



NEW ZEALAND
LOCAL GOVERNMENT
FUNDING AGENCY

HALF YEAR Report

31 DECEMBER 2015





CONTENTS

Chairman's report	05
Statement of service performance	07
Primary objective.....	08
Additional objectives.....	14
Financial statements	19
Directors' declaration	21
Statement of comprehensive income	22
Statement of changes in equity	23
Statement of financial position	24
Statement of cash flows	25
Notes to financial statements	26
Directory	39

Cover: The newly refurbished Upper Hutt Train Station. Upper Hutt City Council.

Left: Construction of a new road layout at Narrow Bridge, Ngatimoti, Tasman. Tasman District Council.



CHAIRMAN'S REPORT

FOR THE SIX MONTHS ENDED 31 DECEMBER 2015

"LGFA continues to provide high quality service to our local government stakeholders while introducing new products and growing our membership."

Craig Stobo, Chairman LGFA Board



Directors would like to highlight the following developments at LGFA for the interim results for the six months to December 2015:

1. Strong Financial and Operational Performance

LGFA total interest income for the six-month period of \$134.2 million was a 28.3% increase over the 2014-15 comparable period of \$104.6 million while Net Operating Profit of \$4.8 million was a 6.7% increase on the 2014-15 comparable period of \$4.5 million. Operating expenses were higher as a result of the listing of LGFA bonds on the NZX and increased Approved Issuer Levy (AIL) payments incurred as offshore investor holdings of LGFA bonds grow. The financial strength of the LGFA was reaffirmed by credit rating agencies Standard and Poor's and Fitch who maintained our credit rating at AA+. Our credit rating is the same as the NZ Government.

LGFA commenced nearly all front, middle and back office activities from 1 July 2015 following the transition of services previously undertaken on our behalf by the NZ Debt Management Office. It was pleasing to note that the new Treasury Management System was completed on time and under budget.

2. Borrowing activity

LGFA has now issued \$5.665 billion of bonds on behalf of its Council members across six maturities from 2017 to 2027. LGFA is now one of the largest issuer of NZD securities after the NZ Government and our bonds are amongst the largest and most liquid NZD debt instruments available for investors.

LGFA successfully launched its short-dated LGFA Bill programme in October 2015 and now auctions 3-month and 6-month LGFA Bills on a monthly basis.

On 16 November 2015, LGFA listed its bonds on the NZX Debt Market and this will increase our domestic and offshore investor base and add to liquidity.

3. Lending to the sector

LGFA was established four years ago to provide long-dated borrowing, certainty of access to markets and reduce the borrowing costs for the local government sector. It is pleasing to note the following achievements over the past six months:

- We added two new members, Canterbury Regional Council and Buller District Council, bringing total membership to forty-seven councils.

Left: Construction of the Stopbank Cycle Track. Upper Hutt City Council.

- Bespoke lending continues to be popular for councils in that it provides flexibility as to maturity dates of borrowing and the date of drawdown. LGFA lent \$178 million on a bespoke basis for the six-month period. This was approximately 25% of our total lending over that six-month period.
- Following the issuance of LGFA Bills we were able to offer short-dated lending (less than 365 day terms) to councils. LGFA in the first month of this initiative had lent \$44 million to three councils.
- The tenor of lending by LGFA to the sector continued to lengthen with the average term of borrowing by councils increasing to 9.2 years in the six-month period.

There have been some changes to the governance of LGFA following the November 2015 AGM. I would like to welcome Linda Robertson and Mike Timmer to the LGFA board and acknowledge the contribution of Paul Anderson who has retired as a director. Paul, as Christchurch City Council Chief Financial Officer, was a member of the Tight Nine that seed funded the LGFA concept, a member of the LGFA Establishment Board and then the LGFA Board when the company was incorporated in December 2011. Paul has made a significant contribution to the success of LGFA and I wish to express my thanks to him for his efforts.

The next six months will be a challenging period for borrowers as a result of the recent market volatility and deteriorating credit market sentiment. I believe however that LGFA is well positioned to continue to deliver relative cost savings to the sector.

Craig Stobo
Chairman, LGFA Board

STATEMENT OF SERVICE PERFORMANCE



Construction of a new road layout at Narrow Bridge, Ngatimoti, replacing an old bridge constructed in the 1930s. Tasman District Council.

STATEMENT OF SERVICE PERFORMANCE

Performance Against Objectives and Performance Targets

1 Primary objectives

LGFA operates with two primary objectives

1. Optimising the debt funding terms and conditions for 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:

1.1 Optimising the debt funding terms and conditions for participating local authorities

(i) Providing savings in annual interest costs for all Participating Local Authorities

LGFA measures the pricing performance of bond tenders against two key benchmarks:

- LGFA aims to reduce its margin over New Zealand Government bonds (NZGBs).
- LGFA aims to minimise its margin over swap rates to provide cost-effective funding to councils.

The LGFA margin to swap and NZGB will depend upon a number of factors including the relative demand and supply of high grade bonds, general credit market conditions, performance of NZGBs and swap rates, investor perceptions of LGFA and the issuance volume and tenor of LGFA bonds.

Given that LGFA tends to match fund its on-lending to councils, ie. tends to issue bonds in the same tenor and volume as its on-lending. As a result LGFA only has influence over investor perception amongst the above factors that determine LGFA spreads to NZGB and swap.

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

LGFA spreads to its benchmarks have narrowed since it first began issuing bonds in February 2012 but these spreads have widened from the historical lows over the past six months.

Over the course of the six-month period to 31 December 2015:

- LGFA margins to NZGB widened by between 3 bps (2017s) and 17 bps (2027s).
- LGFA margins to swap widened by between 11 bps (2019s) and 32 bps (2027s).

These secondary market pricing movements are summarised in the following tables:

Margins – 15 December 2017	As at 30 June 2015 (bps)	As at 31 Dec 2015 (bps)	Pricing movement
LGFA margin to NZ Government Bonds	36	39	3
NZGB margin to swap	(29)	(20)	9
LGFA margin to swap	7	19	12

Margins – 15 March 2019	As at 30 June 2015 (bps)	As at 31 Dec 2015 (bps)	Pricing movement
LGFA margin to NZ Government Bonds	44	47	3
NZGB margin to swap	(33)	(25)	8
LGFA margin to swap	11	22	11

STATEMENT OF SERVICE PERFORMANCE

Margins – 15 April 2020	As at 30 June 2015 (bps)	As at 31 Dec 2015 (bps)	Pricing movement
LGFA margin to NZ Government Bonds	49	56	7
NZGB margin to swap	(34)	(27)	7
LGFA margin to swap	15	29	14

Margins – 15 May 2021	As at 30 June 2015 (bps)	As at 31 Dec 2015 (bps)	Pricing movement
LGFA margin to NZ Government Bonds	58	67	9
NZGB margin to swap	(42)	(32)	10
LGFA margin to swap	16	35	19

Margins – 15 April 2023	As at 30 June 2015 (bps)	As at 31 Dec 2015 (bps)	Pricing movement
LGFA margin to NZ Government Bonds	67	79	12
NZGB margin to swap	(47)	(33)	14
LGFA margin to swap	20	46	26

Margins – 15 April 2027	As at 30 June 2015 (bps)	As at 31 Dec 2015 (bps)	Pricing movement
LGFA margin to NZ Government Bonds	71	88	17
NZGB margin to swap	(40)	(25)	15
LGFA margin to swap	31	63	32

