CIVIC BUILDING LIMITED

ANNUAL REPORT

For the Year Ended

30 June 2014

CONTENTS

Directory and Statutory Disclosures

Registered Office	53 Hereford Street Christchurch
Directors	J Gough P Lonsdale (appointed 28 November 2013) T Scandrett (appointed 28 November 2013) R Parker (resigned 28 November 2013) N Button (resigned 28 November 2013)
Company Secretary	D Brandish
Bankers	Bank of New Zealand Westpac Bank Christchurch
Auditors	Audit New Zealand on behalf of the Office of the Auditor General Christchurch

NATURE OF BUSINESS

Civic Building Ltd (the Company) was established on 12 October 2007 in order to carry out the development of the civic building for the Christchurch City Council (Council). On 26 October 2007 the Company entered into an agreement to develop the civic building on the NZ Post site with Ngai Tahu. The 2009 Annual Plan approved the creation of an unincorporated joint venture structure to carry out the development, the Company has a 50% interest in the resulting joint venture.

Construction of the civic building was completed in August 2010 and the tenants moved in to the building. The building was damaged in the September 2010, February 2011, and June 2011 earthquakes. The tenants vacated the building while repairs were being carried out and moved back into the building at the beginning of November 2011.

The Company appoints three representatives to the unincorporated joint venture Board. The Company representatives on the joint venture board are its directors.

The Company does not have any staff, rather it is managed by the Council.

DIRECTORS

The persons holding office as Directors of the Company throughout the year and on 30 June 2014 were:

J Gough
P Lonsdale (appointed 28 November 2013)
T Scandrett (appointed 28 November 2013)
R Parker (resigned 28 November 2013)
N Button (resigned 28 November 2013)

DIRECTOR'S INTERESTS

The following Directors as at 30 June 2014 have made general disclosures of interest with respect to any transaction that may be entered into with certain organisations on the basis of their being a Director, Partner, Trustee or Officer of those organisations during the year:

J Gough	Councillor	Christchurch City Council
	Director	Christchurch City Holdings Limited (appointed 13 December 2013)
	Director	Vbase Ltd
	Director	Gough Holdings Ltd
	Director	Jet Engine Facility Ltd
	Director	Gough Corporation Holdings Ltd (appointed 18 June 2014)
	Director	Gough Gough & Hamer Ltd
	Director	Gough Gough & Hamer Properties Ltd
	Director	Transport Wholesale Ltd
	Director	Transport Specialists Ltd
	Director	Gough Finance Ltd
	Director	Gough Transport Supplies Ltd
	Director	VBL One Ltd (formerly AMI Stadium Ltd)
	Director	Gough Group Ltd
	Director	CRIS Ltd (resigned 20 December 2013)
	Director	Canterbury Development Corporation (resigned 20 December 2013)
	Director	Canterbury Development Corporation Holdings Ltd (resigned 20 December 2013)
	Trustee	Antony Gough Trust
P Lonsdale	Councillor	Christchurch City Council
	Director	Canterbury Development Corporation (appointed 20 December 2013)
	Director	Canterbury Development Corporation Holdings Limited (appointed 20 December 2013)
	Director	Akaroa Properties 1992 Limited
	Director	Vbase Limited (appointed 28 November 2013)
	Director	CRIS Ltd (appointed 20 December 2013, resigned 16 January 2014 and re-appointed 19 June 2014)
	Officer	Canterbury Museum Trust Board
T Scandrett	Councillor	Christchurch City Council
	Director	Vbase Ltd (appointed 28 November 2013)
	Director	TPS Event Management Ltd

REMUNERATION OF DIRECTORS
No remuneration and other benefits were paid or due and payable to directors for services as a director during the year (2013: Nil)

USE OF COMPANY INFORMATION
During the year, the Board received no notices from members or directors of Company requesting to use Company information received in their capacity as Members or Directors which would not otherwise have been available to them.

DONATIONS
There were no donations made by the Company during the year (2013: Nil).

DIVIDENDS
There have been no dividends declared for the 2013/14 financial year (2012/2013 Nil).

EMPLOYEES' REMUNERATION
The Company has no employees.

AUDITORS
The Office of the Auditor-General is appointed as auditor under Section 15 of the Public Audit Act 2001 and Section 70 of the Local Government Act 2002. Audit New Zealand has been appointed to provide these services.

For and on behalf of the Board

Director **Date** 17/9/14

Director **Date** 17/9/14

Statement of Comprehensive Income
For the year ended 30 June 2014

	Note	2014 $000	2013 $000
Revenue	2(a)	5,066	6,066
Finance costs	2(b)	5,420	5,428
Other expenses	2(b)	1,068	947
		6,488	6,375
(Loss) / profit before income tax		(1,422)	(309)
Income tax expense/(income)	3	(562)	(268)
(Loss) / profit for the period		(860)	(41)
Other comprehensive income		-	-
Total Comprehensive income		(860)	(41)

The accompanying accounting policies and notes form part of these financial statements.

