TUAM LIMITED

ANNUAL REPORT

FOR

YEAR ENDED 30 JUNE 2011

CONTENTS

COMPANY DIRECTORY
AS AT 30 JUNE 2011

Registered Office	53 Hereford Street Christchurch	
Directors	P J Anderson A J Marryatt	Appointed 21 December 2009 Appointed 21 December 2009
Bankers	Bank of New Zealand Christchurch	

STATUTORY DISCLOSURES
FOR THE YEAR ENDED 30 JUNE 2011

State of Affairs

The company with its subsidiaries was established on 6 July 1996. On 15 July 2002, (effective 30 June 2002), the company amalgamated with its subsidiary companies, Travis Heritage Park Ltd and THP Holdings Ltd. Travis Finance Ltd continued to exist as a shelf company only until 28 June 2006.

On 28 June 2006, the company changed its name to Tuam Limited. On 30 June 2006, Tuam Limited purchased the Civic offices and associated buildings from Christchurch City Council.

Tuam Ltd has no employees and the company is managed by Christchurch City Council under a management contract.

Directors

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

P J Anderson	Appointed 21 December 2009
A J Marryatt	Appointed 21 December 2009

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:

P J Anderson	General Manager – Corporate Services	Christchurch City Council
	Director	CCC One Ltd
	Director	EcoCentral Ltd
	Director	Ellerslie International Flower Show Ltd
A J Marrayatt	Chief Executive Officer	Christchurch City Council
	Director	EcoCentral Ltd

Remuneration of Directors

There was no remuneration or other benefits paid or due and payable to directors for services as a director or in any other capacity during the year.

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 more than $100,000 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.

P J Anderson 30/9/11
Director

A J Marryatt
Director

Statement of Comprehensive Income
for the year ended 30 June 2011

	Note	2011 $000s	2010 $000s
Revenue from operations	2(a)	549	1,204
Other income	2(a)	1,384	69
		1,933	1,273
Finance costs	2(b)	982	987
Depreciation and Impairment		-	-
Other expenses	2(b)	1,241	1,693
		2,223	2,680
Profit (loss) before income tax expense		(290)	(1,407)
Income tax expense	3	242	(6)
Net Surplus/(Deficit) for period		(532)	(1,401)
Other Comprehensive Income		-	-
Total Comprehensive Income		(532)	(1,401)

The accompanying notes form part of these financial statements.

Statement of Changes in Equity
for the year ended 30 June 2011

	Capital Reserves $000s	Retained earnings $000s	Total equity $000s
Balance as at 30 June 2009	9,135	(10,700)	(1,565)
Total comprehensive income for the period		(1,401)	(1,401)
Balance as at 30 June 2010	9,135	(12,101)	(2,966)
Total comprehensive income for the period		(532)	(532)
Share capital issued	9,000		9,000
Balance as at 30 June 2011	18,135	(12,633)	5,502

The accompanying notes form part of these financial statements.

Statement of Financial Position
as at 30 June 2011

	Note	2011 $000s	2010 $000s
Current assets			
Cash and cash equivalents	13	470	1,738
Trade and other receivables	5	1,145	6
Current tax assets	3	29	64
		1,644	1,808
Non-current assets classified as held for sale	6	-	3,841
Total current assets		1,644	5,649
Non-current assets			
Investment property	7	9,061	5,220
Total non-current assets		9,061	5,220
Total assets		10,705	10,869
Current liabilities			
Trade and other payables	8	211	85
Total current liabilities		211	85
Non-current liabilities			
Borrowings	9	4,750	13,750
Deferred tax liabilities	3	242	-
Total non-current liabilities		4,992	13,750
Total liabilities		5,203	13,835
Net assets		5,502	(2,966)
Equity			
Capital and other equity instruments	10	18,135	9,135
Retained earnings	10(c)	(12,633)	(12,101)
Total equity		5,502	(2,966)

The accompanying notes form part of these financial statements.

