Civic Building Ltd

Annual Report

for

Year Ending 30 June 2011

Contents

Company Directory

As at 30 June 2011

Registered office	87 Peterborough St Christchurch	
Directors	D G Cox	Resigned 16 December 2010
	G S Campbell	Resigned 24 August 2010
	W G Cox	Resigned 29 July 2011
	C K Doig	Resigned 29 July 2011
	D F Dowding	Resigned 29 July 2011
	J T Gough	Appointed 16 December 2010
	A J Keegan	Resigned 29 July 2011
	S G Mortlock	Resigned 29 July 2011
	T M Treacy	Resigned 29 July 2011
	R Parker	Appointed 8 September 2011
	N Button	Appointed 8 September 2011
Chief Executive Officer	Bryan Pearson	Resigned 29 July 2011
Company Secretary	Brent Ford	Resigned 29 July 2011
Solicitors	Lane Neave Christchurch	
Bankers	Westpac Banking Corporation Christchurch	

Statutory Disclosures
For the Period Ended 30 June 2011

State of Affairs

Civic Building Ltd was established on 12 October 2007 in order to carry out the development of the new civic building for the Christchurch City Council. On 26th October 2007 the company entered into an agreement to develop the new civic building on the NZ Post site with Ngai Tahu. The agreements provided that this was carried out by Tuam 2 Ltd as 50/50 shareholder with Ngai Tahu Properties. These arrangements were changed on 27 June 2008 subsequent to Council approval of the 2009 Annual Plan, leaving Civic Building Limited as party to the unincorporated joint venture with Ngai Tahu Properties Limited. The Annual Plan approved the creation of an unincorporated joint venture structure to carry out the development. As a result Tuam 2 Ltd was made 100% subsidiary of the company and Tuam 2 settled the purchase of a half share of the NZ Post building on 30 June 2008 as party to the unincorporated joint venture with Ngai Tahu Properties Limited, that has undertaken the development. On the 30th of June 2009, Tuam 2 Ltd was amalgamated into Civic Building Ltd.

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

Civic Building Ltd appoints three representatives to the unincorporated joint venture board. Civic Building Ltd representatives on the joint venture board are Gill Cox, Hanlin Johnstone and Bryan Pearson. New representatives were appointed in the 2011 / 2012 financial year. The new representatives are Rober Parker, Ngaire Button and Jamie Gough

Civic Building does not have any staff, rather it is managed by Vbase Ltd under a management agreement

Directors

The persons holding office as Directors of the company at 30 June 2011 were:

C K Doig	Resigned 29 July 2011
D F Dowding	Resigned 29 July 2011
S G Mortlock	Resigned 29 July 2011
D G Cox	Resigned 1 December 2010
W G Cox	Resigned 29 July 2011
J T Gough	Appointed 16 December 2010
A J Keegan	Resigned 29 July 2011
G S Campbell	Resigned 24 August 2010
T M Treacy	Resigned 29 July 2011

New directors appointed after 30 June were:

R Parker	Appointed 8 September 2011
N Button	Appointed 8 September 2011

Directors' 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:

Wynton Gill Cox	Director	Elastomer Products Ltd
	Director	Mainpower NZ Ltd
	Director	Transwaste Canterbury Ltd
	Director	Coolpak Coolstores Ltd
	Director	Talbot Plastics Ltd
	Director	Barlow Brothers NZ Ltd
	Director	Independent Fisheries Ltd
	Chairman	Vbase Ltd
	Chairman	Jet Engine Facility Ltd
	Advisory Board Member	Development West Coast
Christopher Keith Doig	Director	Jet Engine Facility Ltd
	Director	Vbase Ltd
	Director	New Zealand Symphony Orchestra Foundation - resigned
	Director	Southern Opera Ltd
	Trustee	Southern Opera Charitable Trust
	Director	Halberg Trust - resigned
	Director	Rowing New Zealand - resigned
	Director	Christopher Doig Promotions Limited
	Director	Solvam Ltd
	Trustee	Winter Games - resigned
	Board Member	New Zealand Rugby Union
	Trustee	Garden Events Trust
	Board Member	Crusaders

