

ANNUAL REPORT 30 JUNE 2025

**Benefiting communities through  
delivering efficient financing  
for local government.**

**Ka whiwhi painga ngā hāpori  
mā te whakarato pūtea  
tōtika ki ngā kaunihera.**



**LGFA**



New Zealand Local  
Government Funding Agency  
Te Pūtea Kāwanatanga ā-rohe



# Contents

## Ngā Ihirangi

### Message from the Chair and Chief Executive

He karere nā te Heamana me te Tumu  
Whakarae

### 5-year summary

He whakarāpopoto 5-tau

### Our history

Rārangi wā

### Funding and markets

Te pūtea me ngā māketē

### Lending to the local government sector

Te hoatu taurewa ki te rāngai kāwanatanga  
ā-rohe

### Industry leadership and engagement

Te ārahitanga me te tūhononga i te ahumahi

### Sustainable funding and lending

Te pūtea me te hoatu taurewa toitū

### Governance

Te mana urungi

### People and culture

Ngā tāngata me te ahurea

### Managing risk

Te whakahaere tūraru

### Performance against objectives

Te whakatutukinga ki ngā whāinga

3

5

6

8

11

14

16

22

33

35

38

### Financial statements

Ngā Tauākī Ahumoni

Statement of comprehensive income

Statement of changes in equity

Statement of financial position

Statement of cash flows

Notes to the financial statements

### Other disclosures

He whākitanga anō

### Directory

Rārangi tauwaea

44

44

45

46

47

48

75

76

Cover photo: Te Ngaengae Pool + Fitness, New Zealand's first aquatic centre to achieve a 5 Green Star rating, setting a national benchmark for low-carbon infrastructure. **Hutt City Council**

Contents photo: The Waterfront Playground in Tauranga City Centre is a bold celebration of culture, creativity, and community. **Tauranga City Council**



# Message from the Chair and Chief Executive

## He karere nā te Heamana me te Tumu Whakarae

### For the year ended 30 June 2025

The 2024-25 year was a period of strong financial and non-financial outcomes alongside the delivery of new initiatives to sustain the business.

LGFA delivered a record financial outcome for the year ending 30 June 2025. Whilst the year focused on meeting the needs of stakeholders, the organisation also delivered initiatives which will help underpin the success of the business well into the future. These include:

- Broadening LGFA's funding by establishing a European Medium Term Notes (EMTN) programme to join LGFA's existing AUD and NZD Bond programmes;
- Negotiating a refreshed Crown Liquidity Facility which will be upsized and extended in tenor;
- The improvement by two notches of LGFA's Stand Alone Credit Profile under the revised credit rating methodology of S&P Global Ratings; and
- Introducing more flexible financing for high growth councils, and enabling lending to new water Council-controlled organisations (CCOs).

We believe these important foundations position LGFA well to meet its purpose of delivering efficient financing for local government.

We established the EMTN programme in January 2025 and in March issued NZ\$2.24 billion worth of CHF, EUR, and USD denominated bonds. This issuance, combined with the AUD issuance in August 2024 under our Australian Dollar programme, delivered 59% of our annual funding requirement at a cost of borrowing (when fully hedged back into NZD) lower than our NZ bonds.

Our LGFA NZD Bond Repurchase programme was established in May 2025 and we began conducting weekly repurchase tenders. This supports our liquidity management, reduces refinancing risk, and provides added support to the market for our bonds on issue.

In August 2024, as part of Central Government's Local Water Done Well programme, LGFA announced that financially supported water CCOs would be able to join LGFA and access competitive financing through our range of lending products. We have continued to work with the Minister of Local Government and officials, regulators, councils and their advisers to ensure a successful outcome for our council members as they implement water reform.

In November 2024, our shareholders resolved to allow the LGFA Board to grant bespoke financial covenants to assist high growth councils meet their infrastructure financing requirements.

Over the past several years we have looked for ways to deliver operational efficiency for our council borrowers. We are looking forward to councils adopting these changes in the coming financial year that will reduce administration requirements relating to the Section 118 and Global Security Stock Certificates.

Our strong ties to Central Government were affirmed with the Minister of Local Government announcing an extension and upsizing of the Crown Liquidity Facility provided to LGFA. This strengthened



relationship to Central Government alongside the initiatives undertaken at the start of the financial year to improve our financial position and capital base ensured our credit rating remains the same as the New Zealand Government. Under the revised ratings methodology announced by S&P Global Ratings Limited (S&P), our Stand Alone Credit Profile improved by two notches to AA+. This is a strong outcome given that many councils' credit ratings were lowered by S&P due to a weakening credit outlook by S&P over the year.

## 2024-25 Financial and operational performance

Directors are pleased we have delivered a record financial and operational performance:

**Total interest income** for the financial year was NZ\$1,267 million, a 4% increase over the prior year.

**Total operating income** of NZ\$35.6 million was \$4.4 million above the Statement of Intent (SOI) forecast primarily due to our offshore cost of borrowing being lower (after hedging costs) than borrowing in the domestic debt capital markets. Larger holdings of liquid assets also improved income.

**Operating expenses**, excluding Approved Issuer Levy (AIL), at NZ\$11.2 million were \$0.2 million under the SOI forecast. AIL expense for the year totalled \$5.3 million, in line with our SOI forecast.

**Net operating profit** rose to NZ\$19.0 million, up 89% from the previous year.

## Lending activity

Long-term lending totalled NZ\$4.15 billion during the year as members refinanced loans and increased borrowing to finance infrastructure projects. Sustainable lending under our Green, Social and Sustainability Loans and Climate Action Loans was 24% of total lending during the year. Our lending over the year represented an estimated 75% of all council long-term borrowing. Short-term lending at year end was \$1.05 billion, a 77% increase over the prior year.

We welcomed three new CCO members during the year with Christchurch City Holdings Limited, Far North District Holdings Limited, and Timaru District Holdings Limited joining.

Over the year, LGFA operations processed over 16,000 transactions with total gross cash flows of \$73 billion. This included 2,500 new trades, and all transactions were completed without settlement errors. Where possible, LGFA employ straight-through processing to minimise operational risk across our treasury operations.

## Statement of Intent targets

We achieved 17 out of 21 performance targets outlined in our Statement of Intent for the year. Two unmet targets were due to lower-than-forecast lending requirements from members. Additionally, there was a breach of the Foundation Policy where the nominal amount of loans to a guarantor exceeded the \$20 million limit by \$186k. The breach occurred because of the refinancing of a long term loan with a short-term loan and the excess loan amount was repaid immediately and there was no financial loss to LGFA. Finally, while our market share remains high, it did dip below our 80% performance target over the year.

## Stakeholder engagement

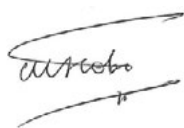
Over the year, LGFA held over 100 meetings with our council and CCO members, a higher than usual number driven by our support in assisting councils and their advisors develop water service delivery plans.

We continue to invest in sustainability initiatives and support the sector through increasing our engagement on sustainability. This included discussions with members on how LGFA can help councils with sustainability financing. In March 2025, we hosted the inaugural LGFA Sustainable Finance Series, featuring panel discussions and keynote presentations from council representatives, our Sustainability Committee, management team, and Hon. James Shaw, former NZ Climate Change Minister. The sessions attracted up to 180 attendees from 54 councils. We plan to continue this initiative in the future.

## Acknowledgements

Over the past year, LGFA received the KangaNews Award for the New Zealand Dollar Rates Deal and the New Zealand Sustainability Deal of the year for the 2032 Sustainable Financing Bond. The Agency's work and success cannot be achieved without the support of our staff, fellow directors, Shareholders Council, The Treasury, Department of Internal Affairs and the Minister of Local Government and Minister of Finance, all whose efforts and support should be acknowledged.

We believe the Agency's future remains positive and look forward to working with all stakeholders in the year ahead.







**Craig Stobo**  
Chair, LGFA Board



**Mark Butcher**  
Chief Executive

# 5-year summary

## He whakarāpopoto 5-tau

	2025	2024	2023	2022	2021
 <b>Financial Statements</b>	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>
Net interest income	34.7	19.5	10.3	17.5	19.5
<b>Net operating profit</b>	<b>18.9</b>	<b>10.1</b>	<b>2.5</b>	<b>10.7</b>	<b>12.0</b>
Total comprehensive income	10.4	9.1	2.5	10.7	12.0
Loans to local government sector	22,657	20,549	16,314	14,042	12,066
Other assets	3,810	2,959	1,861	2,208	2,419
<b>Total assets</b>	<b>26,467</b>	<b>23,508</b>	<b>18,175</b>	<b>16,250</b>	<b>14,485</b>
Bills / ECP on issue	1,605	920	792	563	610
Bonds on issue	22,653	21,306	15,943	14,016	13,218
Other liabilities	2,087	2,089	2,126	2,130	1,173
<b>Total liabilities</b>	<b>26,345</b>	<b>23,395</b>	<b>18,069</b>	<b>16,146</b>	<b>14,390</b>
<b>Equity</b>	<b>121</b>	<b>113</b>	<b>106</b>	<b>105</b>	<b>95</b>
Equity + borrower notes	790	606	466	388	319
 <b>Bonds issued over year (NZD equivalent)</b>					
NZD	2,150	3,730	3,533	3,900	3,270
AUD	862	2,650	-	-	-
EMTN (EUR, CHF, USD)	2,243	-	-	-	-
<b>Total bonds issued</b>	<b>5,255</b>	<b>6,380</b>	<b>3,533</b>	<b>3,900</b>	<b>3,270</b>
 <b>LGFA Members</b>					
Guarantors	72	72	70	68	63
Non-guarantors	5	5	7	7	9
CCO members	8	5	3	1	-
% of loans to guarantors	97%	99%	99%	99%	99%
 <b>Credit rating</b>					
S&P Global Foreign / Domestic	AAA/AA+	AAA/AA+	AAA/AA+	AAA/AA+	AAA/AA+
Fitch Foreign / Domestic	AA+/AA+	AA+/AA+	AA+/AA+	AA+/AA+	AA+/AA+

# Our history Rārangi wā

by financial year ended

2012

Commenced  
bond issuance  
February 2012

**INCORPORATED ON 1 DEC 2011**

2013

KangaNews  
NZ Domestic  
Issuer of the  
Year 2012

INFINZ award  
for Best Bond  
issue of 2012

Inaugural LGFA  
Borrowers'  
Forum

2014

Inaugural dividend of \$1.5m  
declared

2015

Bespoke lending  
introduced

Implemented Treasury  
Management System and  
transitioned outsourced services  
from NZDM

Total lending  
\$5 billion

2016

LGFA Bonds  
listed on NZX  
November 2015

Commenced  
LGFA Bill  
issuance

Commenced  
short-term  
lending to  
councils

Transitioned to Financial Markets  
Conduct Act

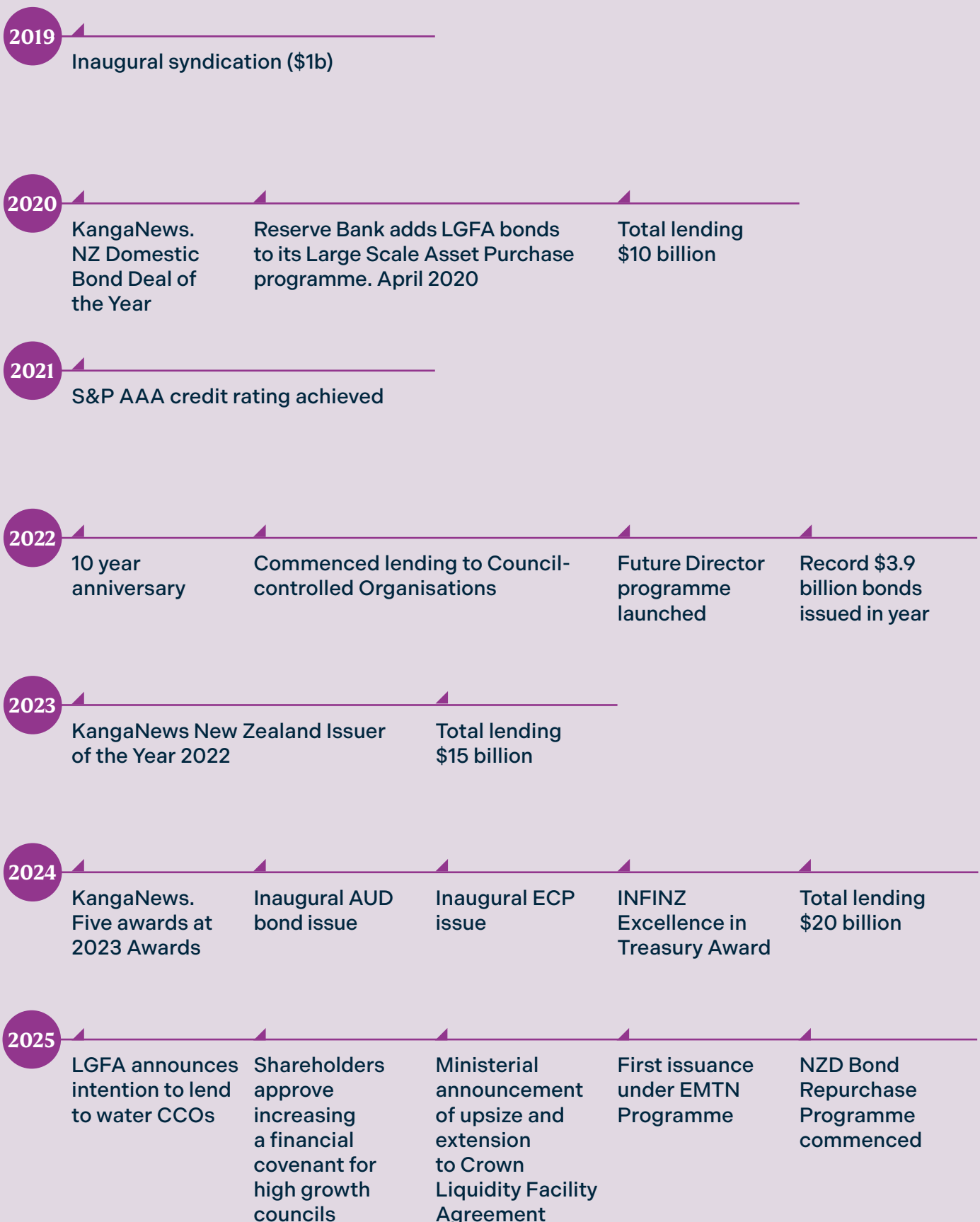
2017

Bond lending facility established  
October 2016

2018

First LGFA bond not matched to  
a New Zealand Government bond  
maturity



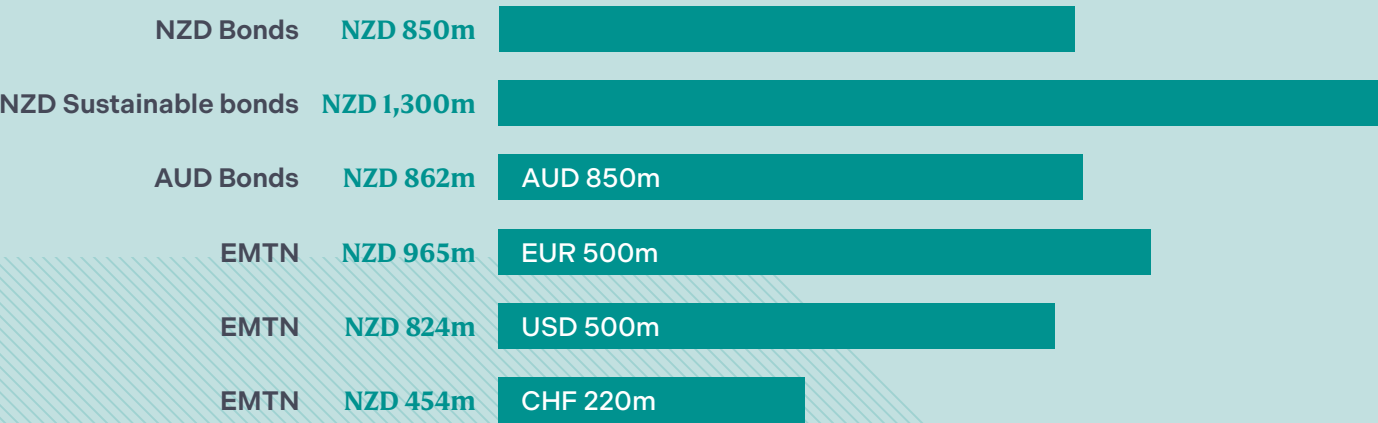


Our sustainability timeline and achievements are shown separately on [page 20](#).

# Funding and markets

## Te pūtea me ngā māketete

### 2024-25 Long-term Issuance: NZD 5,255 million



LGFA funds itself to facilitate member lending and for the management of our liquid asset portfolio. LGFA funding requirements are met through the following programmes:

- NZD Bond programme, including Sustainable Financing Bonds
- NZD Bills
- AUD 5 billion Debt Issuance Programme
- USD 10 billion Euro Medium Term Note (EMTN) Programme
- USD 2 billion Euro-Commercial Paper (ECP) programme

### Year in review

The past year marked a significant development in our funding history with the establishment of the EMTN programme and inaugural issuance under the programme. This offshore borrowing has diversified our funding sources and investor base, reducing our refinancing risk:

Year ended	Funding currencies	Funding mix % of NZD bonds
June 2023	NZD	100% NZD
June 2024	NZD, AUD	57% NZD
June 2025	NZD, AUD, EUR, USD, CHF	41% NZD

The average term of our bond issuance during the year at 6.0 years was slightly longer than the prior year of 5.9 years. This remains shorter than preferred

as a longer term of debt reduces our refinancing risk. However, our council and CCO members borrowed for an average term of 4.64 years over the year to June 2025, making it difficult for us to issue bonds with a significantly longer term.

The yield curve steepened and declined over the year as the RBNZ eased monetary policy by cutting the Official Cash Rate (OCR) from 5.50% to 3.25%. Long-dated bond yields did not fall as much as short-dated bond yields as ongoing supply of New Zealand Government Bonds (NZGB) impacted long-dated yields. The 2027 LGFA NZD bond yield declined 150 basis points (bps) over the year and the 2037 LGFA NZD bond yield declined 12 bps over the year.

Over the year, the spread at which LGFA bonds trade narrowed against NZGBs but widened over interest rate swaps. Our spreads to NZGB narrowed between 2 bps (2037 bond) and 24 bps (2026 bond) while spreads to swap moved between 2 bps (2026 bond) and by 26 bps (2037 bond). This change was similar to the spread movements on other high-grade NZD issuers where the additional supply of NZGBs has been the dominating influence on the domestic bond market.

During the year, we established the LGFA Bond Repurchase Programme and commenced weekly repurchase tenders of the LGFA 2026 bond on 14 May. The programme will assist with our liquidity management and reduce our refinancing risk while providing market support. As at 30 June 2025 we had repurchased \$153 million of the LGFA 2026 LGFA bond. Short-term funding from LGFA bills and ECP totalled NZD \$1.6 billion as at 30 June 2025.

