



ANNUAL REPORT

**For the Year Ended
30 June 2023**

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Directory and Statutory Disclosures

Registered Office	53 Hereford Street Christchurch
Directors	James Gough Sam MacDonald Philip Mauger (Ceased November 2022) Jake McLellan (Appointed March 2023)
Bankers	Bank of New Zealand ANZ Bank New Zealand ASB Bank
Auditors	Audit New Zealand on behalf of the Auditor General Christchurch

NATURE OF BUSINESS

Civic Building Ltd (the Company) was established on 12 October 2007 in order to carry out the development of the civic building for the Christchurch City Council (Council). On 26 October 2007 the Company entered into an agreement to develop the civic building on the NZ Post site with Ngai Tahu. The 2009 Annual Plan approved the creation of an unincorporated joint venture structure to carry out the development. The Company has a 50% interest in the resulting joint venture.

The Company appoints three representatives to the unincorporated joint venture Board. The Company's representatives on the joint venture board are its directors.

The Company does not have any staff, rather it is managed by the Christchurch City Council.

DIRECTORS

The persons holding office as Directors of the Company throughout the year and on 30 June 2023 were:

James Gough
 Sam MacDonald
 Philip Mauger (Ceased November 2022)
 Jake McLellan (Appointed March 2023)

DIRECTOR'S INTERESTS

The following Directors as at 30 June 2023 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:

James Gough	Councillor	Christchurch City Council
	Director	Gough Corporation Holdings Ltd
	Director	The Terrace On Avon Ltd
	Director	Gough Property Corporation Ltd
	Director	The Terrace Carpark Limited
	Director	The Terrace Christchurch Ltd.
	Director	Peterborough Holdings Limited
	Director	Ferry Road Property Holdings limited
	Director	Christchurch City Holdings Limited (Ceased 29 August 2022)
	Shareholder	Gough Corporation Holdings Ltd
	Shareholder	Gough Property Corporation Ltd
Board Member	Canterbury District Health Board (Ceased 1 July 2022)	
Sam MacDonald	Councillor	Christchurch City Council
	Director	MacDonald Consulting Limited
	Director	West Coast Development Holdings Limited
	Director	West Coast Alliance Holdings Limited
	Director	Eminence Property Holdings Limited
	Director	Christchurch City Holdings Limited
	Shareholder	Eminence Property Holdings Limited
	Shareholder	MacDonald Consulting Limited
Trustee	Development West Coast	
Jake McLellan	Councillor	Christchurch City Council
	Director	ChristchurchNZ Holdings limited
	Director	ChristchurchNZ limited
	Trustee	Otautahi Community Housing Trust
Philip Mauger	Councillor	Christchurch City Council
	Director	Burwood Resource Recovery Park Limited
	Director	Harewood Holdings (2016) Limited
	Director	M & M Aggregates Limited
	Director	25 KBR Limited
	Director	Transwaste Canterbury Limited (Ceased 16 Jan 2023)
	Director	Rookwood Holdings Limited
	Shareholder	Maugers Garage Limited
	Shareholder	Harewood Holdings (2016) Limited
	Shareholder	New Zealand Transport Engineering Limited
	Shareholder	Rowwdy Limited
Shareholder	M & M Aggregates Limited	

**Civic Building Limited
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Shareholder	25 KBR Limited
Trustee	PSM Trust
Trustee	Rowwdy Trust
Trustee	Ben Vista Trust
Trustee	Brittany Mauger Inheritance Trust
Trustee	Lynfield Trust
Trustee	Sunbeam Trust
Beneficiary	PSM Trust
Beneficiary	Ben Vista Trust
Beneficiary	Warner Mauger Trust
Beneficiary	Patricia Mauger Trust

REMUNERATION OF DIRECTORS

No remuneration and other benefits were paid or due and payable to directors for services as a director during the year (2022: Nil)

USE OF COMPANY INFORMATION

During the year, the Board received no notices from members or directors of Company requesting to use Company information received in their capacity as Members or Directors which would not otherwise have been available to them.

DONATIONS

There were no donations made by the Company during the year (2022: Nil).