Cash Flow Statement
for the year ended 30 June 2011

	Note	2011 $000s	2010 $000s
Cash flows from operating activities			
Operating Revenue		758	1,358
Subvention payment received / (paid)		2	(48)
Payments to suppliers		(1,120)	(110)
RWT tax received / (paid)		33	7
Net GST movement		4	7
Net cash inflow/(outflow) from operating activities	11(b)	(323)	1,214
Cash flows from investing activities			
Interest received		37	69
Purchase / maturity of deposits			1,000
Net cash inflow/ (outflow) from investing activities		37	1,069
Cash flows from financing activities			
Interest and other finance costs paid		(982)	(987)
Proceeds from issue of equity securities		9,000	-
Repayment of borrowings		(9,000)	-
Net cash provided by/(used in) financing activities		(982)	(987)
Net inflow/ (outflow) of cash		(1,268)	1,296
Opening bank and short term investments	11(a)	1,738	442
Represented by:			
Bank and short-term deposits		470	1,738

Director

30/9/11

Date

Director

30/9/11

Date

The accompanying notes form part of these financial statements.

Notes to the Accounts

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 2011. The financial statements were authorised for issue by the Board of Directors on 30 September 2011.

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. However Tuam's investment properties have not been revalued for the year ended 30 June 2011 due to the circumstances facing the company.

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.

There have been no changes in accounting policies during the financial year.

The following new standards, interpretations and amendments are not yet effective for the year ended 30 June 2011, and have not been applied in preparing these consolidated financial statements:

NZ IAS 24 Related Party Disclosures (Revised 2009) effective 1 January 2011 - This Standard makes amendments to New Zealand Accounting Standard NZ IAS 24 Related Party Disclosures. The amendments simplify the definition of a related party and provide a partial exemption from the disclosure requirements for government-related entities.

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 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 many different rules in NZ IAS39.

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 ending 2013. In the absence of sufficient information about the ongoing development of this new standard the Company is not able to fully assess its impact and therefore the Company is not in a position to make a decision to early adopt the standard or not.

NZ IFRS 13 Fair Value Measurement replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. It explains how to measure fair value when it is required or permitted by other IFRSs. It does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. NZ IFRS 13 is to be applied for reporting periods beginning on or after January 1 2013.

FRS-44 New Zealand Additional Disclosures and Amendments to NZ IFRS to harmonise with IFRS and Australian Accounting Standards (Harmonisation Amendments) – These were issued in May 2011 with the purpose of harmonising Australia and New Zealand's accounting standards with source IFRS and to eliminate many of the differences between the accounting standards in each jurisdiction. The amendments must first be adopted for the year ended 30 June 2012.

d. Revenue

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.

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 unless they meet the conditions for capitalised interest.

f. Income tax

Income tax on the profit or loss 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 Tuam Street car park and associated buildings 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 statement of comprehensive income.

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.

2. Profit from operations

a. Revenue

	2011 $000s	2010 $000s
Revenue from operations		
Rental revenue	549	1,204
	549	1,204
Other Income		
Interest received	36	69
Insurance recoveries	903	-
Subvention Receipt	445	
	1,384	69
Total revenue	1,933	1,273

b. Expenses

	2011 $000s	2010 $000s
Loss on revaluation of investment property		(1,340)
Selling costs deducted from asset held for sale		(239)
	-	(1,579)
Finance Costs		
Interest on loans	(982)	(987)
Other expenses		
Insurance	(35)	-
Rates	(151)	-
Building Maintenance	(89)	-
Earthquake costs	(915)	-
Consultancy fees	(46)	(48)
Management fees	-	(54)
Auditors remuneration	(7)	(12)
Total Expenses	(2,224)	(2,680)

3. Income taxes

Tuam Limited has prepared its current and deferred tax on the basis that the value of the investment property, including the Civic Offices, will be recovered through future use. Given the impact of the earthquake on the Civic Offices (see note 18), there is a lot of uncertainty that this basis is correct.

a. Income tax recognised in profit or loss

	2011 $000s	2010 $000s
Current tax expense/(income)		(2)
Adjustments recognised in current year in relation to the current tax of prior years		(4)
Deferred tax expense/(income)	242	
Total tax expense/(income)	242	(6)
Attributable to:		
Continuing operations	242	(6)
Discontinued operations		
	242	(6)

	2011 $000s	2010 $000s
(Profit)/loss before tax from continuing operations	(290)	(1,407)
(Profit)/loss from discontinued operations		
(Profit)/loss from operations	(290)	(1,407)
Income tax expense calculated at 30%	(86)	(422)
Correction to 2009 income tax expense		(4)
Change in deferred tax not recognised		(950)
Loss (Gain) on land revaluation		422
Effect of buildings now being held for sale		934
Effect of buildings no longer held for sale	(934)	
Effect of tax rate change	(17)	14
Effect of removal of building depreciation	1,183	
Effect of tax offsets to group companies	311	
Change in deferred tax not recognised in previous year	(214)	
	242	(6)

b. Current tax assets and liabilities

	2011 $000s	2010 $000s
Current tax assets:		
Current tax receivable		2
Tax refund receivable - RWT	29	62
	29	64

c. Deferred tax liabilities (assets)