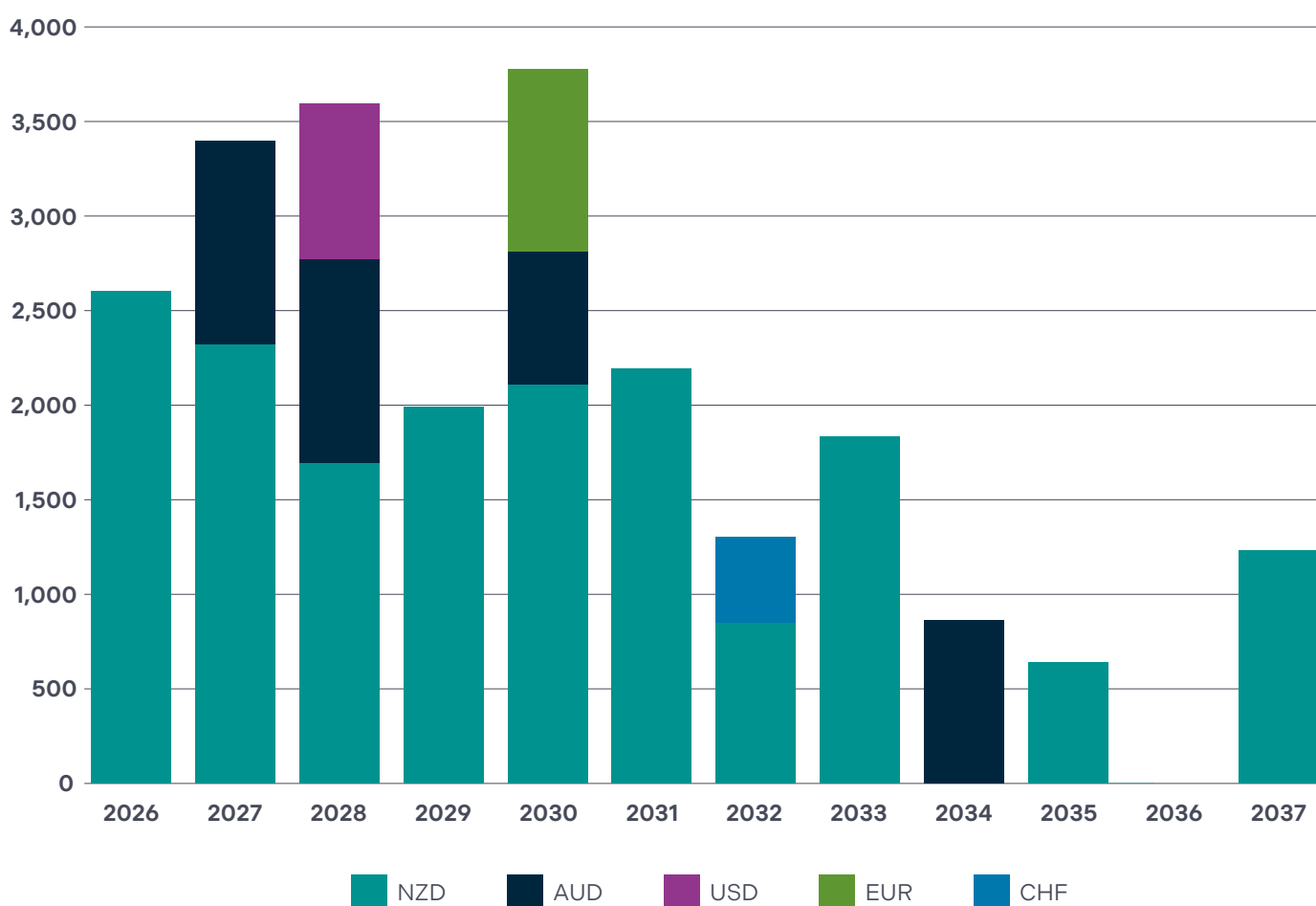


## Bonds and bills on issue as at 30 June 2025

FACE VALUE NZD MILLION	OUTSTANDING AT 30 JUNE 2025	2024-25 NET CHANGE
<b>New Zealand dollar bonds</b>		
NZD Bonds	14,508	(2,022)
NZD Sustainable Finance Bonds	2,960	1,300
<b>Foreign currency bonds</b>		
AUD issuance programme	3,716	820
Euro Medium Term Note programme	2,243	2,243
<b>Bills and ECP</b>		
NZD Bills	996	76
Euro-Commercial Paper programme	615	(221)
<b>Total borrowings</b>	<b>25,038</b>	<b>2,196</b>

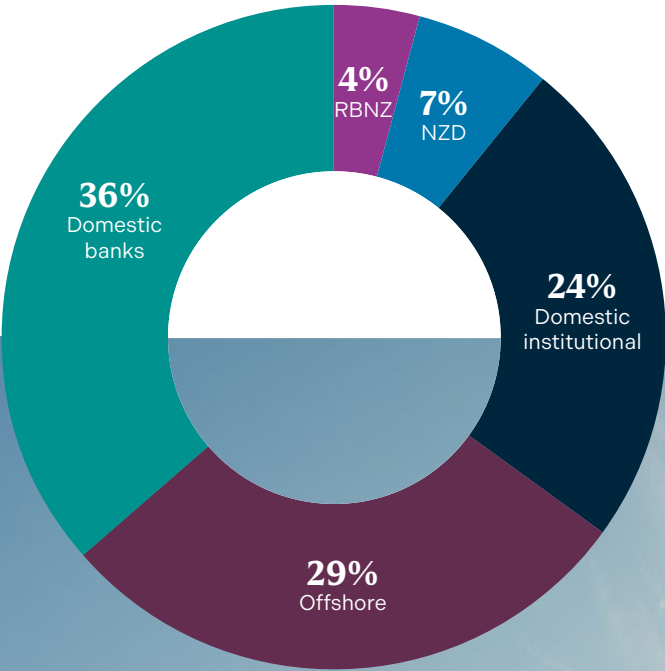
## LGFA bonds on issue

NZD millions as at 30 June 2025, excluding treasury stock



## LGFA bond holders by investor group as at 30 June 2025

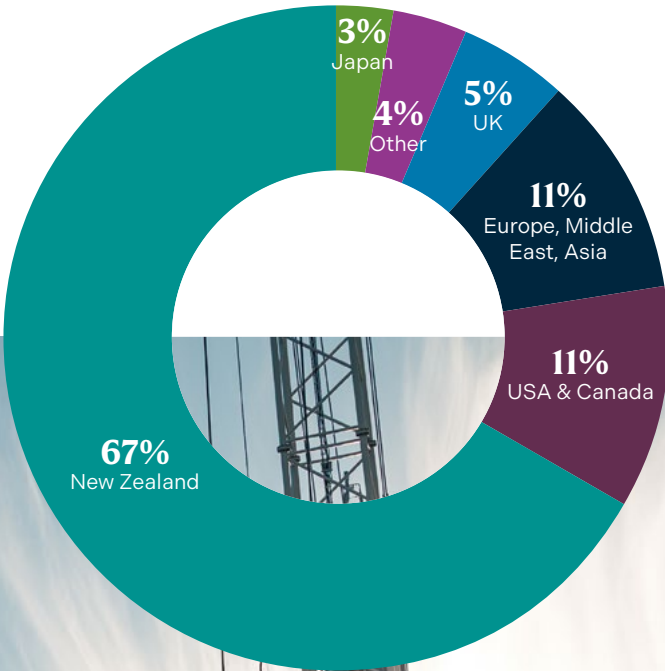
Source: LGFA analysis of Computershare Registry data



Port Nelson have commissioned New Zealand's first electric dual-drive mobile harbour crane, marking a major milestone in its sustainability and infrastructure journey. Infrastructure Holdings Ltd

## LGFA bond holders by country of residence as at 31 March 2025

Source: LGFA analysis of Merlin Consulting data



# Lending to the local government sector

## Te hoatu taurewa ki te rāngai kāwanatanga ā-rohe

**LGFA operates with the primary objective to optimise the terms and conditions of the debt funding it provides to participating borrowers.**

Among other things this includes:

- Providing savings in annual interest costs
- Offering flexible lending terms on short-term and long-term borrowings
- Enhancing the certainty of access to debt markets
- Being the lender of choice for the New Zealand local government sector

To become a LGFA member, a council or Council Controlled Organisation (CCO) is required to complete a formal application. Following an application for membership, LGFA completes a review of the prospective member's financial

position and its ability to comply with LGFA's financial covenants, which is considered by the Board who approve all council memberships. All member councils are required to complete a compliance certificate each year which certifies that the council has complied with LGFA's financial covenants. In addition, LGFA monitors all councils and CCOs annual reports, annual plans and long-term plans on an ongoing basis to ensure that the financial forecasts are consistent with the LGFA financial covenants.

Participating councils and CCOs are collectively referred to as LGFA members.

Over the past year, we approved three new CCO members: Far North Holdings Limited, Timaru District Holdings Limited and Christchurch City Holdings Limited, bringing total CCO membership to eight. Our 77 council members represent all councils, except for Chatham Islands District Council.

Long-term lending over the year totalled NZ\$4.155 billion as members refinanced their 2025 loans and increased borrowing to finance infrastructure projects. Our lending over the year represented an

estimated 75% of all council long-term borrowing.

The average tenor of long-term borrowing by members of 4.6 years over the year was shorter than last year's 4.9 years.

Short-term lending for terms less than 12 months continues to be well supported by members. As at 30 June 2025, there was NZ\$1.05 billion of short-term loans outstanding to 44 members, a 77% increase over the prior year of NZ\$597 million to 37 members.

The Tom Parker Fountain was returned to active service as part of the Marine Parade Heritage Restoration Programme. **Gisborne District Council**

**As at 30 June 2025**

**77**

**Member councils  
eligible to borrow**

**30**

**Member councils  
are shareholders**

**72**

**Member councils  
were guarantors**

**8**

**CCO members**



Over the 12 months to 30 June 2025

**\$4,160**

million of  
long-term loans

were lent to

**75**

members

across

**366**

individual term loans

with an average term of

**4.64**

years

As at 30 June 2025

**\$1,052**

million of  
short term loans

were outstanding to

**36**

members

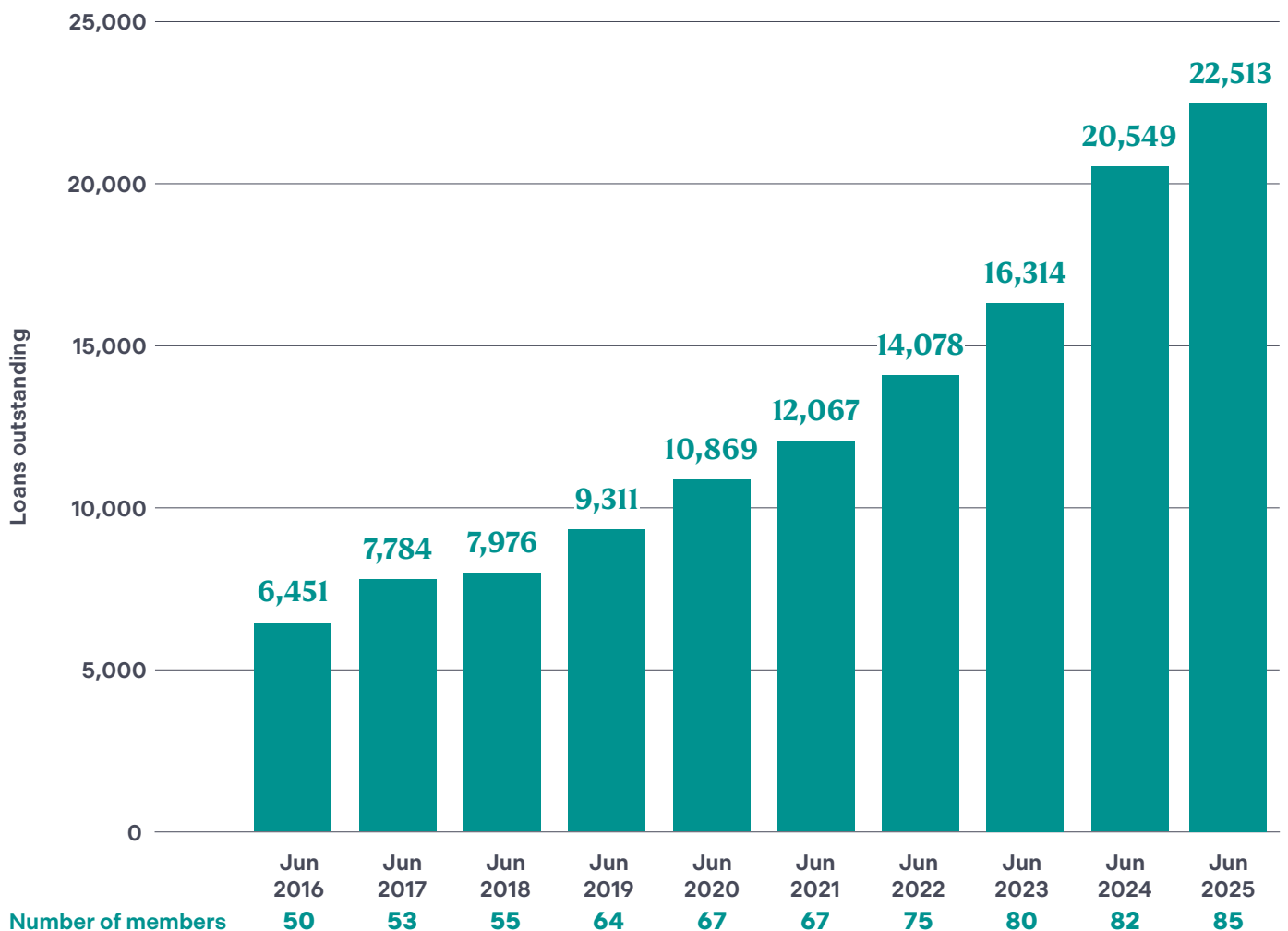
**Member councils  
are required to  
comply with LGFA  
financial covenants  
at all times**

**75%**

LGFA's estimated  
market share of local  
government debt

## LGFA members and nominal loans outstanding

NZD million, nominal



Top 10 Member borrowers	Amount borrowed	% of total borrowings
<b>NZD MILLION</b>		
Auckland Council	3,160	13.9%
Christchurch City Council	2,749	12.1%
Wellington City Council	1,843	8.1%
Tauranga City Council	1,277	5.6%
Hamilton City Council	1,023	4.5%
Greater Wellington Regional Council	1,021	4.5%
Queenstown-Lakes District Council	707	3.1%
Hutt City Council	577	2.5%
Hastings District Council	475	2.1%
Rotorua District Council	472	2.1%
74 other member councils and CCOs	9,353	41.3%
	22,657	100%

Councils with an external rating of

**AA-** or better

comprise

**73%**  
of total loans

**77**  
of New Zealand's  
**78 councils**

are approved borrowers  
as at 30 June 2025

## Taituarā LGFA Local Government Excellence Awards

This year we are delighted to announce that Wellington City Council's groundbreaking initiative, 'Predator Free Wellington', won the 2025 LGFA Supreme Award for Local Government Excellence, after winning the GHD Award for Excellence in Environmental Leadership.

Predator Free Wellington ([www.pfw.org.nz](http://www.pfw.org.nz)) was selected from a field of 60 entries submitted by councils from across the sector, underscoring its exceptional impact and innovation.

The judging panel praised the initiative, stating "Predator Free Wellington is an exemplar of building social licence and deputising the community to assist with delivery. The clear and meticulous plan for rolling this programme out is both readily scalable and highly transferable to projects of any type. We were also highly appreciative of the clear and unambiguous evidence of the success of this project."

### The aim is to make Wellington the world's first predator free capital city, a place where native species and communities can thrive.

This ambitious project involves thousands of households, community groups and organisations all working together to remove every single rat, possum, stoat and weasel from the Wellington area.

The project is special because it moves beyond typical conservation with fences and offshore islands. The work sees the precious native taonga living among a city where 212,000 people live, work and play, every day.

The project covers 30,000ha and around 70,000 households, stretching from Miramar Peninsula to the south-west corner of Mākara and along the SH1 motorway to the Porirua border.

Across this area there are 58 community trapping groups – that's one for every suburb in Wellington and most of the reserves in between. Some of these volunteer groups were active long before the project began. Wildlife is bouncing back thanks to the efforts of trappers and the spill-over from Zealandia Te Māra a Tāne.



# Industry leadership and engagement

## Te ārahitanga me te tūhononga i te ahumahi

**LGFA takes a proactive role to enhance the financial strength and depth of the local government debt market and works with key central government and local government stakeholders on sector issues.**

Over the past year we have made significant progress in our commitment to enhancing the local government debt market and working with key stakeholders on sector issues. This section highlights key achievements and initiatives that reflect our leadership in leading and engaging across the sector.

### Council engagement / visits

In the 12 months to June 2025, LGFA conducted 109 meetings, the majority of these in person, with our council and CCO members.

The number of meetings was higher than normal due to LGFA proactively assisting councils and their advisors on developing their water service delivery plans.

LGFA has also increased its engagement with councils on sustainability. In addition to discussing councils' financial strategy, LGFA scheduled additional meetings with councils' sustainability teams to discuss how we might help them with sustainability financing.

LGFA has actively engaged with councillors. In the past 12 months, LGFA attended eight council meetings. These meetings included presentations on LGFA's Statement of Intent, our annual report and sustainability strategy. LGFA also presented at several regional forums to provide councillors with background information on the water reforms.

### Local Water Done Well

Central Government's Local Water Done Well Programme will have a significant impact on the local government sector.

The Local Government (Water Services) Bill establishes the enduring settings for the new water services system. The Bill was introduced to Parliament in December 2024 and reflects key policy decisions announced by the Government in August 2024. As part of the reforms, LGFA announced that water CCOs would be able to join LGFA and access competitive financing.

LGFA has actively engaged with its council members and their advisors over the past 12 months to provide information on how it will be able to assist councils with the financing of their water operations. LGFA has also been actively involved with organisations that are involved in the water reforms including the Department of Internal Affairs, Taituarā, Local Government New Zealand, Water New Zealand, the Commerce Commission, Taumata Arowai, National Infrastructure Funding and Financing and the New Zealand Infrastructure Commission.

LGFA also financially contributed towards the local government sector work on establishing sector-wide climate scenarios, which will be published on the LGFA website when complete.



## LGFA Sustainable Finance Series

In March 2025, LGFA organised a series of panel discussions and keynote presentations over four separate dates.

The objective of the series was to:

- Provide guidance to councils on accessing climate-related funding and green, social, and sustainable financing instruments.
- Assist in building capability to effectively source climate-related funding.
- Highlight useful data and tools (development, collection and communication of risk information).