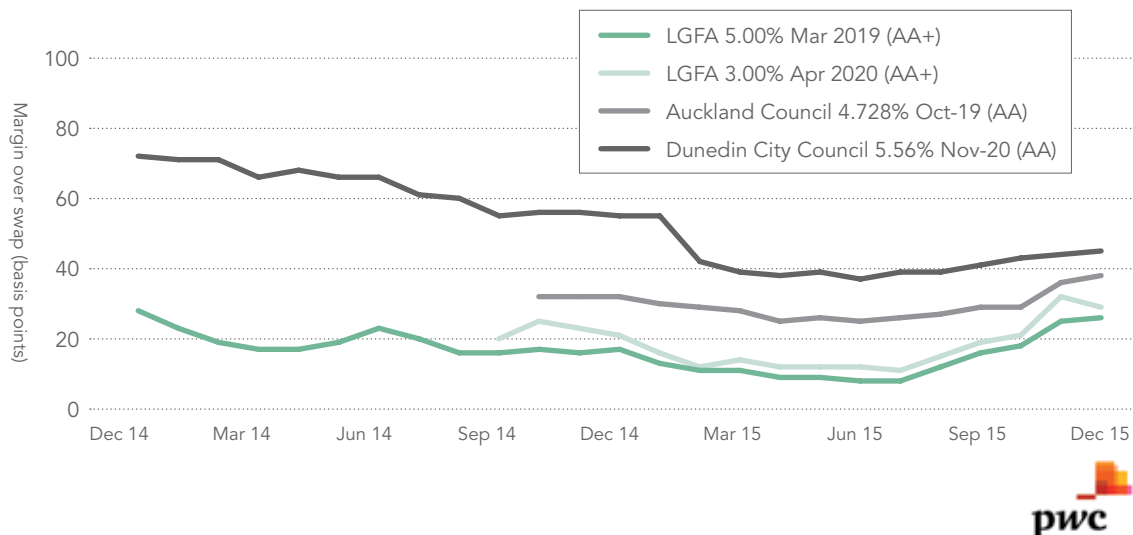
The widening in our margin to swap and NZGB over the past six months has reversed the improvement in the 2014-15 year. Until July 2015, credit market conditions were strong and there was growing offshore investor interest in LGFA bonds. Margins on LGFA bonds to NZGB or swap were at or near historical lows in June 2015.

Over the past six months there has been a number of factors that have led to a widening in spreads for all borrowers. Global investors have been concerned over the global economic outlook and the implications of the US Federal Reserve raising the Fed Funds rate. As a result there has been a reduction in risk sentiment and this has reduced demand for NZD investments and for bonds issued by all non-sovereign borrowers, eg. the margin to swap on the World Bank October 2021 issue widened by 14 bps over the same period and the margin to swap on the KBN February 2024 issue widened by 26 bps.

While LGFA continues to provide cost savings to councils, our estimate of savings for AA-rated councils has diminished over the past six months. This is because although margins for our benchmark councils (Auckland and Dunedin) have widened, they have not widened as much as the LGFA margins. These two councils have not issued as much debt (\$50 million between them) compared to previous periods whereas LGFA remains a large issuer (\$710 million) over the same period. Our two benchmark councils also benefit from a general shortage of single name council debt since most councils are now borrowing from LGFA.

STATEMENT OF SERVICE PERFORMANCE

LGFA March 2019 and April 2020 secondary market credit margin over swap



From the table below we estimate that as at 31 December 2015, LGFA was saving AA-rated councils approximately 11 bps for a 2019 (four year) maturity.

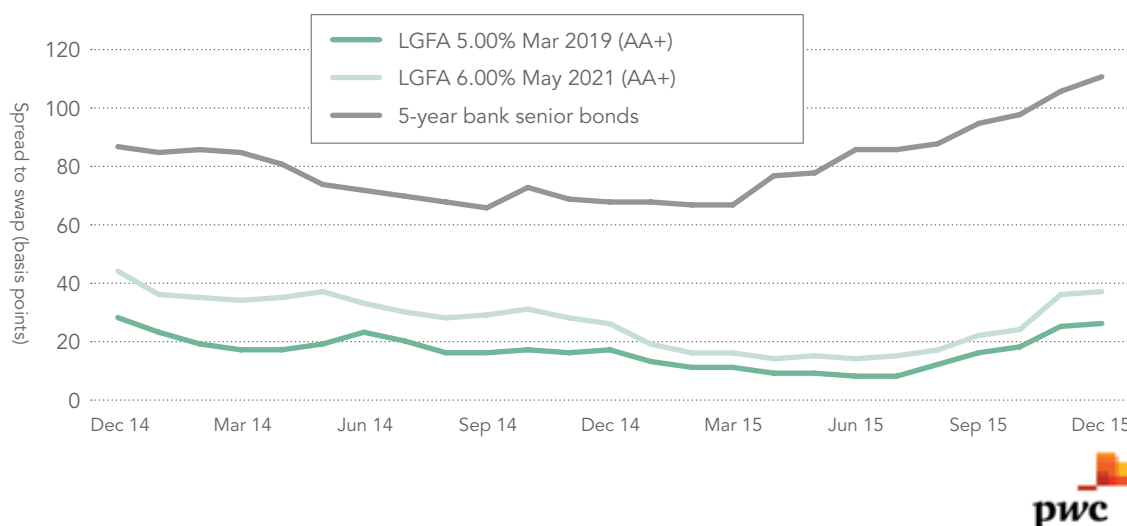
31 December 2015	Auckland 2019	Dunedin 2020	Dunedin 2021	Auckland 2022	Auckland 2025
AA-rated councils margin to swap	35	45	50	59	69
Less LGFA margin to swap	-25	-29	-35	-41	-54
LGFA Gross Funding Advantage	10	16	15	18	15
Less LGFA Base Margin	-9	-10	-10	-10.5	-11
LGFA Net Funding Advantage	1	6	5	7.5	4
Add 'LGFA Effect' *	10	10	10	10	10
Total Saving	11 bps	16 bps	15 bps	17.5 bps	14 bps

* The 'LGFA effect' represents the estimated conservative reduction in AA-rated council's margin to swap as a result of LGFA operations. From May to June 2012, the margin to swap for AA-rated councils fell by 10 bps, with no corresponding move in swap spreads for other borrowers. This suggests that potential access to cost-effective LGFA funding has enabled these councils to reduce their borrowing margin by around 10 bps.

It should be noted that although the costs savings for the sector have diminished over the past six months, LGFA remains the cheapest source of borrowing for the sector as illustrated in the following chart which shows the widening borrowing cost for banks.