Statement of Financial Position
As at 30 June 2014

	Note	2014 $000	2013 $000
Current assets			
Cash and cash equivalents	14	2,545	3,233
Other financial assets		1,650	1,900
Trade and other receivables	5	4,006	4,037
Current tax assets	3(b)	946	782
Total current assets		9,147	9,952
Non-current assets			
Investment property	7	5,375	5,375
Trade and other receivables	6	47,714	48,160
Deferred tax assets	3(c)	848	-
Total non-current assets		53,937	53,535
Total assets		63,084	63,487
Current liabilities			
Trade and other payables	8	593	586
Total current liabilities		593	586
Non-current liabilities			
Borrowings	9	58,888	58,888
Deferred tax liabilities	3(c)	9,490	9,040
Total non-current liabilities		68,378	67,928
Total liabilities		68,971	68,514
Net assets		(5,887)	(5,027)
Equity			
Capital and other equity instruments	10	6,188	6,188
Retained earnings		(12,075)	(11,215)
Total equity	11	(5,887)	(5,027)

The accompanying accounting policies and notes form part of these financial statements.

For and on behalf of the Board

Director James Scott. ***Date*** 17/9/14

Director ***Date*** 17/9/14

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Statement of Changes in Equity
For the year ended 30 June 2014

	Capital $000	Retained Earnings $000	Total $000
Balance at 1 July 2012	6,188	(11,174)	(4,986)
Total comprehensive income for the period			
Profit or (loss)	-	(41)	(41)
Total comprehensive income for the period	-	(41)	(41)
Transactions with owners, recorded directly in equity			
Total contributions by and distributions to owners	-	-	-
Balance at 30 June 2013	6,188	(11,215)	(5,027)
Balance at 1 July 2013	6,188	(11,215)	(5,027)
Total comprehensive income for the period			
Profit or (loss)	-	(860)	(860)
Total comprehensive income for the period	-	(860)	(860)
Transactions with owners, recorded directly in equity			
Total contributions by and distributions to owners	-	-	-
Balance at 30 June 2014	6,188	(12,075)	(5,887)

The accompanying accounting policies and notes form part of these financial statements.

Cashflow Statement
For the year ended 30 June 2014

	Note	2014 $000	2013 $000
Cash flows from operating activities			
Operating revenue		5,278	5,059
Subvention received		-	913
Insurance proceeds received		25	1,473
Payments to suppliers		(1,013)	(805)
Receipts / (Payments) for remedial works regarding earthquake claim		213	(611)
Net GST movement		(221)	249
Net cash provided by/(used in) operating activities	14	4,282	6,278
Cash flows from investing activities			
Interest received		200	98
Maturities of term deposits		7,200	2,000
New term deposits		(6,950)	(3,900)
Net cash (used in)/provided by investing activities		450	(1,802)
Cash flows from financing activities			
Loan repayment		-	(400)
Interest paid		(5,420)	(5,444)
Net cash provided by/(used in) financing activities		(5,420)	(5,844)
Net increase in cash and cash equivalents		(688)	(1,368)
Cash and cash equivalents at beginning of year		3,233	4,601
Cash and cash equivalents at end of year		2,545	3,233

The accompanying accounting policies and notes form part of these financial statements.

Notes to the Financial Statements

1. Accounting policies

Reporting Entity
These are the financial statements of Civic Building Limited (the "Company")

The Company is registered under the Companies Act 1993 and is domiciled in New Zealand. The Company is a Council Controlled Trading Organisation as defined by section 6 of the Local Government Act 2002.

The Company was established on 12 October 2007 in order to carry out the development of the civic building for the Council. On 26 October 2007 the Company entered into an agreement to develop the civic building on the NZ Post site with Ngai Tahu. The Council's 2009 Annual Plan approved the creation of an unincorporated joint venture structure to carry out the development, the Company has a 50% interest in the resulting joint operations.

Accordingly, the Company has designated itself as a profit orientated entity for the purposes of New Zealand Equivalent to International Financial Reporting Standards (NZ IFRS). The Company is not considered 'large' for the purposes determining the appropriate reporting tier and has consequently opted to report as a Tier 2 entity applying NZ IFRS with Reduced Disclosure Requirements.

The financial statements of the Company have been prepared in accordance with the Financial Reporting Act 1993, the Companies Act 1993 and the Local Government Act 2002.

The financial statements of the Company are for the year ended 30 June 2014. The financial statements were authorised for issue by the Board of Directors on 17 September 2014.

Basis of financial statement preparation

These financial statements have been prepared in accordance with NZ GAAP. They comply with Tier 2 NZ IFRS with Reduced Disclosure Requirements and other applicable Financial Reporting Standards.

The financial statements have been prepared on an historical cost basis except for the revaluation of investment properties.

