CIVIC BUILDING LIMITED

STATEMENT OF INTENT

FOR THE YEAR ENDED 30 JUNE 2013

TABLE OF CONTENTS

1.0 INTRODUCTION

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

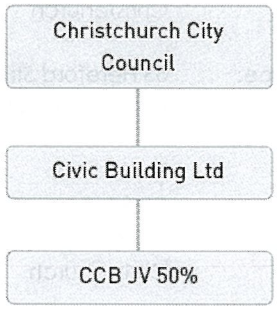
The SOI specifies for Civic Building Ltd (CBL) and the Civic Building Unincorporated Joint Venture (CCB JV), the objectives, the nature and scope of the activities to be undertaken, and the performance targets and other measures by which the performance of the group may be judged in relation to its objectives, amongst other requirements. It covers the three financial years ending 30 June 2013, 2014 and 2015.

The process of negotiation and determination of an acceptable SOI is a public and legally required expression of the accountability relationship between the group and its Shareholder, the Christchurch City Council.

CBL is 100% owned by the Christchurch City Council. Christchurch City Council provides management services to CBL through a management arrangement.

The new Civic Offices project is carried out by an unincorporated joint venture jointly owned by CBL and Ngai Tahu Property Ltd and each party owns 50% of the unincorporated joint venture.

The group structure is:



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

2.0 DIRECTORY

Address:	Civic Building Limited PO Box 13-144 Christchurch
Registered Office:	53 Hereford Street Christchurch 8011
Chairperson:	Bob Parker Christchurch City Council PO Box 237 Christchurch
Board:	Bob Parker Ngaire Button Jamie Gough
Company Secretary:	Diane Brandish Christchurch City Council PO Box 237 Christchurch Telephone + 64 3 941 8454

3.0 VISION

The CBL objectives are:

- To own 50% of the new Civic Building with Ngai Tahu Property Ltd and lease the building to the Christchurch City Council.

4.0 NATURE AND SCOPE OF ACTIVITIES

CBL and the unincorporated joint venture with Ngai Tahu Property Ltd are Council Controlled Trading Organisations (CCTO's) for the purposes of the Local Government Act 2002 and the Companies Act 1993.

The Civic Office is jointly owned by CBL and Ngai Tahu Property Ltd, through an unincorporated joint venture with each party owning 50%. CBL borrowed sufficient finance from the Council to enable it to carry out its obligations as joint venture partner with Ngai Tahu Property Ltd and to implement the proposal adopted by the Council for the design, construction and ownership of the new Civic Building.

5.0 GOVERNANCE

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

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

The primary function of the Board is to ensure that the company meets its objectives and requirements as listed in the SOI. Additionally, the Board has obligations under the Local Government Act 2002 to deliver an annual Statement of Intent and relevant half-yearly and annual reports to the Shareholder.

Appointments to the Board are confirmed by Council resolution.

6.0 PERFORMANCE TARGETS

Financial Performance Targets

The financial performance targets for the company are as follows:

Civic Building Ltd	2013	2014	2015
	000's	000's	000's
Lease Income	4,061	4,078	4,046
Other income	849	873	896
Less Expenses			
Interest	5,459	5,459	5,459
Other Expenses	1,059	1,089	1,119
Depreciation	0	0	0
Total Expenses	6,518	6,548	6,578
Net Surplus (deficit) before tax	-1,608	-1,597	-1,636
Taxation	-1,152	-1,065	-1,008
Net Surplus (deficit) after tax	-456	-532	-628

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

Ratio of Shareholder Funds to Total Assets

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

2012/13	2013/14	2014/15
-12.0%	-13.0%	-14.2%

The forecast capital structure for the next three years is:

	2012/13 $m	2013/14 $m	2014/15 $m
Uncalled Capital	$10.0	$10.0	$10.0
RPS Shares	$6.2	$6.2	$6.2
Revaluation Reserve	$0	$0	$0
Debt	$59.2	$59.2	$59.2
Total Assets	$61.0	$60.5	$59.9

Operational Performance Targets

In addition to the above financial performance measures, the Group will use the following measures to assess its performance in the 2013 financial year:

Objective and Strategy	Performance Measure 2012/13
Meet the financial targets contained within this SOI	Budgeted key performance indicators are met or exceeded
Manage the investment in a commercially astute and prudent manner.	Ensure the Civic building is managed in accordance with the management agreement.

Environmental and Social Performance Targets

In addition to the above financial performance measures, the Group will use the following measures to assess its performance in the 2013 financial year:

Performance Target	Performance Measure
The Civic Building was designed to achieve a high standard in terms of environmental and energy sustainability.	Ensure the Civic Building operates in a manner that preserves Green Star 6 accreditation features.

Christchurch City Council Sustainable Energy Strategy

The Christchurch City Council Sustainable Energy Strategy is an important initiative that CBL supports. Everyone needs to play their part as the worldwide escalation of energy usage is leading to unprecedented problems including global warming, unsustainable use of fuels, future fuel shortages, health and social issues and fuel poverty.

Under the Strategy the new Civic Offices were designed to be an "exemplary standard in terms of sustainable design and energy performance."

The building was designed for ultra low energy consumption, maximum use of renewable energy sources and with an extremely low carbon footprint.

Benefits from this are:

- Council and city are shown as leaders
- Provides benchmark for Council to encourage others to follow suit
- Low energy bills
- Involves a further layer of skills from the community and the building industry
- Will be a further step on the eco-tourism trail through the City

CBL will incorporate these goals in its operations.