Speakers included representatives from council members, LGFA's Sustainability Committee and our management team as well as:

- Hon. James Shaw, former NZ Climate Change Minister
- Mike Brown – Global Cities Lead, Climate Bond Initiative
- Rikki Stancich – Partner, Climate and Sustainability, Deloitte
- Lauren Boyd, Planetary Accounting Specialist, Planetary Accounting Network
- Gillian Blythe, Chief Executive, Water New Zealand

For each session, there were up to 180 attendees from 54 councils. LGFA will be looking at continuing this initiative.

## 2024 Shareholder / Borrower Day

LGFA held its annual Shareholder Borrower Day in Wellington in November. A highlight was a keynote address by the Minister of Local Government, Hon Simeon Brown.

In addition, there were presentations from:

- Dr Rod Carr (Climate Change Commission)
- Allan Pragell (Taumata Arowai)
- Nick Leggett (Infrastructure New Zealand)
- Michael Lovett and John Forster (Department of Internal Affairs)

## Supporting the sector

LGFA has continued its long-standing relationship with Taituarā. Its key sponsorships are the Taituarā LGFA Local Government Excellence Awards, the Taituarā Strategic Finance Forum and the Taituarā Funding and Rating Forum.

LGFA is a member of Infrastructure NZ and INFENZ. LGFA also presents at several conferences and industry workshops including KangaNews, Water New Zealand, and Taituarā.

## Ratepayers Assistance Scheme

LGFA continues to assist the local government sector-led initiative for developing a Ratepayer Assistance Scheme (RAS) with the objective of providing lower cost financing options to ratepayers.

Products that are being considered for inclusion into the RAS include development contributions, postponement of rates, and property improvement loans.

A business case for the RAS is being refreshed ahead of seeking Central Government endorsement to establish the scheme.

## Quarterly Updates

LGFA provided quarterly business update webinars to councils and CCOs on operations and initiatives as well as hosted three economic and financial market updates for councils throughout the year.

# Sustainable funding and lending

## Te pūtea me te hoatu taurewa toitū

As at June 2025

### Sustainable Financing Bonds

**\$3.26** billion

### Sustainable Finance Loan Asset Pool

**\$4.12** billion

### Climate Action Loans

**\$3.67** billion

### Green, Social and Sustainability Loans

**\$454** million

**LGFA is committed to improving sustainability outcomes within the company, as well as assisting the local government sector achieve their sustainability and climate change objectives within their communities.**

LGFA recognises the emerging risks for councils and CCOs from climate change and supports their commitment towards improving sustainable outcomes for local communities. As the primary lender to the local government sector, LGFA finances members' core investment into improving the resilience of New Zealand's infrastructure and services to residents and visitors. By extension, these members' investments form an important element of LGFA's sustainability context.

## Climate-related disclosure framework

LGFA is a designated Climate Reporting Entity under the Financial Sector (Climate-related Disclosures and Other Matters) Amendment Act 2021 and is required to produce annual climate statements in accordance with disclosure standards in the Aotearoa New Zealand Climate Standards issued by the External Reporting Board.

Disclosures under the climate standards cover governance arrangements, risk management, strategies and metrics and targets for mitigating and adapting to climate change impacts.

LGFA's Climate-related disclosures (CRD) for the year ended 30 June 2025 are our second annual disclosures under the Climate Standards. Our CRD will be available on the following link from 30 September 2025.

[LGFA Climate-related Disclosures for the year ended 30 June 2025](#)

## Sustainability Committee

The LGFA Sustainability Committee assists us to achieve our sustainability objectives.

The Committee is chaired by a representative of the Board and comprises three LGFA employees and four independent members.

The Committee's purpose is to advise the Chief Executive on sustainability issues and opportunities within LGFA, across its operating, borrowing and lending activities. Responsibilities of the Committee includes providing input into the governance and oversight process of the Green, Social and Sustainability Loans (GSS) lending programme, Climate Action Loans (CAL) lending programme and Sustainable Financing Bond issuance. GSS applications are reviewed by LGFA's Sustainability Committee prior to approval, with approved loans monitored for ongoing compliance.

## Independent members of the LGFA Sustainability Committee as at 30 June 2025

Alison Howard

Erica Miles

Chris Thurston

David Woods

## LGFA Sustainable Financing Bond Framework

In March 2023, LGFA announced its Sustainable Financing Bond Framework.

The Framework outlines the process by which LGFA will issue and manage sustainable financing bonds that will be notionally allocated to a pool of Sustainable Loans that meet the eligibility criteria set out in the Framework.

The Framework enables LGFA to:

- demonstrate its commitment to support council and CCO borrowers to fund sustainable assets and activities, and incentivise GHG emissions reductions;
- issue bonds that are notionally allocated to the Sustainable Loans on LGFA's balance sheet; and
- advance the market for sustainable finance by providing an innovative opportunity for investors to support council and CCO borrowers to achieve their sustainability aspirations.

The Framework follows the proceeds-based pillars of the general market standards for sustainable finance, namely the International Capital Markets Association's Green Bond Principles (GBP), Social Bond Principles (SBP), and Sustainability Bond Guidelines (SBG). However, LGFA does not claim direct alignment of the Framework with these principles as the pool of Sustainable Loans comprises both GSS Loans and CALs together in the same asset pool.

The Framework is supported by a Second Party Opinion (SPO) provided by Sustainalytics.





As at 30 June 2025, LGFA had two sustainable bonds, the total amount on issue being \$3.26 billion:



## Sustainable lending products

Offering members innovative sustainable lending products aligns to LGFA's commitment to demonstrate sector leadership on sustainable lending and incentivising member councils and CCOs to progress sustainability opportunities.

Our sustainable lending products comprise GSS lending and the CAL lending programme.

## Green, social and sustainability lending

**A commitment to assist our members to finance projects that promote environmental and social wellbeing in New Zealand.**

LGFA acknowledges the importance of financing projects that promote environmental and social wellbeing in New Zealand, and which fund eligible green and/or social projects.

Our GSS lending programme, launched in 2021, provides funding for our members across the following nine green project categories and three social project categories:

### Green Project Categories

- Energy Efficiency
- Green Buildings
- Clean Transportation
- Sustainable Water and Wastewater Management
- Renewable Energy
- Pollution Prevention and Control
- Environmentally Sustainable Management of Living Natural Resources and land use
- Climate Change Adaptation
- Terrestrial and Aquatic Biodiversity Restoration, Conservation and Enhancement

### Social Project Categories

- Affordable Basic Infrastructure
- Access to Essential Services
- Affordable or Social Housing

Under the GSS programme, LGFA lends to councils and CCOs at a discounted margin to incentivise them to undertake projects that help drive forward climate, environmental and social projects across the New Zealand local government sector.

During the year ending 30 June 2025, \$77 million was advanced under the GSS lending programme. As at 30 June 2025, LGFA had approved a total of seven GSS loans across three green project categories, and one social project category, totalling \$675 million approved of which \$454 million had been advanced.

## Te Manawataki o Te Papa Tauranga City Council

Under the Green Buildings category, Tauranga City Council has commenced borrowing up to \$103 million for the Te Manawataki o Te Papa green building project, incorporating a library and community hub, civic whare (public meeting house), museum, and exhibition gallery.

Developing the civic precinct will see the city's heart transformed into a vibrant community space over the coming years, breathing new life into what will become a key cultural, heritage and economic driver for the region.

Funding for Te Manawataki o Te Papa project was approved in March 2025 and it is the fourth green buildings project approved for GSS lending by LGFA since launching the programme at the end of 2021.



## Climate Action Loans

**A commitment to incentivise our members to act on climate change and reduce greenhouse gas emissions.**

CALs are target-based lending structures designed to incentivise councils and CCOs to act on climate change and reduce greenhouse gas (GHG) emissions.

A CAL rewards a borrower through a lending margin discount if they have adopted an Emission Reduction Plan setting out specific Emissions Reduction Targets for their operational greenhouse gas emissions at member council or CCO level. CALs are available for all members, including those who may not have eligible projects to access GSS loans.

During the year ending 30 June 2025, \$923 million was advanced under the CAL lending programme. As at 30th June 2025, LGFA had advanced CAL loans totalling \$3.67 billion across seven member councils.

## Our Sustainability timeline



Port Nelson have commissioned New Zealand's first electric dual-drive mobile harbour crane, marking a major milestone in its sustainability and infrastructure journey.  
Infrastructure Holdings Ltd





## KangaNews Awards 2024

LGFA has been recognised with the following two KangaNews Awards for 2024:

- New Zealand Dollar Rates Bond Deal of the Year, for the NZ\$800 million 4.50% May 2032 Sustainable Financing Bond
- New Zealand Sustainability Deal of the Year, for the NZ\$800 million 4.50% May 2032 Sustainable Financing Bond



NEW ZEALAND DOLLAR RATES  
BOND DEAL OF THE YEAR

**New Zealand Local Government Funding Agency**  
NZ\$800 MILLION 4.50% MAY 2032 SUSTAINABLE FINANCING BOND

LEAD MANAGERS:

ANZ, BNZ, Commonwealth Bank of Australia,  
Westpac Banking Corporation New Zealand Branch



NEW ZEALAND SUSTAINABILITY  
BOND DEAL OF THE YEAR

**New Zealand Local Government Funding Agency**  
NZ\$800 MILLION 4.50% MAY 2032 SUSTAINABLE FINANCING BOND

LEAD MANAGERS:

ANZ, BNZ, Commonwealth Bank of Australia,  
Westpac Banking Corporation New Zealand Branch



### Toitū Net Carbon Zero Certification

LGFA has maintained a Toitū net carbonzero certification since 2021. The Toitū certification recognises the processes LGFA has put in place to measure our greenhouse gas (GHG) emissions, as well as management plans to reduce our company's emissions. Where LGFA are unable to eliminate emissions, these are offset through the purchase of high-impact carbon credits from a Gold Standard-certified international project.

Work underway on Ranfurly Gully wastewater upgrade. Photo credit CB Civil. **Hamilton City Council**



# Governance

## Te mana urungi

The LGFA Board is responsible for the strategic direction and control of LGFA's activities. The LGFA Board is committed to ensuring LGFA demonstrates ongoing commitment to strong and sound corporate governance, and that the conduct of both directors and staff always meets the high standards required to reflect the company's values and to protect its reputation.

### LGFA governance policies and documents

Audit and Risk Committee Charter  
Board Charter  
Code of Ethics  
Diversity Policy  
Internal Audit Charter  
LGFA Constitution  
LGFA Foundation Policies

Remuneration Policy  
Responsible Investment Policy  
Risk Management Policy  
Shareholders Agreement  
Sustainability Policy  
Treasury Policy

### NZX Corporate Governance Code

LGFA is a listed issuer on the NZX Debt Market and complies with the eight core principles underpinning the NZX Corporate Governance Code (January 2025).

LGFA considers that its governance practices have not materially differed from the NZX Code for the year ended 30 June 2025. Areas where LGFA has implemented alternative measures to the Code are as follows:

An issuer should establish a nomination committee to recommend director appointments to the board.



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



**The process for the nomination and remuneration of directors is documented in the Constitution of New Zealand Local Government Funding Agency Limited and outlined on [page 29](#).**

## Ethics and standards of conduct

LGFA's required standards for conduct are defined in our Code of Ethics and is reflected throughout the following key governance documents: The Constitution; Shareholders' Agreement; Board Charter; Audit and Risk Committee Charter; Internal Audit Charter; and the Diversity Policy.

### Code of Ethics

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

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

Our Code of Conduct requires employees and directors to maintain high standards of integrity and conduct by clearly setting out expected standards for behaviour. In addition, the policy sets out our commitment to employees to act in a fair and reasonable manner, while providing a fair and safe working environment.

### Protected Disclosures and Whistle Blowing

Our Protected Disclosures and Whistle Blowing Policy outlines procedure, support and protection to persons who disclose information which they reasonably believe to be about serious wrongdoing in or by LGFA.

### Financial Products Trading Policy

Our Financial Products Trading Policy, which applies to directors, employees and contractors, details the policy and rules for dealing in listed debt securities issued by LGFA and any other LGFA-quoted financial products.

## Transparency and disclosure

Transparency and disclosure are essential for shareholder, rating agencies and investor confidence and codified through:

- Shareholders' agreement
- NZX listing rules
- Financial accounting standards
- Regulatory compliance

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

Transparency in how we operate is core to achieving our shareholders' objectives as well as for our wider stakeholders including investors, banks and other financial intermediaries and the credit rating agencies. As such, transparency in how we operate is reflected in operating requirements outlined in our foundation documents, including the Constitution, Shareholders' Agreement and Board Charter, as well as Company policies on Continuous Disclosure, Financial Products Trading, and Protected Disclosures and Whistle Blowing.

LGFA demonstrates transparency through its annual Statement of Intent (SOI) and quarterly reporting to shareholders on its performance against the objectives set out in the SOI.

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

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



## Audit and Risk Committee

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

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

- Risk management framework and processes;
  - Internal control environment and mechanisms;
  - Operations and effectiveness of the internal audit function;
  - Preparation and audit of financial statements;
  - Integrity of performance information, including financial reporting;
  - Governance framework and process;
  - Processes to ensure compliance with legislation, policies and procedures; and
  - Statutory/regulatory disclosure and reporting and performance against Statement of Intent targets.
- Audit and Risk Committee members are appointed by the Board. Membership comprises at least three directors, the majority of whom must be independent.

## Internal audit

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

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

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

## External audit

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

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

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



## Our Board

The LGFA Board Charter sets out the roles and responsibilities of the Board. The Charter states that the role of the Board is to ensure that LGFA achieves its goals. Having regard to its role, the Board will direct and supervise the management of the business and affairs of LGFA, including:

- ensuring that LGFA's goals are clearly established, and that strategies are in place for achieving them;
- establishing policies for strengthening LGFA's performance;
- ensuring strategies are in place for meeting expectations set out in the Statement of Intent and monitoring performance against those expectations, in particular LGFA's primary objective to optimise the debt funding terms and conditions for participating borrowers;
- monitoring the performance of management;
- appointing the CEO, setting the terms of the CEO's employment contract and, where necessary, terminating the CEO's employment;
- deciding on whatever steps are necessary to protect LGFA's financial position and the ability to meet its debts and other obligations when they fall due, and ensuring that such steps are taken;
- ensuring that LGFA's financial statements are true and fair and otherwise conform with law;
- ensuring that LGFA adheres to high standards of ethics and corporate behaviour;
- ensuring that LGFA has appropriate risk management/regulatory compliance policies in place. In the normal course of events, day-to-day operations of LGFA will be in the hands of management. The Board will satisfy itself that LGFA is achieving its goal and engaging and communicating with Shareholders Council; and
- engaging and communicating with shareholders.

## Board composition

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



### Craig Stobo

#### Independent Chair

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

Advanced Management Programme,  
The Wharton School, Philadelphia

Associate Member CFA Society New Zealand

Craig has worked as a diplomat, economist, investment banker, Chief Investment Officer, and CEO. He has authored reports to the New Zealand Government on the Taxation of Investment Income (which led to the PIE regime), and the creation of New Zealand as a funds domicile. Craig is a Taumata of the University of Otago Business School.

#### Chair

Financial Markets Authority

Saturn Portfolio Management Limited  
Investment Committee

Sahara Ltd

Cancer Society Finance Risk and Audit  
Committee (Auckland and Northern)

#### Director

Stobo Group Limited

Appello Services Limited

Biomarine Group Limited

Legend Terrace Limited

New Zealand Windfarms Limited

Desert Holdings Ltd

Auckland Future Fund

Indi

#### Advisor

AMP Financial Services Investment Committee

Member of the Ministerial Advisory Group  
to the Minister of Education



## **Alan Adcock**

### **Non-Independent Director Member Audit and Risk Committee**

B.Com, MBA (with Distinction)

Alan has over 35 years' experience in the financial services and local government sectors at executive level, with over twenty years in banking, insurance and funds management followed by his current role as General Manager Corporate/CFO at Whangārei District Council.

His involvement with LGFA began in its initial planning stage, as a representative of the 'tight nine' councils that worked together to turn the concept into reality in 2011. He was an inaugural member of the Shareholders' Council, which he chaired from 2014 before joining the Board in 2021.

**Chief Financial Officer**  
Whangarei District Council

**Director**  
Whangarei Waste Ltd



## **Philip Cory-Wright**

### **Independent Director Member Audit and Risk Committee**

LLB (Hons), BCA Business Management

INFINZ (Cert), C.F.Inst.D

Philip is a solicitor of the High Court of New Zealand and Victoria. He has worked as a corporate finance adviser in New Zealand to the corporate sector on debt and equity matters for more than 30 years. Philip is also a strategic adviser to clients in the energy and infrastructure sectors. He was a member of the Local Government Infrastructure Expert Advisory Group tasked with advising the Minister of Local Government on improvements in local government infrastructure efficiency.

**Chair**  
Papa Rererangi i Puketapu  
(New Plymouth Airport)  
South Port New Zealand Limited

**Director**  
Matariki Forests  
Powerco Limited  
NZ Windfarms Limited  
Te Rere Hau Holdings Limited  
Te Rere Hau Limited

**Advisory Board**  
United Civil Construction Ltd





## David Rae

### Independent Director Member Audit and Risk Committee

M.Sc (distinction) in Economics, London School of Economics, C.M.Inst.D

David is a co-owner of an investment consulting firm, Māpua Wealth Ltd, which provides portfolio advice and implementation for institutional investors including charitable trusts and iwi. His background is in economic policy and investing, having worked for the NZ Superannuation Fund and the OECD.

He has held current and past roles as an investment trustee and as a director of regulated utilities in the gas and transport sectors both in New Zealand and overseas.

David has an M.Sc in Economics from the London School of Economics, and a B.Soc. Sci (Hons) in Economics and Physics from the University of Waikato.

#### Director and Shareholder

Māpua Wealth Ltd

#### Director and Owner

David Rae Associates Ltd

#### Director

Galileo Green Energy GmbH

New Zealand Refining Nominees Ltd

#### General Disclosure

New Zealand Refining Company Pension Fund – Trustee

Te Pūia Tāpapa Ltd Partnership – Investment Committee Member

Public Infrastructure Partners Fund III – Advisory Committee Member



## Linda Robertson

### Independent Director Chair Audit and Risk Committee

B.Com; Dip.Bank; C.F.InstD; CGP; D.F.INFINZ; GCB.D; GAICD

Linda is a professional company director with over 25 years governance experience, combined with 30 years senior financial management experience having worked in both the banking and energy sectors in New Zealand.

Linda has been a full-time company director since 2015. Linda's governance experience spans many industries such as banking, funds management, electricity generation, retail and distribution; broadcasting services, co-operatives, local authority owned and state-owned entities and charities. Linda has a Bachelor of Commerce Degree and a Diploma in Banking. She also holds a Sustainability and ESG Designation; a Climate and Biodiversity Certificate and is a member of Chapter Zero New Zealand. Linda is a Distinguished Fellow of the Institute of Finance Professionals New Zealand (INFINZ), a Graduate Member of the Australian Institute of Company Directors, a Chartered Governance Professional and a Chartered Fellow of the Institute of Directors in New Zealand.