The functional and presentation currency is New Zealand dollars. All values are rounded to the nearest thousand dollars ($000).

Judgements, estimates and assumptions
In preparing these financial statements the Company has been required to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances. These estimates and assumptions form the basis for making judgements about the carrying values of assets and liabilities, where these are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are regularly reviewed. Any change to estimates is recognised in the year if the change affects only that year, or into future years if it also affects future years. In the process of applying the Company's accounting policies, management has made the following judgements estimates and assumptions that have had the most significant impact on the amounts recognised in these financial statements. The determination of the fair value of investment property is regarded as a critical estimate and is valued at least on an annual basis. This requires the estimation of current market values by an independent registered valuer, refer to note 7.

Notes to the Financial Statements

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

New accounting standards, interpretations and amendments
The following new standards, interpretations and amendments have been issued and are effective for the year ended 30 June 2014 and have been applied in preparing these financial statements:

- NZ IFRS 12 Disclosure of interests in other entities effective for accounting periods beginning on or after 1 January 2013 – NZ IFRS 12 contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities, aiming to provide information to enable users to evaluate:
  - the nature of, and risks associated with, an entity's interests in other entities; and
  - the effects of those interests on the entity's financial position, financial performance and cash flows.

- NZ IFRS 13 Fair Value Measurement effective for accounting periods beginning on or after 1 January 2013 – NZ IFRS 13 replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. It explains how to measure fair value when it is required or permitted by other IFRSs. It does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards.

In April 2012 the External Reporting Board issued a new accounting standards framework for New Zealand. The framework provides for different accounting standards for 'for-profit' and 'public benefit' entities. As the Company is a for-profit entity it is subject to the for-profit accounting standards framework. The framework has four reporting tiers determined by set criteria or election. The Company has opted to report as a Tier 2 For-Profit entity.

As a Tier 2 For-Profit entity the Company will apply NZ IFRS with reduced reporting disclosures. The application of the new framework has not resulted in significant changes the Company's accounting policies or disclosures.

NZ IAS 32 Offsetting Financial Assets and Financial Liabilities has been amended and the amendments will only become effective for the 30 June 2015 financial statements. The key change is the introduction of a further criterion to demonstrate that an entity has a legally enforceable right to set off the recognised amounts and that an entity intends to either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

a. Joint Operations

A joint operation is a joint arrangement whereby the parties have joint control of the arrangements and have rights to the assets, and obligatons for the liabilities relating to the arrangement.

Where such an arrangement exists the Company will recognise its share of the assets, liabilities, revenue and expenses including its share of any held or incurred jointly.

b. Financial Assets

Term deposits with maturities greater than three months are measured at amortised cost and have been designated as loans and receivables.

c. Trade and other receivables

Trade and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

Notes to the Financial Statements

d. Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits, and other short-term highly liquid investments with maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows, and in current liabilities on the statement of financial position.

e. Investment Property

The land leased to third parties under operating leases is classed as investment property.

Investment property is measured initially at cost, including transaction costs. After initial recognition, the investment property is measured at fair value as determined annually by an independent valuer.

Gains or losses arising from a change in fair value of the investment property are recognised in the statement of comprehensive income.

f. Share capital

(i) Ordinary share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

(ii) Preference share capital

Preference share capital is classified as equity if it is non-redeemable and any dividends are discretionary, or is redeemable but only at the company's option. Dividends on preference share capital classified as equity are recognised as distributions within equity.

Preference share capital is classified as a liability if it provides for mandatory redemption by the issuer for a specific amount at a specific date (or gives the holder the right to requires such redemption from the issuer), or if it gives the holder the right to put it back to the issuer for cash or another financial asset. Dividends thereon are recognised in the statement of comprehensive income as interest expense.

g. Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method.

h. Provisions

A provision is recognised in the statement of financial position when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of expenditures, the amount of which can be reliably estimated, will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

i. Leases

(i) Finance leases

Leases in which substantially all of the risks and rewards of ownership of an asset transfer to the lessee are classified as finance leases whether or not title is eventually transferred. At inception, finance leases are recognised in the statement of financial position at the present value of the minimum lease payments plus the present value of any unguaranteed residual value expected to accrue at the end of the lease term.

Amounts due from lessees under finance leases are recorded as receivables. Finance lease payments are allocated between interest revenue and reduction of the lease receivable over the term of the lease in order to reflect a constant rate of return on the net investment outstanding in respect of the lease.

(ii) Operating leases
An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset.

j. Revenue
Revenue is measured at the fair value of consideration received.

(i) Interest income
Interest income is recognised in the statement of comprehensive income as it accrues, using the effective interest method.

(ii) Finance lease income
Finance lease income is allocated over the lease term on a systematic and rational basis. This income allocation is based on a pattern reflecting a constant periodic return on the Company's net investment in the finance lease.