STATEMENT OF SERVICE PERFORMANCE

LGFA March 2019 and April 2020 secondary market credit margin over swap



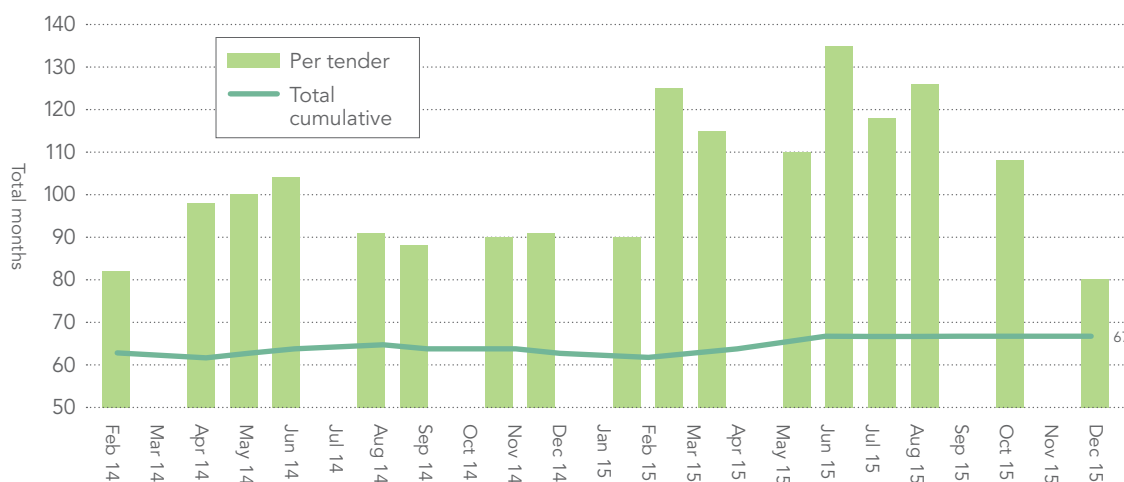
(ii) Making longer-term borrowings available to participating local authorities

Over the past six months, LGFA offered two maturity dates for borrowing in excess of seven years to participating councils:

- 15 April 2023 bond (seven years) and this maturity has comprised 15.5% of total issuance in the past six months, and
- 15 April 2027 (eleven years) and this maturity comprised 53.5% of our issuance in the past six months.

The following chart shows the average months to maturity for LGFA bonds issued at each tender, and the average months to maturity for all LGFA bonds outstanding at each tender. Over the past year the average maturity of LGFA bonds on issue has lengthened by four months to 67 months (despite a natural 12-month shortening in time).

Average total months to maturity

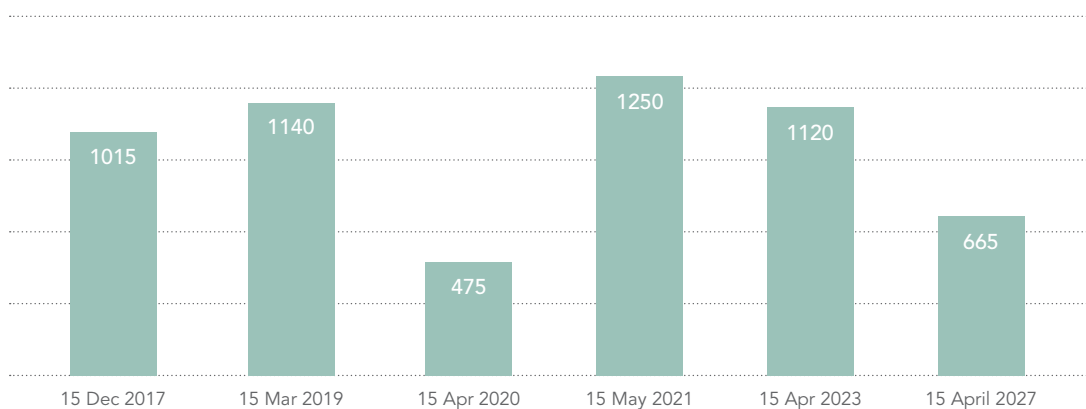


The average term of borrowing by Councils from LGFA was approximately 9.2 years for the six-month period to 31 December 2015. This compares favourably to the average term of 8.1 years for the 2014-15 year.

STATEMENT OF SERVICE PERFORMANCE

The following chart shows the total LGFA bond outstandings by maturity as at 31 December 2015.

LGFA bond outstandings as at 31 December 2015 (\$ million)



Over the six-month period to 31 December 2015 LGFA issued \$710 million of debt with a weighted average maturity of 8.9 years. This compares favourably to an average maturity for the 2014-15 year of 7.9 years. Approximately 69% of LGFA bond issuance for the six-month period was in the two longest dated maturities – 2023 and 2027.

July 2015 – December 2015 LGFA Bond Issuance

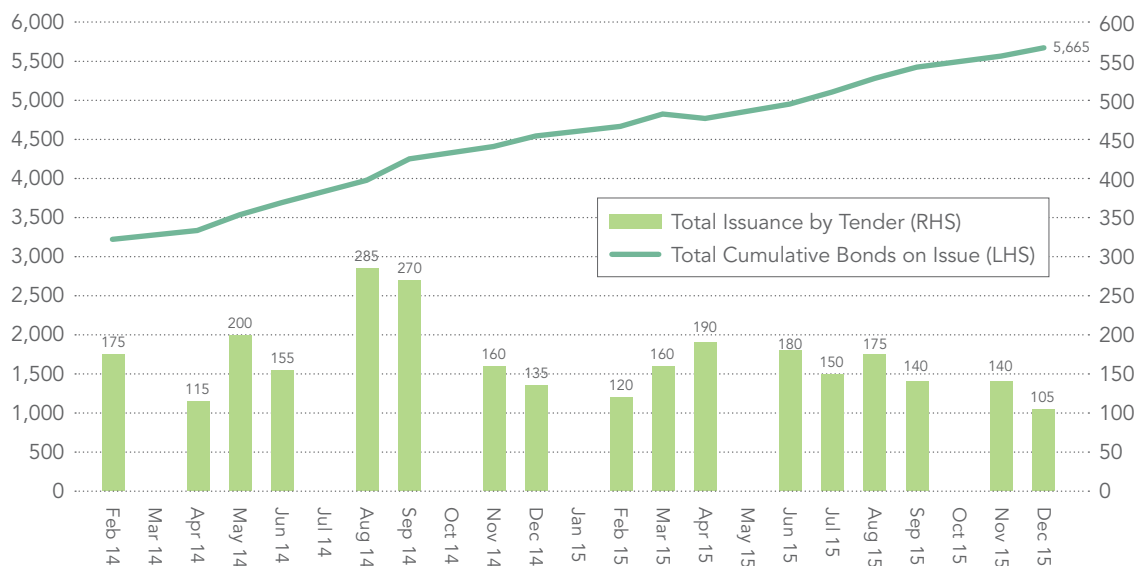
Dec-17	Mar-19	Apr-20	May-21	Apr-23	Apr-27	Total
\$ nil	\$30 million	\$110 million	\$80 million	\$110 million	\$380 million	\$710 million
0.0%	4.2%	15.5%	11.3%	15.5%	53.5%	100%

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

LGFA held five tenders during the six-month period to 31 December 2015, with an average tender volume of \$142 million. The volume offered at each tender ranged from \$105 million to \$175 million and all tenders were successful and fully subscribed. Total issuance during the six-month period of \$710 million resulted in nominal outstandings of LGFA bonds of \$5.655 billion as at 31 December 2015.

