



Tuam Limited

Statement of Intent For the year ended 30 June 2010



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Appendix 1 Statement of Significant Accounting Policies

1. Introduction

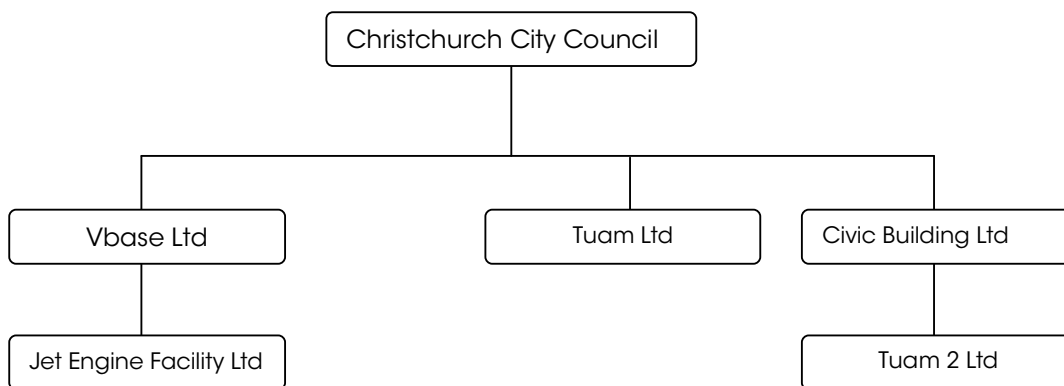
This Statement of Intent (SOI) is prepared in accordance with Section 64(1) of the Local Government Act 2002.

The SOI specifies for Tuam Ltd (Tuam), 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 company may be judged in relation to its objectives, amongst other requirements. It covers the three financial years ending 30 June 2010, 2011 and 2012.

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.

The Tuam Board are Directors of both Vbase Ltd and Civic Building Ltd. Vbase Ltd owns and/or operates the Christchurch Town Hall for Performing Arts, Christchurch Convention Centre, AMI Stadium and the Westpac Arena. Civic Building Ltd owns 100% of the shares in Tuam 2 Ltd, the entity which jointly with Ngai Tahu Property Ltd, will build and own the new Civic Offices at the NZ Post site on Worcester St.

The group structure is,



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

2. Directory

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

3. Objectives

The Tuam objectives are,

To own the current Council Civic Buildings and adjacent Tuam St car park and lease these to the Christchurch City Council until the new Civic Building is developed and Council relocates

To manage the Tuam St property in consultation with council staff to ensure that any maintenance expenditure is consistent with future use context.

4. Nature and Scope of Activities

Tuam Limited (Tuam) is a Council Controlled Trading Organisation (CCTO) for the purposes of the Local Government Act 2002 and the Companies Act 1993.

Tuam is the company to which the Christchurch City Council (CCC) has entrusted ownership and management of the Christchurch City Council Civic Buildings/Offices and car park. It is regarded as a 'for profit' CCTO.

5. Governance

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

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

In consultation with CCHL, the company 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 the company. The Chief Executive is assisted by the Vbase executive and team, and the company may make use of external advisors from time to time.

The Vbase Ltd Audit and Risk Sub-committee is responsible for reviewing the company's 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. Performance Targets

Financial Performance Targets

The financial performance targets for the company are as follows:

Tuam Ltd	2010	2011	2012
	\$000's	\$000's	\$000's
Income			
Rental Income	\$1,324	\$0	\$0
Less Expenses			
Interest	\$1,140	\$0	\$0
Other Expenses	\$55	\$0	\$0
Depreciation	\$378	\$0	\$0
Total Expenses	\$1,573	\$0	\$0
Net Surplus (deficit) before tax	-\$249	\$0	\$0
Subvention Receipt (Payment)	\$82	\$0	\$0
Net Surplus (deficit) after tax	-\$167	\$0	\$0

Tuam Ltd trading ceases once Christchurch City Council move out of the Tuam St property in mid 2010 at which time Council will assume responsibility for the governance and management of Tuam. Council is currently scoping out future use opportunities for the property and Tuam has no mandate in this regard.

Ratio of Shareholders' Funds to Total Assets

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

2009/10	2010/11	2011/12
12%	12%	12%

The forecast capital structure for the next three years is:

	2009/10 \$000's	2010/11 \$000's	2011/12 \$000's
Equity	\$9,135	\$9,135	\$9,135
Retained Earnings	(\$7,333)	(\$7,371)	(\$7,371)
Debt	\$13,750	\$0	\$0
Total Assets	\$15,552	\$1,764	\$1,764

Operational Performance Targets

In addition to the above financial performance measures, Tuam will use the following measures to assess its performance of the 2008/09 financial year:

Performance Target	Performance Measure 2008/09
Ensure Tuam meets the financial targets contained within this SOI	Budgeted key performance indicators met or exceeded
The company meets all relevant legislative and contractual requirements.	No breaches of legislative or contractual requirements are recorded

Christchurch City Council Sustainable Energy Strategy

The Christchurch City Council Sustainable Energy Strategy is an important initiative that Tuam is 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.

Tuam is motivated to manage its business in a sustainable manner. At present, the activities of Tuam Ltd are restricted to owning a car park and building. Tuam will work with Council to ensure any future modifications to the building are consistent with the CCC strategy.

Urban Development Strategy (UDS)

Tuam recognises the broad objectives of the UDS and these are very relevant to the activities of the company, especially relating to the ongoing development and expansion of the property the company owns. Tuam will work closely with Council to ensure that development of all property holdings under our control recognises the UDS.

7. Accounting Policies

Tuam Ltd 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. The company's current accounting policies are attached to this Statement of Intent

8. Distributions

During the year to 30 June 2010 the company will make no distribution to the Shareholder.

9. Information to be provided 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. 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 Tuam Ltd.

When the subscription, acquisition or divestment is considered by Directors to be significant to the company'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 Tuam's Directors and staff.

11. Compensation Sought from Local Authority

At the request of the Shareholder, the company 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. Estimate of Commercial Value

The Shareholder has recorded the value of its investment in Tuam Ltd in its accounts as \$2.51m and this is considered an appropriate estimation of the commercial value of the company.

13. Role in the CCC Group and Regional Economy

Commercial Relationships within the CCC Group

Tuam Ltd owns the current Tuam St Civic land and buildings. Tuam Ltd will utilise the services of Vbase Ltd to manage its affairs.

Role in the Growth of the Regional Economy

Tuam Ltd will contribute to regional economic prosperity in by managing the Tuam St Civic Building in a commercially astute manner.

14. Business, Strategic and Operational Risks

Due to the scope of its activities, the business, strategic or operational risks of Tuam are limited to cost of funds.

Risk	Response
Interest rates on borrowings increase negatively impacting on the financial viability of the company	Tuam has entered into fixed interest rate swap agreements to negate this risk

Appendix 1

Statement of Significant Accounting Policies

a. Reporting Entity

These are the financial statements of Tuam Limited.

Tuam 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.

The primary objective of the company is to manage the Christchurch City Council Civic Buildings/Offices and car park. 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).

The financial statements of the company are for the year ended 30 June 2008. The financial statements were authorised for issue by the Board of Directors on 3 September 2008.

b. Statement of Compliance

The financial statements of Tuam 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 Tuam 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 Tuam 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 Tuam 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). Tuam Ltd 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

(i) Rental Income

Rental income from investment property is recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income.

(ii) 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 Civic offices land and buildings leased to the Christchurch City Council under operating leases are classified 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.