(iii) Operating lease income
Operating lease income is recognised in the statement of comprehensive income on a straight-line basis over the term of the lease.

(iv) Insurance proceeds
Insurance proceeds are recognised in the statement of comprehensive income when the compensation becomes receivable.

k. Financing costs
Financing costs comprise interest payable on borrowings calculated using the effective interest rate method. All interest payable on borrowings is recognised as an expense in the statement of comprehensive incomes as it occurs.

l. Income tax
Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable profit for the year, using tax rates enacted or substantively enacted at the balance date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the statement of financial position liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit are not provided for.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Notes to the Financial Statements

m. Trade and Other Payables
Trade and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method. They represent liabilities for goods and services received by the Company during and upto the end of the financial year and which remain unpaid as at balance date. The amounts are exclusive of GST.

n. Goods and Services Tax
The financial statements are prepared exclusive of GST with the exception of receivables and payables that are shown inclusive of GST. Where GST is not recoverable as an input tax it is recognised as part of the related asset or expense. The net amount of GST recoverable from, payable to, the Inland Revenue Department is included as part of receivables or payable in the statement of financial position.

2. Profit from operations

(a) Revenue

	2014 $000	2013 $000
Rental revenue:		
Operating lease rental revenue - Investment Property	385	316
Loss of rent insurance proceeds received	-	53
Loss of rent insurance proceeds receivable	-	-
Recovery of property expenses	801	903
	1,186	1,272
Interest revenue:		
Finance lease interest revenue	3,688	3,704
Bank deposits	190	127
	3,878	3,831
Gain on revaluation of investment property	-	895
Material damage and insurance proceeds received / receivable	2	68
Total revenue	5,066	6,066

(b) Expenses

	Note	2014 $000	2013 $000
Finance costs:			
Interest on loans		5,420	5,428
		5,420	5,428
Direct operating expenses of investment properties:			
Audit fees	4	15	15
Management fees		23	15
Property management costs		841	837
Building remediation costs		-	75
Repairs and Maintenance		186	-
Other		3	5
		1,068	947
Total expenses		6,488	6,375

Notes to the Financial Statements

3 Income taxes

a. Income tax recognised in profit or loss

	2014 $000	2013 $000
Tax expense/(income) comprises:		
Current tax expense/(income)	(946)	(782)
Adjustments recognised in current year in relation to the current tax of prior years	782	(65)
Deferred tax expense/(income)	(398)	579
Total tax expense/(income)	(562)	(268)

Reconciliation of prima facie income tax:

	2014 $000	2013 $000
Profit/(loss) from operations	(1,422)	(309)
Income tax expense calculated at 28% (2013: 28%)	(398)	(87)
Correction to prior year tax calculation	(163)	(64)
Revaluation of land	-	(251)
Deferred tax adjustment	449	579
Building lease classified as operating lease for tax purposes	(450)	(445)
	(562)	(268)

b. Current tax assets and liabilities

	2014 $000	2013 $000
Current tax assets:		
Subvention Receivable	946	782
	946	782

c. Deferred tax balances

Taxable and deductible temporary differences arise from the following:

	2014 $000	2013 $000
Deferred tax assets		
Tax losses	848	-
	848	-

	2014 $000	2013 $000
Deferred tax liabilities		
Temporary differences	9,490	9,040
	9,490	9,040

Notes to the Financial Statements

Taxable and deductible temporary differences arise from the following:

Year ended 30 June 2014	**Opening balance $000**	**Charged to income $000**	**Closing balance $000**
Deferred tax liabilities:			
Investment Property	9,040	450	9,490
	9,040	450	9,490
Deferred tax assets:			
Tax losses	-	848	848
	-	848	848
Net deferred tax balance	9,040	(398)	8,642

Taxable and deductible temporary differences arise from the following:

Year ended 30 June 2013	**Opening balance $000**	**Charged to income $000**	**Closing balance $000**
Deferred tax liabilities:			
Investment Property	8,461	579	9,040
	8,461	579	9,040

d. Imputation credit account balances

	2014 $000	**2013 $000**
Imputation credits available for use in subsequent periods	-	-

4 Remuneration of auditors

	2014 $000	**2013 $000**
Auditor of the entity:		
Audit of the financial statements	11	10
Audit of the financial statements - other auditor	4	5
	15	15

Notes to the Financial Statements

5 Current trade and other receivables

	Note	2014 $000	2013 $000
Finance lease receivable - current portion	6	3,980	3,951
Trade receivables		22	34
Related party receivable		-	25
Insurance receivable		-	23
Sundry Receivable		4	4
		4,006	4,037

The carrying value of debtors and other receivables approximate their fair value.

