

**CIVIC BUILDING LIMITED**  
**STATEMENT OF INTENT**

**FOR THE YEAR ENDED**  
**30 JUNE 2011**



# CIVIC BUILDING LIMITED STATEMENT OF INTENT

FOR THE YEAR ENDED 30 JUNE 2011

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CIVIC BUILDING LIMITED STATEMENT OF INTENT

## 1.0 INTRODUCTION

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

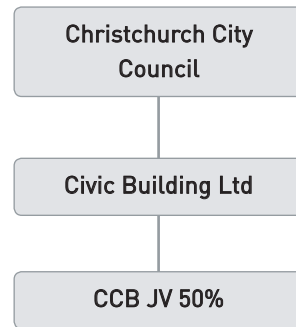
The SOI specifies for Civic Building Ltd (CBL) and the Civic Building Unincorporated Joint Venture (CCB JV), the objectives, the nature and scope of the activities to be undertaken, and the performance targets and other measures by which the performance of the group may be judged in relation to its objectives, amongst other requirements. It covers the three financial years ending 30 June 2011, 2012 and 2013.

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. Vbase Ltd (Vbase) manages CBL through a contractual arrangement and CBL shares the same Board of Directors as Vbase under a common governance structure.

The new 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 CCHL 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 13-144 Christchurch
Registered Office:	95 Kilmore St Christchurch
Chairperson:	Gill Cox C/- Civic Building Ltd PO Box 13-144 Christchurch
Board:	David Cox Chris Doig Dominique Dowding James Keegan Simon Mortlock
Chief Executive:	Bryan Pearson C/- Civic Building Ltd PO Box 13-144 Christchurch Telephone + 64 3 366 88 99 Facsimile + 64 3 363 3320
Company Secretary:	Brent Ford C/- Civic Building Ltd PO Box 13-144 Christchurch Telephone + 64 3 366 88 99 Facsimile + 64 3 363 3320

### 3.0 OBJECTIVES

The CBL objectives are,

- To implement the proposal adopted by the Christchurch City Council at its meeting on Thursday 11 October 2007 for the design, construction and joint ownership of the new Civic Building with Ngai Tahu Property Ltd.
- To borrow from the Christchurch City Council, sufficient funds to enable the CBL to fulfil the obligations under the agreements entered into with Ngai Tahu Property Ltd for the design, construction and ownership of the new Civic Building.
- To own 50% of the new Civic Building with Ngai Tahu Property Ltd. Once construction is complete CBL and Ngai Tahu Property Ltd will 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.

CBL will borrow from the Council sufficient finance 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 new 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 the company on behalf of the Shareholder, to whom it is accountable.

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

All Directors are required to comply with the New Zealand Institute of Directors' Code of Proper Practice for Directors.

In consultation with CCHL, CBL undertakes periodic reviews of Directors' performance and assistance with ongoing Director training and development.

The primary function of the Board is to ensure that the company 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 made in accordance with the Council's Appointments and Remuneration of Directors policy.

The Chief Executive of Vbase has been delegated responsibility for the leadership and management of CBL. The Chief Executive is assisted by the Vbase executive team, and CBL makes use of external advisors from time to time. The Vbase Ltd Audit and Risk Sub Committee is responsible for reviewing the CBL accounting policies, reporting practices and resultant financial statements. The committee also considers external audit reports, audit relationship matters and fees as well as delegated authorities.

## 6.0 PERFORMANCE TARGETS

### Financial Performance Targets

The financial performance targets for the company are as follows:

Civic Building Ltd	2011	2012	2013
	000's	000's	000's
Income			
Rental Income	3,699	4,034	4,034
Less Expenses			
Interest	5,539	5,539	5,539
Other Expenses	328	338	348
Depreciation	1,809	1,974	1,974
Total Expenses	7,676	7,851	7,861
Net Surplus (deficit) before tax	-3,977	-3,817	-3,827
Taxation	-1,142	-1,145	-1,148
Net Surplus (deficit) after tax	-2,835	-2,672	-2,679

The company is forecasting cash deficits for the period covered by this Statement of Intent, which covers the remainder of construction of the building schedule for completion in the first quarter FY11 and the initial period of occupation by the tenant. Long term projections (incorporating rent reviews) are for the company to generate positive cash flows and there is adequate funding in place to support the company until this time.

Vbase is investigating the impact of changes to taxation law announced in the 2010 Budget. Any changes which arise from the budget have not been reflected in the forecasts attached.