Dominique Fiona Dowding	Director	Jet Engine Facility Ltd
	Director	Vbase Ltd
	Director	Dowding & Associates Ltd
	Director	The Sales Bureau Ltd
	Director	Human Intellectual Technologies Ltd
	Director	Evolution Technologies Ltd
	Director	CPI Ltd
	Director	Barry Doody Tours Ltd
	Director	Studio Properties (2007) Ltd
	Director	Studio's of NZ Ltd
	Director	NZCU South
Simon George Mortlock	Director	Jet Engine Facility Ltd
	Director	Santa Rosa Marketing Ltd
	Director	Danne Mora Holdings Ltd
	Director	Vbase Ltd
	Senior Partner	Mortlock McCormack Law
	Director	Santano Holdings Ltd
	Director	Asado Food Solutions Ltd
	Director	Phantom Bill Stickers Ltd
	Director	WFH Properties Ltd
	Director	WFH Properties (No 2) Ltd
	Director	Westmoreland Nominees Ltd
	Director	Worsley Farm Ltd
	Director	Franco Farm Ltd
	Director	Spreydon Lodge Ltd
	Director	Nevele R Stud Ltd
	Director	MML Consultants Ltd
David George Cox	Councillor	Christchurch City Council
	Director	Vbase Ltd
	Director	Park Avenue Fashions Ltd
	Director	Tuam Ltd (Resigned December 2009)
	Director	Jet Engine Facility Ltd
Arthur James Keegan	Director	Jet Engine Facility Ltd
	Director	Vbase Ltd
	Director	Addington Raceway Ltd
	Director	Cavell Leitch Pringle & Boyle Nominees Ltd
	Partner	Cavell Leitch Pringle & Boyle Solicitors
	Director	New Zealand Metropolitan Properties Ltd
	Director	Southern Opera Ltd
	Director	Arts Management Ltd
	Director	Cavell Leitch Operations Ltd
Gregory Shane Campbell	Director	Jet Engine Facility Ltd
	Director	Vbase Ltd
	Chief Executive	Ngai Tahu Holdings Corpoation Ltd
	Trustee	G.S & N. A. Campbell Family Trust
	Director	Ngāi Tahu Fisheries Investments Limited
	Director	Ngāi Tahu Lobster Quota Limited
	Director	Ngāi Tahu Migratory Quota Limited
	Director	Ngāi Tahu Pāua Quota Limited
	Director	Ngāi Tahu Scampi Quota Limited
	Director	Ngāi Tahu Shellfish Quota Limited
	Director	Ngāi Tahu Wetfish Quota Limited
	Director	Ngāi Tahu Fisheries Settlement Limited
	Director	EcoCentral Ltd

Thomas Michael Treacy	Director	Jet Engine Facility Ltd
	Director	Vbase Ltd
	Director	Verona Fruit Pty Ltd
	Director	Fruitology Pty Ltd
	Director	LaManna Bananas Ptd Ltd
	Director	LaManna Bananas (Adelaide) Ptd Ltd
	Director	LaManna Bananas Company Ptd Ltd
	Director	Ballina Lodge Ltd
	Director	United Flower Growers Ltd
	Director	Mainland Tomatoes Ltd (resigned 25 November 2010)
	Chief Executive	MG Marketing Ltd
James Tracy Gough	Director	Vbase Ltd
	Director	Jet Engine Facility Ltd
	Director	Vbase Ltd
	Director	Gough Holdings Ltd
	Councillor	Christchurch City Council
	Committee Member	Bone Marrow Cancer Trust
	Committee Member	Diabetes Research Institute Trust
Robert Parker	Mayor	Christchurch City Council
Ngaire Button	Deputy Mayor	Christchurch City Council
	Director	Christchurch Development Corporation

Remuneration of Directors
Remuneration and other benefits paid or due and payable to directors for services as a director during the year were as follows

Parent Company

W G Cox (Chairman)	$22,500

Use of Company Information

During the year the Board received no notices from directors of the company requesting to use company information received in their capacity as directors which would not otherwise have been available to them.

Donations
The company made no donations during the year.

Employees' Remuneration
No employees of the company received remuneration or other benefits of $100,000 or above during the year.

Auditors

The Auditor General is appointed 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.

Robert Parker - Director

14/2/12
Date

Ngaire Button - Director

14/2/12
Date

Civic Building Ltd
Statement of Comprehensive Income
for the year ended 30 June 2011

	Note	2011 $'000	2010 $'000
Revenue	2a	9,575	3,884
		9,575	3,884
Finance costs		5,460	5,162
Other expenses		6,434	346
	2b	11,894	5,508
Profit (loss) before tax		(2,319)	(1,624)
Income tax expense (income)	3	36	6,426
Profit for the period		(2,355)	(8,050)
Other comprehensive income		-	-
Total comprehensive income		(2,355)	(8,050)

The accompanying notes form part of these financial statements

Civic Building Ltd
Statement of changes in equity
for the year ended 30 June 2011

	Note	2011 $'000	2010 $'000
Balance at 1 July		(3,965)	2,337
Net shares issued		-	1,748
Total comprehensive income		(2,355)	(8,050)
Balance at 30 June	11	(6,320)	(3,965)

The accompanying notes form part of these financial statements

Civic Building Ltd
Balance sheet
as at 30 June 2011

	Note	2011 $'000	2010 $'000
Current assets			
Cash and cash equivalents	14(a)	5,196	9,472
Trade and other receivables	5	4,926	1,316
Current tax assets	3(b)	1,753	1,756
Total current assets		11,875	12,544
Non-current assets			
Investment property	7	4,480	53,429
Trade and other receivables	6	48,626	-
Total non-current assets		53,106	53,429
Total assets		64,981	65,973
Current liabilities			
Trade and other payables	8	2,884	2,864
Total current liabilities		2,884	2,864
Non-current liabilities			
Borrowings	9	59,288	59,288
Deferred tax liabilities	3(c)	9,129	7,786
Total non-current liabilities		68,417	67,074
Total liabilities		71,301	69,938
Net assets		(6,320)	(3,965)
Equity			
Capital and other equity instruments	11	6,188	6,188
Retained earnings	11	(12,508)	(10,153)
Total equity		(6,320)	(3,965)