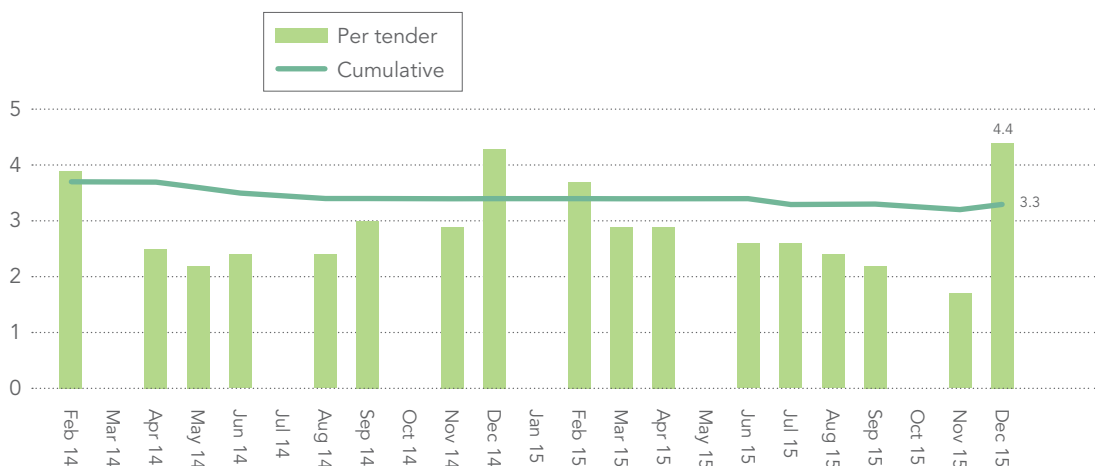
STATEMENT OF SERVICE PERFORMANCE

LGFA bond issuance by tender (\$ million)



Over the six-month period to 31 December 2015, total bids received across the five tenders were \$1.8 billion for the \$710 million of LGFA bonds offered resulting in a coverage ratio of 2.6 times. The LGFA cover ratio for each tender and the cumulative ratio for tenders over the past two years are shown in the following chart.

Tender cover ratio



While the coverage ratio for the past six months is lower than the average coverage ratio of 3.3 times since LGFA first commenced issuing in February 2012, this is not surprising given the longer duration of LGFA bonds being currently tendered, the smaller tranche sizes now being offered in the shorter dated LGFA maturities, tight spreads to both NZGB and swap and low outright yields. Furthermore, offshore investor demand for LGFA securities has been noted in the secondary market rather than at LGFA tenders.

While LGFA issues fixed coupon debt to investors, Councils were provided the choice of either fixed or floating rate borrowing for their borrowing from LGFA. Councils tend to borrow on a floating rate basis from LGFA.

STATEMENT OF SERVICE PERFORMANCE

Improved certainty of access for councils was achieved with the commencement of bespoke lending in February 2015 and short-dated lending (less than one-year terms) in November 2015. Bespoke lending allows councils to have flexibility in the tenor of their borrowing and the timing of their drawdown.

(iv) **Offering more flexible lending terms to Participating Local Authorities**

The successful introduction of bespoke lending and short-dated lending has provided councils with flexible lending conditions.

LGFA first offered bespoke lending in February 2015 where council borrowers could select their preferred borrowing maturity date and their preferred date of borrowing drawdown. In the six-month period to 31 December 2015 LGFA lent \$178 million on a bespoke basis across 23 transactions. Total bespoke lending outstanding as at 31 December 2015 was \$257 million.

LGFA first offered short-dated lending to councils in November 2015 and to date has lent \$44 million to three councils. Councils can now borrow on attractive terms out to 364 days where previously the shortest borrowing maturity was to December 2017.

1.2 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 head-room under LGFA policies and 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. LGFA assigns an internal credit rating to each of its council members as part of the review exercise. All council members were compliant with LGFA covenants at June 2015.

(ii) **LGFA will commence work on analysing finances at the Council group level in addition to parent level. Previously the analysis was undertaken at the Council parent level**

As in previous years we continue to analyse the financial position of each council on a Group basis where appropriate e.g. where council services are delivered through subsidiaries or holds substantial investments in subsidiaries.

(iii) **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 the OAG during the past six months and staff have met with DIA. LGFA has presented at each of the two LGNZ quarterly media briefings during the six-month period and authored the LGNZ report on local government sector finances in December 2015.

2 Additional objectives

LGFA has a number of additional objectives which complement the primary objectives. These additional objectives are to:

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 Statement of Intent

The LGFA's policy is to pay a dividend that provides an annual rate of return to shareholders equal to LGFA cost of funds plus 2% over the medium term.

STATEMENT OF SERVICE PERFORMANCE

Due to higher lending volumes and expenditure being contained close to budget we expect profitability to be sufficient to make a dividend payment.

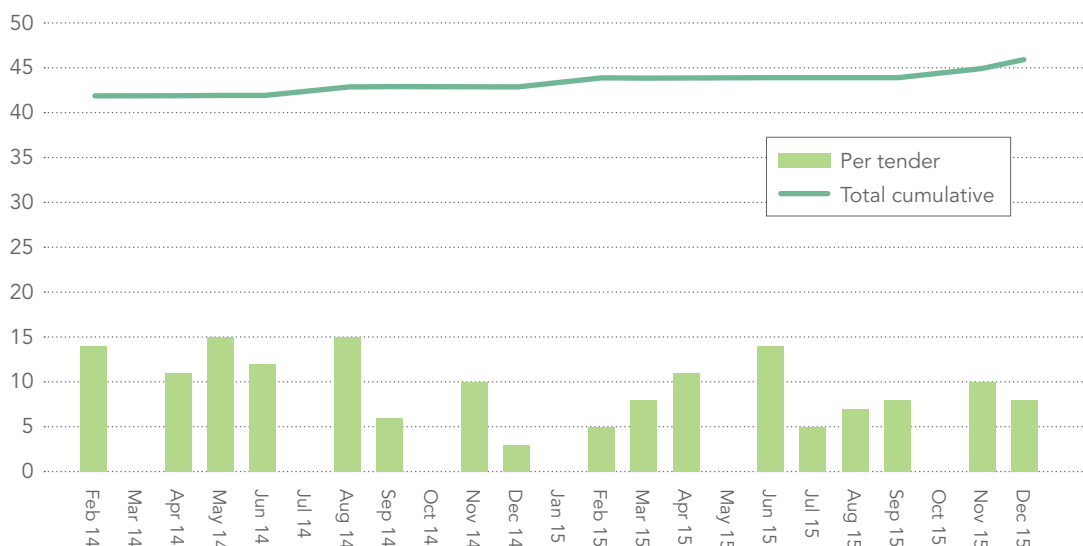
The decision to pay a dividend for the 2015-16 financial year is at the discretion of the LGFA Directors and will be made no later than the 30 September 2016.

2.2 Provide at least 50% of aggregate long-term debt funding for Participating Local Authorities

Two new councils joined LGFA in the six-month period: Buller District Council as a borrower and Canterbury Regional Council as a borrower and guarantor, bringing the total number of council members to 47. Councils have strongly supported LGFA and by 31 December 2015, 46 participating councils have borrowed from LGFA.

The strong council support for LGFA is demonstrated in the following chart which shows the progression of council participation.