The carrying value of receivables that would otherwise be past due or impaired whose terms have been renegotiated amount to $nil (2013: $nil)

6 Finance lease receivable

	Minimum future lease payments		Present value of minimum future	
	2014 $000	2013 $000	2014 $000	2013 $000
No later than one year	4,135	4,106	3,980	3,951
Later than one year and not later than five years	17,063	16,883	13,786	13,637
Later than five years	81,241	85,555	33,928	34,523
Minimum lease payments	102,439	106,544	51,694	52,111
Unguaranteed residual	-	-	-	-
Gross finance lease receivables	102,439	106,544	51,694	52,111
Less unearned finance income	(50,744)	(54,433)	-	-
Present value of minimum lease payments	51,695	52,111	51,694	52,111
Included in the financial statements as:				
Current trade and other receivables			3,980	3,951
Non-current trade and other receivables			47,714	48,160
			51,694	52,111

The Company and Ngai Tahu Property (CCC-JV) have leased the Civic Building at 53 Hereford Street to the Council. The lease commenced on 24 August 2010 and is for a period of 24 years, with three rights of renewal, giving a total lease life of 96 years.

Rental on the building (including land) was initially set at $8,233,776 per annum, with the following rental increases specified in the contract:

1. a 3 per cent increase per annum which is payable on the third anniversary of commencement, compounded on an annual basis.
2. a market rental increase on every sixth anniversary of commencement, set at the greater of five per cent or market rental.
3. a further 3 per cent per annum payable on the sixth anniversary of the increase in point 1.

No contingent rent is payable under the lease.

Notes to the Financial Statements

7 Investment property

	2014 $000	2013 $000
Balance at beginning of financial year	5,375	4,480
Revaluation	-	895
Balance at end of financial year	5,375	5,375

On entering into the lease with the Council for the Civic Building, the building has been reclassified as a finance lease receivable. The land portion remains classified as investment property.

The carrying value of investment property is the fair value of the property as determined by an independent valuation report prepared by registered valuers Colliers International Limited as at 30 June 2014 combining discounted future cash flows and capitalising the potential income that the properties can generate.

The fair value of the Joint Venture's investment property at 30 June 2014 has been arrived at on the basis of the valuations performed by Colliers International Limited, who have an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued.

Colliers International Limited (Valuation)

The valuations prepared by Colliers International Limited have been prepared in accordance with International Valuation Standards IVA 1 – Valuation for Financial reporting, API/PINZ Valuation Guidance Notes NZVGN1 – Valuation for Use in New Zealand Financial Reports, and the New Zealand Institute of Chartered Accountants NZ IAS 40 Investment Properties.

The valuation has been prepared by capitalising the potential income that the property can generate. This is tested against a discounting of future cash flows arising from the property.

The valuer has provided for improving trading conditions supported by the current construction underway in the CBD and the strong demand for investment property being driven by the current low interest rate environment and a weight of capital seeking investment return as a result of earthquake insurance payments. This is reflected in a firming of the capitalisation rate by 10 basis points from 7.95% in June 2013 to 7.85% at balance date. The quality of the tenant and the lease terms are again highlighted. The discount rate applied to future cash flows also firmed from 10.00% in June 2013 to 9.75% for the same reason.

The fair value of the investment property is considered to be categorised as Level 3 on the fair value hierarchy as it has been determined used a number of unobservable valuation inputs (2013: Level 3).

Notes to the Financial Statements

8 Current trade and other payables

	2014 $000	2013 $000
Trade payables	199	158
Related party payables	353	149
GST payable	41	279
	593	586

9 Non-current borrowings

	2014 $000	2013 $000
Unsecured:		
Loans from Parent entity	58,888	58,888
	58,888	58,888

The Company has entered into a cash advance facility agreement with Council. Repayment will be made in 2038. Interest is payable at a weighted average of 9.20% quarterly (2013: 9.20% quarterly).

The terms of the cash advance facility allow the Company to make prepayments of principal repayments. During the year the Company made no repayments (2013: $400,000 of the outstanding balance).

The fair value of the borrowings is $89,869,082 (2013: $96,672,208) based on cash flows discounted using the market rate of 5.82% (2013: 4.73%). The fair value was calculated on the basis that the loan will be paid back at the end of the loan agreement in 2038 less the effect of planned capital repayments before maturity.

The fair value of the loan is considered to be categorised as Level 2 on the fair value hierarchy as it has been determined used a number of observable valuation inputs such as the market interest rate (2013: Level 2).

Notes to the Financial Statements

10 Capital and other equity instruments

	2014 $000	2013 $000
Fully paid ordinary shares	-	-
Fully paid redeemable preference shares (A)	6,188	6,188
	6,188	6,188
Fully paid ordinary shares		
Issue of shares	10,000	10,000
Less: uncalled portion of shares issued	(10,000)	(10,000)
Closing balance of paid up capital	-	-
Fully paid redeemable preference shares (A)		
Balance at beginning of financial year	6,188	6,188
Issue of shares	-	-
Balance at end of financial year	6,188	6,188

Redeemable preference shares do not carry entitlement to vote at general meetings of the Company, and are not transferable. The shares are redeemable at the option of the Company in its sole discretion or upon the winding up of the Company or on expiry at 20 June 2038. In all other respects redeemable preference shares rank pari passu with ordinary shares.