Director

14/2/12
Date

Director

14/2/12
Date

The accompanying notes form part of these financial statements

Civic Building Ltd
Cash flow statement
for the year ended 30 June 2011

	Note	2011 $'000	2010 $'000
Cash flows from operating activities			
Operating revenue		2,442	-
Insurance Proceeds received		2,953	
Subvention payment received		1,380	566
Payments to suppliers and employees		(615)	(490)
Payments for remedial works regarding insurance claim		(1,828)	
Income tax paid		(70)	(221)
Net GST movement		654	(353)
Net cash provided by/(used in) operating activities	14(b)	4,916	(498)
Cash flows from investing activities			
Interest received		239	1,071
Payment for Investment Property		(3,986)	(26,752)
Purchase / maturity of deposits		-	20,110
Net cash (used in)/provided by investing activities		(3,747)	(5,571)
Cash flows from financing activities			
Interest paid		(5,445)	(5,149)
Proceeds from issues of equity securities		-	1,748
Proceeds from borrowing		-	16,728
Repayment of borrowings		-	-
Loan to subsidiary		-	-
Net cash provided by/(used in) financing activities		(5,445)	13,327
Net increase in cash and cash equivalents		(4,276)	7,258
Cash and cash equivalents at beginning of year		9,472	2,214
Cash brought through on amalgamation			-
Cash and cash equivalents at end of period		5,196	9,472

The GST component of operating activities is presented on a net basis, as the gross amounts do not provide meaningful information for financial statement purposes

The accompanying notes form part of these financial statements

Notes to the Financial Statements

1. 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.

Until 25th June 2008 Tuam 2 Ltd was 50% owned by Civic Building Ltd and 50% owned by Ngai Tahu Property Ltd. Tuam 2 Ltd 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% by Ngai Tahu Property Ltd. Accordingly, Civic Building Ltd has designated itself as a profit orientated entity for the purposes of New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS).

On 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 2011. The financial statements were authorised for issue by the Board of Directors on 14 February 2011.

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 IFRS 9 Financial Instruments will eventually replace NZ IAS 39 Financial Instruments: Recognition and Measurement. NZ IAS 39 is being replaced through the following 3 main phases: Phase 1 Classification and Measurement, Phase 2 Impairment Methodology and Phase 3 Hedge Accounting. Phase 1 on the classification and measurement of financial assets has been completed and has been published in the new financial instrument standard NZ IFRS 9. NZ IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in NZ IAS 39. The approach in NZ IFRS 9 is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the many different impairment methods in NZ IAS 39. The new standard is required to be adopted for the year ended 30 June 2013. The company has not yet assessed the impact of the new standard and expects it will not be early adopted.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements. There have been no changes in accounting policies during the year.

The company has adopted the following revisions to accounting standards during the financial year which have only had a presentational or disclosure effect:

NZ IAS 1 Presentation of Financial Statements (revised 2007) replaces NZ IAS 1 Presentation of Financial Statements (issued 2004). 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 company has decided to prepare a single statement of comprehensive income for the year ended 30 June 2010 under the revised standard. Financial statement information for the year ended 30 June 2009 has been restated accordingly. Those items of other comprehensive income presented in the statement of comprehensive income were previously recognised directly in the statement of changes in equity.

NZ IAS 23 Borrowings Costs (revised 2007), effective for reporting periods beginning on or after 1 January 2009. Public Benefit Entities can elect to defer the adoption of this standard. The revised standard requires the capitalisation of all borrowing costs if they are directly attributable to the acquisition, construction or production of a qualifying asset. The company has elected to defer the application of the standard.

d. Revenue

Interest income
Interest income is recognised 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 the net investment in the finance lease.

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. Leases

Leases in which substantially all of the risks and rewards of ownership transfer to the lessee are classified as finance leases. Amounts due from lessees under finance leases are recorded as receivables. Finance lease receivables are initially recognised at amounts equal to the present value of the minimum lease payments receivable plus the present value of any unguaranteed residual value expected to accrue at the end of the lease term. 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 periodic rate of return on the net investment outstanding in respect of the lease.

j. 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.

k. 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.

l. Trade and other payables

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

m. 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 profit or loss over the period of the borrowings on an effective interest basis.

n. Equity

(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.

o. 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.

2 Profit from operations

(a) Revenue

	2011 $'000	2010 $'000
Rental revenue:		
Operating lease rental revenue - Investment Property	153	1
Loss of rent insurance proceeds received	1,314	
Loss of rent insurance proceeds receivable	1,588	
Recovery of property expenses	357	
	3,412	1
Interest revenue:		
Bank deposits	214	916
Finance Lease interest revenue	3,405	
	3,619	916
Gain on revaluation	-	2,967
	-	2,967
Material damage and insurance proceeds received / receivable	2,544	-
	2,544	-
Total revenue	9,575	3,884

(b) Expenses

	2011 $'000	2010 $'000
Finance costs:		
Interest on loans	(5,460)	(5,162)
	(5,460)	(5,162)
Direct operating expenses of investment properties:		
Audit Fees	(9)	(9)
Directors Fees	(23)	(31)
Management Fees	(165)	(162)
Property Management Costs	(116)	-
Building Remediation Costs	(2,608)	-
Rental Income Lost	(2,902)	
Other	(143)	(144)
	(5,966)	(346)
Loss on revaluation	(468)	-
	(468)	2,967
Total expenses	(11,894)	(5,508)

3 Income taxes

(a) Income tax recognised in profit or loss

Tax expense/(income) comprises:

	2011 $'000	2010 $'000
Current tax expense/(income)	(1,304)	(1,378)
Correction to prior year tax	(3)	18
Deferred Tax Expense	1,343	7,786
Total tax expense/(income)	36	6,426

Reconciliation of prima facie income tax:

