CIVIC BUILDING LIMITED

ANNUAL REPORT

For the Year Ended
30 June 2013

CONTENTS

Directory and Statutory Disclosures

Registered Office	53 Hereford Street Christchurch
Directors	J T Gough R Parker N Button
Company Secretary	D Brandish
Bankers	Bank of New Zealand Westpac Bank Christchurch
Solicitors	Lane Neave 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 2013 were:

R Parker
N Button
J T Gough

DIRECTOR'S INTERESTS

The following Directors 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:

R Parker	Mayor	Christchurch City Council
	Director	Parker New Media Ltd
	Director	Stewart Properties Ltd
	Director	Christchurch City Holdings Ltd
	Director	Vbase Ltd
	Director	Canterbury Development Corporation (appointed 24 October 2012)
	Trustee	Canterbury Museum Trust Board
	Trustee	Christchurch Agency for Energy Trust Board
J T Gough	Councillor	Christchurch City Council
	Director	Vbase Ltd
	Director	Gough Holdings Ltd
	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
	Director	Canterbury Development Corporation (appointed 19 December 2012)
	Director	Canterbury Development Corporation Holdings Ltd (appointed 23 January 2013)
N Button	Deputy Mayor	Christchurch City Council
	Director	Canterbury Development Corporation
	Director	Canterbury Development Corporation Holdings Ltd
	Director	CEDF Trustee Ltd
	Director	Vbase Ltd
	Director	CRIS Ltd
	Director	Randolph Sunglasses NZ Ltd
	Trustee	Neighbourhood Trust (appointed 23 April 2013)
	Officer	Partnership Health (Canterbury) Te Kei Te Waka

REMUNERATION OF DIRECTORS
No remuneration and other benefits were paid or due and payable to directors for services as a director during the year (2012: $1,875).

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 (2012: $nil).

DIVIDENDS
There have been no dividends declared for the 2012/13 financial year (2011/2012 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*** 18 September 2013

Director James [illegible] ***Date*** 18 September 2013

Statement of Comprehensive Income
For the year ended 30 June 2013

	Note	2013 $000	2012 $000
Revenue	2(a)	6,066	12,836
Finance costs	2(b)	5,428	5,474
Other expenses	2(b)	947	6,696
		6,375	12,170
(Loss) / profit before income tax		(309)	666
Income tax expense/(income)	3	(268)	(668)
(Loss) / profit for the period		(41)	1,334
Other comprehensive income		-	-
Total Comprehensive income		(41)	1,334

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

Statement of Financial Position
As at 30 June 2013

	Note	2013 $000	2012 $000
Current assets			
Cash and cash equivalents	14	3,233	4,601
Other financial assets		1,900	-
Trade and other receivables	5	4,037	5,924
Current tax assets	3(b)	782	2
Total current assets		9,952	10,527
Non-current assets			
Investment property	7	5,375	4,480
Trade and other receivables	6	48,160	48,549
Total non-current assets		53,535	53,029
Total assets		63,487	63,556
Current liabilities			
Trade and other payables	8	586	793
Total current liabilities		586	793
Non-current liabilities			
Borrowings	9	58,888	59,288
Deferred tax liabilities	3(c)	9,040	8,461
Total non-current liabilities		67,928	67,749
Total liabilities		68,514	68,542
Net assets		(5,027)	(4,986)
Equity			
Capital and other equity instruments	10	6,188	6,188
Retained earnings		(11,215)	(11,174)
Total equity	11	(5,027)	(4,986)

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

Statement of Changes in Equity
For the year ended 30 June 2013

	Capital $000	Retained Earnings $000	Total $000
Balance at 1 July 2011	6,188	(12,508)	(6,320)
Total comprehensive income for the period			
Profit or (loss)	-	1,334	1,334
Total comprehensive income for the period	-	1,334	1,334
Transactions with owners, recorded directly in equity			
Total contributions by and distributions to owners	-	-	-
Balance at 30 June 2012	6,188	(11,174)	(4,986)
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)

