured loan agreements between the Company and Local Government Mutual Funds Trustee Limited on behalf of Riskpool were entered into in February 2017, August 2017 and again in November 2018 to assist with Riskpool's cashflow. The amounts made available under the 2017 agreements were reduced in 2018 to provide facilities of \$2,250,000 each (2017: \$3,000,000) and under the terms of the loans the interest rate is set as BKBM plus a margin. The November 2018 agreement provides a loan facility of \$4,000,000. Under the terms of the loan agreement the interest rate is set at the ANZ Bank lending rate plus a margin. Riskpool may repay the loans and any interest at any time without penalty. The Company may at any time withdraw the facilities by notice in writing to Riskpool to that effect, from which time no further funds will be provided but without giving rise to a requirement for Riskpool to repay the outstanding balance of the loan. The Company may require repayment of the loans (including all interest) in full or in part at any time with six months' notice. Either party may terminate the agreements on six months' notice or any other such period that both parties agree to. On termination, the loan outstanding and any interest due to the date of repayment must be paid within the period of notice. The loan outstanding at 31 December 2020 is \$2,074,371 (2019: \$973,927).

The Company and Local Government Mutual Funds Trustee Limited on behalf of CLP have an agreement whereby the Company funds any claims payable for CLP under the Trust Deed, without charge to the Trust, which will be reimbursed by CLP in respect of any such claim payments when CLP receives the applicable reinsurance payments on the claims. The loan outstanding at 31 December 2020 is \$513,983 (2019: \$1,022,600).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2020

**NOTE 14 AUDIT FEES**

A breakdown of the fees paid to the auditors is below:

	2020 \$	2019 \$
<b>Statutory Audit of the Financial Statements</b>		
Civic Financial Services	49,566	57,975
Civic Liability Pool	17,640	15,000
Local Government Superannuation Trustee	60,433	43,487
<b>Total Statutory Audit of the Financial Statements</b>	<b>127,639</b>	<b>116,462</b>
<b>Other Fees Paid to Auditors for Assurance Services</b>	<b>26,784</b>	<b>30,500</b>
<b>Other Fees Paid to Auditors for Tax Compliance</b>	<b>37,388</b>	<b>19,077</b>
<b>Total Fees Paid to the Auditors</b>	<b>191,811</b>	<b>166,039</b>

**NOTE 15 SHAREHOLDERS' EQUITY**

The Share Capital of the Group comprises solely authorised and issued ordinary shares with each share ranking equally in votes, dividends and surpluses. In 2019 there were no shares issued. There were no shares issued during 2020.

	2020 \$	2019 \$
<b>Retained Earnings</b>		
Opening Balance	(286,457)	7,181,545
Net Surplus After Taxation	344,823	1,950,478
Dividend Payment	-	(9,418,480)
<b>Closing balance</b>	<b>58,366</b>	<b>(286,457)</b>
<b>Shareholders Capital</b>		
Opening Balance	10,763,506	10,763,506
Ordinary Shares issued during the year	-	-
<b>Closing balance</b>	<b>10,763,506</b>	<b>10,763,506</b>
<b>Number of Ordinary Shares Fully Paid</b>	<b>11,249,364</b>	<b>11,249,364</b>
<b>Par Value per Share</b>	<b>\$0.96</b>	<b>\$0.93</b>
<b>Dividend Payment per Share</b>	<b>\$0.00</b>	<b>\$0.84</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

### NOTE 16 EQUITY RETAINED FOR FINANCIAL SOUNDNESS

All shareholder equity is retained to ensure the financial soundness of the Group with cash being retained for cash flow purposes. A special dividend of \$9,418,480 was paid to shareholders on 19 August 2019 following the sale of Civic Assurance House.

### NOTE 17 STANDARDS APPROVED BUT NOT YET EFFECTIVE

#### Standards and Interpretations in issue not yet adopted

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

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2020

**NOTE 18 SUBSEQUENT EVENTS**

There have been no material events subsequent to 31 December 2020 that require adjustment to or disclosure in the financial statements.

**NOTE 19 CAPITAL COMMITMENTS**

The Company has no capital commitments at balance date (2019: \$nil).

**NOTE 20 GOING CONCERN**

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

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

## INDEPENDENT AUDITOR'S REPORT

### TO THE READERS OF CIVIC FINANCIAL SERVICES LIMITED'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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

#### OPINION

We have audited the consolidated financial statements of the Group on pages 7 to 29, that comprise the consolidated statement of financial position as at 31 December 2020, the consolidated 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 consolidated financial statements that include accounting policies and other explanatory information.

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

- present fairly, in all material respects:
  - its financial position as at 31 December 2020; and
  - its financial performance and cash flows for the year then ended; and
- comply with generally accepted accounting practice in New Zealand in accordance with Public Sector Public Benefit Entity Standards.

Our audit was completed on 12 March 2021. 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 consolidated financial statements, we comment on other information and we explain our independence.

#### BASIS FOR OUR OPINION

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

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

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

#### RESPONSIBILITIES OF THE BOARD OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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



## INDEPENDENT AUDITOR'S REPORT *CONTINUED*

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers taken on the basis of these consolidated financial statements.

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

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

- We identify and assess the risk of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements, or if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Our responsibilities arise from the Public Audit Act 2001.

## INDEPENDENT AUDITOR'S REPORT *CONTINUED*

### OTHER INFORMATION

The Board of Directors is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the consolidated financial statements, and our auditor's report thereon.

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

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

### INDEPENDENCE

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

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



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



# CIVIC FINANCIAL SERVICES SHAREHOLDERS

## AS AT 31 DECEMBER 2020

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