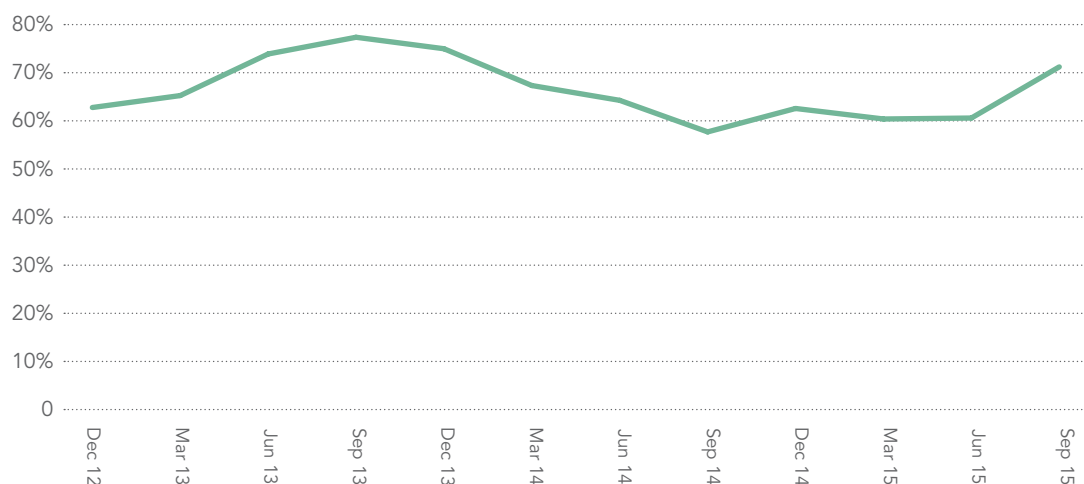
Participating councils



The following chart shows the LGFA market share of new local government debt issuance and is derived from data provided by PwC. Our share of long-term borrowing by the sector including non-members of LGFA was 71.3% for the twelve-month period to September 2015. The market share is influenced by the amount of debt issued by the sector's largest borrower, Auckland Council in its own name in the domestic market. If we exclude Auckland Council external borrowing from the data then our estimated market share for the year to September 2015 was 84%.

STATEMENT OF SERVICE PERFORMANCE

LGFA Market Share – rolling one year average



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 Statement of Intent

Issuance and Operating Expenses for the six-month period to December 2015 were \$2.82 million compared to a full year SOI forecast of \$5.94 million and as such expenses for the six-month period are slightly lower than budget.

Over the past six months, legal costs and expenses associated with the listing of LGFA bonds on the NZX debt markets were higher than planned. This was offset by a lower than forecast expenditure on AIL, NZDMO facility fee and general operating expenses.

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

On 10 November 2015, Standard & Poor's (S&P) affirmed LGFA's local currency credit rating at AA+ and foreign currency credit rating at AA. The outlook on both ratings is stable.

On 13 November 2015, Fitch affirmed LGFA's local currency credit rating at AA+ and foreign currency credit rating at AA. The outlook on both ratings is positive.

Both the S&P and Fitch ratings are the same as, and are capped by, New Zealand's sovereign credit ratings. Fitch has defined LGFA as a dependant Public Sector Entity and our credit rating is now explicitly linked to the New Zealand Sovereign credit rating.

2.5 Achieve the Financial Forecasts set out in section 4 of the Statement of Intent

LGFA's financial results for key items set out in section 4 of the SOI for the six-month period to 31 December 2015 are:

In \$ million	31 Dec 2015 Actual	30 June 2016 SOI Forecast
Net interest revenue	7.59	16.36
Issuance and operating expenses	(2.82)	(5.94)
Net Profit	4.77	10.42

STATEMENT OF SERVICE PERFORMANCE

Net interest revenue is expected to be lower than forecast for the full year due to lower interest rates reducing returns on the investment assets, differences in the accrual accounting treatment of the bonds and derivative positions, and timing differences associated with bespoke lending.

Issuance and operating expenses are \$159k below budget due to lower NZDMO facility charges and AIL.

2.6 Meet or exceed the Performance Targets outlined in section 5

Current performance targets	Full Year Target	Result as at Half Year	Outcome
1 Average cost of funds on debt issued relative to New Zealand Government Securities for the 12-month period	0.50%	0.69%	No (i)
2 Average base on-lending margin above LGFA's cost of funds	0.10%	0.114%	No (ii)
3 Annualised issuance and operating expenses	\$5.9 million	\$5.6 million	Yes
4 Lending to participating councils	\$5,885 million	\$5,665 million	Yes

(i) The average cost of funds of total bond issuance for the six-month period ending 31 December 2015 relative to NZGS was 0.69%. This compares to a spread of 0.64% for the six-month period to June 2015. The widening in the margin is due to a softening in credit market sentiment for non-sovereign bonds and the disproportionate amount of longer dated LGFA bonds issued (and hence a wider margin) over the past six months.

(ii) The average base on-lending margin has narrowed from 13 bps (0.13%) in the six-month period to 31 December 2015 but is still above the 10 bps (0.10%) target. The margin is a function of duration of council borrowing as the current margin is 0.09% for council borrowing to March 2019, 0.10% from April 2020 to May 2021 and 0.11% for terms longer than April 2023. Given that councils have been borrowing for longer tenors, the average margin is above 0.10%. Note that this margin calculation does not include any short-dated lending where the base margin is zero and LGFA only charges a credit margin. If short-dated lending was included then the average base on-lending margin would reduce to 0.107%.

2.7 Comply with its Treasury Policy, as approved by the Board

LGFA was compliant at all times with the Treasury Policy for the six-month period ending 31 December 2015.

FINANCIAL STATEMENTS



Upper Hutt Train Station. A joint project with Wellington Regional Council. Upper Hutt City Council.

CONTENTS

Directors' declaration	21
Financial statements	22
Statement of comprehensive income	22
Statement of changes in equity.....	23
Statement of financial position.....	24
Statement of cash flows	25
Notes to financial statements	26
1 Statement of accounting policies	26
a) Reporting entity	26
b) Basis of preparation.....	26
c) Financial instruments	26
d) Other assets.....	27
e) Other liabilities	27
f) Revenue and expenses.....	27
g) Lease payments.....	28
h) Segment reporting	28
i) Judgements and estimations.....	28
2 Hedge accounting	29
3 Issuance and on-lending expenses.....	29
4 Operating expenses	30
5 Loans to local government.....	31
6 Bonds issued	33
7 Borrower notes	33
8 Other assets.....	36
9 Reconciliation of net profit/(loss) to cash flow from operating activities	36
10 Share capital	36
11 Related parties.....	38
12 Subsequent events	38

DIRECTORS' DECLARATION

In the opinion of the directors of the New Zealand Local Government Funding Agency Limited, the financial statements and notes on pages 22 to 38:

- Comply with New Zealand generally accepting accounting practice and give a true and fair view of the financial position of the Company as at 31 December 2015, 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 Reporting Act 1993.

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



C. Stobo, Director
29 February 2016



A. Foote, Director
29 February 2016

STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 December 2015 (unaudited) in \$000s

	Note	31 December 2015 Unaudited	31 December 2014 Unaudited
Interest income from			
Cash and cash equivalents		635	848
Loans to local government		108,035	95,394
Marketable securities		598	130
Deposits		2,037	1,197
Derivatives		22,912	7,052
Fair value hedge ineffectiveness	2	-	-
Total interest income		134,217	104,621
Interest expense on			
Bills		542	
Bonds		124,476	96,602
Borrower notes		1,606	1,419
Total interest expense		126,624	98,021
Net interest income		7,593	6,600
Operating expenses			
Issuance and on-lending expenses	3	1,556	1,027
Operating expenses	4	1,268	1,105
Total expenses		2,824	2,132
Net operating profit		4,769	4,468
Total comprehensive income for the period		4,769	4,468

These statements are to be read in conjunction with the notes to the financial statements

STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2015 (unaudited) in \$000s