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

Cashflow Statement
For the year ended 30 June 2013

	Note	2013 $000	2012 $000
Cash flows from operating activities			
Operating revenue		5,059	4,245
Subvention received		913	1,867
Insurance proceeds received		1,473	6,857
Payments to suppliers		(805)	(1,422)
Payments for remedial works regarding earthquake claim		(611)	(7,135)
Income tax received (paid)		-	447
Net GST movement		249	(110)
Net cash provided by/(used in) operating activities	14	6,278	4,749
Cash flows from investing activities			
Interest received		98	116
Net movement in term deposits		(1,900)	-
activities		(1,802)	116
Cash flows from financing activities			
Loan repayment		(400)	-
Interest paid		(5,444)	(5,460)
activities		(5,844)	(5,460)
Net increase in cash and cash equivalents		(1,368)	(595)
Cash and cash equivalents at beginning of year		4,601	5,196
Cash and cash equivalents at end of year		3,233	4,601

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 venture.

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 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 2013. The financial statements were authorised for issue by the Board of Directors on 18 September 2013.

Basis of financial statement preparation

These financial statements have been prepared in accordance with NZ GAAP. They comply with NZ IFRS 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).

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.

The following new standards, interpretations and amendments have been adopted for the year ended 30 June 2013 which have only had presentational or disclosure effect:

- Amendments to NZ IAS 1 Presentation of Financial Statements effective for accounting periods beginning on or after 1 July 2012 - The amendments require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss; do not change the existing option to present profit or loss and other comprehensive income in two statements; and a change of title of 'Statement of Comprehensive Income' to 'Statement of Profit or Loss and Other Comprehensive Income' to emphasise the two components. However, an entity is still allowed to use other titles.

- Amendments to NZ IAS 12 Income Taxes effective for accounting periods beginning on or after 1 January 2012 – The amendments introduce an exception to the general measurement requirements of NZ IAS 12 Income Taxes in respect of investment properties measured at fair value. The measurement of deferred tax assets and liabilities, in this limited circumstance, is based on a rebuttable presumption that the carrying amount of the investment property will be recovered entirely through sale. The presumption can be rebutted only if the investment property is depreciable and held within a business model whose objective is to consume substantially all of the asset's economic benefits over the life of the asset.

The following new standards, interpretations and amendments have been issued but are not yet effective for the year ended 30 June 2013, and have not been applied in preparing these financial statements:

- 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.

- 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 will need to determine at which tier it will report at for the 2013/14 financial statements.

It is expected that the application of the new framework will not result in significant changes the Company's accounting policies but could to result in disclosure changes.

Other than for the general descriptions provided above, the Company has not yet determined the potential impact of the new standards, interpretations and amendments for those standards not effective at 30 June 2013.

a. Financial Assets

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

b. 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.

c. 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.

d. 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.

e. 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.

f. 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.

Notes to the Financial Statements

g. 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.

h. 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.

i. 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.

j. 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.

k. 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.

Notes to the Financial Statements

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.

l. 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

	2013 $000	2012 $000
Rental revenue:		
Operating lease rental revenue - Investment Property	316	350
Loss of rent insurance proceeds received	53	128
Loss of rent insurance proceeds receivable	-	400
Recovery of property expenses	903	825
	1,272	1,703
Interest revenue:		
Finance lease interest revenue	3,704	3,709
Bank deposits	127	110
	3,831	3,819
Gain on revaluation of investment property	895	-
Material damage and insurance proceeds received / receivable	68	5,903
Subvention income	-	1,411
Total revenue	6,066	12,836

(b) Expenses

	Note	2013 $000	2012 $000
Finance costs:			
Interest on loans		5,428	5,474
		5,428	5,474
Direct operating expenses of investment properties:			
Audit fees	4	15	20
Directors fees		-	2
Management fees		15	52
Property management costs		837	653
Building remediation costs		75	5,440
Rental income lost		-	528
Other		5	1
		947	6,696
Total expenses		6,375	12,170