	2011 $'000	2010 $'000
Profit/(loss) from operations	(2,319)	(1,624)
Tax at 30% (2010: 30%)	(696)	(487)
Correction to prior year tax calculation	(3)	18
Deferred Tax Asset movement not recognised		
Tax portion of non-deductible expenses		
Tax portion of gain on revaluation of land	140	(82)
Deferred Tax Asset from prior year now recognised		(102)
Effect of building depreciation being removed in future years	645	7,079
Effect of tax rate change in future years	43	
Building lease classified as operating for tax purposes	(93)	
	36	6,426

The Government's Budget in May 2010 provided for a reduction in the rate of corporate income tax from 30% to 28%, effective for years beginning on or after 1 April 2011. The same Budget effectively removed the ability to claim a deduction for tax depreciation on buildings with a useful life of 50 years or more. The impact of both of these changes was reflected in the tax expense for the 2010 financial year as shown above, and in the 2010 deferred tax balances shown below.

(b) Current tax assets and liabilities

	2011 $'000	2010 $'000
Current tax assets:		
Tax refund receivable - RWT	449	379
Subvention receivable	1,304	1,377
	1,753	1,756

(c) Deferred tax balances

	2011 $'000	2010 $'000
Deferred tax liabilities:		
Temporary differences	9,129	7,786
	9,129	7,786

(d) Deferred tax balances (cont'd)

Taxable and deductible temporary differences arise from the following:

Year ended 30 June 2011	Opening balance $'000	Charged to income $'000	Adjs to opening balance $'000	Closing balance $'000
Deferred tax liabilities:				
Investment property	7,786	1,343	-	9,129
	7,786	1,343	-	9,129
Deferred tax assets:				
Investment property				-
	-	-	-	-
Net deferred tax balance	7,786	1,343	-	9,129

Year ended 30 June 2010	Opening balance $'000	Charged to income $'000	Adjs to opening balance $'000	Closing balance $'000
Deferred tax liabilities:				
Investment property	-	7,786	-	7,786
	-	7,786	-	7,786
Deferred tax assets:				
Investment property				-
	-	-	-	-
Net deferred tax balance	-	7,786	-	7,786

(e) Imputation credit account balances

	2011 $'000	2010 $'000
Balance at beginning of year	379	158
Taxation paid	70	221
	449	379

4 Remuneration of auditors

	2011 $'000	2010 $'000
Auditor of the entity:		
Audit of the financial statements	6	6
Audit of the financial statements - other auditor	3	3
	9	9

5 Current trade and other receivables

	2011 $'000	2010 $'000
Finance Lease Receivable - current portion	2,382	
Trade receivables	8	879
Related party receivable	42	
Insurance proceeds receivable	2,494	
GST receivable	-	437
	4,926	1,316

The carrying value of trade and other receivables approximates their fair values

6 Finance Lease receivable

	Minimum future lease payments 2011 $'000	2010 $'000	Present value of minimum future lease payments 2011 $'000	2010 $'000
No later than one year	3,786		3,644	
Later than one year and not later than five years	16,160		13,041	
Later then five years	94,170		35,585	
Minimum lease payments	114,116		52,270	
Unguaranteed Residual				
Gross finance lease receivables	114,116		52,270	
Less unearned finance income	(61,846)			
Present value of minimum lease payments	52,270	-	52,270	-
Future rent lost			(1,262)	
Revised carrying value			51,008	-
Included in the financial statements as:				
Current trade and other receivables			2,382	-
Non-current trade and other receivables			48,626	-
			51,008	-

Civic Building Limited and Ngai Tahu Property (CCC-JV) Limited have leased the Civic Building at 53 Hereford Street to Christchurch City Council (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.

For the 2010/11 financial year earthquake repairs to the building have interrupted Council's occupation. In accordance with the contract Council has not paid rent for the period which it is unable to occupy the building, and the joint venture is required to make good all earthquake damage at no cost to the Council. The joint venture has claimed the rent loss through from its insurers.

7 Investment property

	2011 $'000	2010 $'000
Balance at beginning of financial year	53,429	23,226
Additions	3,692	27,236
Reclassification as finance lease	(52,173)	
Revaluation	(468)	2,967
Balance at end of financial period	4,480	53,429

On entering into the lease with Christchurch City 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 2011 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 2011 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

Christchurch Earthquake
Christchurch city and the wider Canterbury region suffered a 7.1 magnitude earthquake on 4 September 2010 followed by a more destructive 6.3 magnitude earthquake on 22 February 2011, resulting in significant property damage and catastrophic loss of life and injury. The Joint Venture's investment property suffered damage during these earthquakes.

Access to the building has been restricted following both earthquakes while repairs have been carried out for reinstatement of the building. The building is expected to be fully reinstated once repairs are complete.

On 13 June 2011 two significant aftershocks of 6.3 and 5.6 magnitude were suffered by the Christchurch city and the wider Canterbury region causing further damage to property. The Joint Venture's investment property suffered further damage as a result of these events. These earthquake aftershocks have been classed as a new event and a new insurance claim for repairs to reinstate the building will be submitted to the insurer once the damage has been assessed.

