CIVIC BUILDING LIMITED

STATEMENT OF INTENT

FOR THE YEAR ENDED 30 JUNE 2014

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1.0 INTRODUCTION

This Statement of Intent (SOI) is prepared in accordance with Section 64(1) of the Local Government Act 2002.

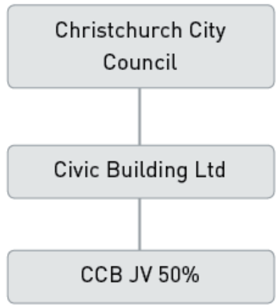
The SOI specifies for Civic Building Ltd (CBL) and the Civic Building Unincorporated Joint Venture (CCB JV), the objectives, the nature and scope of the activities to be undertaken, and the performance targets and other measures by which the performance of the group may be judged in relation to its objectives, amongst other requirements. It covers the three financial years ending 30 June 2014, 2015 and 2016.

The process of negotiation and determination of an acceptable SOI is a public and legally required expression of the accountability relationship between the group and its Shareholder, the Christchurch City Council.

CBL is 100% owned by the Christchurch City Council. Christchurch City Council provides management services to CBL through a management arrangement.

The Civic Offices project is carried out by an unincorporated joint venture jointly owned by CBL and Ngai Tahu Property Ltd and each party owns 50% of the unincorporated joint venture.

The group structure is:



The SOI is reviewed annually with Christchurch City Council and covers a three-year period. CBL is a Council Controlled Trading Organisation (CCTO) for the purposes of the Local Government Act 2002.

2.0 DIRECTORY

Address:	Civic Building Limited PO Box 73015 Christchurch 8154
Registered Office:	53 Hereford Street Christchurch 8011
Chairperson:	Bob Parker Christchurch City Council PO Box 237 Christchurch
Board:	Bob Parker Ngaire Button Jamie Gough
Company Secretary:	Diane Brandish Christchurch City Council PO Box 73015 Christchurch 8154 Telephone + 64 3 941 8454

3.0 VISION

The CBL objectives are:

- To continue to own 50% of the Civic Building in partnership with Ngai Tahu Property Ltd and lease the building to the Christchurch City Council.

4.0 NATURE AND SCOPE OF ACTIVITIES

CBL and the unincorporated joint venture with Ngai Tahu Property Ltd are Council Controlled Trading Organisations (CCTO's) for the purposes of the Local Government Act 2002 and the Companies Act 1993.

The Civic Office is jointly owned by CBL and Ngai Tahu Property Ltd, through an unincorporated joint venture with each party owning 50%. CBL borrowed sufficient finance from the Council to enable it to carry out its obligations as joint venture partner with Ngai Tahu Property Ltd and to implement the proposal adopted by the Council for the design, construction and ownership of the Civic Building.

5.0 GOVERNANCE

The Board is responsible for the strategic direction and control of CBL's activities. The Board guides and monitors the business and affairs of CBL on behalf of the Shareholder, to whom it is accountable.

The joint venture is governed by a management committee comprised of representatives of CBL and Ngai Tahu. The management committee meets regularly and is responsible for the achievement of the goals of the joint venture.

The primary function of the Board is to ensure that CBL meets its objectives and requirements as listed in the SOI. Additionally, the Board has obligations under the Local Government Act 2002 to deliver an annual Statement of Intent and relevant half-yearly and annual reports to the Shareholder.

Appointments to the Board are confirmed by Council resolution.

6.0 PERFORMANCE TARGETS

Financial Performance Targets

The CBL board have agreed to repay some of the principal of its loan from Council as excess cash allows. For the benefit of readers the financial performance targets below are shown both with and without the impact of the repayment.

	2013/14 $000	2014/15 $000	2015/16 $000
Revenue			
Interest - Finance Lease	3,688	3,656	3,621
Interest - Other	138	101	65
Other income	1,296	1,321	1,346
	5,122	5,078	5,032
Expenses			
Finance costs	5,312	5,202	5,165
Other expenses	977	1,003	1,031
	6,289	6,205	6,196
Profit/ (loss) before income tax	(1,167)	(1,127)	(1,164)
Income tax expenses / (income)	(327)	(367)	(379)
Profit / (loss) for period	(840)	(760)	(785)

CBL is forecasting cash deficits for the period covered by this SOI. Long term projections (incorporating rent reviews) are for CBL to generate positive cash flows and there is adequate funding in place to support it until this time.