3 Income taxes

a. Income tax recognised in profit or loss

	2013 $000	2012 $000
Tax expense/(income) comprises:		
Current tax expense/(income)	(782)	-
Adjustments recognised in current year in relation to the current tax of prior years	(65)	-
Deferred tax expense/(income)	579	(668)
Total tax expense/(income)	(268)	(668)

Reconciliation of prima facie income tax:

	2013 $000	2012 $000
Profit/(loss) from operations	(309)	666
Income tax expense calculated at 28% (2012: 28%)	(87)	186
Correction to prior year tax calculation	(64)	-
Non-deductible expenses	-	148
Revaluation of land	(251)	-
Subvention income recognised	-	(395)
Deferred tax adjustment	579	(588)
Building lease classified as operating lease for tax purposes	(445)	(19)
	(268)	(668)

Notes to the Financial Statements

b. Current tax assets and liabilities

	2013 $000	2012 $000
Current tax assets:		
Tax refund receivable - RWT	-	2
Subvention Receivable	782	-
	782	2

c. Deferred tax balances

	2013 $000	2012 $000
Deferred tax liabilities		
Temporary differences	9,040	8,461
	9,040	8,461

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

Taxable and deductible temporary differences arise from the following:

Year ended 30 June 2012	Opening balance $000	Charged to income $000	Closing balance $000
Deferred tax liabilities:			
Investment Property	9,129	(668)	8,461
	9,129	(668)	8,461

d. Imputation credit account balances

	2013 $000	2012 $000
Imputation credits available for use in subsequent periods	-	-

4 Remuneration of auditors

	2013 $000	2012 $000
Auditor of the entity:		
Audit of the financial statements	10	16
Audit of the financial statements - other auditor	5	4
	15	20

The 2012 audit expense includes $6,000 relating to the audit of the 2011 financial statements.

Notes to the Financial Statements

5 Current trade and other receivables

	Note	2013 $000	2012 $000
Finance lease receivable - current portion	6	3,951	3,644
Trade receivables		34	2
Related party receivable		25	81
Insurance receivable		23	1,349
Sundry Receivable		4	-
Subvention receivable		-	848
		4,037	5,924

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 (2012: $nil)

6 Finance lease receivable

	Minimum future lease payments		Present value of minimum future	
	2013 $000	2012 $000	2013 $000	2012 $000
No later than one year	4,106	3,786	3,951	3,644
Later than one year and not later than five years	16,883	16,674	13,637	13,471
Later than five years	85,555	89,870	34,523	35,078
Minimum lease payments	106,544	110,330	52,111	52,193
Unguaranteed residual	-	-	-	-
Gross finance lease receivables	106,544	110,330	52,111	52,193
Less unearned finance income	(54,433)	(58,137)	-	-
Present value of minimum lease payments	52,111	52,193	52,111	52,193
Included in the financial statements as:				
Current trade and other receivables			3,951	3,644
Non-current trade and other receivables			48,160	48,549
			52,111	52,193

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) is initially set at $8,233,776 per annum, with the following rental increases specified in the contract:

1. a 3 per cent increase on the third anniversary of commencement, compounded on an annual basis.
2. a further 3 per cent increase on every sixth anniversary of the first percentage increase, compounded on an annual basis.
3. a market rental increase on every sixth anniversary of commencement, set at the greater of five per cent or market rental.

No contingent rent is payable under the lease.

Notes to the Financial Statements

7 Investment property

	2013 $000	2012 $000
Balance at beginning of financial year	4,480	4,480
Revaluation	895	-
Balance at end of financial year	5,375	4,480

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 2013 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 2013 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 improved trading conditions in the short to medium term offset by medium to longer term uncertainty around the recovery of the region, competition and subsequent spending patterns. This is reflected in a firming of the capitalisation rate by 30 basis points from 8.25% in June 2012 to 7.95% at balance date, reflecting an estimate of the changed market conditions in a post-earthquake environment. The quality of the tenant and the lease terms mitigate a further increase to the capitalisation rate. The discount rate applied to future cash flows firmed from 10.5% in June 2012 to 10.00% for the same reason.