Investment properties are required to be carried at fair value under NZ IAS 40. At balance date, and at the date of issuing these fina
Therefore, the valuations for these assets necessarily require significant estimation based on a series of detailed assumptions and r

The approach by the valuer, and the Joint Venture, has been to value the building at a fully repaired market value that reflects the post-earthquake market environment, less the estimated costs to remediate the investment property. This assessment has been made irrespective of whether insurance proceeds will cover the cost of repairs, as this is a separate economic event; however it is the expectation of the Joint Venture that it is the insurance cover, from the date of damage that is expected to be adequate to cover the estimated damage. Following balance date, it has been confirmed from the insurer that insurance renewal cover with immediate commencement covering the physical asset and the property rental stream has been obtained but is capped at $100m for Combined Business Interruption and Material Damage as a result of earthquake related loss. Remediation repair work has commenced prior to balance date and is on-going, and insurance proceeds are being received following acceptance by the insurer of claims submitted.
Insurance proceeds received are being taken to the Statement of Comprehensive Income as claims are agreed by the insurer.

Critical general assumptions
The critical general assumptions included in the Joint Venture's investment property valuation is as follows:
• The improvements and land forming the property is structurally sound;
• The land forming the property is not and will not be deemed to be subject to significant liquefaction or other sub-soil issues which would prevent future development of the property;
• There is likely to be no tenant failure. In addition, any risk of a shifting tenant is incorporated in the capitalisation rate in determining fair value;
• There is further assumption that the property will continue to generate rentals in the foreseeable future and any change in the city plan will not adversely affect rental streams.
• That the Joint Venture will secure 100% insurance cover, including all natural disaster events in the Christchurch City and the wider Canterbury region, upon the renewal of insurance arrangements.

Specific assumptions and impact
The impact of the earthquakes while significant has been assessed by qualified quantity surveyors (Rider Levett Bucknall) as repairable and as a consequence the valuer has been able to base their valuation on a relatively predictable set of assumptions.

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.

A peer review process conducted by Chris Barraclough (B.Com, FPINZ) of CB Richard Ellis Limited on sensitive investment property has been completed at balance date. This process was similarly carried out for the year ended 30 June 2010.

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 potential future earnings have been capitalised using a yield rate of 7.75% (2010: 6.85%). The discounted cash flow rate used was 10.0% (2009: 9.00%)

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 softening of the capitalisatio

Insurance and Remediation Costs
Insurance proceeds have been received by the joint venture to date of $5,088,943 under the Joint Venture Material Damage policy for earthquake building remediation claims following the 4 September 2010 and 22 February 2011 earthquakes. This amount comprises insurance proceeds received of $3,277,287 and insurance proceeds receivable of $1,811,657, following insurance claim submission at balance date. Earthquake building remediation costs are claimed under the Joint Venture Material Damage insurance policy. Half of these amounts are attributable to Civic Building Ltd and are reflected in these financial statements.

Insurance proceeds have been received by the joint venture to date of $2,628,319 for loss of rents suffered as a result of the 4 September 2010 and 22 February 2011 earthquakes. At balance date, there was an insurance debtor for earthquake loss of rents of $651,155, following insurance claim submission. The Joint Venture insurance policy provides cover for the loss of rents situation arising from natural disaster events such as earthquakes. There is insurance cover for a period of 36 months, following the date of tl

Earthquake building remediation costs of $5,216,167 have been incurred by the joint venture at balance date, including an insurance

It has been estimated that a further $7,800,000 of earthquake building remediation costs are still to be completed for full reinstateme

Half of the above amounts relating to the Joint Venture are attributable to Civic Building Ltd and reflected in these financial statements. A further $1,261,957 insurance debtor has been recognised by Civic Building Ltd for recovery of rent expected to be lost in the 2011/12 financial year before the building is reopened.

8 Current trade and other payables

	2011 $'000	2010 $'000
Trade payables	2,472	2,536
Related Party Payables	361	328
GST Payable	51	
	2,884	2,864

The carrying value of trade and other payables approximates there fair values

9 Non-current borrowings

	2011 $'000	2010 $'000
Unsecured:		
Loans from:		
Parent entity	59,288	59,288
	59,288	59,288

The company has entered into a cash advance facility agreement with Christchurch City Council. Repayment will be made in 2038. Interest is payable at a weighted average of 9.21% quarterly (2010: 9.21% quarterly).

The fair value of the borrowings is $62,001,063 (2010: $102,076,552) based on cash flows discounted using the market rate of 8.76% (2010: 4.58%). The fair value was calculated on the basis that the loan will be paid back at the end of the loan agreement in 2038.

10 Capital and other equity instruments

	2011 $'000	2010 $'000
Fully paid ordinary shares	-	-
Fully paid redeemable preference shares (A)	6,188	6,188
	6,188	6,188

(a) Fully paid ordinary shares

	2011 $'000	2010 $'000
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	-	-

(b) Fully paid redeemable preference shares (A)

	2011 $'000	2010 $'000
Balance at beginning of financial year	6,188	4,440
Issue of shares	-	1,748
Balance at end of financial period	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.

11 Equity

Capital	2011	2010
Balance at 1 July	6,188	4,440
Issue of redeemable preference shares	-	1,748
Balance at 30 June	6,188	6,188
General Funds		
Balance at 1 July	(10,153)	(2,103)
Surplus/(deficit) for year	(2,355)	(8,050)
Equity on amalgamation	-	-
Balance at 30 June	(12,508)	(10,153)
Total Equity	(6,320)	(3,965)

12 Commitments for expenditure

	2011 $'000	2010 $'000
Other expenditure commitments:		
Investment property	-	4,435
	-	4,435

Commitments for development expenditure were $1,010,267 at 30 June 2011 (2010: $4,434,816).
Estimated costs to complete the Civic Building development that are accrued are $1,010,267 at 30 June 2011 (2010: $4,434,817).
Earthquake building remediation costs for work still to be completed to fully reinstate the civic building property are estimated at $3,900,000. Included in this amount is an accrual of costs for $779,468 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 Christchurch Civic Building Joint Venture.