### Ratio of Shareholder Funds to Total Assets

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

2010/11	2011/12	2012/13
15 %	12%	27%

The forecast capital structure for the next three years is:

	2010/11	2011/12	2012/13
	\$m	\$m	\$m
Uncalled Capital	\$10.0	\$10.0	\$10.0
RPS Shares	\$6.9	\$6.9	\$6.9
Revaluation Reserve	\$0.0	\$0.0	\$14.1
Debt	\$58.6	\$58.6	\$58.6
Total Assets	\$57.6	\$55.0	\$66.4

### Operational Performance Targets

In addition to the above financial performance measures, the Group will use the following measures to assess its performance in the 2011 financial year:

Objective and Strategy	Performance Measure 2010/11
Meet the financial targets contained within this SOI	Budgeted key performance indicators are met or exceeded
Achieve key milestones in the timetable to design and build the new Civic Building	The unincorporated joint venture will ensure the construction proceeds according to the timetable agreed with Council.
Post completion manage the investment in a commercially astute and prudent manner.	Ensure a comprehensive management agreement is in place for management of the new Civic Building.

### Environmental and Social Performance Targets

In addition to the above financial performance measures, the Group will use the following measures to assess its performance in the 2011 financial year:

Performance Target	Performance Measure
The Civic Building will be designed to achieve a high standard in terms of environmental and energy sustainability.	Design of the Civic Building project features minimum Green Star 5 accreditation features.

### 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.

The Strategy states that the new Civic Offices will be designed to be an “exemplary standard in terms of sustainable design and energy performance.”

It goes on to state that the new building must be designed for ultra low energy consumption, maximum use of renewable energy sources and with an extremely low carbon footprint.

Benefits from this will be:

- 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 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 2011 the company 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.

Annual reports will be produced consistent with the "triple bottom line" (or sustainability) reporting philosophy. The reports will outline the company's objectives and performance in terms of:

- Financial
- Environmental and
- Social inputs, outputs and outcomes

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.

The company 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.

The company 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 the Company.

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 the company decides to incorporate or subscribe for shares in subsidiaries to undertake its commercial activities, the company 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 as \$2.4m 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**

The company has a mandate from the Shareholder, Christchurch City Council, to design, construct and own the new Civic Building and lease it to the Council. This will result in the most cost effective long-term ownership strategy for the building. CBL will utilise the services of CCC subsidiary Vbase Ltd to manage its affairs.

### **Role in the Growth of the Regional Economy**

The company will contribute to regional economic prosperity by engaging a number of companies within the region to assist with the construction of the new Civic Building, creating economic impact and employment opportunities.

## APPENDIX 1.0

### Statement of Significant Accounting Policies

#### a. Reporting Entity

These are the financial statements of Civic Building Limited.

Civic Building Limited 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.

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

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

The financial statements of the company are for the year ended 30 June 2009. The financial statements were authorised for issue by the Board of Directors on 4 September 2009.

#### b. 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 the New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

#### c. Basis of Financial Statement Preparation

The financial statements are prepared under the historical cost convention, as modified by 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 these financial statements Civic Building Ltd has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances. There are no estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Standards, amendments and interpretations issued but not yet effective that have not yet been early adopted, and which are relevant to Civic Building Ltd include:

NZ IAS 1 Presentation of Financial Statements (revised 2007) replaces NZ IAS 1 Presentation of Financial Statements (issued 2004) and is effective for reporting periods beginning on or after 1 January 2009. The revised standard requires information in financial statements to be aggregated on the basis of shared characteristics and introduces a statement of comprehensive income. The statement of comprehensive income will enable readers to analyse changes in equity resulting from non-owner changes separately from transactions with owners. The revised standard gives Civic Building Ltd the option of presenting items of income and expense and components of other comprehensive income either in a single statement of comprehensive income with subtotals, or in two separate statements (a separate income statement followed by a statement of comprehensive income). Civic Building intends to adopt this standard for the year ending 30 June 2010 and is yet to decide whether it will prepare a single statement of comprehensive income or a separate income statement followed by a statement of comprehensive income.

**d. Revenue****Interest Income**

Interest income is recognised using the effective interest method.

**e. Borrowing Costs**

Borrowing costs are recognised as an expense in the period in which they are incurred.

**f. 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.

**g. 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 balance sheet.

**h. Trade and Other Receivables**

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

**i. 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 statement of financial performance.

**j. 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 income statement.

**k. Trade and Other Payables**

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

**l. 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 with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

**m. Equity**

**Share capital**

Ordinary shares and redeemable preference shares are classified as equity.