Sensitivity analysis for investment property
A change of 50 basis points higher/lower on the capitalisation rate would result in the following change to the total value of the investment property valuation:

- the investment property would decrease by ($6,405,325) following a 50 basis point increase in the capitalisation rate and increase by $7,265,101 following a 50 basis point decrease in the capitalisation rate.

Half of the above amounts relating to the Joint Venture are attributable to the Company and reflected in these financial statements.

Notes to the Financial Statements

8 Current trade and other payables

	2013 $000	2012 $000
Trade payables	158	559
Related party payables	149	219
GST payable	279	15
	586	793

9 Non-current borrowings

	2013 $000	2012 $000
Unsecured:		
Loans from Parent entity	58,888	59,288
	58,888	59,288

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 (2012: 9.21% quarterly).

The terms of the cash advance facility allow the Company to make prepayments of principal repayments. During the year the Company repaid $400,000 of the outstanding balance.

The fair value of the borrowings is $96,672,208 (2012: $110,961,344) based on cash flows discounted using the market rate of 4.73% (2012: 3.9475%). The fair value was calculated on the basis that the loan will be paid back at the end of the loan agreement less the planned capital repayments in 2038.

10 Capital and other equity instruments

	2013 $000	2012 $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: unpaid shares	-	-
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.

Notes to the Financial Statements

11 Equity

	2013 $000	2012 $000
Balance at 1 July	(4,986)	(6,320)
Net shares issued	-	-
Total comprehensive income	(41)	1,334
Balance at 30 June	(5,027)	(4,986)

12 Commitments for expenditure

There were no commitments for development expenditure that were not otherwise accrued at 30 June 2013 (2012: $nil).

Earthquake building remediation costs for work still to be completed to fully reinstate the Civic Building property are estimated at $nil (2012: $nil). There is an accrual of costs for $13,638 (2012: $189,000) relating to earthquake building remediation 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

There are no contingent liabilities or assets at 30 June 2013 (2012: $nil).

Notes to the Financial Statements

14 Notes to the cash flow statement

	2013 $000	2012 $000
Cash and cash equivalents		
Cash and cash equivalents	3,233	4,601
	3,233	4,601
Reconciliation of profit for the period to net cash flows from operating activities		
Net profit for the period	(41)	1,334
Changes in net assets and liabilities		
Increase / (decrease) in current tax balances	-	1,752
(Increase) / decrease in receivables	1,496	(949)
Increase / (decrease) in payables	(243)	(1,947)
Capital portion of payables / receivables	35	(117)
Interest received classed as investing	(98)	(116)
Interest paid classed as financing	5,445	5,460
Non cash items:		
Loss / gain on revaluation of investment property	(895)	-
Increase / decrease in deferred tax	579	(668)
Finance lease income	-	-
Net changes in net assets and liabilities	6,319	3,415
Net cash from operating activities	6,278	4,749

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:

	2013 $000	2012 $000
Receipts from related parties		
Rent received from the Council	4,267	2,434
Subvention payments received from Council group entities	913	1,411
Recovery of property expenses from the Council	903	826
Payments to related parties		
Interest paid to the Council	5,428	5,474
Management fees charged by Vbase	-	42
Management fees charged by the Council	10	-
Rates paid to Council	230	221
Loans repaid to Council	400	-
Te Runanga O Ngai Tahu		
Management fees charged to the Joint Venture by group entities	-	82
Year end balances (GST exclusive)		
Accounts receivable from Council	25	81
Loan advances from Council	58,888	59,288
Accrued interest payable to Council	149	165
Subvention payments receivable from group companies	782	849

The Company expects to transfer tax losses of $2,793,399 to other members of the Council group (2012: $3,211,966) by way of a subvention payment of $782,152 (2012: $899,359) which has been accrued and a loss offset of $2,011,247 (2012: $2,312,607).

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 2012/2013 financial year (2012: $1,875 to W G Cox) exclusive of GST. None was unpaid at 30 June 2013 (2012: $nil).