CBL is planning to repay some of its borrowing from Council as excess cash allows during the period of the SOI.

Ratio of Shareholder Funds to Total Assets

The forecast ratio of shareholder funds to total assets for the next three years is:

2013/14	2014/15	2015/16
-11.6%	-13.2%	-14.8%

Capital Structure

The forecast capital structure for the next three years is:

	2013/14 $000	2014/15 $000	2015/16 $000
Uncalled Capital	10,000	10,000	10,000
RPS Shares	6,188	6,188	6,188
Borrowings from Council	57,688	56,488	56,088
Finance Lease asset	51,694	51,215	50,701
Total Assets	60,269	58,646	57,732

Operational Performance Targets

In addition to the above financial performance measures, the Group will use the following measures to assess its performance in the 2014 financial year:

Objective and Strategy	Performance Measure
Meet the financial targets contained within this SOI	Budgeted key performance indicators are 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.

Environmental and Social Performance Targets

In addition to the above financial performance measures, CBL will use the following measures to assess its performance in the 2014 financial year:

Performance Target	Performance Measure
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.
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.

Christchurch City Council Sustainable Energy Strategy

The Christchurch City Council Sustainable Energy Strategy is an important initiative that CBL supports. Everyone needs to play their part as the worldwide escalation of energy usage is leading to unprecedented problems including global warming, unsustainable use of fuels, future fuel shortages, health and social issues and fuel poverty.

Under the Strategy the Civic Offices were designed to be an “exemplary standard in terms of sustainable design and energy performance.”

The building was designed for ultra low energy consumption, maximum use of renewable energy sources and with an extremely low carbon footprint.

Benefits from this are:

- Council and city are shown as leaders
- Provides benchmark for Council to encourage others to follow suit
- Low energy bills
- Involves a further layer of skills from the community and the building industry
- Will be a further step on the eco-tourism trail through the City

CBL will continue to incorporate these goals in its operations.

7.0 ACCOUNTING POLICIES

CBL has adopted accounting policies that are consistent with New Zealand International Financial Reporting Standards, generally accepted accounting practice and the policies adopted by the Christchurch City Council group. Current accounting policies are attached to this Statement of Intent

8.0 DISTRIBUTIONS

During the year to 30 June 2013 CBL will make no distribution to the Shareholder.

9.0 INFORMATION TO BE REPORTED TO THE SHAREHOLDER

An annual report will be submitted to the Shareholders. The annual report will include audited financial statements and such other details as are necessary to permit an informed assessment of the company's performance and financial position during the reporting period provided to the Shareholders.

Half-yearly reports will also be provided to the Shareholders. These reports will contain unaudited information and comply with NZ IAS 34.

The statement of intent will be submitted to the Shareholders for consultation annually, as required by the Local Government Act 2002. The Directors will include any other information they consider appropriate. Where it is appropriate, revised forecasts will be submitted to the Shareholders.

CBL will operate on a 'no surprises' basis in respect of significant Shareholder related matters, to the extent possible in the context of commercial sensitivity and confidentiality obligations.

CBL will provide information requested by the Shareholders in accordance with the requirements of the Local Government Act 2002.

10.0 ACQUISITION / DIVESTMENT POLICY

The subscription or acquisition of securities in any company or organisation, or a divestment of part of the existing business, will only be considered where it is consistent with the long-term commercial objectives of CBL.

When the subscription, acquisition or divestment is considered by Directors to be significant to CBL's business operations, it will be subject to consultation with the Shareholders.

Major transactions as defined in the Companies Act 1993, s129(2), will be subject to Shareholders' approval by special resolution.

Where CBL decides to incorporate or subscribe for shares in subsidiaries to undertake its commercial activities, it will ensure effective management of that subsidiary. Control of any subsidiary is exercised by CBL's Directors and staff.