Year ended 30 June 2011	Opening balance $000s	Recognised in P&L $000s	Impact of tax rate change $000s	Closing Balance $000s
Investment property	-	86	(6)	80
Accruals	-	174	(12)	162
	-	260	(18)	242

Year ended 30 June 2010:

A deferred tax asset has not been recognised in relation to temporary differences of $712,479.

d. Imputation credit account balances

	2011 $000s	2010 $000s
Balance at beginning of period	62	70
Taxation paid	15	21
Taxation refunded	(33)	(29)
	44	62

4. Remuneration of Auditors

	2011 $000s	2010 $000s
Audit New Zealand:		
Audit of financial statements	7	12
	7	12

5. Current trade and other receivables

	2011 $000s	2010 $000s
Debtors and Accruals	700	
Subvention Receivable	445	
Interest Receivable	-	6
	1,145	6

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

6. Assets held for sale

	2011 $000s	2010 $000s
Land held for sale	-	2,824
Buildings	-	1,017
	-	3,841

The buildings and land owned by Tuam Ltd at 161 to 177 Tuam Street are no longer classified as held for sale (refer note 7). Its long term tenant, Christchurch City Council, vacated the property in August 2010 and negotiations were underway with a potential purchaser. All negotiation ceased after the September earthquake.

The building had been largely repaired when the February earthquake struck followed by the two in June. The building is still being assessed to determine the extent of the damage incurred which will determine the action to be taken. The building was fully insured up until 30 June 2011 after which no cover was available.

7. Investment properties

	2011 $000s	2010 $000s
Balance at beginning of financial year	5,220	10,640
Net gain/(loss) from fair value adjustments		(1,579)
Assets now classified as held for sale		(3,841)
Assets transferred from held for sale	3,841	
Balance at end of financial year	9,061	5,220

The Company's investment properties were last valued by independent registered valuer Mr M Tohill of Colliers International as at 30 June 2010 based on open market value. This valuation was performed to assess fair value in accordance with NZ IAS 40. It was not possible to revalue these investment properties at 30 June 2011 because there was no active market in existence due to the February 22 earthquake.

The buildings and land owned by Tuam Ltd at 161 to 177 Tuam Street are no longer classified as held for sale and have been reclassified as investment properties (refer note 6).

8. Current trade and other payables

	2011 $000s	2010 $000s
Trade payables	40	11
GST payable	9	5
Related Party Payables	162	69
	211	85

9. Non-current borrowings

	2011 $000s	2010 $000s
Secured:		
Loans from:		
Parent Entity	4,750	13,750
	4,750	13,750

The company entered into a cash advance facility agreement with Christchurch City Council in June 2006 with repayment due in 2016. Interest is payable at 7.18% every 6 months. The borrowing is secured by way of mortgage over the investment property at Tuam Street. On 28 June 2011, Christchurch City Council agreed to convert $9 million of the debt to equity, recognising the reduction in the company's revenue. The fair value of the borrowing is $5,358,025 based on discounted cash flows.

10. Capital and other equity instruments

	2011 $000s	2010 $000s
Fully paid ordinary shares	17,635	8,635
Partly paid ordinary shares	-	-
Fully paid redeemable preference shares (A)	500	500
	18,135	9,135

a. Fully paid ordinary shares

	2011 No. (000s)	2011 $000s	2010 No. (000s)	2010 $000s
Balance at beginning of financial year	15,635	15,635	15,635	15,635
Issue of shares	9,000	9,000		
Less: uncalled portion of shares issued	(7,000)	(7,000)	(7,000)	(7,000)
Balance at end of financial year	17,635	17,635	8,635	8,635

b. Fully paid redeemable preference shares (A)

	2011 No.	2011 $000s	2010 No.	2010 $000s
Balance at beginning of financial year	500	500	500	500
Issue of shares				
Share issue costs				
Balance at end of financial year	500	500	500	500

c. Retained Earnings

	2011 $000s	2010 $000s
Balance at beginning of financial year	(12,101)	(10,700)
Surplus/(deficit)	(532)	(1,401)
Balance at end of financial year	(12,633)	(12,101)