#### Chair

Central Lakes Trust

Crown Irrigation Investments Limited

#### Director and Shareholder

RML Consulting Limited

#### Director

Central Lakes Direct Limited

Horizon Energy Group Companies

Invercargill City Holdings Ltd

Kordia Group Ltd

SBS Bank (Southland Building Society)

Fraser Properties Limited

#### Member

Risk and Audit Committee, The Treasury  
Capital Markets Advisory Committee, NZ Treasury  
Audit and Risk Committee – OAG and  
Audit New Zealand



## Helen Robinson ONZM

### Independent Director Member Audit and Risk Committee

Helen is an experienced business leader locally and internationally mostly in the technology and sustainability sectors. Helen was Managing Director of Microsoft New Zealand, VP of Pivotal Corporation Asia Pacific and Managing Director, Markit Group (co-founding its Environmental Registry; now part of S&P Global).

Helen has decades of governance experience acting as Director or Chair for numerous public, private and public sector organisations.

She is a member of Global Women, INFINZ, a Chartered Member of the NZ Institute of Directors, and has been recognised in numerous awards for business and innovation including the NZ Women of Influence Supreme Award and as an Officer of Merit in the Queens Honours.

#### Chair

Kara Technologies Limited

Astrix Astronautics Limited

REANNZ (Research and Education Advanced Network New Zealand)

Group Shared Services, Auckland Council

JUNOFEM Limited

NZTE Beachhead Advisors

LGFA Sustainability Committee

#### Director and Shareholder

Organic Initiative Limited

Penguin Consulting Limited

#### Director

NZTech

Generate Kiwisaver and all related companies



## Elena Trout

### Independent Director

B Technology (Biotechnology) Massey

M Engineering (Civil) Canterbury CF Ins D, DistF Eng NZ  
and Past President Eng NZ

Elena is an experienced company director and a professional engineer who has held a number of leadership positions in the transport, infrastructure and energy sectors. She has over 30 years of experience in the management, planning and delivery of large projects and continues to provide advice on nationally significant infrastructure developments.

She is a well-seasoned professional director, has held a number of governance roles including chairing independent government inquiries and reviews by local authorities in accordance with Section 17 (a) of the Local Government Act. Her current directorships include Chair of Energy Efficiency Conservation Authority, Chair of Chartered Professional Engineers Council, Co Chair Waihanga Ara Rau Construction and Infrastructure Development Council, director of Contact Energy, City Care, Opuha Water Ltd, Worksafe and Callaghan Innovation.

#### Chair

Energy Efficiency Conservation Authority

Chartered Professional Engineers Council

#### Director

Ara Ake (Deputy Chair)

Contact Energy

Ngāpuhi Asset Holdings Ltd

Kaikohe Berry Fruit Ltd

Spenser Henshaw

CityCare

Callaghan Innovation (Chair from 5 July 2025)

Te Rāhui Herenga Waka Whakatāne

Opuha Water Ltd

#### Co-Chair

Waihanga Ara Rau

#### Member

Worksafe

## Director tenure and meetings of the Board

Elena Trout was appointed to the Board on 19 November 2024.

There were 7 scheduled Board meetings and 5 Audit and Risk Committee meetings over the year. The Board met for 5 additional meetings over the course of the year.

All directors are considered by the LGFA Board to be independent pursuant to the New Zealand Stock Exchange (NZX) Listing Rule 2.6, except for Alan Adcock who is the General Manager Corporate at Whangarei District Council.

Director	Date commenced in office	Scheduled Board meetings held/attended	Audit and Risk Committee held/attended
Craig Stobo (Chair)	1 December 2011	7/7	N/A
Alan Adcock	23 November 2021	6/7	5/5
Philip Cory-Wright	1 December 2011	7/7	4/5
David Rae	23 November 2023	6/7	4/5
Linda Robertson	24 November 2015	7/7	5/5
Helen Robinson	23 November 2022	5/7	4/5
Elena Trout	19 November 2024	2/3	N/A

## Board performance review

The Board has an annual formal self-assessment to assess director, Board and committee performance.

In 2025, the Board commissioned an independent review of required skills and competencies for LGFA directors.

## Nomination of Directors

Director nominations can only be made by a shareholder by written notice to LGFA and the Shareholders' Council, no more than three months, nor less than two months, before a meeting of shareholders. All valid nominations are required to be sent by LGFA to all persons entitled to attend the meeting.

## Retirement and re-election of Directors

Directors are appointed to the Board by an Ordinary Resolution of shareholders. A Director must not hold office (without re-election) past the third annual meeting of the Company following the Director's appointment or three years, whichever is longer.

A retiring Director shall be eligible for re-election.

## Indemnities and insurance

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

## Remuneration

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

Board remuneration is determined by an Ordinary Resolution of shareholders. The current board remuneration was approved by shareholder resolution at the Annual General Meeting on 19 November 2024.

## Director annual fee breakdown

Position. Fees per annum	2025	2024
Board Chair	\$127,720	\$124,000
Audit and Risk Committee Chair	\$80,340	\$78,000
Director/ARC Member	\$75,190	\$73,000
Director	\$72,100	\$70,000

Director	2025
Craig Stobo (Chair)	\$127,720
Alan Adcock	\$75,190
Philip Cory-Wright	\$75,190
David Rae	\$75,190
Linda Robertson	\$80,340
Helen Robinson	\$75,190
Elena Trout	\$44,462



### Chief Executive remuneration

The remuneration of the CEO is determined by the Board and is reviewed annually taking into consideration the scope and complexity of the position with reference to the remuneration of CEOs of similar organisations. A specialist independent adviser is used periodically to ensure the remuneration is appropriate. The CEO remuneration package comprises a fixed cash component of \$804,518 per annum as at 30 June 2025 (\$804,518, 2024) and an at-risk short-term incentive of the fixed cash component. The short-term incentive payment is made annually at the Board’s discretion subject to the CEO and LGFA meeting a range of specific performance objectives for the financial year.

Per annum	2025	2024
Salary	\$804,518	\$804,518
Taxable benefits	-	-
Subtotal	\$804,518	\$804,518
Pay for Performance STI	\$172,971	\$120,678
Kiwisaver Employer Contribution	\$39,100	\$37,008
Total remuneration	\$1,016,589	\$962,204

### Staff remuneration

The following table shows the number of staff who received more than \$100,000 in total remuneration, in \$10,000 bands.

Total remuneration	2025
\$160,000 to \$170,000	1
\$180,000 to \$190,000	1
\$240,000 to \$250,000	1
\$250,000 to \$260,000	1
\$260,000 to \$270,000	1
\$290,000 to \$300,000	2
\$350,000 to \$360,000	1
\$390,000 to \$400,000	1
\$410,000 to \$420,000	1
\$1,000,000 to \$1,100,000	1

### Staff interests

#### Mark Butcher

##### Chair

Waikato-Tainui Group Investment Committee

##### Member

Nominating Committee for Guardians of New Zealand Superannuation

Board member, NZ Financial Markets Association



## LGFA Future Director

In 2024, LGFA appointed Sarah Matthews as its Future Director under the LGFA Future Directors programme, effective from January 2024 for a period of 18 months.

The purpose of the Future Director programme is to give talented people working in the Local Government sector the opportunity to observe and participate in Board room discussions over an 18-month period. During this time, the Future Director actively participates in all Board meetings, although they do not possess voting rights and are not involved in decision-making.

Sarah is a Chartered Accountant with a professional career spanning business advisory, financial management, and corporate services. She is currently GM – Organisation Performance of Taupō District Council and has been in local government leadership roles since 2017, across three different Councils. She is a member of Taituara Financial Management Reference Group and is also a Chartered Member of the Institute of Directors and has held board positions with several community organisations.

Sarah reflects on her experience as LGFA's Future Director



“Serving as the Future Director of LGFA has been a fantastic experience. Over the past 18 months, I’ve had the privilege of observing and contributing to the governance of a high-performing, purpose-driven board that plays a pivotal role in the local government sector.

Going into the Future Director role, I had many years of positive experience with LGFA and their amazing team at Council-level. This gave me a good idea of the positive impact LGFA makes to the sector through its purpose of benefiting local communities through delivering efficient financing for local government. The past 18 months have built on my positive Council-level experience and given me perspective on how LGFA’s purpose is led at governance level, being embedded in every strategic decision the Board makes.

The opportunity to engage with complex financial and policy challenges, particularly during a time of significant sector changes, has expanded my governance capability and deepened my understanding of the sector’s evolving needs. The opportunity to work with Central Government throughout these changes has also been a positive and insightful experience.

As a Future Director, I brought sector insight to the Board during these major transitions, also serving on the Audit and Risk Committee throughout this time. I am proud that I was able to bring my experience to the table and grateful that the Board fostered a supportive culture which allowed me to voice my perspective. The Board’s openness and commitment to excellence have made this a truly memorable experience.

I am leaving the role being proud to have played a small part in LGFA’s journey and its achievements. I would like to formally thank LGFA Board and staff for this opportunity and experience. The Future Director programme is a testament to LGFA’s leadership in fostering talent and strengthening governance across the local government sector.”





## Shareholders

### Foundation documents

The Constitution and the Shareholders Agreement are foundation documents.

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

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

### Members of the Shareholders Council as at 30 June 2025

**Kathryn Sharplin (Chair)**

Tauranga City Council

**Sarah Houston-Eastergaard (Deputy Chair)**

Wellington City Council

**Kumaren Perumal**

Bay of Plenty Regional Council

**Mike Drummond**

Tasman District Council

**Andrew John**

Auckland Council

**Gary Connelly**

Hamilton City Council

**Steve Ballard**

Christchurch City Council

**Adele Henderson**

Western Bay of Plenty District Council

**Jacqueline Baker**

New Plymouth District Council

**James Stratford**

New Zealand Government – DIA

**Nyika Gwanoya**

New Zealand Government – The Treasury

Hurunui District Water Safety Project. Hurunui District Council



# People and culture

## Ngā tāngata me te ahurea

### Our values

#### Ō mātau uara



#### We act with integrity

##### E pono ana mātau

We are honest, transparent and are committed to doing what is best for our customers and our company.



#### We strive for excellence

##### E whakapau kaha mātau kia hiranga te mahi

We strive to excel by delivering financial products and services that are highly valued at least cost while seeking continuous improvement in everything we do.

### Our purpose

Benefiting local communities through delivering efficient financing for local government.



#### We are customer focused

##### E arotahi ana mātau ki te kiritaki

Our customers are our council borrowers, investors, and all other organisations that we deal with. We listen to them and act in their best interests to deliver results that make a positive difference.



#### We are innovative

##### He auaha mātau

To meet our ever-changing customer requirements, we will encourage innovation and provide a diverse range of financial products and services.



#### We provide leadership

##### He kaiārahi mātau

We are here for our stakeholders in being strategically minded, providing resilience and executing our strategy. We embrace a high-performance culture and can be relied upon to deliver results.

## Health, safety and wellbeing

LGFA is committed to providing a safe and healthy working environment for all employees and a flexible workplace environment that promotes increasing employee engagement, productivity and enhancing recruitment and retention.

LGFA maintains policies on health and safety, remote working, diversity and employment which outlines the company's commitment to health, safety and wellbeing.

Our Health and Safety Policy sets out the duty of directors and staff under the Health and Safety at Work Act 2015. A staff health and safety committee has been established with responsibility to

continuously review health and safety issues and ongoing compliance with the Act, with reporting on health and safety issues at each Board meeting.

LGFA provides staff with access to professional support for general counselling services, individual case management and ongoing monitoring of an employee's progress to ensure they have access to assistance and treatment to meet their needs.

## Capability and development

LGFA is committed to ongoing education and professional development for staff and directors by funding professional development courses, membership of professional bodies and attendances at industry conferences.

The Future Director programme, launched in 2021 by the Board and Shareholder Council, aims to give talented people within the Local Government sector with an interest in corporate governance the opportunity to observe and participate in Boardroom discussions for an 18-month period. The Future Director actively participates at Board meetings, but they have no voting rights. Sarah Matthews was appointed as our second Future Director in January 2024 for an 18 month term.

## Diversity and inclusion

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

Diversity at LGFA involves recognising and valuing the contribution that people can make because of their skills, experience, background and differing perspectives. LGFA values employees by encouraging participation and providing opportunities for its people to succeed.

LGFA has formally adopted a Diversity Policy which applies to both LGFA employees and directors.

Diversity and inclusiveness at LGFA involves recognising the value of individual differences and managing them in the workplace. Diversity in this context includes gender, age, ethnicity, cultural background, sexual orientation, religious belief, disability, education and family responsibilities.

Each year, we complete a diversity review which is reported through to the Board and, when undertaking recruitment, selection panels for interview are split by gender.

Appointments to the Board are made in accordance with our Constitution and the Shareholders Agreement.

	2025		2024	
	Female	Male	Female	Male
Board	3	4	2	4
Staff	4	7	3	7

	2025			2024		
	Under 30 years	30-50 years	Over 50 years	Under 30 years	30-50 years	Over 50 years
Board	-	-	100%	-	-	100%
Staff	-	33%	67%	-	30%	70%



The Old Municipal Building has undergone an extensive programme of strengthening and restoration work. Christchurch City Council

# Managing risk

## Te whakahaere tūraru

An effective risk management framework is a critical component of LGFA's structure for managing the company's exposure to business and treasury risks arising from its operations of raising and on-lending funds to local councils and approved council-controlled organisations.

**The objective of LGFA's risk management function** is to ensure that frameworks and controls are implemented to manage risks effectively and in compliance with LGFA's governance and legislative requirements. The risk management function ensures that LGFA achieves its objectives, as set out in the Statement of Intent, within the risk appetite of the company's shareholders and Board.

**The objective of LGFA's risk management framework** is to ensure that the organisation operates within shareholder and Board approved risk limits. LGFA's approach to risk management is based on the following core elements:

- The Board oversees the risk appetite of the organisation and ensures that it is consistent with the constitution and shareholders agreement.
- Risk appetite is reflected in policies approved by the Board and Audit and Risk Committee.
- LGFA management implements policies and controls to ensure that all relevant risks are identified, measured, monitored, and managed effectively.
- The Risk and Compliance and Internal Audit (IA) functions provide assurance to both the Board and the Audit and Risk Committee on the performance of internal controls and risk management systems.

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

- The first line of defence establishes risk ownership within the company and is represented by its operational risk and control processes. LGFA managers are responsible for identifying and maintaining effective controls and mitigating risks.
- The second line of defence relates to establishing risk control within the organisation and involves ensuring policies are in place and up to date, reviewing risk reports, checking compliance against the risk management framework and ensuring that risks are actively and appropriately managed.
- The third line of defence is the independent assurance provided by both the internal and external audit functions which review and highlight control weaknesses and inefficiencies to management and the Board.

### LGFA risk register

The LGFA risk register is a key component of the company's risk management framework.

The key objective of the risk register is to ensure that the company assesses the risks faced by the business on an ongoing basis.

The risk register:

- Identifies the inherent risks that LGFA is exposed to when conducting its core business activities;
- Assesses the likelihood and potential impact of the inherent risks on the business;

- Describes the internal control framework and management processes for managing and mitigating the identified inherent risks;
- Provides commentary on internal audit coverage of the identified inherent risks; and
- Provides an overall residual risk assessment and compares these to approved risk appetite settings and risk tolerance ranges.

The risk register is reviewed monthly by management and at each meeting of the Audit and Risk Committee.



## Treasury risk management

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

LGFA's risk management uses an approved risk identification and assessment framework to actively monitor and manage all treasury and financial risk by applying best practice risk management principles and processes.

LGFA has treasury exposures arising from its normal business activities of raising and on-lending of funds. Specific treasury exposures relate to debt issuance and refinancing, liquidity, interest rate, foreign exchange, counterparty credit, operational

and lending risks. LGFA manages treasury exposures under a Board-approved Treasury Policy, the objectives of which are to:

- Effectively manage treasury risks, within approved compliance limits, to protect LGFA's capital position and net interest margin over time.
- Fund members in the most cost-effective manner and in accordance with LGFA's operating principles, values and objectives.
- Protect LGFA's assets and prevent unauthorised transactions.
- Minimise operational risk by maintaining adequate internal controls, systems and staffing competencies.
- Provide timely reporting to the Board with meaningful and accurate measurement of risk exposures and policy compliance.

## Key treasury risks

<b>Counterparty credit risk</b>	Counterparty credit risk is the risk of financial loss arising from a counterparty defaulting on an investment, security and/or financial instrument where LGFA is a holder or party.	<p><b>Counterparty credit risk</b> is managed through counterparty limits for investments. These limits are determined as a function of the term of investment, liquidity and credit quality of the counterparty (as measured by a recognised credit rating).</p> <p>All derivative contracts are subject to formal collateral arrangements to mitigate counterparty credit risk.</p> <p>Investment is restricted to approved financial instruments listed in the Treasury Policy.</p>
<b>Debt Funding and Refinancing Risk</b>	Funding risk is the potential inability to access capital markets to fund on-lending requirements. Refinancing risk is the potential inability to issue new debt to meet maturing debt obligations.	<p><b>Funding and refinancing risk</b> is managed through diversifying the concentration of debt instruments and maturities, and through the establishment of diverse funding programmes; long-term and short-term, onshore and offshore. Other important aspects include ongoing engagement with the investor community and maintaining a strong credit rating.</p>
<b>Foreign currency risk</b>	Foreign currency risk is the risk of an adverse change in the fair value of a financial instrument due to a change in foreign exchange rates.	<p>Exposure to <b>foreign currency risk</b> arises when LGFA accesses foreign capital markets for funding purposes.</p> <p>Foreign exchange risk is managed by fully hedging all foreign currency cash flows back to the New Zealand dollar.</p> <p>Any residual foreign currency risk arising from a timing mismatch of foreign currency cash flow, or arises from operational expenditure, is not material and is managed within a Board approved risk limit.</p>

<b>Interest rate risk</b>	<p>Interest rate risk is the risk that financial assets may re-price/mature at a different time and/ or by a different amount than financial liabilities.</p>	<p><b>Interest rate risk</b> is managed using Value at Risk (VaR) and Partial Differential Hedge (PDH) limits to mitigate the potential change in value of the balance sheet due to changes in interest rates.</p> <ul style="list-style-type: none"> <li>• VaR calculates the potential amount a portfolio could be expected to lose over a given time period. It is calculated using historical changes in underlying risk variables and applying those changes to the current portfolio.</li> <li>• VaR is measured over a daily time horizon with a 95% confidence interval. A daily 95% VaR exposure of \$1 million means that there is a 5% chance that the portfolio could potentially lose more than \$1 million over the next business day.</li> <li>• PDH measures the sensitivity of a portfolio to a one basis point change in underlying interest rates. For example, a PDH of NZD\$100,000 means that the portfolio value will increase by NZD\$100,000 for a one basis point fall in interest rates.</li> </ul> <p>In addition, LGFA also undertakes scenario analysis to model the potential effect of changing market environments on the balance sheet.</p>
<b>Lending risk</b>	<p>Lending risk is the risk of financial loss that could occur from lending funds to councils or council-controlled organisations.</p>	<p>LGFA is restricted through the Foundation Policies to lending only to councils and council-controlled organisations that are members of LGFA. The Foundation Policies lay out the conditions of borrowing with which members must comply. These include the provision of security, equity commitment liabilities and guarantee liabilities (if relevant), as well as complying with their own internal borrowing policies and complying with the financial covenants outlined in the Foundation Policies.</p> <p><b>Lending risk</b> is further managed through regular engagement with borrowers and monitoring by LGFA of compliance with the lending covenants detailed in the Foundation Policies.</p>
<b>Liquidity risk</b>	<p>Liquidity risk is the potential inability to meet financial obligations when they become due, under normal or abnormal/stressed operating conditions.</p>	<p><b>Liquidity risk</b> is managed using a forecast cashflow approach measured over a 90-day period. LGFA is required to maintain sufficient liquidity, comprising holdings of cash and liquid investments, and a Crown liquidity facility, to support six months of funding commitments.</p>
<b>Operational risk</b>	<p>Operational risk, with respect to treasury management, is the risk of financial and/ or reputation loss arising from human error, fraud, negligent behaviour, system failures or inadequate procedures and controls.</p>	<p><b>Operational risk</b> is managed using internal controls and procedures across operational functions. Segregation of duties between staff members who have the authority to enter transactions with external counterparties and the staff who control, check and confirm such transactions is a cornerstone internal control principle.</p> <p>Financial instruments are not entered into if the systems, operations and internal controls do not satisfactorily support the measurement, management and reporting of the risks associated with the instrument.</p>

# Performance against objectives

## Te whakatutukinga ki ngā whāinga

The statement of service performance provides a summary of LGFA's performance against the objectives and performance targets set out in the LGFA Statement of Intent 2024-27 (SOI).