13 Contingent Asset

There is a contingent asset at balance date of $3,900,000 in respect to insurance proceeds that are expected to be recovered once insurance claims have been submitted and paid by the insurer for estimated earthquake remediation repairs still to be completed on the Civic Building property. The above amount is 50% of the contingent asset recorded by the joint venture.

There are no other contingent assets at 30 June 2011 (2010: $nil).

14 Notes to the cash flow statement

(a) Reconciliation of cash and cash equivalents

	2011 $'000	2010 $'000
Cash and cash equivalents	5,196	9,472
	5,196	9,472

(b) Reconciliation of profit for the period to net cash flows from operating activities

	2011 $'000	2010 $'000
Net profit for the period	(2,355)	(8,050)
Changes in net assets and liabilities:		
Increase/decrease in current tax balances	3	(1,015)
Increase/decrease in receivables	(1,228)	(197)
Increase/decrease in payables	20	(133)
Capital portion of payables / receivables	294	
Interest received classed as investing	(239)	(1,071)
Interest paid classed as financing	5,445	5,149
Non cash items:		
Loss / Gain on revaluation of investment property	468	(2,967)
Increase/decrease in deferred tax	1,343	7,786
Finance lease income	1,165	
Net changes in net assets and liabilities	7,271	7,552
Net cash from operating activities	4,916	(498)

15 Related Party Transactions

Christchurch City Council is the ultimate controlling party of Civic Building Ltd. The following transactions were carried out with related parties during the period:

	2011 $'000	2010 $'000
Christchurch City Council		
Receipts from related parties:		
Rent received from CCC	2,380	1
Capital costs charged to CCC	-	1,349
Recovery of property expenses from CCC	205	
Loan from CCC	-	16,728
Shares Issued to CCC	-	1,748
Subvention payments received from CCC group entities	1,381	625
Loss off set given to CCC group entities	3,222	1,458
Payments to related parties:		
Interest Paid to CCC	5,460	5,162
Fees paid to CCC	12	115
Management Fee charged by Vbase	165	162
Operating costs / purchases from Vbase	132	120
Rates paid to CCC	139	56
Operating costs charged by CCC	-	4
Subvention payments paid to CCC group entities	-	59
Loss off set received from CCC group entities	-	137
Te Runanga O Ngai Tahu		
Management Fees charged to the Joint Venture by group entities	800	
Other charges to the Joint Venture by group entities	4	
Year end balances:		
(stated GST exclusive)		
Accounts payable to Vbase	190	194
Accounts receivable from the Council	42	845
Loan advances from the Council	59,288	59,288
Accrued interest payable to the Council	150	135
Subvention payments receivable from group companies		

Key Management Personnel

Civic Building Ltd paid directors fees to W Gill Cox of $22,500 exclusive of GST. $6469 of this was unpaid at 30 June 2011.

Civic Building Ltd accrued joint venture board fees to Hanlin Johnstone of $15,000 exclusive of GST. $15,000 of this was unpaid at 30 June 2011.

Key management personnel includes the directors.

16 Operating Lease Receivable

Non-cancellable operating lease receivables

	Minimum Lease Payments	
	2011	2010
Operating lease as lessor:	$'000	$'000
Within one year	357	-
Between 1 and 5 years	1,426	
Over 5 years	6,419	
	8,202	-

The terms of the lease are detailed in note 6.

17 Events Subsequent to Balance Date

Christchurch City and the wider Canterbury region suffered earthquakes of 7.1 magnitude on 4 September 2010 and 6.3 magnitude on 22 February 2011. On 13 June 2011 two significant earthquake aftershocks of 6.3 and 5.6 magnitude were also suffered by Christchurch City and the wider Canterbury region causing further damage to property. The Joint Venture has assessed the impact from these natural disaster events and damage has been incurred to the investment property as set out in note 7 however it is expected full reinstatement will be met from insurance.

Following balance date, the Joint Venture has had confirmed from the insurer that it has secured 100% insurance cover, including all natural disaster events in the Christchurch City and the wider Canterbury region, from the insurance renewal period from 31 July 2011.

There were no other significant events after balance date.

18 Financial instruments

Credit quality of financial assets

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 historical information about counterparty default rates:

	2011 $'000	2010 $'000
Counterparties with credit ratings		
AA		
Cash at bank and term deposits	5,196	9,472
Accrued interest on term deposits	8	33
Total cash at bank and term deposits	5,204	9,505

Classification of financial instruments

2011	Designated at fair value	Loans & receivables	Fair value through other comprehensive income	Held to maturity	Other amortised cost	Total carrying amount
	$'000	$'000	$'000	$'000	$'000	$'000
Current assets						
Cash and cash equivalents		5,196				5,196
Trade and other receivables		4,926				4,926
	-	10,122	-	-	-	10,122
Non-current assets						
Finance lease receivable		48,626				48,626
	-	48,626	-	-	-	48,626
TOTAL FINANCIAL ASSETS	-	58,748	-	-	-	58,748
Current liabilities						
Trade and other payables					2,884	2,884
	-	-	-	-	2,884	2,884
Non-current liabilities						
Borrowings					59,288	59,288
	-	-	-	-	59,288	59,288
TOTAL FINANCIAL LIABILITIES	-	-	-	-	62,172	62,172