The Company paid no joint venture board fees in 2013 however in 2012 it paid fees to H Johnstone of $1,250 exclusive of GST. None was unpaid at 30 June 2012.

Notes to the Financial Statements

16 Operating Leases

	Minimum Lease Payments	
	2013	**2012**
	$000	**$000**
Operating lease as lessor		
Within one year	387	357
Between 1 and 5 years	1,596	1,574
Over 5 years	8,112	8,523
	10,094	10,454

The terms of the lease are detailed in note 6.

17 Financial instruments

Classification of financial instruments

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			
Other (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

2012	Loans & receivables $000	Other amortised cost $000	Total carrying amount $000
Current assets			
Cash and cash equivalents	4,601	-	4,601
Trade and other receivables	5,924	-	5,924
	10,525	-	10,525
Non current assets			
Finance lease receivable	48,549	-	48,549
	48,549	-	48,549
Total Financial Assets	59,074	-	59,074
Current liabilities			
Trade and other payables	-	793	793
	-	793	793
Non current liabilities			
Borrowings	-	59,288	59,288
	-	59,288	59,288
Total Financial Liabilities	-	60,081	60,081

Contractual Maturity Analysis

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

as at 30 June 2012	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	4,601	4,603	4,603	-	-	-
Trade and other receivables	5,924	6,064	6,064	-	-	-
Finance lease receivables	48,549	106,542	-	4,106	12,569	89,870
	59,074	117,209	10,667	4,106	12,569	89,870
Financial liabilities:						
Trade and other payables	793	628	628	-	-	-
Related party borrowings	59,288	201,323	5,459	5,459	16,393	174,012
	60,081	201,951	6,087	5,459	16,393	174,012

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

Notes to the Financial Statements

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-.

	2013 $000	2012 $000
Counterparties with credit ratings		
Cash and cash equivalents		
AA-	3,233	4,601
Other financial assets		
AA-	1,933	2
Finance lease receivable		
AA	-	52,193
AA-	52,111	-

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 9.21% (2012: 9.21%). 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 $36,617 or $26,364 after tax (2012: $30,926 or $22,253 after tax).

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

Notes to the Financial Statements

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.

19 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 2013.

20 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 2012/13 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			
Lease income	4,061	4,020	(41)
Other income	849	2,046	1,197
Total Income	4,910	6,066	1,156
Expenses			
Interest	5,459	5,428	31
Other expenses	1,059	947	112
Total Expenses	6,518	6,375	143
Net Surplus (deficit) before tax	(1,608)	(309)	1,299
Taxation	(1,152)	(268)	884
Net Surplus (deficit) after tax	(456)	(41)	415
<u>Capital Structure</u>			
Uncalled capital	10,000	10,000	-
RPS Shares	6,200	6,188	(12)
Debt	59,200	58,888	312
Total assets	61,000	63,487	2,487
Ratio of shareholder funds to total assets	-12.0%	-7.9%	

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

Financial performance targets

The Company's financial performance is ahead of target due to the recognition of additional insurance proceeds that were not included in the target measure.

Other expenses were higher than target due to increased property expenses a significant proportion of which were able to be recovered from the tenant thus also contributing to the increased income.

The significant movement in taxation is the result of the movement in deferred tax which was not included in the target measure.

The improvement in the balance sheet measures were the result of the repayment of $400,000 of the debt in June 2013 and the revaluation of the land.

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	With the exception of Lease income all performance indicators were met or exceeded. The small reduction in lease income was offset by higher other income.
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.	Ensure the Civic Building operates in a manner that preserves Green Star 6 accreditation features.	Green star 6 accreditation features have been achieved for design and construction. During the year the building achieved Green star 6 accreditation for its fit out.

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 2013

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 2013, 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 and 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; and
  - give a true and fair view of the company's:
    - financial position as at 30 June 2013; 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 and 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 2013.

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 18 September 2013. 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.

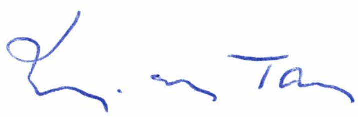
Responsibilities of the Auditor

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