7.0 ACCOUNTING POLICIES

CBL has adopted accounting policies that are consistent with New Zealand International Financial Reporting Standards, generally accepted accounting practice and the policies adopted by the Christchurch City Council group. Current accounting policies are attached to this Statement of Intent

8.0 DISTRIBUTIONS

During the year to 30 June 2013 the company will make no distribution to the Shareholder.

9.0 INFORMATION TO BE REPORTED TO THE SHAREHOLDER

An annual report will be submitted to the Shareholders. The annual report will include audited financial statements and such other details as are necessary to permit an informed assessment of the company's performance and financial position during the reporting period provided to the Shareholders.

Half-yearly reports will also be provided to the Shareholders. These reports will contain unaudited information and comply with NZ IAS 34.

The statement of intent will be submitted to the Shareholders for consultation annually, as required by the Local Government Act 2002. The Directors will include any other information they consider appropriate. Where it is appropriate, revised forecasts will be submitted to the Shareholders.

The company will operate on a 'no surprises' basis in respect of significant Shareholder related matters, to the extent possible in the context of commercial sensitivity and confidentiality obligations.

The company will provide information requested by the Shareholders in accordance with the requirements of the Local Government Act 2002.

10.0 ACQUISITION / DIVESTMENT POLICY

The subscription or acquisition of securities in any company or organisation, or a divestment of part of the existing business, will only be considered where it is consistent with the long-term commercial objectives of the Company.

When the subscription, acquisition or divestment is considered by Directors to be significant to CBL's business operations, it will be subject to consultation with the Shareholders.

Major transactions as defined in the Companies Act 1993, s129(2), will be subject to Shareholders' approval by special resolution.

Where the company decides to incorporate or subscribe for shares in subsidiaries to undertake its commercial activities, the company will ensure effective management of that subsidiary. Control of any subsidiary is exercised by CBL's Directors and staff.

11.0 COMPENSATION SOUGHT FROM LOCAL AUTHORITY

At the request of the Shareholder, CBL may undertake activities that are not consistent with normal commercial objectives. Specific financial arrangements will be entered into to meet the full commercial cost of providing such activities.

Currently, no such activities are undertaken.

12.0 ESTIMATE OF COMMERCIAL VALUE

The Shareholder has recorded the value of its investment in Civic Building Ltd in its accounts and this is considered an appropriate estimation of the commercial value of the company.

13.0 ROLE IN THE CCC GROUP AND REGIONAL ECONOMY

Commercial Relationships within the CCC Group

The company has a mandate from the Shareholder, Christchurch City Council, to own the new Civic Building and lease it to the Council. CBL will utilise the services of CCC to manage its affairs.

APPENDIX 1.0

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

a. Reporting Entity

These are the financial statements of Civic Building Limited.

Civic Building Limited is registered under the Companies Act 1993 and is domiciled in New Zealand. The company is a Council Controlled Trading Organisation as defined by Section 6 of the Local Government Act 2002.

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 of 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 was 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.

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.

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

Improvements to NZ IFRS 7 Financial Instruments Disclosures - effective 1 January 2011 – The amendments add an explicit statement that qualitative disclosure should be made in the context of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments. Existing disclosure requirements were amended or removed and the requirement to disclose the carrying amounts of renegotiated financial assets that would otherwise be past due or impaired was deleted.

Amendments to NZ IFRS 7 Financial Instruments effective 1 July 2011 – The amendments introduce new disclosure requirements about transfers of financial assets including disclosures for:
Financial assets that are not derecognised in their entirety; and
Financial assets that are derecognised in their entirety but for which the entity retains continuing involvement.

Improvements to NZ IAS 1 Presentation of Financial Statements effective 1 January 2011 – Clarification was provided in that entities may present the required reconciliations for each component of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements.

Amendments to NZ IAS 1 Presentation of Financial Statements effective 1 July 2012 -
An entity must present separately the items of other comprehensive income that would be reclassified to profit or loss in the future (if certain conditions are met) from those that would never be reclassified to profit or loss. Change of title from 'Statement of Comprehensive Income' to 'Statement of Profit or Loss and Other Comprehensive Income' to emphasise the two components. However, an entity is still allowed to use other titles.

FRS 44 – NZ Additional Disclosures effective 1 July 2011 – The objective of this Standard is to prescribe New Zealand-specific disclosures such as:

- Where an entity's financial statements comply with NZ IFRSs they shall make an explicit statement of such compliance in the notes;
- An entity shall disclose in its notes its reporting framework and for the purposes of complying with General Accepted Accounting Practice in New Zealand ("NZ GAAP"), it is a profit-oriented or public benefit entity;
- An entity shall disclose fees to each auditor or reviewer, including any network firm, separately for an Audit/Review of the Financial Statements and all Other services during that period;
- Imputation credits available for use in subsequent reporting periods;
- Where prospective financial statements are issued, a comparison & explanation of material movements;
- Where a Statement of Service Performance is presented the entity must disclose the outputs of an entity and information on the effects on the community of the entity's existence and operations.

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 – replacing NZ IAS 39 Financial Instruments: Recognition and Measurement – effective 1 January 2013. NZ IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value. Entities are required to classify financial assets based on the objectives of the entity's business model for managing the financial assets. Where the financial assets are eligible to be measured at amortised cost due to the business model, the entity shall use the characteristics of the contractual cash flows to measure cost.

NZ IFRS 11 Joint Arrangement – replacing IAS 31 and SIC-13 Jointly Controlled Entities—Non-Monetary Contributions by Venturers - effective 1 January 2013 – IFRS 11 focuses on the rights and obligations of joint arrangements, rather than the legal form (as is currently the case). It:

- distinguishes joint arrangements between joint operations and joint ventures;
- states that Joint Ventures must use the equity approach (previously given the choice to use a proportionate consolidation).

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.

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.