### 2024-25 Objectives and performance targets

LGFA objectives and performance targets for 2024-25 fall within the following five strategic priorities which encompass our shareholders' foundation objectives and guide the LGFA Board and management in determining our strategy:

- Governance, capability and business practice
- Effective management of loans
- Optimising financing services for local government
- Industry leadership and engagement
- Environmental and social responsibility

Our quarterly reports to shareholders provide more detail on our performance against objectives and performance targets. The reports for the four quarters' ended June 2025 are available on the LGFA website.

### Governance, capability and business practice

LGFA is committed to best practice corporate governance to ensure its long-term sustainability and success.

Objectives	Our performance to 30 June 2025
Demonstrate best practice corporate governance.	LGFA is committed to demonstrating best practice corporate governance and we report annually on our compliance with the eight core principles underpinning the NZX Corporate Governance Best Practice Code. This 2025 Annual Report is the most recent report with commentary on our compliance with the NZX Code.
Set and model high standards of ethical behaviour.	LGFA has adopted a formal Code of Ethics, incorporating its Conflicts of Interest and Code of Conduct policies, which sets out the standards and values that directors and employees are expected to follow.
Achieve the shareholder-agreed objectives and performance targets specified in the Statement of Intent.	Our performance against shareholder-agreed objectives and performance targets, as specified in the Statement of Intent, is reported quarterly to shareholders and annually in this section of our Annual Report.
Ensure products and services offered to participating borrowers are delivered in a cost-effective manner.	LGFA prepares annual operating budgets and monitors progress against these monthly. Our performance against our financial performance targets for the year-ended 30 June 2025 is summarised below under our performance targets.
Be a good employer by providing safe working conditions, training and development and equal opportunities for staff.	We have met this objective and comply. The 2025 Annual Report is our most recent report outlining our health and safety and wellbeing practices and policies, compliance with the Health and Safety at Work Act, diversity and inclusion and capability and development.



Performance targets	2024-2025 target	Our performance to 30 June 2025
Comply with the Shareholder Foundation Policies and the Board-approved Treasury Policy at all times.	No breaches.	Not achieved. There was a breach of the Foundation Policy where the nominal amount of loans to a non-guarantor exceeded the \$20 million limit by \$186k.
Maintain LGFA's credit rating equal to the New Zealand Government sovereign rating where both entities are rated by the same Rating Agency.	LGFA credit ratings equivalent to NZ Sovereign.	Achieved. Our ratings remain equivalent to the New Zealand Government for both S&P Global Ratings and Fitch Ratings.  Fitch Ratings affirmed LGFA Foreign Currency Rating at AA+ in December 2024. S&P Global Ratings affirmed our domestic currency credit rating at AAA in March 2025.
A succession plan be put in place for the Board and staff and be reviewed annually.		Achieved.
LGFA's total operating income for the year to 30 June 2025.	>\$31.4 million.	Achieved. \$36.3 million at June 2025, excluding unrealised gains/losses on hedged foreign currency issuance.
LGFA's total operating expenses for the year to 30 June 2025.	<\$11.5 million.	Achieved. \$11.2 million at June 2025, excluding AIL.

Predator Free Wellington. Wellington City Council



## Optimising financing services for local government

LGFA's primary objective is to optimise the terms and conditions of the debt funding it provides to participating borrowers. Amongst other things, LGFA will achieve this by delivering operational best practice and efficiency across our lending products and services.

Objectives	How we measure our performance																																																																																																																																																																																											
Provide interest cost savings relative to alternative sources of financing.	<p>LGFA's borrowing margins compare favourably to other high-grade issuers in the New Zealand capital markets.</p> <p><b>Comparison to other high-grade issuers - secondary market spread to swap (bps)</b></p> <table><tr><th>30 June 2025</th><th>2026</th><th>2027</th><th>2028</th><th>2029</th><th>2030</th><th>2031</th><th>2032</th><th>2033</th><th>2035</th><th>2037</th></tr><tr><td>LGFA (AAA)</td><td>13</td><td>29</td><td>44</td><td>54</td><td>61</td><td>71</td><td>78</td><td>85</td><td>91</td><td>105</td></tr><tr><td>Kainga Ora (AAA)</td><td>19</td><td>29</td><td>46</td><td></td><td>54</td><td></td><td></td><td></td><td>88</td><td></td></tr><tr><td>Asian Development Bank (AAA)</td><td>11</td><td>24</td><td>30</td><td></td><td></td><td>49</td><td></td><td></td><td></td><td></td></tr><tr><td>IADB (AAA)</td><td>17</td><td>23</td><td>35</td><td></td><td>46</td><td></td><td></td><td></td><td></td><td></td></tr><tr><td>International Finance Corp (AAA)</td><td>15</td><td>21</td><td>33</td><td>39</td><td></td><td></td><td></td><td></td><td></td><td></td></tr><tr><td>KBN (AAA)</td><td>14</td><td>23</td><td></td><td></td><td>53</td><td></td><td></td><td></td><td></td><td></td></tr><tr><td>Nordic Investment Bank (AAA)</td><td></td><td></td><td></td><td>34</td><td>43</td><td></td><td></td><td></td><td></td><td></td></tr><tr><td>Rentenbank (AAA)</td><td></td><td>21</td><td></td><td>39</td><td></td><td></td><td></td><td></td><td></td><td></td></tr><tr><td>World Bank (AAA)</td><td>13</td><td>22</td><td>24</td><td></td><td>46</td><td></td><td></td><td></td><td></td><td></td></tr><tr><td>ASB (AA-)</td><td>25</td><td>48</td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr><tr><td>ANZ (AA-)</td><td></td><td></td><td>60</td><td></td><td>85</td><td></td><td></td><td></td><td></td><td></td></tr><tr><td>Kiwibank (AA-)</td><td>42</td><td>63</td><td>78</td><td>98</td><td></td><td></td><td></td><td></td><td></td><td></td></tr><tr><td>BNZ (AA-)</td><td>26</td><td>47</td><td>61</td><td>84</td><td></td><td></td><td></td><td></td><td></td><td></td></tr><tr><td>Westpac Bank (AA-)</td><td>41</td><td>47</td><td></td><td>88</td><td></td><td></td><td></td><td></td><td></td><td></td></tr><tr><td>Supranational, Sub-Sovereign, Agency Average</td><td>14</td><td>22</td><td>31</td><td>37</td><td>47</td><td>49</td><td></td><td></td><td></td><td></td></tr><tr><td>Bank Average</td><td>34</td><td>51</td><td>66</td><td>90</td><td>85</td><td></td><td></td><td></td><td></td><td></td></tr></table>	30 June 2025	2026	2027	2028	2029	2030	2031	2032	2033	2035	2037	LGFA (AAA)	13	29	44	54	61	71	78	85	91	105	Kainga Ora (AAA)	19	29	46		54				88		Asian Development Bank (AAA)	11	24	30			49					IADB (AAA)	17	23	35		46						International Finance Corp (AAA)	15	21	33	39							KBN (AAA)	14	23			53						Nordic Investment Bank (AAA)				34	43						Rentenbank (AAA)		21		39							World Bank (AAA)	13	22	24		46						ASB (AA-)	25	48									ANZ (AA-)			60		85						Kiwibank (AA-)	42	63	78	98							BNZ (AA-)	26	47	61	84							Westpac Bank (AA-)	41	47		88							Supranational, Sub-Sovereign, Agency Average	14	22	31	37	47	49					Bank Average	34	51	66	90	85					
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Offer flexible short and long-term lending products that meet the borrowing requirements for borrowers.	<p>LGFA provides members with short term loans (less than one year), long-term loans on either a floating or fixed rate basis (between one year and April 2037), Green Social and Sustainable Loans, Climate Access Loans and standby facilities.</p> <ul style="list-style-type: none"><li>Over the year-ended June 2025, our members borrowed \$4.160 billion in 365 long-term loans with an average term of 2.9 years.</li><li>As at June 2025 there was \$1.040 billion short-term loans outstanding to 44 members.</li><li>As at June 2025, standby facilities totalled \$867 million across 17 members.</li></ul>																																																																																																																																																																																											
Deliver operational best practice and efficiency for lending services.	<p>Over the year-ended 30 June 2025, LGFA operations staff successfully:</p> <ul style="list-style-type: none"><li>settled 2,488 new trades with a gross value of \$39 billion;</li><li>processed 16,040 cash flows with a gross value of \$73 billion; and</li><li>rate set 13,447 existing trades.</li></ul>																																																																																																																																																																																											
Ensure certainty of access to debt markets, subject always to operating in accordance with sound business practice.	<p>There was significant activity in LGFA bonds in both the primary market (tender or syndicated issuance) and secondary market (between banks and investors). Over the year-ended 30 June 2025, we issued bonds in the following native currency values: NZD 2.150 billion, AUD 800 million, USD 500 million, EUR 500 million, and CHF 220 million. Secondary market turnover in our NZD bonds totalled NZD 16.8 billion.</p>																																																																																																																																																																																											

Performance targets	2024-2025 target	Our performance to June 2025
Share of aggregate long-term debt funding to the Local Government sector.	> 80%	Not achieved. 74.9% at June 2025.
Total lending to Participating Borrowers.	> \$23,957 million.	Not achieved. \$22,657 million as at June 2025.
Conduct an annual survey of Participating Borrowers who borrow from LGFA as to the value added by LGFA to the borrowing activities.	> 85% satisfaction score.	94% satisfaction score in August 2024 Stakeholder Survey.
Successfully refinance existing loans to councils and LGFA bond maturities as they fall due.	100%	Achieved.
Meet all lending requests from Participating Borrowers, where those requests meet LGFA operational and covenant requirements.	100%	Achieved.

## Environmental and social responsibility

LGFA recognises the risks inherent in climate change for councils and supports New Zealand's shift to a low-carbon economy. LGFA will exhibit a sense of social and environmental responsibility by having regard to the interests of the community in which it operates and by endeavouring to accommodate or encourage these when able to do so.

Objectives	Our performance to June 2025
Assist the local government sector in achieving their sustainability and climate change objectives.	<p>Over the year to June 2025, we:</p> <ul style="list-style-type: none"> <li>approved one new GSS loan application to Tauranga City Council for the \$103 million Te Manawataki o Te Papa green building project. As at June 2025, we have approved seven GSS loans with a combined approved value of \$675.3 million of which \$453.9 million has been advanced.</li> <li>advanced a further \$923 million under our CAL lending programme. As at June 2025, seven councils have been approved for CAL loans with combined qualifying loans totalling \$3.7 billion.</li> </ul> <p>Our third Annual Impact Report, to be published on 30 September 2025, will provide information on the allocation of proceeds from LGFA's Sustainable Financing Bond issuance as at June 2025</p> <p>In March 2025, the LGFA team organised a series of panel discussions and keynote presentations to provide guidance to councils on accessing climate-related financing instruments, as well as to highlight useful data and tools (for the development, collection and communication of risk information).</p>
Improve sustainability outcomes within LGFA.	<p>In 2021, LGFA directors committed to reducing our per employee emissions by 30% by 2030, compared with a 2018/19 base year. We continue to monitor our organisational emissions and remain within target. In addition, we have released our Climate-reporting Disclosures in compliance with XRB standards.</p>



Performance targets	2024-2025 target	Our performance to June 2025
Comply with the Health and Safety at Work Act 2015.	No breaches.	Achieved.
Maintain Toitū Net Carbon Zero certification.	Net Carbon Zero certification maintained.	Achieved.
Meet reduction targets outlined in our carbon reduction management plan.	Reduction targets met.	Achieved. GHG quantification is subject to inherent uncertainty because of incomplete scientific knowledge used to determine emission factors and the values needed to combine emissions from different gases. GHG emissions against targets are reported in the 2025 LGFA Climate-related Disclosures, which will be available on the LGFA website from 30 September 2025.
Increase our GSS lending book and Climate Action Loans.	Two new GSS loans undertaken.  Three new borrowers approved for CAL.	Not achieved. One new GSS loan approved, and no new CAL borrowers approved.
Meet all mandatory climate reporting standards.	100%	Achieved.

## Effective management of loans

LGFA will ensure its loan book remains at a high standard by ensuring it understands each participating borrower's financial position. LGFA manages its assets within an appropriate risk management framework to ensure shareholder value is not compromised.

Objectives	Our performance to June 2025
Proactively monitor and review each Participating Borrower's financial position, including its financial headroom under LGFA policies.	Over the twelve months, we reviewed council annual plans, agendas and management reports on an ongoing basis for all members on the LGFA borrower watchlist.
Analyse finances at the Council group level where appropriate and report to shareholders.	We received compliance certificates in respect of the LGFA financial covenants from all of our members with debt outstanding at June 2024. No council has requested that they be measured on a group basis. A small number of certificates were provided based upon unaudited financial statements given a delay in providing final audit signoff. These have subsequently been verified following the eventual publication of the council's annual report.
Endeavour to meet each participating borrower annually, including meeting with elected officials as required, or if requested.	Achieved. LGFA conducted 109 meetings with council and CCO members in the twelve months ended June 2025.
Ensure a smooth transition of water-related loans if the Local Water Done Well Reforms progresses over forecast period.	LGFA has actively engaged with DIA and council members and their advisors to provide information on how it will be able to assist councils with the financing of their water operations.

Performance targets	2024-2025 target	Our performance to June 2025
Review each Participating Borrower's financial position.	100%	Achieved.
Arrange to meet each Participating Borrower over a 15-month period, including meeting with elected officials as required, or if requested.	100%	Achieved.

## Industry leadership and engagement

LGFA will take a proactive role to enhance the financial strength and depth of the local government debt market and will work with key central government and local government stakeholders on sector issues.

Objectives	Our performance to June 2025
Take a proactive role to enhance the financial strength and depth of the local government debt market and work with key central government and local government stakeholders on sector and individual council issues.	The Industry leadership and engagement section of this annual report discusses our performance in relation to these objectives.
Assist the local government sector with significant matters such as the Local Water Done Well Reforms and Future for Local Government.	
Maintain productive relationships with central government representatives.	
Support councils and CCOs in the development of reporting disclosures of the impacts of sector activity on climate change.	

Performance targets	2024-2025 target	Our performance to June 2025
Provide input into Local Water Done Well Legislation.	Provide feedback to DIA and Treasury during legislation drafting.	Achieved.
Provide quarterly updates to shareholders and borrowers on sector developments that are impacting LGFA.	Four quarterly updates to councils and CCOs.	Achieved.
Meet annually with Infrastructure Commission, Local Government New Zealand, Taituara, Water New Zealand, Infrastructure New Zealand, Crown Infrastructure Partners, Department of Internal Affairs, Treasury and Minister's office to discuss sector issues from an LGFA perspective.	Nine meetings across stakeholders.	Achieved.

# Financial statements

## Ngā Tauākī Ahumoni

Income statement	44
Statement of comprehensive income	44
Statement of changes in equity	45
Statement of financial position	46
Statement of cash flows	47
Notes to the financial statements	48

### Income statement

For the year ended 30 June 2025 in \$000s

	Note	2025	2024
Interest income		1,267,103	1,213,259
Interest expense		1,232,327	1,193,809
<b>Net interest income</b>	4	<b>34,776</b>	<b>19,450</b>
Other operating income	5	1,551	1,494
Gains / (losses) on financial instruments		(680)	859
<b>Total operating income</b>		<b>35,647</b>	<b>21,803</b>
<b>Operating expenses</b>	6	<b>16,653</b>	<b>11,753</b>
<b>Net operating profit</b>		<b>18,994</b>	<b>10,050</b>

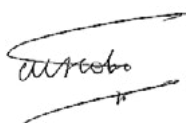
### Statement of comprehensive income

For the year ended 30 June 2025 in \$000s

	Note	2025	2024
<b>Net operating profit</b>		<b>18,994</b>	<b>10,050</b>
<b>Items that may be re-classified subsequently to the Income Statement</b>			
Net change in cash flow hedge reserve	9	(6,477)	5,536
Cost of hedging	9	(2,079)	(6,531)
<b>Total comprehensive income</b>		<b>10,438</b>	<b>9,056</b>

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

The Board of Directors of the New Zealand Local Government Funding Agency Limited authorised these statements for issue on 28 August 2025.