11. Notes to the cash flow statement

a. Reconciliation of cash and cash equivalents

	2011 $000s	2010 $000s
Cash at bank and in hand	470	738
Term deposits with maturities less than or equal to 90 days		1,000
	470	1,738

b. Reconciliation of profit for the year to net cash flows from operating activities

	2011 $000s	2010 $000s
Net surplus/ (deficit)	(532)	(1,401)
Add/(Less) Non cash items		
(Gain)/loss on revaluation of investment property	-	1,579
Movement in deferred tax balance	242	-
Add/(Less) Items classed as financing or investing activities		
Interest received classed as investing	(36)	(69)
Interest paid classed as financing	982	987
Add/(Less) Movement in working capital items		
Current trade and other receivables	(1,139)	154
Current payables & provisions	127	12
Increase/(decrease) in current tax balances	-	(47)
Increase/(decrease) in RWT receivable	33	-
	209	2,616
Net cash inflow/(outflow) from operating activities	(323)	1,215

12. Related party transactions

	2011 $000s	2010 $000s
Receipts from related parties		
Rent received from CCC	430	1,204
Rates charged back to CCC	-	143
Operating costs charged to CCC	-	35
Subvention payment received from City Care	2	-
Issue of additional share capital to CCC	9,000	-
Payments to related parties		
Interest Paid to CCC	985	987
Management Fee charged by Vbase	-	54
Operating costs charged by Vbase	-	35
Rate payments to CCC	151	143
Operating costs charged by CCC	110	40
Subvention payments made to Vbase	-	48
Repayment of loan from CCC	9,000	
Year end balances (excl GST)		
Accounts payable to Vbase	-	64
Loan advances from CCC	4,750	13,750
Accrued interest to CCC	3	5
Accrued payables to CCC	159	-

Tuam Limited expects to transfer tax losses of $1,483,000 to other members of the CCC group (2010: Nil). Tuam Limited expects to receive a subvention payment of $445,000 which has been accrued.

13. Financial Instruments

Credit quality of financial instruments

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to Standard and Poor's credit rating (if available) or to historical information about counterparty default rates:

	2011 $000s	2010 $000s
Counterparties with Credit Ratings		
AA		
Cash at bank and term deposits	470	1,738
Accrued interest on term deposits		6
Total Cash at bank and term deposits	470	1,744

Classification of financial instruments

As at 30 June 2011	Designated at fair value	Loans & Receivables	Other amortised cost	Total carrying amount
	$000s	$000s	$000s	$000s
Financial assets:				
Current assets				
Cash and cash equivalents		470		470
Trade and other receivables		1,145		1,145
	-	1,615	-	1,615
Financial liabilities:				
Current liabilities				
Trade and other payables			211	211
				-
Non-current liabilities				-
Borrowings			4,750	4,750
Provisions				-
	-	-	4,961	4,961

As at 30 June 2010	Designated at fair value	Loans & Receivables	Other amortised cost	Total carrying amount
	$000s	$000s	$000s	$000s
Financial assets:				
Current assets				
Cash and cash equivalents		1,738		1,738
Trade and other receivables		6		6
	-	1,744	-	1,744
Financial liabilities:				
Current liabilities				
Trade and other payables			85	85
Non-current liabilities				
Borrowings			13,750	13,750
Provisions				-
	-	-	13,835	13,835

Maturity profile of financial instruments

As at 30 June 2011	Carrying Amount $000s	Contractual Cash Flows $000s	Less than 1 year $000s	1 - 2 years $000s	3 - 5 years $000s	More than 5 years $000s
Financial assets:						
Cash and cash equivalents	470	470	470			
Trade receivables	1,145	1,145	1,145			
	1,615	1,615	1,615	-	-	-
Financial liabilities:						
Trade payables	211	211	211			
Related party loans	4,750	6,455	341	341	5,773	
	4,961	6,666	552	341	5,773	-

As at 30 June 2010	Carrying Amount $000s	Contractual Cash Flows $000s	Less than 1 year $000s	1 - 2 years $000s	3 - 5 years $000s	More than 5 years $000s
Financial assets:						
Cash and cash equivalents	1,738	1,748	1,748			
Trade receivables	6	6	6			
	1,744	1,754	1,754	-	-	-
Financial liabilities:						
Trade payables	85	85	85			
Related party loans	13,750	19,672	987	987	2,961	14,737
	13,835	19,757	1,072	987	2,961	14,737

Financial Instrument Risk

Tuam Ltd has a series of policies to manage the risks associated with financial instruments. Tuam 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 short term investments and accounts receivable. The company's maximum exposure in respect of these financial instruments are the amounts as discussed in notes 11 and 5. The company places its cash and term deposits with banking institutions that have a Standard and Poor's rating of AA.