11.0 COMPENSATION SOUGHT FROM LOCAL AUTHORITY

At the request of the Shareholder, CBL may undertake activities that are not consistent with normal commercial objectives. Specific financial arrangements will be entered into to meet the full commercial cost of providing such activities.

Currently, no such activities are undertaken.

12.0 ESTIMATE OF COMMERCIAL VALUE

The Shareholder has recorded the value of its investment in Civic Building Ltd in its accounts and this is considered an appropriate estimation of the commercial value of the company.

13.0 ROLE IN THE CCC GROUP AND REGIONAL ECONOMY

Commercial Relationships within the CCC Group

CBL has a mandate from the Shareholder, the Christchurch City Council, to own the Civic Building and lease it to the Council. CBL will utilise the services of the Council to manage its affairs.

APPENDIX 1.0

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

These are the significant accounting policies of Civic Building Limited (CBL).

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

Until 25th June 2008 Tuam 2 Ltd was 50% owned by CBL and 50% owned by Ngai Tahu Property Ltd. Tuam 2 Ltd was the company tasked with the design, construction and ownership of the Civic Offices on Worcester St, pursuant to the proposal approved by the Christchurch City Council on Thursday 11 October 2007. On 25th June 2008, the Council approved a change in the structure for the Civic Offices project and this resulted in Tuam 2 Ltd being 100% owned by Civic Building Ltd. The Civic Offices project was carried out by an unincorporated joint venture, 50% owned by Civic Building Ltd and 50% by Ngai Tahu Property Ltd. Accordingly, Civic Building Ltd has designated itself as a profit orientated entity for the purposes of New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS).

On 30 June 2009, CBL and Tuam 2 Ltd amalgamated, with the assets and liabilities of Tuam 2 Ltd brought into CBL. Tuam 2 Ltd no longer exists and CBL directly owns 50% of the unincorporated joint venture with Ngai Tahu Property Ltd.

Basis of financial statement preparation

The financial statements are prepared in accordance with NZ GAAP, complying with NZ IFRS and other applicable Financial Reporting Standards.

The financial statements are prepared on a historical cost basis, except for the revaluation of investment properties.

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

In preparing its financial statements CBL is 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 CBL'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.

CBL has adopted the following revisions to accounting standards for the 2014 financial year which have only had a presentational or disclosure effect:

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.

CBL will adopt the following revision to accounting standards for subsequent financial years, it does not intend to early adopt the standard:

NZ IFRS 9 Financial Instruments – replacing NZ IAS 39 Financial Instruments: Recognition and Measurement – effective for accounting period beginning on or after 1 January 2015. NZ IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value. Entities are required to classify financial assets based on the objectives of the entity's business model for managing the financial assets. Where the financial assets are eligible to be measured at amortised cost due to the business model, the entity shall use the characteristics of the contractual cash flows to measure cost.

Revenue

Interest income

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

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 CBL's net investment in the finance lease.

Operating lease income

Operating lease income is recognized in the statement of comprehensive income on a straight-line basis over the term of the lease.

Insurance proceeds

Insurance proceeds are recognized in the statement of comprehensive income when compensation becomes receivable.

Financing costs

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

Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement 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 income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet 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.

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 sheet 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.

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 CBL'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.

Financial assets

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

Trade and other receivables

Trade and other receivables are initially measured at fair value and subsequently measured at amortised cost less impairment provision.

Leases

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.

Operating leases

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

Investment property

The land and buildings to be leased to third parties under operating leases are classed as investment property.

Investment property is measured initially at its 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 the fair value of investment property are recognised in the profit or loss.

Impairment

The carrying amounts of the Company’s assets, other than deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the profit or loss.

Trade and other payables

Creditors and other payables are initially measured at fair value and subsequently measured at amortised cost.

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.

Provisions

A provision is recognised in the statement of financial position when CBL 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.

Share capital

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.

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.

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, or payable to, the Inland Revenue Department is included as part of receivables or payables in the statement of financial position.