DIVIDENDS

There have been no dividends declared for the year (2022: Nil).

EMPLOYEES' REMUNERATION

The Company has no employees.

AUDITORS

The Auditor-General is the auditor 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 on behalf of the Auditor-General.

For and on behalf of the Board

Director 

Date 2 October 2023

Director 

Date 2 October 2023

Statement of comprehensive income
For the year ended 30 June 2023

	Note	2023 \$000	2022 \$000
Revenue	1(a)	4,394	4,327
Finance costs	1(b)	3,611	3,803
Other expenses	1(b)	<u>785</u>	<u>655</u>
		4,396	4,458
(Loss) / profit before income tax		<u>(2)</u>	<u>(130)</u>
Income tax expense/(income)	2	<u>(11)</u>	<u>(37)</u>
(Loss) / profit for the period		<u>9</u>	<u>(93)</u>
Other comprehensive income		84	61
Total comprehensive income		<u><u>93</u></u>	<u><u>(32)</u></u>

The accompanying accounting policies and notes form part of these financial statements.

Civic Building Limited
Annual Report Year Ended 30 June 2023

Statement of financial position
For the year ended 30 June 2023

	Note	2023 \$000	2022 \$000
Current assets			
Cash and cash equivalents	12	2,605	5,770
Trade and other receivables	4	4,782	4,765
Other financial assets		500	-
Total current assets		<u>7,887</u>	<u>10,535</u>
Non-current assets			
Other financial assets -Non current		-	-
Investment property	6	6,400	6,400
Trade and other receivables - non-current	5	37,489	39,365
Total non-current assets		<u>43,889</u>	<u>45,765</u>
Total assets		51,776	56,301
Current liabilities			
Trade and other payables	7	249	253
Current tax liabilities	2(b)	244	101
Borrowings	8	-	3,564
Total current liabilities		<u>493</u>	<u>3,918</u>
Non-current liabilities			
Borrowings	8	50,324	50,324
Deferred tax liabilities	2(c)	5,680	5,935
Total non-current liabilities		<u>56,004</u>	<u>56,259</u>
Total liabilities		<u>56,497</u>	<u>60,176</u>
Net assets		<u>(4,721)</u>	<u>(3,876)</u>
Equity			
Capital and other equity instruments	9	5,252	6,188
Retained earnings		(10,589)	(10,596)
Reserves		616	532
Total equity		<u>(4,721)</u>	<u>(3,876)</u>

The accompanying accounting policies and notes form part of these financial statements.

For and on behalf of the Board

Director 

Date 2 October 20223

Director 

Date 2 October 20223

Civic Building Limited
Annual Report Year Ended 30 June 2023

Statement of changes in equity
For the year ended 30 June 2023

	Share Capital	Retained Earnings	Other Reserves	Total
	\$000	\$000	\$000	\$000
Balance at 1 July 2021	<u>6,188</u>	<u>(10,503)</u>	<u>471</u>	<u>(3,844)</u>
Total comprehensive income for the period				
Profit/(Loss) for the for year	-	(93)	-	(93)
Capex Reserve	-		61	61
Balance at 30 June 2022	<u>6,188</u>	<u>(10,596)</u>	<u>532</u>	<u>(3,876)</u>
Profit/(loss) for the year	-	9	-	9
Other comprehensive income	-		84	84
Preference shares repayment	(936)			(936)
Balance at 31 June 2023	<u>5,252</u>	<u>(10,589)</u>	<u>616</u>	<u>(4,721)</u>

The accompanying accounting policies and notes form part of these financial statements.