**Craig Stobo, Director**  
Board Chair



**Linda Robertson, Director**  
Chair, Audit and Risk Committee



## Statement of changes in equity

For the year ended 30 June 2025 in \$000s

	Note	Share capital	Cash flow hedge reserve	Cost of hedging reserve	Retained earnings	Total equity
<b>Equity as at 1 July 2023</b>		<b>25,000</b>	<b>-</b>	<b>-</b>	<b>80,847</b>	<b>105,847</b>
Net operating profit					10,050	10,050
Other comprehensive income/(expense)			5,536	(6,531)		(995)
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>5,536</b>	<b>(6,531)</b>	<b>10,050</b>	<b>9,055</b>
Transactions with owners					-	-
Dividend paid on 1 September 2023					(1,713)	(1,713)
<b>Equity as at 30 June 2024</b>		<b>25,000</b>	<b>5,536</b>	<b>(6,531)</b>	<b>89,185</b>	<b>113,190</b>
Net operating profit					18,994	18,994
Other comprehensive income/(expense)			(6,477)	(2,079)		(8,556)
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>(6,477)</b>	<b>(2,079)</b>	<b>18,994</b>	<b>10,438</b>
Transactions with owners						-
Dividend paid on 2 September 2024					(1,843)	(1,843)
<b>Equity as at 30 June 2025</b>	28	<b>25,000</b>	<b>(941)</b>	<b>(8,610)</b>	<b>106,336</b>	<b>121,785</b>

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

## Statement of financial position

As at 30 June 2025 in \$000s

	Note	2025	2024
<b>Assets</b>			
<b>Financial assets</b>			
Receivables	11	2,973	378
Cash and cash equivalents		325,728	473,609
Cash pledged as collateral	10	187,836	251,605
Marketable securities		2,458,427	1,397,045
Deposits		578,878	718,493
Derivatives in gain	10	255,271	116,090
Loans to members	12	22,657,300	20,549,350
<b>Non-financial assets</b>			
Other assets	13	1,339	1,245
<b>Total assets</b>		<b>26,467,752</b>	<b>23,507,816</b>
<b>Equity</b>			
Share capital	28	25,000	25,000
Reserves	9	(9,551)	(995)
Retained earnings		106,336	89,185
<b>Total equity</b>		<b>121,785</b>	<b>113,190</b>
<b>Liabilities</b>			
<b>Financial liabilities</b>			
Payables and provisions	14	6,414	9,609
Bond repurchases	17	341,756	58,302
Derivatives in loss	10	1,067,121	1,526,526
Debt securities issued:			
At amortised cost	15	23,645,696	20,490,507
At fair value through income statement	16	613,077	815,175
Borrower notes	18	669,030	492,614
<b>Non financial liabilities</b>			
Other liabilities	19	2,873	1,891
<b>Total liabilities</b>		<b>26,345,967</b>	<b>23,394,625</b>
<b>Total equity and liabilities</b>		<b>26,467,752</b>	<b>23,507,816</b>

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

## Statement of cash flows

For the year ended 30 June 2025 in \$000s

	Note	2025	2024
<b>Cash flows from operating activities</b>			
Cash applied to loans	12	(2,119,168)	(4,174,912)
Interest paid on bonds issued		(737,888)	(596,886)
Interest paid on bills issued		(102,178)	(52,087)
Interest paid on borrower notes		(7,785)	(4,220)
Interest paid on bond repurchases		(9,682)	(10,436)
Interest received from loans		1,124,661	1,031,054
Interest received from cash & cash equivalents		27,512	24,285
Interest received from marketable securities		71,558	43,866
Interest received from deposits		56,100	47,860
Net interest on derivatives		(383,051)	(474,182)
Cash inflows from provision of standby facilities		1,551	1,496
Payments to suppliers and employees		(15,730)	(10,877)
<b>Net cash flows from operating activities</b>	32	<b>(2,094,100)</b>	<b>(4,175,038)</b>
<b>Cash flows from investing activities</b>			
Purchase of marketable securities		(1,008,422)	(233,720)
(Purchase)/maturity of deposits		200,470	(525,977)
<b>Net cash flows from investing activities</b>		<b>(807,952)</b>	<b>(759,698)</b>
<b>Cash flows from financing activities</b>			
Cash inflows from bonds issued	15, 16	5,014,063	3,958,755
Cash outflows from bond maturities	15, 16	(2,719,000)	-
Cash inflows (outflows) from bills issued	15, 16	(118,711)	623,761
Cash inflows (outflows) from bond repurchases		283,303	(71,584)
Cash inflows from borrower notes		158,273	114,288
Dividends paid		(1,843)	(1,713)
Cash applied to derivatives		138,086	558,616
<b>Net cash flows from financing activities</b>		<b>2,754,171</b>	<b>5,182,123</b>
<b>Net increase / (decrease) in cash</b>		<b>(147,881)</b>	<b>247,388</b>
Foreign exchange gains / (losses) on cash balances		1	-
<b>Net cash flows from all activities</b>		<b>(147,880)</b>	<b>247,388</b>
Cash, cash equivalents at beginning of year		473,609	226,222
<b>Cash, cash equivalents at end of year</b>		<b>325,728</b>	<b>473,609</b>

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



# Notes to the financial statements

## 1. 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 trading 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 borrowers.

The registered address of LGFA is Level 11, City Chambers, 142 Featherston Street, Wellington Central, Wellington 6011.

The financial statements are as at and for the year ended 30 June 2025.

These financial statements were authorised for issue by the Directors on 28 August 2025.

## 2. Statement of compliance

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

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

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

## 3. 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 to accounting policies.

### EARLY ADOPTION STANDARDS AND INTERPRETATIONS

LGFA has not early adopted any standards.

### 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. This includes NZ IFRS 18 Presentation and Disclosure in Financial Statements.

### FINANCIAL INSTRUMENTS

#### Financial assets

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

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

Cash provided by LGFA as security for financial arrangements remains a financial asset of LGFA and is recognised as cash pledged as collateral in the Statement of Financial Position, separate from cash and cash equivalents.

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

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

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

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

## **Financial liabilities**

Financial liabilities, other than derivatives, are recognised initially at fair value less transaction costs and subsequently measured at either:

- Amortised cost and subsequently measured at amortised cost using the effective interest rate method; or
- Fair value through income statement (FVTIS).

Financial liabilities are classified as FVTIS if they are derivative financial liabilities or if LGFA chooses to classify financial liabilities as FVTIS if the use of the classification removes or significantly reduces an accounting mismatch. This classification includes debt issues that are designated at FVTIS where LGFA has economically hedged the foreign exchange and interest rate risk using derivatives, but hedge account is not applied. Any such classification is made on the date of initial recognition and is irrevocable.

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

## **OTHER ASSETS**

### **Property, plant and equipment**

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.

## **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.

## **REVENUE**

### **Interest income**

Interest income is accrued using the effective interest rate method.

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

## **EXPENSES**

Expenses are recognised in the period to which they relate.

### **Interest expense**

Interest expense is accrued using the effective interest rate method.

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

## Approved issuer levy

Approved Issuer Levy is a function of securities held by offshore holders of certain LGFA bond maturities.

## 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.

## SEGMENT REPORTING

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

## JUDGEMENTS AND ESTIMATIONS

The preparation of these financial statements requires judgements, estimates and assumptions that affect the application of policies and reported amounts. For example, the fair value of financial instruments depends critically on judgements regarding future cash flows, including inflation assumptions and the risk-free discount rate.

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 and these estimates and underlying assumptions are reviewed on an ongoing basis. Where these judgements significantly affect the amounts recognised in the financial statements they are described in the following notes.

## Revenue and expenditure

### 4. Net interest income

For the year ended 30 June 2025 in \$000s	2025	2024
<b>Interest income</b>		
Cash and cash equivalents	27,668	24,314
Cash pledged as collateral	6,171	9,189
Marketable securities	99,965	62,356
Deposits	47,014	41,124
Derivatives	-	-
Loans	1,086,285	1,076,276
<b>Total interest income</b>	<b>1,267,103</b>	<b>1,213,259</b>
<b>Interest expense</b>		
Bills	84,790	55,627
Bond repurchase transactions	9,832	10,279
Lease liability	-	17
Derivatives	249,784	445,499
Bonds	862,245	660,065
Borrower notes	25,676	22,323
<b>Total interest expense</b>	<b>1,232,327</b>	<b>1,193,809</b>
<b>Net interest income</b>	<b>34,776</b>	<b>19,450</b>



## 5. Other operating income

As at 30 June 2025, LGFA had provided standby facilities totalling \$867 million (2024: \$747 million) to selected councils. As at balance date, there were no drawdowns outstanding under the facilities.

For the year ended 30 June 2025 in \$000s	2025	2024
Standby facilities fee income	1,551	1,494
<b>Total other operating income</b>	<b>1,551</b>	<b>1,494</b>

## 6. Operating expenses

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

For the year ended 30 June 2025 in \$000s	2025	2024
<b>Issuance &amp; onlending expenses</b>		
Approved issuer levy <sup>1</sup>	5,392	1,982
Rating agency fees	811	697
NZDM facility fee	937	1,500
Legal fees – issuance	1,262	824
NZX	768	800
Trustee fees	119	116
Regulatory, registry, other fees	435	365
	<b>9,724</b>	<b>6,284</b>
<b>Other operating expenses</b>		
Information technology	922	739
Consultants	348	322
Directors fees	553	496
Insurance	107	103
Legal fees	242	108
Other expenses	662	496
Auditors' remuneration		
Statutory audit	180	131
Assurance services <sup>2</sup>	30	-
Personnel	3,885	3,074
	<b>6,929</b>	<b>5,469</b>
<b>Total operating expenses</b>	<b>16,653</b>	<b>11,753</b>

1. The amount of Approved Issuer Levy is a function of securities held by offshore holders of certain LGFA bond maturities.

2. KPMG was engaged to provide a comfort letter addressed to LGFA, the Arranger and the Dealers relating to the contents of the EMTN Programme Offering Circular.

# Financial instruments

## 7. Financial instruments accounting policy

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

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

### CASH AND BANK, TRADE AND OTHER RECEIVABLES, TRADE AND OTHER PAYABLES

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

### CASH PLEDGED AS COLLATERAL

LGFA enters derivative financial instruments for hedging purpose which may require LGFA to post collateral as security with counterparties.

In line with standard industry practice, collateral is provided for derivative transactions in accordance with the terms set out in the relevant Credit Support Annex. LGFA's practice is to annex each CSA to the International Swaps and Derivatives Association (ISDA) Master Agreement it has with derivative counterparties.

LGFA is required to pledge cash deposits at call to meet its obligations under the CSAs for derivative positions. The pledged assets will be returned to LGFA when the underlying transaction is terminated, but in the event of default the counterparty is entitled to apply the collateral to settle the outstanding liability.

### MARKETABLE SECURITIES AND BONDS

The fair value of bonds and marketable securities are determined using the quoted price for the instrument.

### DEPOSITS

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

### LOANS

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

### LEASES

The lease liability is recognised at the present value of the remaining lease payments, discounted using LGFA's incremental borrowing rate, with the corresponding right-of-use asset recognised as an equal amount.

### BORROWER NOTES

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

## FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

As at 30 June 2025 in \$000s	Financial liabilities at amortised cost	Financial liabilities at fair value through income statement	Financial assets at amortised cost	Financial assets measured at fair value in accordance with NZ IFRS 9	Fair value
<b>Financial assets</b>					
Receivables	-	-	2,973	-	2,973
Cash and bank balances	-	-	325,728	-	325,728
Cash pledged as collateral	-	-	187,836	-	187,836
Marketable securities	-	-	2,458,427	-	2,501,062
Deposits	-	-	578,878	-	579,011
Derivatives	-	-	-	255,271	255,271
Loans	-	-	22,657,300	-	23,227,171
	-	-	<b>26,211,142</b>	<b>255,271</b>	<b>27,079,052</b>
<b>Financial liabilities</b>					
Payables and provisions	6,414	-	-	-	6,414
Bond repurchases	341,756	-	-	-	341,756
Derivatives	-	-	-	1,067,121	1,067,121
Bills	992,159	-	-	-	992,340
ECP	-	613,077	-	-	613,077
Bonds	22,653,537	-	-	-	22,492,491
Borrower notes	669,030	-	-	-	662,582
	<b>24,662,896</b>	<b>613,077</b>	-	<b>1,067,121</b>	<b>26,175,781</b>



As at 30 June 2024 in \$000s	Financial liabilities at amortised cost	Financial liabilities at fair value through income statement	Financial assets at amortised cost	Financial assets measured at fair value in accordance with NZ IFRS 9	Fair value
<b>Financial assets</b>					
Receivables	-	-	378	-	378
Cash and bank balances	-	-	473,609	-	473,609
Cash pledged as collateral	-	-	251,605	-	251,605
Marketable securities	-	-	1,397,045	-	1,407,237
Deposits	-	-	718,493	-	719,223
Derivatives	-	-	-	116,090	116,090
Loans	-	-	20,549,350	-	20,915,910
	-	-	<b>23,390,480</b>	<b>116,090</b>	<b>23,884,052</b>
<b>Financial liabilities</b>					
Payables and provisions	9,609	-	-	-	9,609
Bond repurchases	58,302	-	-	-	58,302
Derivatives	-	-	-	1,526,526	1,526,526
Bills	911,386	-	-	-	911,396
ECP	-	815,175	-	-	815,175
Bonds	19,579,121	-	-	-	19,909,342
Borrower notes	492,614	-	-	-	480,434
	<b>21,051,032</b>	<b>815,175</b>	-	<b>1,526,526</b>	<b>23,710,784</b>

## 8. Derivative financial instruments

LGFA use three different types of derivatives financial instruments: interest rate swaps, cross currency interest rate swaps and foreign exchange transactions (spot and forward).

Derivative financial instruments are recognised in the statement of financial position at fair value. Derivatives are categorised as following:

- Derivatives designated into hedge accounting relationships to minimise profit or loss volatility by matching movements in underlying positions relating to hedges of the LGFA's exposures to interest rate risk and currency risk.
- Derivatives designated to manage risks that are not in a designated hedge accounting relationship.

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

Level 1 Quoted market prices: Fair value based on quoted prices in active markets for identical assets or liabilities.

Level 2 Valuation techniques using observable market inputs: Fair value based on a valuation technique using other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3 Valuation techniques using significant non-observable market inputs: Fair value based on a valuation technique using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

Treatment of any fair value gains or losses depends on whether the derivative is designated as a hedging instrument. If the derivative is not designated as a hedging instrument, the remeasurement gain or loss is recognised immediately in the Consolidated income statement.

## 9. Hedge accounting

LGFA uses derivatives to establish economic hedges to manage its interest rate and foreign exchange risk. LGFA's risk management strategy with respect to hedge accounting is to minimise income statement volatility.

Hedge accounting is implemented to manage the following risks:

- Interest rate risk due to a mismatch between fixed and floating interest rates on assets and liabilities; and
- Combined risk on assets or liabilities with interest rate risk that are denominated in currencies other than New Zealand dollars.

LGFA enters cross-currency interest rate swaps to hedge the foreign currency and foreign interest rate risks on issued foreign currency bonds. Using the cross-currency interest rate swaps, LGFA will pay New Zealand Dollar floating interest rates and receive foreign currency fixed interest with coupon payments matching the underlying notes.

LGFA designated the foreign currency bonds and cross-currency interest rate swaps into three-part hedging relationships for each issue:

- a fair value hedge of foreign currency benchmark interest rates,
- a cash flow hedge of margin, and
- a cash flow hedge of the principal exchange.

### FAIR VALUE HEDGE

Under a fair value hedge, the hedged item is revalued at fair value in respect of the hedged risk. This revaluation is recognised in the Consolidated income statement to offset the mark-to-market revaluation of the hedging derivative, except for any adjustment on the hedging derivative relating to credit risk.

### CASH FLOW HEDGE

Under a cash flow hedge, the effective portion of gains or losses from remeasuring the fair value of the hedging instrument is recognised in Other comprehensive income and accumulated in the cash flow hedge reserve. Accumulated gains or losses are subsequently transferred to the Consolidated income statement when the hedged item affects the Income statement, or when the hedged item is a forecast transaction that is no longer expected to occur.

Any future gains or losses will be processed through the hedge equity reserves as long as the existing cash flow hedge relationships remain effective.

A reconciliation of the cash flow reserve is shown in the following table:

	2025	2024
Opening balance at 1 July	5,535	-
Changes in cash flow hedges	(6,476)	5,536
Closing balance at 30 June	(941)	5,536

### COST OF HEDGING

The cost of hedging reserve captures changes in the fair value of the cost to convert foreign currency to NZD of LGFA's cross currency interest rate swaps on the foreign currency bonds.

A reconciliation of movements in the cost of hedging reserve is shown in the table below:

	2025	2024
Opening balance at 1 July	(6,531)	-
Change in currency basis spreads	(2,079)	(6,531)
Closing balance at 30 June	(8,610)	(6,531)

## HEDGING INSTRUMENTS

\$'000	Life to date values as at 30 June 2025		
	Carrying amount of the hedging instrument		
	Nominal amount of hedging instrument	Asset / (liability)	Change in value for hedge ineffectiveness
<b>Fair value hedges</b>			
Interest rate swaps – NZD bonds hedge	14,618,000	(897,105)	417,919
Interest rate swaps – loans hedge	1,365,026	(12,096)	10,322
Interest rate swaps – marketable securities hedge	1,489,022	6,209	18,526
<b>Fair value and cash flow hedges</b>			
Fair value hedges – foreign currency	AUD 3,450,000 CHF 220,000 EUR 500,000 USD 500,000	87,924	(128,631)
Cash flow hedges – foreign currency	NZD 6,002,398		940

\$'000	Life to date values as at 30 June 2024		
	Carrying amount of the hedging instrument		
	Nominal amount of hedging instrument	Asset / (liability)	Change in value for hedge ineffectiveness
<b>Fair value hedges</b>			
Interest rate swaps – NZD bonds hedge	15,228,000	(1,007,019)	(1,007,019)
Interest rate swaps – loans hedge	700,200	25,510	25,510
Interest rate swaps – marketable securities hedge	611,480	5,917	5,917
<b>Fair value and cash flow hedges</b>			
Fair value hedges – foreign currency	AUD 2,650,000	(6,381)	(6,381)
Cash flow hedges – foreign currency	NZD 2,861,000	35,271	35,271

Year to date values recognised during the year to 30 June 2025					
\$'000	Hedge effectiveness in reserves			Hedge effectiveness	Hedge effectiveness
	Cost of hedging reserve	Cash flow hedge (OCI)	Cash flow hedge reclassified to income statement	Fair value hedge recognised in Income statement	Recognised in Income Statement
<b>Fair value hedges</b>					
Interest rate swaps – NZD bonds hedge	-	-	-	1,424,938	-
Interest rate swaps – loans hedge	-	-	-	(15,188)	-
Interest rate swaps – marketable securities hedge	-	-	-	12,609	-
<b>Fair value and cash flow hedges</b>					
Fair value hedges – foreign currency	-	-	-	122,250	-
Cash flow hedges – foreign currency	2,079	6,477	78,050	-	1,719

Year to date values recognised during the year ended 30 June 2024					
\$'000	Hedge effectiveness in reserves			Hedge effectiveness	Hedge effectiveness
	Cost of hedging reserve	Cash flow hedge (OCI)	Cash flow hedge reclassified to income statement	Fair value hedge recognised in Income statement	Recognised in Income Statement
<b>Fair value hedges</b>					
Interest rate swaps – NZD bonds hedge	-	-	-	333,352	-
Interest rate swaps – loans hedge	-	-	-	(12,340)	-
Interest rate swaps – marketable securities hedge	-	-	-	(16,956)	-
<b>Fair value and cash flow hedges</b>					
Fair value hedges – foreign currency	-	-	-	6,381	-
Cash flow hedges – foreign currency	6,531	(5,536)	(34,497)	-	(859)



## 10. Offsetting

NZ IAS 32: Financial Instruments Presentation allows financial assets and liabilities to be offset only when there is a current legally enforceable right to set off the amounts and there is an intention either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

LGFA does not offset any amounts.