	Note	Share Capital	Retained earnings	Total equity
Equity as at 30 June 2015	10	25,000	11,287	36,287
Net operating profit			4,769	4,769
Total comprehensive income for the period			4,769	4,769
Transactions with owners:				-
Dividend paid on 15 October 2015			(1,603)	(1,603)
Equity as at 31 December 2015	10	25,000	14,453	39,453

For the six months ended 31 December 2014 (unaudited) in \$000s

	Note	Share Capital	Retained earnings	Total equity
Equity as at 30 June 2014		25,000	3,848	28,848
Net operating profit			4,468	4,468
Total comprehensive income for the period			4,468	4,468
Transactions with owners:				-
Dividend paid on 15 October 2014			(1,765)	(1,765)
Equity as at 31 December 2014		25,000	6,551	31,551

These statements are to be read in conjunction with the notes to the financial statements

STATEMENT OF FINANCIAL POSITION

As at 31 December 2015 (unaudited) in \$000s

	Note	31 December 2015 Unaudited	30 June 2015	31 December 2014 Unaudited
Assets				
Financial assets				
Cash and bank balances		42,409	31,708	31,983
Trade and other receivables			38	1
Short-term loans to local government	5	44,071	-	-
Loans to local government	5	5,733,848	5,031,942	4,571,548
Marketable securities		94,861	5,345	10,196
Deposits		105,967	70,896	107,341
Derivatives in gain		298,392	270,503	179,289
Non-financial assets				
Prepayments		805	325	446
Property, plant and equipment		1,011	1,081	510
Total assets		6,321,364	5,411,838	4,901,314
Equity				
Share capital		25,000	25,000	25,000
Retained earnings		9,684	11,287	2,083
Total comprehensive income / (deficit) for the period		4,769	-	4,468
Total equity		39,453	36,287	31,551
Liabilities				
Financial liabilities				
Trade and other payables		457	444	3,139
Accrued expenses		455	344	557
Bills		148,952	-	-
Bonds	6	6,034,179	5,274,319	4,770,050
Borrower notes	7	97,868	85,120	76,462
Derivatives in loss		-	15,324	19,555
Total liabilities		6,281,911	5,375,551	4,869,763
Total equity and liabilities		6,321,364	5,411,838	4,901,314

These statements are to be read in conjunction with the notes to the financial statements

STATEMENT OF CASH FLOWS

For the six months ended 31 December 2015 (unaudited) in \$000s

	Note	31 December 2015 Unaudited	31 December 2014 Unaudited
Cash flow from operating activities			
Cash applied to loans to local government		(746,138)	(823,027)
Interest paid on bonds issued		(134,839)	(106,325)
Interest paid on borrower notes		(57)	-
Interest paid on loans		(26)	-
Interest received from cash & cash equivalents		635	848
Interest received from loans to local government		108,270	89,345
Interest received from marketable securities		756	89
Interest received from deposits		1,966	1,398
Net interest on derivatives		32,147	21,091
Payments to suppliers and employees		(3,051)	(2,017)
Net cash flow from operating activities	9	(740,337)	(818,598)
Cash flow from investing activities			
Purchase of marketable securities		(89,745)	(10,155)
Purchase of deposits		(35,000)	(58,000)
Purchase of plant and equipment		(4)	(91)
Net cash flow from investing activities		(124,749)	(68,246)
Cash flow from financing activities			
Dividends paid		(1,608)	(1,765)
Cash proceeds from borrower notes		11,200	13,152
Cash proceeds from bonds issued		744,807	854,603
Cash proceeds from bills issued		148,410	-
Cash applied to derivatives		(27,022)	(2,289)
Net cash flow from financing activities		875,787	863,701
Net increase / (decrease) in cash		10,701	(23,143)
Cash and cash equivalents at beginning of year		31,708	55,126
Cash and cash equivalents at end of period		42,409	31,983

These statements are to be read in conjunction with the notes to the financial statements

NOTES TO THE FINANCIAL STATEMENTS

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 for the six-month period ended 31 December 2015.

These financial statements were authorised for issue by the Directors on 29 February 2016.

b 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

There have been no changes in accounting policies.

Early adoption standards and interpretations

The following accounting standard has been early adopted by LGFA.

NZ IFRS 9: Financial Instruments. The first two phases of this new standard were approved by the Accounting Standards Review Board in November 2009 and November 2010. These phases address the issues of classification and measurement of financial assets and financial liabilities.

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. Those which may be relevant to LGFA are as follows:

- NZ IFRS 9: Financial Instruments (2014) – Effective for periods beginning on or after 1 January 2018. This standard aligns hedge accounting more closely with the risk management activities of the entity and adds requirements relating to the accounting for an entity's expected credit losses on its financial assets and commitments to extend credit.

c 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.

NOTES TO THE FINANCIAL STATEMENTS

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 assessment is made whether a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s), and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

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.

d 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 acquired and internally developed computer software 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 (3 to 7 years). Costs associated with maintaining computer software are recognised as expenses when incurred.

e 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.

f 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.

NOTES TO THE FINANCIAL STATEMENTS

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.

g 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.

h Segment reporting

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

i 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, 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

2 Hedge accounting

LGFA is exposed to interest rate risk from fixed rate borrowing and variable rate lending to councils. LGFA manages this interest rate risk through the use of interest rate swaps. For hedge accounting purposes, LGFA has designated these swaps in fair value relationships to its fixed rate borrowing.

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 six months ended 31 December 2015 <i>in \$000s</i>	2015 Gain/(loss) Unaudited	2014 Gain/(loss) Unaudited
Hedging instruments – interest rate swaps	127,024	99,404
Hedged item attributable to the hedged risk – fixed rate bonds	(127,024)	(99,404)
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) 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.

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 six months ended 31 December 2015 <i>in \$000s</i>	2015 Unaudited	2014 Unaudited
NZDMO facility fee	200	100
NZDMO processing fees	-	77
NZX	56	-
Rating agency fees	255	250
Legal fees for issuance	171	59
Regulatory, registry, other fees	14	11
Trustee fees	50	51
Approved issuer levy	751	463
Promotion/roadshow	-	16
Information Services ⁽¹⁾	59	-
	1,556	1,027

¹ Information services expenses were included in NZDMO processing fees in the 31 December 2014 Half Year Report.

NOTES TO THE FINANCIAL STATEMENTS

4 Operating expenses

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

For the six months ended 31 December 2015 <i>in \$000s</i>	2015 Unaudited	2014 Unaudited
Consultants ⁽¹⁾	75	-
Directors' fees	144	135
Insurance	31	31
Legal fees	19	62
Other Expenses	361	339
Auditors' remuneration : Statutory Audit	21	23
Personnel	617	515
	1,268	1,105

¹ The cost of consultants relates primarily to the treasury system and was included in Other Expenses in the 31 December 2014 Half Year report.

NOTES TO THE FINANCIAL STATEMENTS

5 Loans to local government

Includes loans and short-term loans to local government.

