

**CIVIC BUILDING LIMITED  
STATEMENT OF INTENT**

**FOR THE YEAR ENDED 30 JUNE 2015**



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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.

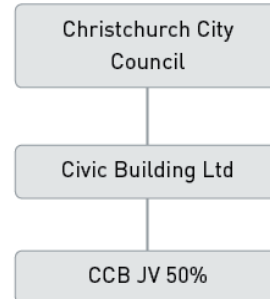
The SOI specifies for Civic Building Ltd (CBL) and the Civic Building Unincorporated Joint Venture (CCB JV), the objectives, the nature and scope of the activities to be undertaken, and the performance targets and other measures by which the performance of the group may be judged in relation to its objectives, amongst other requirements. It covers the three financial years ending 30 June 2015, 2016 and 2017.

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

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

The Civic Office building is owned 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 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

Board: Jamie Gough  
Paul Lonsdale  
Tim Scandrett

### 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 Council.

### 4.0 NATURE AND SCOPE OF ACTIVITIES

CBL and the unincorporated joint venture with Ngai Tahu Property Ltd are 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 financial performance targets for CBL are as follows:

	2014/15 \$000	2015/16 \$000	2016/17 \$000
<u>Revenue</u>			
Interest - Finance Lease	3,656	3,621	3,578
Interest - Other	129	85	125
Other income	1,333	1,359	1,432
	<u>5,118</u>	<u>5,065</u>	<u>5,135</u>
<u>Expenses</u>			
Finance costs	5,312	5,275	5,238
Other expenses	854	877	904
	<u>6,166</u>	<u>6,152</u>	<u>6,142</u>
Loss before income tax	(1,048)	(1,087)	(1,007)
Income tax income	<u>(345)</u>	<u>(358)</u>	<u>(338)</u>
Loss for period	<u>(703)</u>	<u>(729)</u>	<u>(669)</u>

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

CBL is also planning to repay some of its debt principal 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:

2014/15	2015/16	2016/17
-10.7%	-12.1%	-13.4%

### Capital Structure

The forecast capital structure for the next three years is:

	2014/15 \$000	2015/16 \$000	2016/17 \$000
Uncalled Capital	10,000	10,000	10,000
RPS Shares	6,188	6,188	6,188
Borrowings from Council	57,688	57,288	56,888
Finance Lease asset	51,215	50,701	49,980
Total Assets	61,587	60,726	59,816

## CIVIC BUILDING LIMITED STATEMENT OF INTENT FOR YEAR ENDED 30 JUNE 2015

### Operational Performance Targets

In addition to the above financial performance measures, the Group will use the following measures to assess its operational performance in the 2015 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 environmental and social performance in the 2015 financial year:

Performance Target	Performance Measure
The Civic Building was designed to achieve a high standard in terms of environmental and energy sustainability.	Ensure the Civic Building operates in a manner that preserves 6 Green Star accreditation features.

### Christchurch City Council Sustainable Energy Strategy

The 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

As a result of the adoption in New Zealand of a new accounting standards framework developed by the External Reporting Board, CBL is required to adopt Public Benefit Entity (PBE) Accounting Standards from 1 July 2014.

PBE Accounting Standards allow CBL to elect which of the four tiers of the framework it will report under. CBL has elected to report under Tier 2 of the framework and will adopt Public Sector PBE Accounting Standards with reduced disclosure requirements. These are broadly the same as has been adopted in the last several years under New Zealand International Financial Reporting Standards.

## 8.0 DISTRIBUTIONS

During the year to 30 June 2015 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 PBE FRS 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 COUNCIL GROUP AND REGIONAL ECONOMY**

### **Commercial Relationships within the Council Group**

CBL has a mandate from the Shareholder, the 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 CBL.

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 venture.

#### Statement of Compliance

The financial statements of Civic Building Limited (the 'Company') have been prepared in accordance with New Zealand generally accepted accounting practice. They comply with Tier 2 Public Benefit Entity Accounting Standards (including PBE FRS 46 – First time Adoption of PBE Standards by Entities Previously Applying NZ IFRSs).

#### Basis of financial statement preparation

These financial statements are the first set of financial statements prepared under PBE Accounting Standards. In accordance with the new Accounting Standards Framework the Company is a public Sector PBE and is not considered large (is not publicly accountable and expenses are not greater than \$30 million). This results in the Company being classified as a Tier 2 Public Sector PBE and being required to apply Tier 2 PBE Accounting Standards with effect from 1 July 2014.

As a result of the new accounting standards it will follow various PBE External Reporting Board, International Public Sector Accounting Standards Board, International Financial Reporting, International Accounting and Financial Reporting standards (IPSAS, IFRS, IAS and FRS) that have effective dates of 1 July 2014 including PBE FRS 46 – First time Adoption of PBE Standards by Entities Previously Applying NZ IFRS's.

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.

#### 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.

## CIVIC BUILDING LIMITED STATEMENT OF INTENT FOR YEAR ENDED 30 JUNE 2015

### 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.