Cashflow Statement
For the year ended 30 June 2023

	Note	2023 \$000	2022 \$000
Cash flows from operating activities			
Operating revenue		6,132	5,797
Subvention (payment)/received		(101)	(80)
Payments to suppliers		(781)	(570)
Net GST movement		77	-
Net cash provided by operating activities	12	<u>5,326</u>	<u>5,148</u>
Cash flows from investing activities			
Interest received		121	37
Maturities of term deposits		5,800	6,700
New term deposits		(6,300)	(6,700)
Net cash provided by investing activities		<u>(379)</u>	<u>37</u>
Cash flows from financing activities			
Loan repayment		(3,564)	-
Repayment of redeemable preference shares		(936)	-
Interest paid		(3,611)	(3,803)
Net cash provided by financing activities		<u>(8,111)</u>	<u>(3,803)</u>
Net increase (decrease) in cash and cash equivalents		(3,164)	1,382
Cash and cash equivalents at beginning of year		<u>5,770</u>	<u>4,387</u>
Cash and cash equivalents at end of year	12	<u><u>2,605</u></u>	<u><u>5,770</u></u>

The accompanying accounting policies and notes form part of these financial statements.

Statement of Service Performance
Reporting against the statement of Intent

	Target	Actual	Variance
	\$000	\$000	\$000
<i>Income</i>			
Interest - Finance Lease	3,080	3,074	(6)
Interest - Other	175	108	(67)
Other income	1,068	1,212	144
Total Income	<u>4,323</u>	<u>4,394</u>	<u>71</u>
<i>Expenses</i>			
Finance costs	3,277	3,611	(334)
Other expenses	609	785	(176)
Total Expenses	<u>3,886</u>	<u>4,396</u>	<u>(510)</u>
Net Surplus (deficit) before tax	437	(2)	(439)
Taxation (income)	<u>(110)</u>	<u>(11)</u>	<u>99</u>
Net Surplus (deficit) after tax	<u><u>547</u></u>	<u><u>9</u></u>	<u><u>(538)</u></u>
<u>Capital Structure</u>			
Uncalled capital	10,000	10,000	-
RPS Shares	6,188	5,252	936
Borrowings from Council	53,888	50,324	3,564
Finance Lease assets	37,762	37,489	273
Total Assets	57,191	51,776	(5,415)
Ratio of shareholder funds to total assets	-4.7%	-9.12%	

Key performance targets

To ensure that the Company meets the financial targets contained within the Statement of Intent.

Financial performance targets

Total actual income is slightly higher than plan due to the higher recovery of property expense partially offset by lower interest income.

Expenses are higher than plan mainly due to increased interest rate on borrowings. Also, property management cost such as insurance, building management and rates expenses are higher than anticipated.

Borrowing is down on budget due to the repayment of \$3.5 million in September 2022.

Total asset is lower than plan due the repayment of redeemable preference shares of \$936k in September 2022.

Performance Measures

Operational Performance Targets

Objective and Strategy	Performance Measure	Result
Meet the financial targets contained within this SOI.	Budgeted key performance indicators are met or exceeded.	Key performance indicators were not met mainly due to increased interest cost.
Manage the investment in a commercially astute and prudent manner.	Ensure the Civic building is managed in accordance with the management agreement.	This has been achieved to a high level. The sinking fund is in discussion as to find a suitable use for this money.

Environmental Performance Targets

Performance Target	Performance Measure	Result
The Civic building was designed to achieve a high standard in terms of environmental and energy sustainability.	Work continues on the development of appropriate performance measures in line with the sustainability goals for the company and the REGGE reporting framework. These benchmarks will report on water use, energy efficiencies and waste output for Civic Building will be determined in 2022/23 in line with the sustainability goals for the company and the REGGE reporting framework.	Expected energy management software has been identified – funding options are being worked through inline with organisation wide considerations. The new heat energy source is also very close to being secured which will set the new emissions numbers and baseline energy consumption level for the building.

Social Performance Target

Performance Target	Performance Measure	Result
Maintain Te Hononga to meet or exceed New Zealand Standard NZS 4121:2001 Design for access and mobility – buildings and associated facilities and Christchurch City Council's Equity and Access for People with Disabilities Policy.	Commission an access audit in 2022/23 pursuant to NZS 4121. Develop an improvement plan to address material issues raised in the access audit.	An accessibility Audit of the building was completed in FY22. An improvement plan to address material issues raised in the audit is developed including required actions their priorities and the estimated cost. We continue to invest into the required actions to meet or exceed the NZS 4121 accessibility audit standard / these decisions are made with key other budgetary considerations.