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 at fixed interest rate of 7.18% for the terms of the loan. Before the end of each fixed interest rate term, the company and the Council enter into discussions to re-fix the interest rates before the expiry date, in order to keep the risk due to interest rate fluctuations to a minimum.

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.

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.

14. Commitments for expenditure

	2011 $000s	2010 $000s
Lease commitments:		
Not later than one year		
Later than one year and not later than five years		
	-	-
Other expenditure commitments:		
Not later than one year		
Later than one year and not later than five years		
Later than five years		
	-	-

There are no capital expenditure commitments.

15. Post balance date events

There were no events known to the directors occurring subsequent to balance date that would have a significant impact on the financial statements for the year ended 30 June 2011.

16. Contingencies

Due to the uncertainty surrounding damage to the former Civic Offices (refer note 18(a)) Tuam Limited is unable to reliably measure the cost of repairs and associated insurance recoveries. Tuam Limited recognises a contingent liability for the repair costs and contingent asset for the expected insurance recoveries. The net impact to Tuam Limited will be the cost of the insurance excess which will be 2.5% of the repair costs.

17. Statement of Service Performance

Performance Target	Result
Ensure Tuam meets the financial targets contained within the Statement of Intent	Partly achieved (see below)
The company meets all relevant legislative and contractual requirements.	Achieved

a. Financial Performance Targets

	2011 Actual $000s	2011 Target $000s	Variance $000s
Income			
Rental Income	549	-	(549)
Other income	1,384	-	(1,384)
	1,933	-	(1,933)
Expenditure			
Interest	(982)	-	982
Other expenses	(1,241)	-	1,241
Depreciation	-	-	-
	(2,223)	-	2,223
Net surplus (deficit) before tax	(290)	-	290
Tax Expense	(242)	-	242
Net surplus (deficit) after tax	(532)	-	532

Financial targets for the 2011 year are nil as Tuam Ltd was planned to have ceased trading by 30 June 2010.

b. Ratio of Shareholders' Funds to Total Assets

	2011 Actual $000s	2011 Target $000s	Variance $000s
Ratio of Shareholders' Funds to Total Assets	169%	0%	-169%
Equity	18,135	9,135	(9,000)
Retained Earnings	(12,633)	(9,135)	3,498
Debt	4,750	-	(4,750)
Total Assets	10,705	-	(10,705)

18. Earthquake impact

a. Asset damage

The former Civic Offices and Annex at 163 Tuam Street suffered damage in the September 2010 earthquake. The majority of this damage had been repaired by February 2011 and tenants had been signed up for both the Annex building and the lower floors of the main building. Unfortunately the February 22nd earthquake undid this work and caused further damage, including the loss of most of the external glazing on the main building. It has been necessary to undertake all structural reporting and insurance processes again, a task that was made even more difficult by the earthquakes on June 13.

Although it is believed the building structure is sound it does require considerable invasive inspections before any final conclusions can be made and an updated report and scope of works completed. As at 30 June 2011 engineers had been unable to access the building to begin this process, as a result the final costs to repair and associated insurance recoveries are too uncertain to recognise in the financial statements.

This damage and the position of the CBD Red Zone cordon mean it is unlikely that this building will be able to be leased in the short term. Also, the Council ended its lease of the Tuam Street car park following the February earthquake but Tuam Limited has been able to lease the majority of this site to Team Hutchinson Ford to assist them with resuming normal operations.

There is also uncertainty about the level of damage to the land held by Tuam Limited as no investigation has been be carried out prior to 30 June 2011.

b. Insurance

Tuam Limited was fully covered for damage to its assets up to and including 30 June 2011. A partial payment of $224,000 for repairs to damage caused by the September earthquake had been received from Tuam Limited's insurers by 30 June 2011, and a further $679,000 accrued for the remaining insurance recoveries to be paid.

