

# **TUAM LIMITED**

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**Statement of Intent**  
**For the year ended 30 June 2013**



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## 1. Introduction

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

The SOI specifies for Tuam Ltd (Tuam), the objectives, the nature and scope of the activities to be undertaken, and the performance targets and other measures by which the performance of the company may be judged in relation to its objectives, amongst other requirements. It covers the three financial years ending 30 June 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 company and its Shareholder, the Christchurch City Council.

The Tuam Ltd directors are CCC Chief Executive Tony Marryatt and CCC General Manager Corporate Services Paul Anderson.

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

## 2. Directory

Address:	Tuam Limited PO Box 73015 Christchurch
Registered Office:	53 Hereford St Christchurch
Chairperson:	Tony Marryatt C/- Tuam Ltd PO Box 73015 Christchurch
Board:	Tony Marryatt Paul Anderson

### **3. Objectives**

The primary objective of Tuam Limited is to own the former Council Civic Buildings and adjacent Tuam St car park and manage them on a commercial and co-ordinated basis consistent with the Council's strategies and plans.

### **4. Nature and Scope of Activities**

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

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

### **5. Governance**

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

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

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

Appointments to the Board are made in accordance with the Council's Appointments and Remuneration of Directors policy.

The Chief Executive of CCC has responsibility for the leadership and management of the company. The Chief Executive is assisted by the CCC General Manager Corporate Services and the company may make use of external advisors from time to time.

## 6. Performance Targets

### Financial Performance Targets

The financial performance targets for the company are as follows:

<b>Tuam Ltd</b>	<b>2013</b> <b>\$000's</b>	<b>2014</b> <b>\$000's</b>	<b>2015</b> <b>\$000's</b>
Income			
Rental Income	\$49	\$51	\$54
Other income	\$26	\$26	\$26
	<u>\$75</u>	<u>\$77</u>	<u>\$80</u>
Less Expenses			
Interest	\$341	\$341	\$341
Other Expenses	\$187	\$196	\$206
Depreciation	\$0	\$0	\$0
Total Expenses	<u>\$528</u>	<u>\$537</u>	<u>\$547</u>
Net Surplus (deficit) before tax	<u>(\$453)</u>	<u>(\$460)</u>	<u>(\$468)</u>
Subvention Receipt (Payment)	<u>(\$127)</u>	<u>(\$129)</u>	<u>(\$131)</u>
Net Surplus (deficit) after tax	<u>(\$326)</u>	<u>(\$331)</u>	<u>(\$337)</u>

### Ratio of Shareholders' Funds to Total Assets

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

	<b>2013</b>	<b>2014</b>	<b>2015</b>
	50%	48%	46%

The forecast capital structure for the next three years is:

	<b>2013</b> \$000's	<b>2014</b> \$000's	<b>2015</b> \$000's
Equity	\$18,135	\$18,135	\$18,135
Retained Earnings	(\$13,371)	(\$13,703)	(\$14,039)
Debt	\$4,750	\$4,750	\$4,750
Total Assets	\$9,528	\$9,199	\$8,862

## Operational Performance Targets

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

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

The main activity of the company in the coming year will be to complete the earthquake damage assessments of its assets, determine the insurer's commercial position and make recommendations to the shareholder on the options for the company's property holdings.

## Christchurch City Council Sustainable Energy Strategy

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

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

## Urban Development Strategy (UDS) and Central City Plan

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

## 7. Accounting Policies

Tuam Ltd has adopted accounting policies that are consistent with New Zealand International Financial Reporting Standards, generally accepted accounting practice and the policies adopted by the Christchurch City Council group. The company's current accounting policies are attached to this Statement of Intent

## 8. Distributions

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



## **9. Information to be provided to the Shareholder**

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

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

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

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

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

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

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

## **10. Acquisition/Divestment Policy**

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

When the subscription, acquisition or divestment is considered by Directors to be significant to the company's business operations, it will be subject to consultation with the Shareholders. Major transactions as defined in the Companies Act 1993, s129(2), will be subject to Shareholders' approval by special resolution.

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



## 11. Compensation Sought from Local Authority

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

Currently, no such activities are undertaken.

## 12. Estimate of Commercial Value

The Shareholder has recorded the value of its investment in Tuam Ltd in its accounts as \$5.417m and this is considered an appropriate estimation of the commercial value of the company.

## 13. Role in the CCC Group and Regional Economy

### Commercial Relationships within the CCC Group

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

### Role in the Growth of the Regional Economy

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

## 14. Business, Strategic and Operational Risks

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

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

\_\_\_\_\_  
Paul Anderson  
Director

\_\_\_\_\_  
Anthony Marryatt  
Director

Date \_\_\_\_\_

Date \_\_\_\_\_

# Appendix 1

## Statement of Significant Accounting Policies

### a. Reporting Entity

These are the financial statements of Tuam Limited.

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

The primary objective of the company is to manage the former Christchurch City Council Civic Offices and adjacent 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).

### b. Statement of Compliance

The financial statements of Tuam Limited (the 'Company') have been prepared in accordance with New Zealand generally accepted accounting practice. They comply with the New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

### c. Basis of financial statement preparation

The financial statements are prepared under the historical cost convention, as modified by the revaluation of investment properties.

The functional and presentation currency is New Zealand dollars, and all values are rounded to the nearest thousand dollars (\$,000)

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

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

- NZ IAS 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.

#### **f. Income tax**

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.



Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

#### **g. Cash and cash equivalents**

Cash and cash equivalents comprise cash balances and call deposits, and other short-term highly liquid investments with maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows, and in current liabilities on the balance sheet.

#### **h. Trade and other receivables**

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

#### **i. Investment Property**

The 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 income statement.

#### **k. Trade and other payables**

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

## **I. 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.