The following table shows the amounts subject to an enforceable master netting arrangement or similar agreement that are not offset in the statement of financial position.

As at 30 June 2025 in \$000s	Derivative assets	Derivative liabilities
Gross amounts	255,271	1,067,121
Amounts offset	-	-
Carrying amounts	255,271	(255,271)
Amounts that don't qualify for offsetting	-	-
Financial assets & liabilities	(255,271)	(255,271)
Collateral	-	(187,836)
<b>Net amount</b>	<b>-</b>	<b>624,014</b>

As at 30 June 2024 in \$000s	Derivative assets	Derivative liabilities
Gross amounts	116,090	1,526,526
Amounts offset	-	-
Carrying amounts	116,090	(116,090)
Amounts that don't qualify for offsetting	-	-
Financial assets & liabilities	(116,090)	(116,090)
Collateral	-	(251,605)
<b>Net amount</b>	<b>-</b>	<b>1,158,831</b>

## 11. Receivables

As at 30 June 2025 in \$000s	2025	2024
Bond repurchases to be received	-	-
Borrower notes to be received	-	-
Trade debtors	2,973	378
<b>Total receivables</b>	<b>2,973</b>	<b>378</b>

## 12. Loans

As at 30 June 2025 in \$'000s	2025		2024	
	Short-term loans	Loans	Short-term loans	Loans
Ashburton District Council	20,044	124,440	12,062	119,743
Auckland Council	48,672	3,111,545	-	3,655,028
Bay of Plenty Regional Council	117,701	224,766	50,506	219,044
Buller District Council	9,909	10,018	-	20,037
Canterbury Regional Council	-	96,421	5,085	92,416
Carterton District Council	-	27,279	-	24,839
Central Hawkes Bay District Council	-	49,434	5,132	39,401
Central Otago District Council	5,038	45,618	5,019	30,450
Christchurch City Council	-	2,749,479	-	2,511,678
Clutha District Council	15,522	130,327	11,585	108,398
Dunedin City Treasury	-	443,747	-	293,104
Far North District Council	35,204	120,785	32,703	90,518
Far North Holdings Ltd	49,036	26,521	-	-
Gisborne District Council	9,920	185,413	-	174,991
Gore District Council	8,534	49,873	8,554	46,998
Greater Wellington Regional Council	-	1,021,955	-	941,217
Grey District Council	3,971	31,768	3,972	28,807
Hamilton City Council	101,343	922,069	-	950,852
Hastings District Council	18,974	456,568	-	397,160
Hauraki District Council	-	141,000	-	101,092
Hawkes Bay Regional Council	-	115,630	-	110,708
Horizons Regional Council	9,952	69,472	9,906	62,026
Horowhenua District Council	14,054	227,539	21,199	182,674
Hurunui District Council	14,079	73,632	10,067	57,666
Hutt City Council	-	577,424	-	515,520
Infrastructure Holdings Ltd	9,994	109,297	9,989	104,463
Invercargill City Council	28,187	126,432	47,502	104,262
Invercargill City Holdings Ltd	-	-	48,252	48,403
Kaikoura District Council	-	7,354	-	7,374
Kaipara District Council	-	44,314	-	54,639
Kapiti Coast District Council	-	367,751	-	323,722
Kawerau District Council	-	6,058	-	4,051
Mackenzie District Council	4,016	19,255	4,040	16,257
Manawatu District Council	11,594	93,445	13,014	83,139
Marlborough District Council	14,606	230,935	14,694	190,067
Masterton District Council	-	66,918	-	63,357
Matamata-Piako District Council	-	85,673	-	66,201

As at 30 June 2025 in \$000s	2025		2024	
	Short-term loans	Loans	Short-term loans	Loans
Napier City Council	-	65,572	-	20,191
Nelson City Council	-	266,619	-	262,320
New Plymouth District Council	-	357,122	10,117	293,577
Northland Regional Council	6,883	59,605	-	24,741
Opotiki District Council	4,102	10,588	-	12,595
Otago Regional Council	42,767	132,638	35,739	104,122
Otorohanga District Council	10,123	2,019	9,110	-
Palmerston North City Council	-	305,995	-	273,466
Porirua City Council	-	362,827	-	269,807
Queenstown Lakes District Council	88,141	619,296	76,334	575,080
Rangitikei District Council	10,037	44,385	-	44,358
Rotorua District Council	-	472,652	1,889	448,948
Ruapehu District Council	10,039	54,191	8,050	50,214
Selwyn District Council	40,375	256,744	20,035	166,778
South Taranaki District Council	-	137,017	-	140,634
South Waikato District Council	-	50,369	-	44,469
Southland District Council	-	92,384	-	36,153
Southland Regional Council	-	7,003	-	-
South Wairarapa District Council	17,125	11,565	8,190	27,166
Stratford District Council	-	38,927	-	36,908
Taranaki Regional Council	-	57,934	-	31,780
Tararua District Council	-	80,621	-	69,986
Tasman District Council	31,537	317,397	25,379	325,787
Taupo District Council	-	200,203	-	165,543
Tauranga City Council	4,840	1,272,492	-	1,050,800
Thames-Coromandel District Council	-	91,729	-	84,003
Timaru District Council	39,727	212,425	19,340	202,822
Timaru District Holdings Ltd	9,316	-	-	-
Upper Hutt City Council	-	216,098	-	180,900
Waikato District Council	14,621	221,629	-	207,254
Waikato Regional Council	10,042	39,323	-	32,384
Waimakariri District Council	-	221,613	-	202,169
Waimate District Council	-	5,035	-	3,541
Waipa District Council	63,492	341,285	15,009	313,011
Wairoa District Council	-	9,624	-	11,100
Waitaki District Council	1,997	71,474	7,483	64,158
Waitomo District Council	6,024	27,165	6,103	27,246
Wellington City Council	-	1,843,472	-	1,595,914

As at 30 June 2025 in \$000s	2025		2024	
	Short-term loans	Loans	Short-term loans	Loans
West Coast Regional Council	2,991	21,234	2,986	14,715
Western Bay Of Plenty District Council	15,109	161,226	10,009	106,249
Westland District Council	3,928	35,051	4,713	32,666
Westland Holdings Ltd	-	-	-	-
Whakatane District Council	-	178,821	6,011	149,114
Whanganui District Council	7,551	196,538	7,560	176,878
Whangarei District Council	48,915	246,882	9,922	257,756
Fair value hedge adjustment	-	10,322	-	(25,510)
	<b>1,040,033</b>	<b>21,617,267</b>	<b>597,260</b>	<b>19,952,095</b>

Short-terms loans are loans that have a term to maturity of less than 12 months at origination. Loans have a term to maturity of 12 months or greater at origination. As at 30 June 2025, all short term loans and \$2,836 million of loans will mature within 12 months.

### 13. Other assets

As at 30 June 2025 in \$000s	2025	2024
Prepayments	980	987
Furniture and Fixtures	105	-
Right-of-use lease asset	254	258
<b>Total other assets</b>	<b>1,339</b>	<b>1,245</b>

### 14. Payables and provisions

As at 30 June 2025 in \$000s	2025	2024
Loans to be advanced	-	8,190
Trade creditors	5,909	1,038
Credit provision	301	249
Other provisions	204	132
<b>Total payables</b>	<b>6,414</b>	<b>9,609</b>



## 15. Debt securities issued at amortised cost

As at 30 June 2025 in \$000s					
	Face Value	Unamortised premium	Accrued interest	Fair value hedge adjustment	Total
<b>NZD Fixed interest bonds</b>					
15 April 2026	2,602,097	(33,254)	8,212		2,577,055
15 April 2027	2,321,000	29,456	21,973		2,372,429
15 May 2028	1,693,000	(57,147)	4,865		1,640,718
20 April 2029	1,992,000	(90,984)	5,878		1,906,894
15 May 2030	2,110,000	(38,228)	12,127		2,083,899
15 May 2031	2,195,000	(206,372)	6,308		1,994,936
14 May 2032	850,000	(5,841)	4,989		849,148
14 April 2033	1,835,000	(26,924)	13,687		1,821,763
15 May 2035	640,000	(38,955)	2,452		603,497
15 April 2037	1,230,000	(155,661)	5,175		1,079,514
<b>Fair value hedge adjustment</b>				(418,101)	(418,101)
	<b>17,468,097</b>	<b>(623,910)</b>	<b>85,666</b>	<b>(418,101)</b>	<b>16,511,752</b>
<b>Foreign Currency Fixed interest bonds &amp; EMTN</b>					
8 September 2027 (AUD)	1,077,202	(1,914)	14,812		1,090,100
20 March 2028 (USD)	823,927	(1,150)	9,513		832,290
1 August 2028 (AUD)	1,077,202	(1,874)	20,979		1,096,307
1 April 2030 (EUR)	965,354	(1,504)	6,919		970,769
28 November 2030 (AUD)	700,181	(2,034)	3,299		701,446
2 April 2032 (CHF)	453,667	(1,328)	873		453,212
8 March 2034 (AUD)	861,762	(6,197)	13,465		869,030
<b>Fair value hedge adjustment</b>				128,631	128,631
	<b>5,959,295</b>	<b>(16,001)</b>	<b>69,860</b>	<b>128,631</b>	<b>6,141,785</b>
<b>Total Fixed interest bonds</b>	<b>23,427,392</b>	<b>(639,911)</b>	<b>155,526</b>	<b>(289,470)</b>	<b>22,653,537</b>
<b>NZD Bills</b>					
16 July 2025	331,000	-	(459)		330,541
30 July 2025	250,000	-	(744)		249,256
6 August 2025	25,000	-	(84)		24,916
13 August 2025	30,000	-	(119)		29,881
20 August 2025	20,000	-	(91)		19,909
27 August 2025	105,000	-	(520)		104,480
3 September 2025	77,000	-	(459)		76,541
8 September 2025	25,000	-	(157)		24,843
18 September 2025	48,000	-	(349)		47,651
25 September 2025	40,000	-	(311)		39,689
5 November 2025	25,000	-	(282)		24,718
27 November 2025	15,000	-	(197)		14,803
3 December 2025	5,000	-	(69)		4,931
<b>Total NZD Bills</b>	<b>996,000</b>	<b>-</b>	<b>(3,841)</b>	<b>-</b>	<b>992,159</b>
<b>Total debt securities issued at amortised cost</b>	<b>24,423,392</b>	<b>(639,911)</b>	<b>151,685</b>	<b>(289,470)</b>	<b>23,645,696</b>

Audited as at 30 June 2024 in \$000s					
	Face Value	Unamortised premium	Accrued interest	Fair value hedge adjustment	Total
<b>NZD Fixed interest bonds</b>					
15 April 2025	2,719,000	(23,467)	15,731		2,711,264
15 April 2026	2,755,000	(73,596)	8,694		2,690,098
15 April 2027	2,261,000	46,176	21,405		2,328,581
15 May 2028	1,653,000	(72,604)	4,750		1,585,146
20 April 2029	1,932,000	(103,640)	5,701		1,834,061
15 May 2030	1,660,000	(45,881)	9,321		1,623,439
15 May 2031	2,095,000	(222,442)	6,020		1,878,578
14 April 2033	1,605,000	(6,347)	11,972		1,610,625
15 May 2035	550,000	(27,458)	2,107		524,649
15 April 2037	960,000	(84,540)	4,039		879,499
<b>Fair value hedge adjustment</b>				(1,007,019)	(1,007,019)
	<b>18,190,000</b>	<b>(613,800)</b>	<b>89,741</b>	<b>(1,007,019)</b>	<b>16,658,921</b>
<b>AUD Fixed interest bonds</b>					
8 September 2027	546,456	(1,140)	7,514		552,830
1 August 2028	1,092,912	(3,193)	21,309		1,111,028
28 November 2030	710,393	(1,560)	3,347		712,180
8 March 2034	546,456	(4,451)	8,538		550,543
<b>Fair value hedge adjustment</b>				(6,381)	(6,381)
	<b>2,896,217</b>	<b>(10,344)</b>	<b>40,708</b>	<b>(6,381)</b>	<b>2,920,200</b>
<b>Total Fixed interest bonds</b>	<b>21,086,217</b>	<b>(624,144)</b>	<b>130,449</b>	<b>(1,013,400)</b>	<b>19,579,121</b>
<b>NZD Bills</b>					
5 July 2024	25,000	-	(15)		24,985
12 July 2024	130,000	-	(171)		129,829
19 July 2024	190,000	-	(489)		189,511
1 August 2024	55,000	-	(252)		54,748
7 August 2024	40,000	-	(225)		39,775
16 August 2024	50,000	-	(338)		49,662
29 August 2024	20,000	-	(181)		19,819
6 September 2024	75,000	-	(749)		74,251
18 September 2024	55,000	-	(659)		54,341
26 September 2024	50,000	-	(666)		49,334
2 October 2024	25,000	-	(348)		24,652
7 October 2024	40,000	-	(587)		39,413
6 November 2024	25,000	-	(481)		24,519
4 December 2024	55,000	-	(1,292)		53,708
19 December 2024	85,000	-	(2,158)		82,842
<b>Total NZD Bills</b>	<b>920,000</b>	<b>-</b>	<b>(8,614)</b>		<b>911,386</b>
<b>Total debt securities issued at amortised cost</b>	<b>22,006,217</b>	<b>(624,144)</b>	<b>121,836</b>	<b>(1,013,400)</b>	<b>20,490,508</b>

## 16. Debt securities issued at fair value through income statement

As at 30 June 2025 in \$000s	Face Value	Unamortised premium	Accrued interest	Fair value adjustment	Total
Euro Commercial Paper	614,538		(1,693)	232	<b>613,077</b>

As at 30 June 2024 in \$000s	Face Value	Unamortised premium	Accrued interest	Fair value adjustment	Total
Euro Commercial Paper	835,052	-	(14,303)	(5,574)	<b>815,175</b>

## 17. Treasury stock and bond repurchases

Periodically, LGFA subscribes for LGFA bonds as part of its tender process and holds these bonds as treasury stock. LGFA bonds held by LGFA as treasury stock are derecognised at the time of issue and no liability is recognised in the statement of financial position. As at 30 June 2025, \$1,300 million of LGFA bonds had been subscribed as treasury stock (2024: \$1,100 million).

LGFA makes treasury stock bonds available to banks authorised as its tender counterparties to borrow under short-term repurchase transactions. The objective of the bond lending facility is to assist with improving secondary market liquidity in LGFA bonds. Bonds lent to counterparties are disclosed as a separate stock lending liability on the face of the statement of financial position.

As at 30 June 2025 in \$000s	2025	2024
15 April 2026	-	-
15 April 2027	-	-
15 May 2028	5,769	-
20 April 2029	-	-
15 May 2030	112,942	58,302
15 May 2031	-	-
14 May 2032	132,314	-
14 April 2033	25,928	-
15 May 2035	-	-
15 April 2037	64,803	-
	<b>341,756</b>	<b>58,302</b>

## 18. 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 a fixed percentage of the aggregate borrowings by that local authority. The fixed percentage is 5% for loans issued from 1 July 2024. Prior to this date, the fixed percentage was 2.5% for loans issued from 1 July 2020, and 1.6% for loans issued prior to this date.

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.

## 19. Other liabilities

As at 30 June 2025 in \$000s	2025	2024
Lease liability	255	258
Accruals	2,618	1,633
<b>Total other liabilities</b>	<b>2,873</b>	<b>1,891</b>

## 20. Operating leases

As at 30 June 2025 in \$000s	2025	2024
Less than one year	8	127
Between one and five years	197	131
Greater than five years	50	-
<b>Total non-cancellable operating leases</b>	<b>255</b>	<b>258</b>

## Risk management

### 21. Financial risk management

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

### 22. Market risk

Market risk is the risk that changes in market prices will affect LGFA's income or value of financial instruments. The most significant market risk which LGFA is exposed to is interest rate risk. LGFA has no significant unhedged exposure to foreign exchange risk and a 10% increase or decrease in the exchange rate, with all other variables held constant, would have minimal impact on profit and equity reserves of LGFA.

### 23. Interest rate risk

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

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

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

As at 30 June 2025 in \$000s	Face value	Less than 6 months	6 months-1 year	1-2 years	2-5 years	Over 5 years
<b>Financial assets</b>						
Cash and bank Balances	325,728	325,728	-	-	-	-
Marketable securities	2,459,831	892,125	154,650	525,096	692,960	195,000
Deposits	764,493	714,493	50,000	-	-	-
Loans	22,508,207	17,282,842	805,385	822,837	2,722,274	874,869
<b>Financial liabilities</b>						
Bills	(996,000)	(996,000)	-	-	-	-
ECP	(614,538)	(614,538)	-	-	-	-
Bond repurchases	(341,553)	(341,553)	-	-	-	-
Derivatives	-	(17,790,649)	1,967,000	1,119,982	7,150,141	7,553,526
Bonds	(23,427,392)	-	(2,602,097)	(2,321,000)	(9,738,685)	(8,765,610)
Borrower notes	(611,420)	(466,374)	(11,308)	(20,523)	(82,577)	(30,638)
<b>Total</b>	<b>67,356</b>	<b>(993,927)</b>	<b>363,630</b>	<b>126,392</b>	<b>744,113</b>	<b>(172,853)</b>



As at 30 June 2024 in \$000s	Face value	Less than 6 months	6 months-1 year	1-2 years	2-5 years	Over 5 years
<b>Financial assets</b>						
Cash and bank Balances	473,609	473,609	-	-	-	-
Marketable securities	1,426,042	708,426	38,930	195,742	422,944	60,000
Deposits	718,493	618,493	100,000	-	-	-
Loans	20,380,577	16,130,830	395,029	512,967	2,318,894	1,022,858
<b>Financial liabilities</b>						
Bills	(920,000)	(920,000)	-	-	-	-
ECP	(835,052)	(835,052)	-	-	-	-
Bond repurchases	(58,249)	(58,249)	-	-	-	-
Derivatives	-	(16,842,390)	2,361,000	2,103,500	5,454,770	6,923,120
Bonds	(20,840,000)	-	(2,719,000)	(2,755,000)	(7,346,000)	(8,020,000)
Borrower notes	(453,103)	(353,829)	(7,716)	(11,938)	(55,175)	(24,446)
<b>Total</b>	<b>(107,683)</b>	<b>(1,078,162)</b>	<b>168,243</b>	<b>45,271</b>	<b>795,433</b>	<b>(38,468)</b>

## INTEREST RATE SENSITIVITY

Changes in interest rates impact the fair value of fixed rate assets and liabilities, cash flows on floating rate assets and liabilities, and the fair value and cash flows of interest rate swaps. A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) profit or loss and equity by the amounts shown in the following table. This analysis assumes that all other variables remain constant.

For the year ended 30 June 2025 in \$000s	2025		2024	
	P&L	Equity	P&L	Equity
<b>Fair value sensitivity analysis</b>				
100bps increase	1,184	4,287	376	(1,351)
100bps decrease	(1,203)	(4,520)	(372)	1,355

## 24. Credit risk

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

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

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

Credit risk for derivatives is managed under International Swaps and Derivatives Association (ISDA) agreements, which include provisions such as netting and collateral arrangements to mitigate counterparty risk.