The shares do not carry fixed dividend rights.

11 Equity

	2014 $000	2013 $000
Balance at 1 July	(5,027)	(4,986)
Net shares issued	-	-
Total comprehensive income	(860)	(41)
Balance at 30 June	(5,887)	(5,027)

12 Commitments for expenditure

There were no commitments for development expenditure that were not otherwise accrued at 30 June 2014 (2013: $nil).

No further earthquake building remediation work is required on the Civic Building property. (2013: $nil). At 30 June 2013 $13,638 was accrued for work completed but not yet invoiced at balance date. The above figures are 50% of the capital committed / accrued by the Joint Venture.

13 Contingent liabilities and contingent assets

The are contingent assets totalling $198,124 at 30 June 2014 (2013: $nil) relating to the Company's share of the Joint Venture's insurance claims for carpet remediation costs resulting from the February 2012 earthquake ($177,464) and broken window ($20,660).

There are no contingent liabilities at 30 June 2014 (2013: $nil).

Notes to the Financial Statements

14 Notes to the cash flow statement

	2014 $000	2013 $000
Cash and cash equivalents		
Cash and cash equivalents	2,545	3,233
	2,545	3,233
Reconciliation of profit for the period to net cash flows from operating activities		
Net profit for the period	(860)	(41)
Changes in net assets and liabilities		
(Increase) / decrease in receivables	313	1,496
Increase / (decrease) in payables	44	(243)
Capital portion of payables / receivables	(36)	35
Interest received classed as investing	(200)	(98)
Interest paid classed as financing	5,420	5,445
Non cash items:		
Loss / gain on revaluation of investment property	-	(895)
Increase / decrease in deferred tax	(399)	579
Net changes in net assets and liabilities	5,142	6,319
Net cash from operating activities	4,282	6,278

Notes to the Financial Statements

15 Related-party transactions

Council is the ultimate controlling party of the Company. The following transactions were carried out with related parties during the year:

	2014 $000	2013 $000
Receipts from related parties		
Rent received from the Council	4,331	4,267
Subvention payments received from Council group entities	-	913
Recovery of property expenses from the Council	801	903
Payments to related parties		
Interest paid to the Council	5,420	5,428
Management fees charged by the Council	20	10
Rates paid to Council	244	230
Loans repaid to Council	-	400
Year end balances (GST exclusive)		
Accounts receivable from Council	-	25
Loan advances from Council	58,888	58,888
Accrued interest payable to Council	148	149
Subvention payments receivable from group companies	946	782
Accounts Payable to Council	205	-

The Company expects to transfer tax losses of $3,377,280 to other members of the Council group (2013: $2,793,399) by way of a subvention payment of $945,638 (2013: $782,152) which has been accrued and a loss offset of $2,431,642 (2013: $2,011,247). Please note that no actual loss offset occurred in 2014 in relation to the amount recognised in 2013.

Key Management Personnel

All transactions occurred on normal trading terms and conditions.

Key management personnel includes the Directors.

The Company paid no Directors fees in the 2013/2014 financial year (2012/2013: nil).
The Company paid no joint venture board fees in 2014 (2013: $nil).

16 Operating Leases

	Minimum Lease Payments	
	2014 $000	2013 $000
Operating lease as lessor		
Within one year	390	387
Between 1 and 5 years	1,615	1,596
Over 5 years	7,703	8,112
	9,708	10,095

The terms of the lease are detailed in note 6.

Notes to the Financial Statements

17 Financial instruments

Classification of financial instruments

2014	Loans & receivables $000	Other amortised cost $000	Total carrying amount $000
Current assets			
Cash and cash equivalents	2,545	-	2,545
Trade and other receivables	4,006	-	4,006
Other financial assets	1,650	-	1,650
	8,201	-	8,201
Non current assets			
Other (finance lease receivable)	47,714	-	47,714
	47,714	-	47,714
Total Financial Assets	55,915	-	55,915
Current liabilities			
Trade and other payables	-	593	593
	-	593	593
Non current liabilities			
Borrowings	-	58,888	58,888
	-	58,888	58,888
Total Financial Liabilities	-	59,481	59,481

2013	Loans & receivables $000	Other amortised cost $000	Total carrying amount $000
Current assets			
Cash and cash equivalents	3,233	-	3,233
Trade and other receivables	4,037	-	4,037
Other financial assets	1,900	-	1,900
	9,170	-	9,170
Non current assets			
Finance lease receivable	48,160	-	48,160
	48,160	-	48,160
Total Financial Assets	57,330	-	57,330
Current liabilities			
Trade and other payables	-	586	586
	-	586	586
Non current liabilities			
Borrowings	-	58,888	58,888
	-	58,888	58,888
Total Financial Liabilities	-	59,474	59,474