2010	Designated at fair value	Loans & receivables	Fair value through other comprehensive income	Held to maturity	Other amortised cost	Total carrying amount
	$'000	$'000	$'000	$'000	$'000	$'000
Current assets						
Cash and cash equivalents		9,472				9,472
Trade and other receivables		1,316				1,316
TOTAL FINANCIAL ASSETS	-	10,788	-	-	-	10,788
Current liabilities						
Trade and other payables					2,864	2,864
Borrowings						-
Non-current liabilities						
Borrowings					59,288	59,288
Provisions						-
TOTAL FINANCIAL LIABILITIES	-	-	-	-	62,152	62,152

Maturity profile of financial instruments
2011

As at 30 June 2011	Carrying amount $'000	Contractual cash flows $'000	Less than 1 year $'000	1 - 2 years $'000	2 - 5 years $'000	More than 5 years $'000
Financial assets:						
Cash and cash equivalents	5196	5207	5207			
Trade receivables (including current portion of FLR)	4926	5068	5068			
Finance lease receivables (Non current Portion)	48626	110330		3786	12,374	94,170
	58,748	120,605	10,275	3,786	12,374	94,170
Financial liabilities:						
Trade payables	2884	2884	2884			
Related party loans	59288	206694	5460	5,460	16378	179,396
	62,172	209,578	8,344	5,460	16,378	179,396

The contractual cash flows for the related party loan have been calculated on the basis that the loan will be paid back at the end of the agreement in 2038

Maturity profile of financial instruments
2010

As at 30 June 2010	Carrying amount $'000	Contractual cash flows $'000	Less than 1 year $'000	1 - 2 years $'000	2 - 5 years $'000	More than 5 years $'000
Financial assets:						
Cash and cash equivalents	9472	9513	9513			
Trade receivables	1316	1316	1316			
Related party loans						-
	10,788	10,829	10,829	-	-	-
Financial liabilities:						
Trade payables	2864	2864	2864			
Related party loans	59288	212164	5460	5,460	16,379	184,865
	62,152	215,028	8,324	5,460	16,379	184,865

The contractual cash flows for the related party loan have been calculated on the basis that the loan will be paid back at the end of the agreement in 2038.

Financial Instrument Risk

Civic Building Ltd has a series of policies to manage the risks associated with financial instruments. Civic Building Limited is risk averse and seeks to minimise exposure from its financing activities.

Credit Risk Management

Credit risk is the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the company.

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. The company's maximum credit exposure for cash and accounts receivable are the amounts as disclosed in notes 14, 5 and 6.

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

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the company's profit or the value of its holdings in financial instruments.

Interest Rates

The company's borrowing liability with the Council is now on a weighted fixed interest rate of 9.21%.

For the reasons noted above, 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 $52627 or $37891 after tax (2010: $214992 or $150494 after tax)

Foreign Exchange

The company has no exposure to foreign exchange risk.

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 current and future interests of the community.

19 Statutory Reporting Deadline

Section 67 of the Local Government Act requires a Council Controlled Organisation to complete it's annual report within 3 months after the end of the financial year. This deadline was not met.

20 Statement of Service Performance

Key Performance Targets

To ensure that Civic Building Ltd meets the financial targets contained within the Statement of Intent

Financial Performance Targets:	Target	Actual	Variance	
	$'000	$'000	$'000	
Income				
Rental Income	3,699	3,412	287	See note (a)
Other Income		6,163	(6,163)	See note (a)
Expenses				
Interest	5,539	5,460	79	See note (b)
Other Expenses	328	6,434	(6,106)	See note (c)
Depreciation	1,809	-	1,809	See note (d)
Net Surplus (Deficit) Before Tax	(3,977)	(2,319)	(1,658)	
Taxation	(1,142)	36	(1,178)	
Net Surplus After Tax	(2,835)	(2,355)	(480)	

Note (a):
On inception of the lease with Christchurch City Council the building has been classified as a finance lease receivable therefore interest income is recognised rather than rental income
The majority of other income is made up of material damage and insurance proceeds receivable, and interest income.
Note (b):
The interest contracts were slightly different than expected
Note (c):
The majority of the variance is made up of a property management costs which are on charged back to the tenant, loss on revaluation, building remediation costs, and loss of rent
Note (d):
The property is classed as a finance lease receivable and the land as an investment property so no accounting depreciation is recorded

Performance Measures:	Result
To ensure the group meets the financial targets contained within the Statement of Intent	
Budgeted key performance indicators are met or exceeded	Refer above
To 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	Construction has proceeded according to timetable enabling Christchurch City Council to move into the new offices on 13 August 2010 Since completion, earthquake damage has resulted in the tenants temporarily moving out of the offices
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.	Achieved
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.	The Civic Building has received the maximum six stars in the New Zealand Building Council's Green Star rating system It is the most sustainable New Zealand Building design to have been rated

Civic Building Limited

PO Box 13144

Christchurch 8141

Ian Lothian
Director
Audit New Zealand
PO Box 2
Christchurch

Dear Ian

Letter of representation for the year ended 30 June 2011

This representation letter is provided in connection with your audit, carried out on behalf of the Auditor-General, of the financial statements and statement of service performance of Civic Building Limited (the company) for the year ended 30 June 2011 for the purpose of expressing an independent opinion about whether:

- the financial statements comply with generally accepted accounting practice and give a true and fair view of the financial position of the company at 30 June 2011 and the results of its operations and its cash flows for the year ended on that date; and

- the statement of service performance complies with generally accepted accounting practice and fairly reflects the service performance for the year ended 30 June 2011.