As at 31 December 2015 (unaudited) in \$000s	Face value	Unamortised Premium / (Discount)	Accrued interest	Total
Ashburton District Council	15,000	768	116	15,884
Auckland Council	1,957,000	16,602	12,362	1,985,964
Buller District Council	20,000	-	2	20,002
Canterbury Regional Council	15,000	-	29	15,029
Christchurch City Council	1,050,000	3,144	5,692	1,058,836
Far North District Council	10,000	-	47	10,047
Gisborne District Council	17,000	-	71	17,071
Greater Wellington Regional Council	205,000	-	721	205,721
Grey District Council	20,000	545	164	20,709
Hamilton City Council	225,000	-	782	225,782
Hastings District Council	50,000	-	205	50,205
Hauraki District Council	36,011	-	149	36,161
Horizons Regional Council	10,000	-	18	10,018
Horowhenua District Council	47,000	572	364	47,936
Hurunui District Council	15,000	-	80	15,080
Hutt City Council	79,000	246	558	79,804
Kapiti Coast District Council	150,000	-	513	150,513
Manawatu District Council	41,000	15	290	41,306
Marlborough District Council	28,000	(115)	179	28,064
Masterton District Council	44,000	-	200	44,200
Matamata-Piako District Council	24,500	-	86	24,586
Nelson City Council	35,000	-	173	35,173
New Plymouth District Council	61,000	-	229	61,229
Opotiki District Council	5,000	183	43	5,226
Otorohanga District Council	9,000	204	76	9,280
Palmerston North City Council	77,000	-	352	77,352
Porirua City Council	23,500	-	135	23,635
Queenstown Lakes District Council	75,000	1,006	476	76,482
Rotorua District Council	92,197	522	457	93,176
Selwyn District Council	35,000	-	66	35,066
South Taranaki District Council	62,000	-	279	62,279
Taranua District Council	9,000	-	39	9,039
Tasman District Council	90,000	-	372	90,372
Taupo District Council	125,000	-	511	125,511
Tauranga City Council	245,000	672	1,152	246,823
Thames-Coromandel District Council	35,000	-	81	35,081
Timaru District Council	51,000	39	318	51,356
Upper Hutt City Council	22,500	-	100	22,600
Waikato District Council	50,000	-	189	50,189
Waimakariri District Council	75,000	301	642	75,943
Waipa District Council	13,000	-	21	13,021
Wellington City Council	208,000	-	995	208,995
Western Bay Of Plenty District Council	70,000	-	276	70,276
Whakatane District Council	28,000	-	90	28,090
Whanganui District Council	41,000	-	192	41,192
Whangarei District Council	127,035	41	541	127,617
	5,722,743	24,744	30,431	5,777,919

NOTES TO THE FINANCIAL STATEMENTS

5 Loans to local government (continued)

As at 30 June 2015 in \$000s	Face value	Unamortised Premium / (Discount)	Accrued interest	Total
Ashburton District Council	15,000	829	113	15,941
Auckland Council	1,725,000	16,818	11,396	1,753,214
Buller District Council	-	-	-	-
Canterbury Regional Council	-	-	-	-
Christchurch City Council	932,500	3,219	5,463	941,183
Far North District Council	10,000	-	55	10,055
Gisborne District Council	17,000	-	51	17,051
Greater Wellington Regional Council	155,000	-	741	155,741
Grey District Council	20,000	592	163	20,754
Hamilton City Council	225,000	-	771	225,771
Hastings District Council	50,000	-	204	50,204
Hauraki District Council	34,000	-	184	34,184
Horizons Regional Council	10,000	-	18	10,018
Horowhenua District Council	47,000	618	366	47,985
Hurunui District Council	12,000	-	67	12,067
Hutt City Council	49,000	281	401	49,682
Kapiti Coast District Council	130,000	-	480	130,480
Manawatu District Council	41,000	27	303	41,330
Marlborough District Council	28,000	-129	175	28,046
Masterton District Council	40,000	-	194	40,194
Matamata-Piako District Council	24,500	-	98	24,598
Nelson City Council	25,000	-	150	25,150
New Plymouth District Council	56,000	-	221	56,221
Opotiki District Council	3,500	49	25	3,574
Otorohanga District Council	9,000	235	73	9,308
Palmerston North City Council	77,000	-	376	77,376
Porirua City Council	20,000	-	140	20,140
Queenstown Lakes District Council	60,000	1,096	444	61,539
Rotorua District Council	55,000	599	573	56,172
Selwyn District Council	35,000	-	66	35,066
South Taranaki District Council	62,000	-	234	62,234
Taranaki District Council	9,000	-	45	9,045
Tasman District Council	90,000	-	428	90,428
Taupo District Council	100,000	-	423	100,423
Tauranga City Council	215,000	525	1,062	216,587
Thames-Coromandel District Council	35,000	-	89	35,089
Timaru District Council	51,000	45	334	51,378
Upper Hutt City Council	18,000	-	72	18,072
Waikato District Council	50,000	-	215	50,215
Waimakariri District Council	55,000	324	409	55,733
Waipa District Council	13,000	-	22	13,022
Wellington City Council	138,000	-	712	138,712
Western Bay Of Plenty District Council	70,000	-	127	70,127
Whakatane District Council	28,000	-	101	28,101
Whanganui District Council	41,000	-	182	41,182
Whangarei District Council	98,000	43	507	98,550
	4,978,500	25,170	28,272	5,031,942

NOTES TO THE FINANCIAL STATEMENTS

6 Bonds issued

As at 31 December 2015 (unaudited) in \$'000s		Face value	Unamortised premium / (discount)	Accrued interest	Fair value hedge adjustment	Total
15 December 2017	6% coupon	1,015,000	32,261	2,829		1,050,090
15 March 2019	5% coupon	1,140,000	31,203	16,912		1,188,115
15 April 2020	3% coupon	475,000	(21,126)	3,037		456,911
15 May 2021	6% coupon	1,250,000	76,279	9,684		1,335,963
15 April 2023	5.5% coupon	1,120,000	51,323	13,128		1,184,451
15 April 2027	4.5% coupon	665,000	20,248	6,377		691,625
Fair value hedge adjustment					127,024	127,024
		5,665,000	190,188	51,967	127,024	6,034,179

As at 30 June 2015 in \$'000s		Face value	Unamortised premium / (discount)	Accrued interest	Fair value hedge adjustment	Total
15 December 2017	6% coupon	1,015,000	40,097	2,496		1,057,593
15 March 2019	5% coupon	1,110,000	33,719	16,137		1,159,856
15 April 2020	3% coupon	365,000	(21,839)	2,274		345,435
15 May 2021	6% coupon	1,170,000	72,162	8,775		1,250,937
15 April 2023	5.5% coupon	1,010,000	41,034	11,535		1,062,569
15 April 2027	4.5% coupon	285,000	8,683	2,663		296,346
Fair value hedge adjustment					101,583	101,583
		4,955,000	173,856	43,880	101,583	5,274,319

7 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.