Notes to the Financial Statements

Contractual Maturity Analysis

as at 30 June 2014	Carrying amount $000	Contractual cashflows $000	Less than 1 year $000	1 - 2 years $000	3 - 5 years $000	More than 5 years $000
Financial assets:						
Cash and cash equivalents	2,545	2,545	2,545	-	-	-
Trade and other receivables	4,006	4,139	4,139	-	-	-
Other financial assets	1,650	1,672	1,672	-	-	-
Finance lease receivables	47,714	98,303	-	4,134	12,928	81,241
	55,915	106,659	8,356	4,134	12,928	81,241
Financial liabilities:						
Trade and other payables	593	593	593	-	-	-
Related party borrowings	58,888	184,662	6,620	5,835	16,261	155,946
	59,481	185,255	7,213	5,835	16,261	155,946

as at 30 June 2013	Carrying amount $000	Contractual cashflows $000	Less than 1 year $000	1 - 2 years $000	3 - 5 years $000	More than 5 years $000
Financial assets:						
Cash and cash equivalents	3,233	3,233	3,233	-	-	-
Trade and other receivables	4,037	4,158	4,158	-	-	-
Other financial assets	1,900	1,933	1,933	-	-	-
Finance lease receivables	48,160	102,439	-	4,135	12,749	85,555
	57,330	111,763	9,324	4,135	12,749	85,555
Financial liabilities:						
Trade and other payables	586	586	586	-	-	-
Related party borrowings	58,888	188,481	6,620	6,620	16,675	158,566
	59,474	189,067	7,206	6,620	16,675	158,566

Finance lease receivables due in less than one year are included in the Trade and other receivables balance.

Financial instrument risk

The Company has a series of policies to manage the risks associated with financial instruments. The Company is risk averse and seeks to minimise exposure from its financing activities.

Credit risk management
The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to Standard and Poor's credit ratings (if available) or to historic information about counterparty default rates.

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and accounts receivable. The Company places its cash with banking institutions that have a Standard and Poor's rating of AA-.

Notes to the Financial Statements

	2014 $000	2013 $000
Counterparties with credit ratings		
Cash and cash equivalents		
AA-	2,545	3,233
Other financial assets		
AA-	1,672	1,933
Finance lease receivable		
AA	-	52,111
A+	51,694	-

Liquidity risk management
Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due.

The Company manages liquidity risk by continuously monitoring forecast and actual cash flows and maintaining adequate reserves with the maturity profile of financial assets being matched to the financial liabilities.

Market risk management
Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates and market prices, will affect the Company's profit or the value of its holdings in financial instruments.

Interest rates
Interest rate risk is the risk that the cash flows from a financial instrument will fluctuate because of changes in market interest rates. Borrowings and investments issued at variable interest rates expose the Company to interest rate risk.

The Company's borrowing liability with its parent is at a weighted fixed interest rate of 9.20% (2013: 9.20%). The Company is not sensitive to movements in interest rates in respect of its borrowing obligations. Interest rate movements would, however, affect the amount of interest income received by the Company on surplus cash. A 1% movement either way would have the effect of increasing/decreasing the Company's profit before tax by $46,289 or $33,328 after tax (2013: $36,617 or $26,364 after tax).

Foreign exchange
The Company has no exposure to foreign exchange risk.

18 Capital Management

The Company's capital comprises share capital and retained earnings. The Company manages its revenues, expenses, assets, liabilities, investments and general financial dealings prudently and in a manner that promotes the current and future interest of the community.

Notes to the Financial Statements

19 Joint Arrangements

The Company has a 50% interest in Christchurch Civic Building Joint Venture (CCB-JV) with Ngai Tahu Property (CCC-JV) Limited. The CCB-JV is an unincorporated partnership in which both partners share equally in the assets and liabilities of the operations. The CCB-JV board is comprised of three members appointed by each of the partners.

The CCB-JV owns and leases the Civic Building in Hereford Street to the Christchurch City Council.

The nature of the arrangement is such that it is considered a joint operation for accounting purposes. As a result the financial results of the Company incorporate its 50% share of the CCB-JV on line by line basis.

20 Events after balance date

There have been no material events known to the Directors occurring subsequent to balance date that would have a significant impact on the financial statements for the year ended 30 June 2014.

21 Legislative requirements

The Local Government Act 2002 requires the Company to submit half year accounts and a Statement of Intent to its Board and to its shareholder within specified timeframes. For the 2013/14 financial year the Company did meet the specified timeframes as set out in the legislation for the submission of documents to its shareholder.