We understand that your examination was conducted in accordance with the Auditing Standards issued by the Auditor-General, which incorporate the Auditing Standards issued by the New Zealand Institute of Chartered Accountants. We also understand that your examination was (to the extent that you deemed appropriate) for the objectives of:

- providing an independent opinion on the company's financial statements and performance information; and

- reporting on other matters relevant to the company's financial and other management systems that come to your attention and are material (for example, compliance with statutory obligations or probity).

General responsibilities

We acknowledge the following responsibilities, and to the best of our knowledge and belief:

- the resources and activities under our control have been operating effectively and efficiently;

- we have complied with our statutory obligations including laws, regulations and contractual requirements;
- we have carried out our decisions and actions with due regard to minimising waste;
- we have met Parliament's and the public's expectations of appropriate standards of behaviour in the public sector (that is, we have carried out our decisions and actions with due regard to probity); and
- any decisions or actions have been taken with due regard to financial prudence.

We also acknowledge that we have responsibility for designing, implementing, and maintaining internal control (to the extent that is reasonably practical given the size of the company) to prevent and detect fraud.

Responsibilities for the financial statements

We confirm that all transactions have been recorded in the accounting records and are reflected in the financial statements, and that, to the best of our knowledge and belief, having made such enquiries as we considered necessary for the purpose of appropriately informing ourselves:

- we have fulfilled our responsibilities for preparing and presenting the financial statements and the statement of service performance as required by:
    - Local Government Act 2002;
    - Financial Reporting Act 1993; and
    - Companies Act 1993

  and, in particular, that:
    - the financial statements comply with generally accepted accounting practice and fairly reflect the financial position of the company as at 30 June 2011 and of the results of its operations and its cash flows for the year then ended; and
    - the statement of service performance complies with generally accepted accounting practice and fairly reflects the service performance for the year ended 30 June 2011;
- we believe the significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable;
- we have appropriately accounted for and disclosed related party relationships and transactions in the financial statements;
- all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and have been accounted for and disclosed in accordance with generally accepted accounting practice;

- we have adjusted or disclosed all events subsequent to the date of the financial statements that require adjustment or disclosure;
- we are aware that you have not identified any misstatements to the financial statements and statement of service performance during the course of your audit that have not been adjusted; and
- we are aware that you have not identified any disclosures that have been omitted from the financial statements and statement of service performance during the course of your audit that have not been adjusted.

Responsibilities to provide information

We confirm that, to the best of our knowledge and belief, having made such enquiries as we considered necessary for the purpose of appropriately informing ourselves:

- we have provided you with:
  - all information, such as records and documentation, and other matters that are relevant to preparing and presenting the financial statements and the statement of service performance; and
  - unrestricted access to persons within the company from whom you determined it necessary to obtain audit evidence;
- we have disclosed to you the results of our assessment of the risk that the financial statements and statement of service performance may be materially misstated as a result of fraud;
- we have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the company and involves:
  - management;
  - employees who have significant roles in internal control; or
  - others where the fraud could have a material effect on the financial statements and statement of service performance;
- we have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the company's financial statements and statement of service performance communicated by employees, former employees, analysts, regulators, or others;
- we have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements and statement of service performance; and
- we have disclosed the identity of the related parties, all of their relationships, and all of their transactions of which we are aware.

Going concern

We confirm that, to the best of our knowledge and belief, the company has adequate resources to continue operations at their current level for the foreseeable future. For this reason, the Board continues to adopt the going concern assumption in preparing the financial statements for the year ended 30 June 2011. We have reached this conclusion after making enquiries and having regard to circumstances that we consider likely to affect the company during the period of one year from the date of signing the financial statements, and to circumstances that we know will occur after that date which could affect the validity of the going concern assumption.

We consider that the financial statements and the statement of service performance adequately disclose the circumstances, and any uncertainties, surrounding the adoption of the going concern assumption by the company.

Throughout the year, the company has conformed with the requirements of its banking arrangements, debenture trust deeds, or negative pledge agreements, including those relating to its net tangible assets ratios.

Sign-off on these representations

The representations in this letter are made at your request, and to supplement information obtained by you from the records of the company and to confirm information given to you orally.

Yours sincerely

14/2/12

Robert Parker
Director

14/2/12

Ngaire Button
Director

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 2011

The Auditor-General is the auditor of Civic Building Limited (the company). The Auditor-General has appointed me, Ian Lothian, 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 7 to 23, that comprise the balance sheet as at 30 June 2011, the statement of comprehensive income, statement of changes in equity and cash flow statement 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 page 24.

Opinion on the financial statements and the statement of service performance

In our opinion:

- the financial statements of the company on pages 7 to 23:
  - 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 2011; and
    - financial performance and cash flows for the year ended on that date; and
- the statement of service performance of the company on page 24:
  - 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 2011.

Opinion on 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 14 February 2012. 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 would affect a reader's 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 company's preparation of the 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 also 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' 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 New Zealand Institute of Chartered Accountants.

Other than the audit, we have no relationship with or interests in the company.

Ian Lothian

Ian Lothian
Audit New Zealand
On behalf of the Auditor-General
Christchurch, New Zealand