## EXPOSURE TO CREDIT RISK

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

As at 30 June 2025 in \$000s	NZ government agencies	NZ local authorities	NZ registered banks	Other counter-parties	FV hedge adjustment	Total carrying value
<b>Financial assets</b>						
Receivables	-	-	-	2,973	-	2,973
Cash and bank balances	325,098		630			325,728
Cash pledged as collateral	-	-	187,836	-	-	187,836
Marketable securities	730,484	68,470	1,139,772	501,175	18,526	2,458,427
Deposits			578,878	-		578,878
Derivatives	38,958	-	116,157	100,156	-	255,271
Loans	-	22,646,978	-	-	10,322	22,657,300
	<b>1,094,540</b>	<b>22,715,448</b>	<b>2,023,273</b>	<b>604,304</b>	<b>28,848</b>	<b>26,466,413</b>

As at 30 June 2024 in \$000s	NZ government agencies	NZ local authorities	NZ registered banks	Other counter-parties	FV hedge adjustment	Total carrying value
<b>Financial assets</b>						
Receivables	-		-	378		378
Cash and bank balances	470,054	-	3,556	-		473,609
Cash pledged as collateral	-		251,605			251,605
Marketable securities	90,557	4,973	310,218	997,212	(5,917)	1,397,043
Deposits	-	-	701,894	16,599		718,493
Derivatives	(1,151,829)	-	(258,607)	-	-	(1,410,436)
Loans	-	20,574,861	-	-	(25,510)	20,549,350
	<b>(591,218)</b>	<b>20,579,834</b>	<b>1,008,666</b>	<b>1,014,189</b>	<b>(31,427)</b>	<b>21,980,043</b>

## COLLATERAL AND CREDIT ENHANCEMENTS

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

## CREDIT QUALITY OF FINANCIAL ASSETS

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

## 25. Liquidity risk

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

The Treasury (New Zealand Debt Management) provides a committed liquidity facility that LGFA can draw upon to meet any exceptional and temporary liquidity shortfall. As at 30 June 2025, the undrawn committed liquidity facility was \$750 million (2024: \$1,500 million). The facility is due to expire in December 2031.

## 26. Contractual cash flows of financial instruments.

The following table shows the contractual cash flows associated with financial assets and liabilities.

As at 30 June 2025 in \$000s	On demand	Up to 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Total contractual cash flows	Total carrying value
<b>Financial assets</b>							
Receivables	2,973	-	-	-	-	2,973	2,973
Cash and bank balances	325,728	-	-	-	-	325,728	325,728
Cash pledged as collateral	187,836	-	-	-	-	187,836	187,836
Marketable securities	-	295,407	306,865	1,853,457	205,110	2,660,839	2,458,428
Deposits	-	350,473	233,622	-	-	584,095	578,878
Loans	-	962,672	3,802,395	16,703,202	4,422,368	25,890,637	22,657,300
<b>Financial liabilities</b>							
Payables and provisions	(6,414)	-	-	-	-	(6,414)	(6,414)
Bills	-	(951,000)	(45,000)	-	-	(996,000)	(992,159)
ECP	-	(565,103)	(49,436)	-	-	(614,538)	(613,083)
Bond repurchases	-	(341,765)	-	-	-	(341,765)	(341,756)
Bonds	-	(87,550)	(3,218,110)	(14,198,405)	(9,549,657)	(27,053,722)	(22,653,537)
Borrower notes	-	(5,564)	(74,284)	(505,669)	(174,754)	(760,271)	(669,030)
Derivatives	-	(93,481)	(42,760)	(397,974)	(265,205)	(799,420)	(811,850)
	<b>510,123</b>	<b>(435,909)</b>	<b>913,291</b>	<b>3,454,612</b>	<b>(5,362,138)</b>	<b>(920,021)</b>	<b>123,319</b>

As at 30 June 2024 in \$000s	On demand	Up to 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Total contractual cash flows	Total carrying value
<b>Financial assets</b>							
Receivables	378	-	-	-	-	378	378
Cash and bank balances	473,609	-	-	-	-	473,609	473,609
Cash pledged as collateral	251,605	-	-	-	-	251,605	251,605
Marketable securities	-	240,165	291,490	955,751	61,800	1,549,207	1,397,045
Deposits	-	208,790	526,414	-	-	735,204	718,493
Loans	-	900,617	3,289,336	14,976,059	5,956,294	25,122,306	20,549,350
<b>Financial liabilities</b>							
Payables and provisions	(9,609)	-	-	-	-	(9,609)	(9,609)
Bills	-	(690,000)	(230,000)	-	-	(920,000)	(911,386)
ECP	-	(331,870)	(483,306)	-	-	(815,175)	(815,175)
Bond repurchases	-	(58,362)	-	-	-	(58,362)	(58,302)
Bonds	-	(36,694)	(3,361,528)	(11,966,381)	(8,848,775)	(24,213,378)	(19,579,121)
Borrower notes	-	(4,741)	(52,232)	(350,211)	(188,464)	(595,648)	(492,614)
Derivatives	-	(214,117)	(290,108)	(1,317,951)	(745,798)	(2,567,974)	(1,410,436)
	<b>715,983</b>	<b>13,788</b>	<b>(309,934)</b>	<b>2,297,268</b>	<b>(3,764,943)</b>	<b>(1,047,838)</b>	<b>113,837</b>

## Capital and dividends

### 27. Share capital

As at 30 June 2025, LGFA had 45 million ordinary shares on issue, 20 million of which remain uncalled.

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

### 28. Shareholder information

Registered holders of equity securities	As at 30 June 2025		As at 30 June 2024	
Minister of Finance and Minister for Local Government	5,000,000	11.1%	5,000,000	11.1%
Auckland Council	3,731,960	8.3%	3,731,960	8.3%
Christchurch City Council	3,731,960	8.3%	3,731,960	8.3%
Hamilton City Council	3,731,960	8.3%	3,731,960	8.3%
Bay of Plenty Regional Council	3,731,958	8.3%	3,731,958	8.3%
Greater Wellington Regional Council	3,731,958	8.3%	3,731,958	8.3%
Tasman District Council	3,731,958	8.3%	3,731,958	8.3%
Tauranga City Council	3,731,958	8.3%	3,731,958	8.3%
Wellington City Council	3,731,958	8.3%	3,731,958	8.3%
Western Bay of Plenty District Council	3,731,958	8.3%	3,731,958	8.3%
Whangarei District Council	1,492,784	3.3%	1,492,784	3.3%
Hastings District Council	746,392	1.7%	746,392	1.7%
Marlborough District Council	400,000	0.9%	400,000	0.9%
Selwyn District Council	373,196	0.8%	373,196	0.8%
Gisborne District Council	200,000	0.4%	200,000	0.4%
Hauraki District Council	200,000	0.4%	200,000	0.4%
Horowhenua District Council	200,000	0.4%	200,000	0.4%
Hutt City Council	200,000	0.4%	200,000	0.4%
Kapiti Coast District Council	200,000	0.4%	200,000	0.4%
Manawatu District Council	200,000	0.4%	200,000	0.4%
Masterton District Council	200,000	0.4%	200,000	0.4%
New Plymouth District Council	200,000	0.4%	200,000	0.4%
Otorohanga District Council	200,000	0.4%	200,000	0.4%
Palmerston North District Council	200,000	0.4%	200,000	0.4%
South Taranaki District Council	200,000	0.4%	200,000	0.4%
Taupo District Council	200,000	0.4%	200,000	0.4%
Thames - Coromandel District Council	200,000	0.4%	200,000	0.4%
Waimakariri District Council	200,000	0.4%	200,000	0.4%
Waipa District Council	200,000	0.4%	200,000	0.4%
Whakatane District Council	200,000	0.4%	200,000	0.4%
Whanganui District Council	200,000	0.4%	200,000	0.4%
	<b>45,000,000</b>	<b>100%</b>	<b>45,000,000</b>	<b>100%</b>



## 29. Capital management

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

## 30. Dividend

LGFA paid a dividend of \$1,842,500 on 2 September 2024, being \$0.0737 per paid up share (2024: \$1,712,500 on 1 September 2023 being \$0.0685 per paid up share).

## 31. Capital commitments

As at 30 June 2025, there are no capital commitments.

## Other notes

### 32. Reconciliation of net profit to net cash flow from operating activities

For the year ended 30 June 2025 in \$000s	2025	2024
Net profit/(loss) for the period	18,994	10,050
Cash applied to loans	(2,119,168)	(4,174,912)
<b>Non-cash adjustments</b>		
Financial instrument amortisation	6,189	(11,053)
Working capital movements	(115)	876
<b>Net Cash From Operating Activities</b>	<b>(2,094,100)</b>	<b>(4,175,038)</b>

## 33. Contingencies

There are no contingent liabilities at balance date.

## 34. Related parties

### IDENTITY OF RELATED PARTIES

LGFA is related to the local authorities set out in the Shareholder Information in Note 28.

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

Shareholding local authorities, and non-shareholder local authorities who borrow more than \$20 million, are required to enter 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 borrowers. The lending to individual councils is disclosed in Note 12, and interest income recognised on this lending is shown in the statement of comprehensive income.

The purchase of LGFA borrower notes by participating borrowers. Refer Note 18.

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

### TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

Salaries (2) \$1,413,300 (2024: \$1,151,293)

Fees paid to directors are disclosed in operating expenses in Note 6.

## 35. Subsequent events

On 28 August 2025, the Directors of LGFA declared a dividend of \$1,675,500 (\$0.0670 per paid up share). Subsequent to balance date, LGFA has issued bonds of NZD 200 million.

# INDEPENDENT AUDITOR'S REPORT TO THE READERS OF NEW ZEALAND LOCAL GOVERNMENT FUNDING AGENCY LIMITED'S FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION FOR THE YEAR ENDED 30 JUNE 2025



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

## Opinion

We have audited the financial statements of the Company on pages 44 to 70, that comprise the statement of financial position as at 30 June 2025, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information and the performance information of the Company for the year ended 30 June 2025 on pages 38 to 43.

In our opinion:

- the financial statements present fairly, in all material respects the financial position of the Company as at 30 June 2025 and its financial performance and its cash flows for the year then ended in accordance with generally accepted accounting practice in New Zealand in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS); and
- the performance information accurately reports, in all material respects, the Company's actual performance compared against the performance targets and other measures by which the Company's performance can be judged in relation to the Company's objectives in its statement of intent, and has been prepared, in all material respects, in accordance with section 68 of the Local Government Act 2002 (the Act).

## Basis for our opinion

We conducted 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 *Auditor's responsibilities for the audit of the financial statements and the performance information* section of our report. We are independent of the Company in accordance with the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board, as applicable to audits of public interest entities. We have also fulfilled our other ethical 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.

For the year ended 30 June 2025 and subsequently, the Chair of the Audit and Risk Committee of the Company is a member of the Auditor-General's Audit and Risk Committee. The Auditor-General's Audit and Risk Committee is regulated by a Charter that specifies that it should not assume any management functions. There are appropriate safeguards to reduce any threat to auditor independence, as a member of the Auditor-General's Audit and Risk Committee (when acting in this capacity) has no involvement in, or influence over, the audit of the Company.

In addition to the audit we have carried out engagements in the areas of limited assurance over greenhouse gas emissions and provided a comfort letter in relation to the Company's offshore funding programme, which are compatible with those independence requirements. Other than the audit and these engagements, and the relationship with the Auditor-General's Audit and Risk Committee, we have no relationship with or interests in the Company.

## Emphasis of Matter – Inherent uncertainties in the measurement of greenhouse gas emissions

The Company has chosen to include a measure of its greenhouse gas (GHG) emissions in its performance information. Without modifying our opinion and considering the public interest in climate change related

information, we draw attention to page 42 of the annual report, which outlines the uncertainty in the reported GHG emissions. Quantifying GHG emissions is subject to inherent uncertainty because the scientific knowledge and methodologies to determine the emissions factors and processes to calculate or estimate quantities of GHG sources are still evolving, as are GHG reporting and assurance standards.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements and the performance information of the current period. These matters were addressed in the context of our audit of the financial statements and the performance information as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Description of key audit matter	How we addressed this matter
<b>Existence and impairment of loans</b>	
<p>Refer to Note 12 to the Financial Statements.</p> <p>The loans LGFA has provided to local government make up over 82% of total assets. The loans are recognised at amortised cost and the nature of the counterparties is such that we do not consider these loans to be at high risk of significant misstatement. However, based on their materiality, and the judgement involved in assessing the credit worthiness of counterparties they are considered to be the area which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our audit.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>performing a walkthrough to understand the processes and controls LGFA has in place to assess borrowers and to record loan transactions.</li> <li>agreeing the 30 June 2025 loan balances to external confirmations received from NZ Clear.</li> <li>assessing the borrowers' compliance with financial covenants.</li> </ul> <p>We did not identify material differences in relation to the existence or impairment of loans.</p>
<b>Application of hedge accounting</b>	
<p>Refer to Notes 8 and 9 of the Financial Statements.</p> <p>LGFA enters into derivatives (interest rate swaps and, beginning in FY24, cross currency interest rate swaps) to manage interest rate risk and foreign exchange risk related to issuing fixed rate borrowings (NZD and AUD), fixed rate loans and investing in fixed rate securities.</p> <p>Hedge accounting is applied where specific requirements are met around documentation of the hedge relationship and the relationship is demonstrated as being an effective hedge. Hedge accounting is complex, particularly in the area of whether the requirements (both initial and ongoing) for its application are met. Should the requirements for hedge accounting not be met, LGFA could experience significant volatility in the Statement of Comprehensive Income from changes in the fair value of the derivatives.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>reviewing LGFA's accounting policies related to financial instruments.</li> <li>agreeing the terms of the derivatives to the confirmation provided by the derivative counterparty.</li> <li>ensuring the hedge documentation supporting the application of hedge accounting was in accordance with NZ IFRS 9.</li> <li>using our treasury valuation specialists we: <ul style="list-style-type: none"> <li>independently recalculated the fair value of all of the derivatives recorded by LGFA; and</li> <li>evaluated the hedge effectiveness of the derivatives including independently modelling the future changes in value of these instruments to assess whether the underlying derivatives were effective.</li> </ul> </li> <li>ensuring the disclosures made in the financial statements were appropriate.</li> </ul> <p>We did not identify material differences in relation to the application of hedge accounting.</p>

## Other Information

The Board of Directors is responsible for the other information. The other information comprises all of the information included in the annual report other than the financial statements and the performance information, and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the 2025 LGFA Climate-Related Disclosures, which is expected to be made available to us after that date.

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

In connection with our audit of the financial statements and the performance information, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the performance information or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, 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.

When we read the 2025 LGFA Climate-Related Disclosures, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Directors.

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

The Board of Directors is responsible on behalf of the Company for the preparation and fair presentation of financial statements in accordance with generally accepted accounting practice in New Zealand in accordance with NZ IFRS and IFRS. The Board of Directors is also responsible for the preparation of the performance information in accordance with the Act. The Board of Directors is responsible for such internal control as it determines is necessary to enable the preparation of financial statements and performance information that are free from material misstatement, whether due to fraud or error.

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

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

## Auditor's responsibilities for the audit of the financial statements and the performance information

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of readers, taken on the basis of these financial statements and the performance information.

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

- Identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Evaluate the overall presentation, structure and content of the performance information, including the disclosures, and assess whether the performance information achieves its statutory purpose of enabling the Company's readers to judge the actual performance of the Company against its objectives in its statement of intent.

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.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements and performance information of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Our responsibilities arise from the Public Audit Act 2001.



**David Gates**

KPMG

On behalf of the Auditor-General

Wellington, New Zealand

28 August 2025

# Other disclosures

## He whākitanga anō

### Donations

A donation of \$4,000 was made to Kauri 2000 for the year ended 30 June 2025.

### Net Tangible Assets

Net tangible assets per \$1,000 of listed bonds as at 30 June 2025 is \$5.20 (2024: \$5.12).

### Earnings per security

Earnings per \$1,000 of bonds on issue as at 30 June 2025 is \$0.81 (2024: \$0.46).

### Amount per security of final dividends

Not applicable

### Spread of Quoted Security Holders NZD Bonds

Holding Range	Holder Count	Holder Count %	Holding Quantity NZD 000's	Holding Quantity %
10,000 to 49,999	394	49%	9,096	0.06
50,000 to 99,999	120	15%	7,568	0.07
100,000 to 499,999	156	19%	30,495	0.25
500,000 to 999,999	27	3%	18,178	0.11
1,000,000 or more	108	13%	18,702,760	99.51
<b>Total</b>	<b>805</b>	<b>100%</b>	<b>18,768,097</b>	<b>100.00</b>

### Top 20 bondholders across all NZD bonds

As at 30 June 2025	Total NZD 000's
HSBC Nominees (New Zealand) Limited O/A Euroclear Bank	3,749,966
Bank of New Zealand	1,946,020
ANZ Bank New Zealand Limited	1,746,855
BNP Paribas Nominees (NZ) Limited	1,899,033
HSBC Nominees (New Zealand) Limited	1,269,941
Westpac New Zealand Limited	1,057,777
TEA Custodians Limited Client Property Trust Account	871,545
ASB Bank Limited	738,400
Reserve Bank of New Zealand	732,000
HSBC Nominees (New Zealand) Limited A/C State Street	361,620
Westpac Banking Corporate NZ Financial Markets Group	353,520
Citibank Nominees (New Zealand) Limited	309,786
ANZ Fixed Interest Fund	264,960
Kiwibank Limited	255,000
FNZ Custodians Limited	210,406
ANZ Custodial Services New Zealand Limited	204,951
Hong Kong and Shanghai Banking Corporation Limited	187,550
Custodial Services Limited	187,484
Forsyth Barr Custodians Limited	168,193
ANZ Wholesale NZ Fixed Interest Fund	108,030

# Directory

## Rārangi tauwaea

### Postal address

P.O. Box 5704, Lambton Quay  
Wellington 6145

### Phone

+64 4 974 6530

### Office hours

Monday – Friday, 9am to 5pm  
Except Public Holidays

### General enquiries

lgfa@lgfa.co.nz

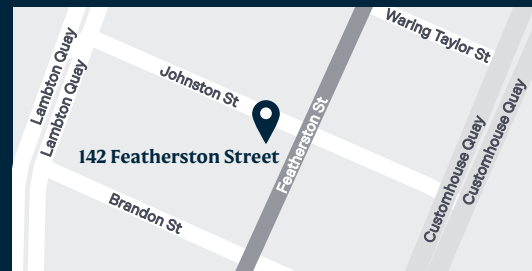
### Staff e-mail addresses

firstname.lastname@  
lgfa.co.nz

## Wellington

Registered office

Level 11  
City Chambers  
142 Featherston Street  
Wellington 6011  
(entrance on Johnston Street)



## Auckland

Level 7  
The Shortland Centre  
55 Shortland Street  
Auckland 1010



Predator Free Wellington, trap setting. Wellington City Council