While there is no cover currently available for earthquake risk Council's brokers have been able to obtain cover for fire and other perils on a case by case basis. Tuam has photographic evidence of damage incurred prior to 30 June 2011 which is covered by insurance and protects Tuam Limited's position in the event of further earthquakes after this date.

Should the buildings be repaired, Tuam Limited would approach the London market for cover. Our brokers have indicated that some earthquake cover would be available in future at increased cost. Tuam Limited is working with Council as it explores options which include cover for specific buildings at conditions which are considerably less favourable than previously available, or alternatively taking city wide non-specific cover to a certain limit.

c. Going concern

Once Council moved to the new Civic Offices it was intended to dispose of the former Civic Offices and property as part of the renewal of the central city, and hold the Tuam Street car park for future opportunities under the Central City South development plan. Negotiations were underway with a potential purchaser for the former Civic Offices but these ceased after the September 2010 earthquake. Although the sale process has been delayed and there is some uncertainty over the future of the building the intention is still to dispose of the properties on the north side of Tuam Street.

The majority of the car park on the southern side of Tuam Street continues to be leased out, with further areas to be leased as cordon reductions allow. Development of these properties will be delayed as a result of Council's consultation on the new Central City Plan, however there is nothing that suggests the going concern basis is not appropriate for preparing the financial statements.

d. Asset classification and valuation

The buildings and land owned by Tuam Limited at 161 to 177 Tuam Street are no longer classified as held for sale (refer note 7). This is due to the cessation of negotiations with the potential purchaser and the current uncertainty around the future of the building.

Tuam Limited's investment properties were last valued at 30 June 2010 based on open market value (refer note 7). These properties were not valued at 30 June 2011 as required due the lack of an active market following the February 22 earthquake.

Independent Auditor's Report

To the readers of Tuam Limited's financial statements and statement of service performance for the year ended 30 June 2011

The Auditor-General is the auditor of Tuam Limited (the company). The Auditor-General has appointed me, Scott Tobin, 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 6 to 27, that comprise the statement of financial position 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 pages 25 and 26.

Disclaimer of opinion – we were unable to form an opinion because the impact of the Christchurch earthquakes on the carrying value of investment properties, and the associated current and deferred tax balances, could not be determined

Reason for our disclaimer of opinion

The company owns investment properties in the Christchurch City central business district, which under NZ IAS 40 *Investment Properties* are required to be carried at their fair value. Due to the Christchurch earthquakes, the company's independent valuer has advised that there is no market evidence to support a reliable fair value for the properties as at 30 June 2011. Additionally, the extent of earthquake damage suffered by the properties is not known as there are restrictions on access to the properties.

The investment properties are included in the statement of financial position at their 2010 fair value of $9,061,000, which represents 82% of total assets as at 30 June 2011. Any adjustments to fair value as a result of the earthquake would be recognised in the surplus/deficit for the year.

In accordance with NZ IAS 12 *Income Taxes*, the tax treatment of the investment properties is dependent on their future use. The uncertainties around the extent of earthquake damage means that their future use is not known. Accordingly, current and deferred tax balances in the statement of financial position associated with the investment properties cannot be reliably determined. Any adjustments to the tax balances for a change in future use would be recognised in the surplus/deficit for the year.

As a result of the above, the scope of our audit was limited and we were unable to undertake adequate audit procedures in respect of the investment properties and the current and deferred tax balances associated with the investment properties.

Disclaimer of opinion on the financial statements and statement of service performance, other than the cash flow statement

Because of the significance of the matters described in the "Reason for our disclaimer of opinion" paragraph above, we have been unable to obtain sufficient appropriate audit evidence to form an opinion as to whether:

- the financial statements of the company on pages 6 to 27, other than the statement of cash flows:
    - comply with generally accepted accounting practice in New Zealand;
    - give a true and fair view of the company's:
        - financial position as at 30 June 2011; and
        - financial performance for the year ended on that date; and
- the statement of service performance of the company on pages 25 and 26:
    - 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.

Unmodified opinion on the cash flow statement

In our opinion, the cash flow statement on page 9 complies with generally accepted accounting practice in New Zealand and gives a true and fair view of the company's cash flows 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 30 September 2011. 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. We are unable to determine whether there are material misstatements because the scope of our work was limited, as we referred to 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 not obtained all the information and explanations we have required with the consequence that we have issued a disclaimer of opinion on all statements except the cash flow statement.

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.

Scott Tobin
Audit New Zealand
On behalf of the Auditor-General
Christchurch, New Zealand