Notes to the Financial Statements

1 Profit from operations

(a) Revenue

	2023	2022
	\$000	\$000
Rental revenue:		
Operating lease rental revenue - investment property	493	474
Recovery of property expenses	719	611
	<u>1,212</u>	<u>1,085</u>
Interest revenue:		
Finance lease interest revenue	3,074	3,192
Bank deposits	108	50
	<u>3,182</u>	<u>3,242</u>
Other revenue:		
Material damage and insurance proceeds received / receivable		
Total revenue	<u>4,394</u>	<u>4,327</u>

(b) Expenses

	2023	2022
	\$000	\$000
	Note	
Finance costs:		
Interest on loans	3,611	3,803
	<u>3,611</u>	<u>3,803</u>
Direct operating expenses of investment properties:		
Audit fees	3 25	19
Management fees	23	20
Professional Fees	1	2
Property management costs	704	601
Repairs and maintenance	11	4
Other	21	10
	<u>785</u>	<u>655</u>
Total expenses	<u>4,396</u>	<u>4,457</u>

Notes to the Financial Statements

2 Income Taxes

(a) Income tax recognised in profit or loss

	2023	2022
	\$000	\$000
Tax expense/(income) comprises:		
Current tax expense/(income)	244	101
Reduction in deferred tax on buildings	-	-
Deferred tax expense/(income)	(255)	(138)
Total tax expense/(income)	<u>(11)</u>	<u>(37)</u>
Reconciliation of prima facie income tax:		
	2023	2022
	\$000	\$000
Profit/(loss) from operations	<u>(2)</u>	<u>(130)</u>
Income tax expense calculated at 28% (2023: 28%)	(1)	(36)
Non assessable income	-	-
Reduction in deferred tax on buildings	-	-
Deferred tax adjustment	<u>(10)</u>	<u>(0)</u>
	<u>(11)</u>	<u>(36)</u>

(b) Current tax assets and liabilities

	2023	2022
	\$000	\$000
Current tax liabilities:		
Subvention receivable/(payable)	(244)	(101)
	<u>(244)</u>	<u>(101)</u>

(c) Deferred tax balances

Taxable and deductible temporary differences arise from the following:

	2023	2022
	\$000	\$000
Deferred tax liabilities		
Temporary differences	5,680	5,935
	<u>5,680</u>	<u>5,935</u>

Notes to the Financial Statements

Taxable and deductible temporary differences arise from the following:

Year ended June 2023	Opening balance \$000	Charged to income \$000	Closing balance \$000
Deferred tax liabilities:			
Investment Property	5,935	(255)	5,680
	5,935	(255)	5,680
	5,935	(255)	5,680

Year ended 30 June 2022	Opening balance \$000	Charged to income \$000	Closing balance \$000
Deferred tax liabilities:			
Investment Property	6,073	(138)	5,935
	6,073	(138)	5,935
	6,073	(138)	5,935

3 Remuneration of auditors

	2023 \$000	2022 \$000
Auditor of the entity:		
Audit of the financial statements	15	14
Audit of the financial statements - JV Auditor*	10	5
	25	19
	25	19

*Auditor for CBL is Audit New Zealand, auditor for JV is Deloitte.

4 Current trade and other receivables

	Note	2023 \$000	2022 \$000
Finance lease receivable	5	4,765	4,745
Interest receivable		-	13
Sundry Receivable		17	7
		4,782	4,765
		4,782	4,765

The carrying value of debtors and other receivables approximate their fair value. Receivables are considered to be a low risk as the majority of the balance is a finance lease backed by a blue-chip tenant in the form of CBL's parent. Credit risk for these assets has not increased significantly since their initial recognition.

The carrying value of receivables that would otherwise be past due or impaired whose terms have renegotiated amount been to \$nil (2022: \$nil).