NOTES TO THE FINANCIAL STATEMENTS

7 Borrower notes (continued)

As at 31 December 2015 (unaudited) in \$000s	Face value	Accrued interest	Total
Ashburton District Council	240	25	265
Auckland Council	31,312	2,566	33,878
Buller District Council	320	1	321
Canterbury Regional Council	240	0	240
Christchurch City Council	16,800	1,225	18,025
Far North District Council	160	15	175
Gisborne District Council	272	16	288
Greater Wellington Regional Council	3,280	202	3,482
Grey District Council	320	31	351
Hamilton City Council	3,600	378	3,978
Hastings District Council	800	73	873
Hauraki District Council	544	35	579
Horizons Regional Council	160	14	174
Horowhenua District Council	752	66	818
Hurunui District Council	240	11	251
Hutt City Council	1,264	58	1,322
Kapiti Coast District Council	2,400	200	2,600
Manawatu District Council	656	50	706
Marlborough District Council	448	29	477
Masterton District Council	704	64	768
Matamata-Piako District Council	392	31	423
Nelson City Council	560	30	590
New Plymouth District Council	976	79	1,055
Opotiki District Council	80	2	82
Otorohanga District Council	144	17	161
Palmerston North City Council	1,232	85	1,317
Porirua City Council	376	17	393
Queenstown Lakes District Council	1,200	96	1,296
Rotorua District Council	880	98	978
Selwyn District Council	560	76	636
South Taranaki District Council	992	71	1,063
Tararua District Council	144	9	153
Tasman District Council	1,440	127	1,567
Taupo District Council	2,000	151	2,151
Tauranga City Council	3,920	326	4,246
Thames-Coromandel District Council	560	44	604
Timaru District Council	816	74	890
Upper Hutt City Council	360	16	376
Waikato District Council	800	63	863
Waimakariri District Council	1,200	51	1,251
Waipa District Council	208	18	226
Wellington City Council	3,328	163	3,491
Western Bay Of Plenty District Council	1,120	90	1,210
Whakatane District Council	448	38	486
Whanganui District Council	656	46	702
Whangarei District Council	1,952	134	2,086
	90,856	7,012	97,868

NOTES TO THE FINANCIAL STATEMENTS

7 Borrower notes (continued)

As at 30 June 2015 in \$000s	Face value	Accrued interest	Total
Ashburton District Council	240	19	259
Auckland Council	27,600	1,999	29,599
Buller District Council	-	-	-
Canterbury Regional Council	-	-	-
Christchurch City Council	14,920	920	15,840
Far North District Council	160	12	172
Gisborne District Council	272	11	283
Greater Wellington Regional Council	2,480	153	2,633
Grey District Council	320	24	344
Hamilton City Council	3,600	311	3,911
Hastings District Council	800	58	858
Hauraki District Council	544	26	570
Horizons Regional Council	160	11	171
Horowhenua District Council	752	50	802
Hurunui District Council	192	7	199
Hutt City Council	784	40	824
Kapiti Coast District Council	2,080	161	2,241
Manawatu District Council	656	37	693
Marlborough District Council	448	19	467
Masterton District Council	640	51	691
Matamata-Piako District Council	392	25	417
Nelson City Council	400	22	422
New Plymouth District Council	896	61	957
Opotiki District Council	56	1	57
Otorohanga District Council	144	14	158
Palmerston North City Council	1,232	63	1,295
Porirua City Council	320	11	331
Queenstown Lakes District Council	960	74	1,034
Rotorua District Council	880	77	957
Selwyn District Council	560	66	626
South Taranaki District Council	992	53	1,045
Tararua District Council	144	6	150
Tasman District Council	1,440	101	1,541
Taupo District Council	1,600	117	1,717
Tauranga City Council	3,440	259	3,699
Thames-Coromandel District Council	560	34	594
Timaru District Council	816	57	873
Upper Hutt City Council	288	11	299
Waikato District Council	800	49	849
Waimakariri District Council	880	30	910
Waipa District Council	208	15	223
Wellington City Council	2,208	115	2,323
Western Bay Of Plenty District Council	1,120	126	1,246
Whakatane District Council	448	30	478
Whanganui District Council	656	34	690
Whangarei District Council	1,568	102	1,670
	79,656	5,464	85,120

NOTES TO THE FINANCIAL STATEMENTS

8 Other Assets

As at 31 December 2015, property, plant and equipment comprised:

<i>in \$000s</i>	31 December 2015 Unaudited	30 June 2015
Property, plant and equipment	50	46
Intangible assets	961	1,035
Total Other Assets	1,011	1,081

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

<i>For the six months ended 31 December 2015</i> <i>in \$000s</i>	2015 Unaudited	2014 Unaudited
Net profit/(loss) for the period	4,769	4,468
Cash applied to loans to local government	(746,139)	(823,027)
Non-cash adjustments		
Amortisation and depreciation	1,261	314
Working capital movements		
Net change in trade debtors and receivables	51	39
Net change in prepayments	(481)	(220)
Net change in accruals	202	(172)
Net cash from operating activities	740,337	(818,598)

10 Share capital

Share capital

As at 31 December 2015 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.

As at 31 December 2015, the shareholding of the New Zealand Government had been fully paid up. For all other shareholders, 50% of the shareholding had been called.

NOTES TO THE FINANCIAL STATEMENTS

10 Share capital (continued)

Shareholder information	31 December 2015		30 June 2015	
	Number of shares	Percentage	Number of shares	Percentage
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	3,731,960	8.3%	3,731,960	8.3%
Greater Wellington Regional Council	3,731,960	8.3%	3,731,960	8.3%
Tasman District Council	3,731,960	8.3%	3,731,960	8.3%
Tauranga City Council	3,731,960	8.3%	3,731,960	8.3%
Wellington City Council	3,731,960	8.3%	3,731,960	8.3%
Western Bay of Plenty District Council	3,731,960	8.3%	3,731,960	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%
Wanganui District Council	200,000	0.4%	200,000	0.4%
Whakatane District Council	200,000	0.4%	200,000	0.4%
	45,000,000	100%	45,000,000	100%

NOTES TO THE FINANCIAL STATEMENTS

11 Related parties

Identity of related parties

The Company is related to the local authorities set out in the Shareholder Information by shareholding.

The Company operates under a Statement of Intent with the respective local authorities that requires the Company to provide debt to them at the lowest possible interest rates and to enhance their certainty of access to debt markets.

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 recognized on this lending is shown in the Statement of Comprehensive Income.

The purchase of LGFA borrower notes by participating councils is disclosed in note 7, and the interest expense on these is shown in the Statement of comprehensive income.

12 Subsequent events

There have been no significant events after balance date that have affected the accuracy of these financial statements.

Subsequent to balance date, on 26 January 2016 Fitch Ratings revised the Rating Outlook of LGFA from Positive to Stable. The Long-Term Local Currency Issuer Default Rating (IDR) is affirmed at 'AA+' and Long-Term Foreign Currency IDR at 'AA'. The Rating Outlook revision followed Fitch Ratings revision of the outlook on the New Zealand Government to Stable.

Subsequent to balance date, LGFA has issued \$120 million in bonds through a tender on 17 February 2016.

Right: Creation of a two-lane route at Narrow Bridge, Ngatimoti. Tasman District Council.

Back Cover: Construction of the Waimate West production bore in the Waimate West Water Supply. South Taranaki District Council.

DIRECTORY

Postal address

PO Box 5704, Lambton Quay, Wellington 6145

Street address

WELLINGTON

Level 8, City Chambers
142 Featherston Street, Wellington 6011

AUCKLAND

Level 12, West Plaza Tower
Corner Albert and Custom Street, Auckland 1010

Office hours

Monday through Friday, 09.00-17.30 hrs
Except Public Holidays

Phone +64 4 974 6530

Personnel e-mail addresses

firstname.lastname@lgfa.co.nz

Website lgfa.co.nz

 **Follow us** twitter.com/nzlgfa

BOND REGISTRAR

Computershare Investor Services Limited
159 Hurstmere Road, Takapuna, Auckland
0622

Managing Your Bondholding Online:

To change your address, update your payment instructions and to view your registered details including transactions, please visit; www.investorcentre.com/nz

General enquiries can be directed to;

Email enquiry@computershare.co.nz

Private bag 92119, Auckland 1142

Phone +64 9 488 8777

Please assist our registrar by quoting your CSN or holder number.



LGFA



NEW ZEALAND
LOCAL GOVERNMENT
FUNDING AGENCY