**n. Goods and Services Tax**

The financial statements are prepared exclusive of GST with the exception of receivables and payables that are shown inclusive of GST. Where GST is not recoverable as an input tax it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the statement of financial position.

The net GST paid to, or received from the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the statement of cash flows.

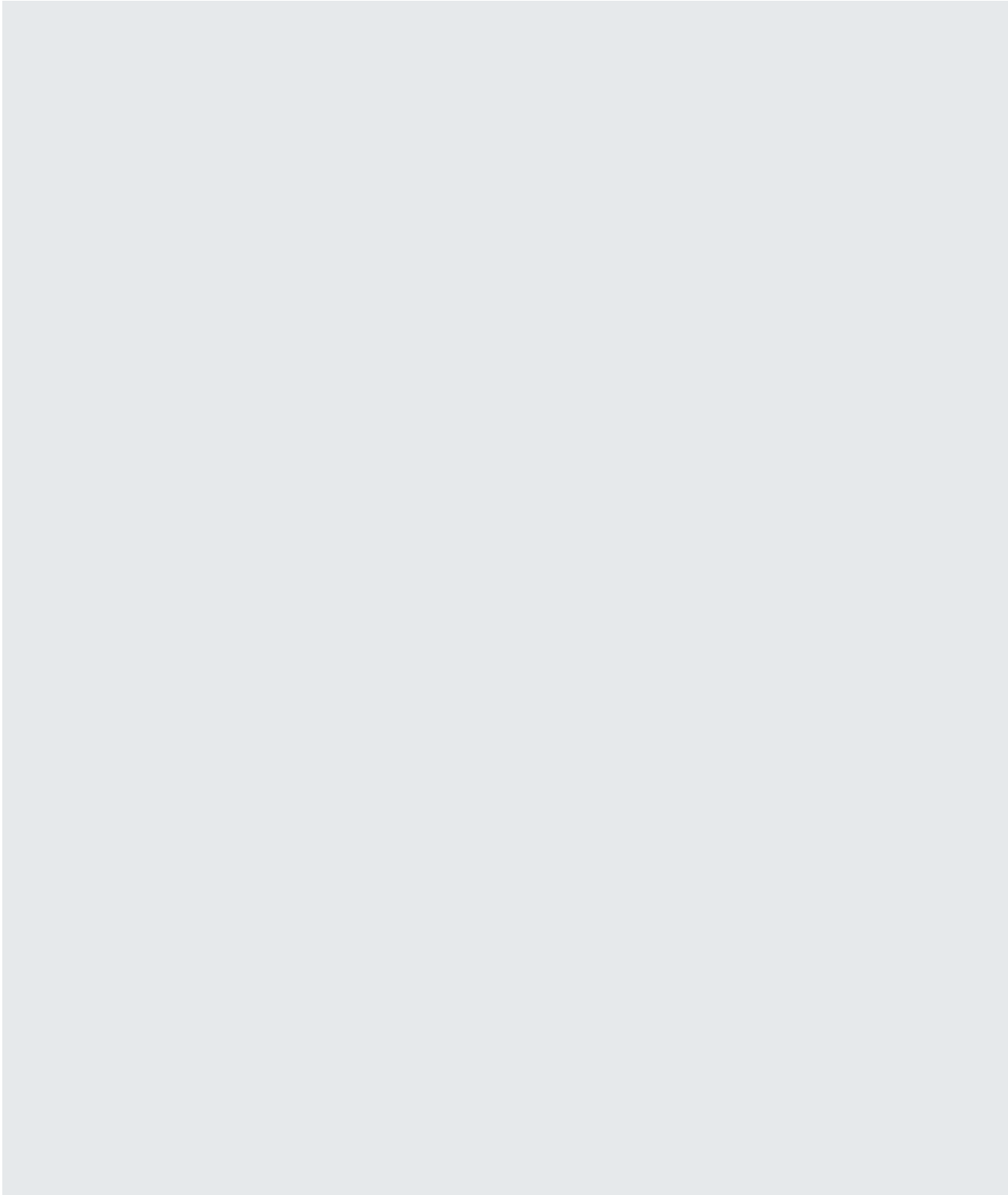
Commitments and contingencies are disclosed exclusive of GST.

**o. Basis of Consolidation**

The purchase method is used to prepare the consolidated financial statements, which involves adding together like items of assets, liabilities, equity, income and expenses on a line by line basis. All significant intra group balances and transactions are eliminated on consolidation.

The company's investment in its subsidiary is carried at cost in the parent financial statements.





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