Statement of Service Performance

Reporting against the Statement of Intent

	Target $000	Actual $000	Variance $000
Income			
Interest - Finance Lease	3,688	3,688	-
Interest - Other	138	190	52
Other income	1,296	1,188	(108)
Total Income	5,122	5,066	(56)
Expenses			
Interest	5,312	5,420	(108)
Other expenses	977	1,068	(91)
Total Expenses	6,289	6,488	(199)
Net Surplus (deficit) before tax	(1,167)	(1,422)	(255)
Taxation	(327)	(562)	(235)
Net Surplus (deficit) after tax	(840)	(860)	(20)
Capital Structure			
Uncalled capital	10,000	10,000	-
RPS Shares	6,188	6,188	-
Borrowings from Council	57,688	58,888	(1,200)
Finance Lease assets	51,694	51,694	--
Total Assets	60,269	63,084	2,815
Ratio of shareholder funds to total assets	-11.6%	-9.3%	

Key performance targets
To ensure that the Company meets the financial targets contained within the Statement of Intent.

Financial performance targets
Other expenses were higher than target due to increased property expenses.

The significant movement in taxation is the result of recognising a deferred tax asset for tax losses available for offset in future years.

The Company did not sell any tax losses of its 2013 which resulted in lower than expected surplus cash. As a result, the Company did not make the planned repayment of borrowing from Council.

The $2.8 million increase in total assets is a result of the recognition of a deferred tax asset and higher than expected cash balances.

Performance Measures

Operational Performance Targets

Objective and Strategy	Performance Measure	Result
Meet the financial targets contained within this SOI	Budgeted key performance indicators are met or exceeded	Lease income was met and all performance indicators were met or exceeded.
Manage the investment in a commercially astute and prudent manner.	Ensure the Civic building is managed in accordance with the management agreement.	The building is being managed in accordance with the management agreement.

Environmental and Social Performance Targets

Performance Target	Performance Measure	Result
The Civic Building was designed to achieve a high standard in terms of environmental and energy sustainability.	The tenant intends applying for a NABERSNZ 6 star rating during the year to evidence that the Civic Building operates to a high standard of environmental and energy sustainability.	The tenant did not apply for the NABERSNZ 6 star rating during the year.
Encourage the tenant to continue to allow access to meeting rooms and the foyer in the Civic Building to appropriate community groups where there is availability.	Tenant allows access.	Achieved. The tenant is allowing community groups to use the function room and foyer for non-profit purposes.

Independent Auditor's Report

To the readers of Civic Building Limited's financial statements and statement of service performance for the year ended 30 June 2014

The Auditor-General is the auditor of Civic Building Limited (the company). The Auditor-General has appointed me, Julian Tan, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and statement of service performance of the company on her behalf.

We have audited:

- the financial statements of the company on pages 5 to 25, that comprise the statement of financial position as at 30 June 2014, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the statement of service performance of the company on pages 26 to 27.

Opinion

Financial statements and statement of service performance

In our opinion:

- the financial statements of the company on pages 5 to 25:
  - comply with generally accepted accounting practice in New Zealand;
  - give a true and fair view of the company's:
    - financial position as at 30 June 2014; and
    - financial performance and cash flows for the year ended on that date; and
- the statement of service performance of the company on pages 26 to 27:
  - complies with generally accepted accounting practice in New Zealand; and
  - gives a true and fair view of the company's service performance achievements measured against the performance targets adopted for the year ended 30 June 2014.

Other legal requirements

In accordance with the Financial Reporting Act 1993 we report that, in our opinion, proper accounting records have been kept by the company as far as appears from an examination of those records.

Our audit was completed on 17 September 2014. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities, and explain our independence.

Basis of opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements and statement of service performance are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence readers' overall understanding of the financial statements and statement of service performance. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements and statement of service performance. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and statement of service performance whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the company's financial statements and statement of service performance that give a true and fair view of the matters to which they relate. We consider internal control 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.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Board of Directors;
- the adequacy of all disclosures in the financial statements and statement of service performance; and
- the overall presentation of the financial statements and statement of service performance.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and statement of service performance.

In accordance with the Financial Reporting Act 1993, we report that we have obtained all the information and explanations we have required. We believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of the Board of Directors

The Board of Directors is responsible for preparing financial statements and a statement of service performance that:

- comply with generally accepted accounting practice in New Zealand;
- give a true and fair view of the company's financial position, financial performance and cash flows; and
- give a true and fair view of its service performance.

The Board of Directors is responsible for such internal control as it determines is necessary to enable the preparation of financial statements and a statement of service performance that are free from material misstatement, whether due to fraud or error. The Board of Directors is also responsible for the publication of the financial statements and statement of service performance, whether in printed or electronic form.

The Board of Directors' responsibilities arise from the Local Government Act 2002 and the Financial Reporting Act 1993.

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and statement of service performance and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001 and section 69 of the Local Government Act 2002.

Independence

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.

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

Julian Tan
Audit New Zealand
On behalf of the Auditor-General
Christchurch, New Zealand