Notes to the Financial Statements

5 Finance Lease Receivable

	Minimum future lease payments		Present value of minimum future	
	2023 \$000	2022 \$000	2023 \$000	2022 \$000
No later than one year	4,950	4,931	4,765	4,745
Later than one year and not later than five years	21,140	20,681	17,059	16,677
Later than five years	36,110	41,519	20,430	22,688
Minimum lease payments	62,200	67,131	42,254	44,111
Unguaranteed residual	-	-	-	-
Gross finance lease receivables	62,200	67,131	42,254	44,111
Less unearned finance income	(19,946)	(23,020)	-	-
Present value of minimum lease payments	42,254	44,111	42,254	44,111
Future rent lost			-	-
Revised carrying value			42,254	44,111
Included in the financial statements as:				
Current trade and other receivables			4,765	4,745
Non-current trade and other receivables			37,489	39,365
			42,254	44,111

The Company and Ngai Tahu Property (CCC-JV) lease the Civic Building at 53 Hereford Street to the Christchurch City 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) was initially set at \$8,233,776 per annum, with the following rental increases specified in the contract:

1. 3 per cent increase per annum which is payable on the third anniversary of commencement, compounded on an annual basis.
2. market rental increase on every sixth anniversary of commencement, set at the greater of five per cent or market rental.
3. further 3 per cent per annum payable on the sixth anniversary of the increase in point 1.

No contingent rent is payable under the lease.

Notes to the Financial Statements

6 Investment property

	2023	2022
	\$000	\$000
Balance at beginning of financial year	6,400	6,400
Balance at end of financial year	<u>6,400</u>	<u>6,400</u>

On entering into the lease with the Council for the Civic Building, the building has been reclassified as a finance lease receivable. The land portion remains classified as investment property.

Recognition and Measurement

Investment Property includes properties held to earn rental income and/or for capital appreciation that are not occupied by the combined group. These properties are measured at fair value on an annual basis. Gains or losses arising from a change in fair value are included in profit or loss in the period in which they arise.

Measurement of Fair Value

Due to historically low interest rates, alternative investment markets demonstrating more risk and volatility and low vacancy rates in some sectors (particularly industrial). Prime quality strongly leased property transactions continue to show some yields at historical lows.

Investment properties were fair valued at 30 June 2023 by independent registered external valuers, CBRE Limited and Colliers International Limited.

The valuation of this property does not use fully observable data, it is classified as a level 3 fair value. There have been no transfers in or out of this level during the year.

The fair value of this property has been determined 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 valuer notes the Christchurch CBD office market is experiencing downward pressure on rents with incentives now increasingly prevalent as adjustments to the over-supply of office buildings halts the volume of office construction. While providing for the downward pressure on rents in the Christchurch CBD office market, the valuer references the superior nature of the Christchurch Civic Building to most other buildings in Christchurch, the strong lease terms and quality tenant are providing an offset to what is otherwise a weakened current rental market. The capitalisation rate has changed from prior year at 4.50% to 5.25%.

Notes to the Financial Statements

7 Current trade and other payables

	2023 \$000	2022 \$000
Trade payables	172	180
GST payable	77	72
	<u>249</u>	<u>252</u>

8 Non-current borrowings

	2023 \$000	2022 \$000
Unsecured:		
Current:		
Loans from parent entity	-	3,564
Non-current:		
Loans from parent entity	50,324	50,324
	<u>50,324</u>	<u>53,888</u>

The Company has entered into a cash advance facility agreement with Council. Repayment started in December 2018, and based on 2024-26 SOI cashflow assumptions the loan is expected to be fully repaid by 2041. Interest is payable at a weighted average of 7.19% quarterly (2022: 7.03% quarterly).

The terms of the cash advance facility allow the Company to make prepayments of principal repayments. During the year the Company made payment of \$3,564,000 (2022: \$Nil).

The fair value of the borrowings is \$43,755,134 (2022: \$66,205,561) based on cash flows discounted using the market rate of 8% (2022: 4.39%).

The fair value of the loan is considered to be categorised as Level 2 on the fair value hierarchy as it has been determined used a number of observable valuation inputs such as the market interest rate (2022: Level 2).

Notes to the Financial Statements

9 Authorised Capital and other equity instruments

	2023	2022
	\$000	\$000
10,000,000 fully paid ordinary shares @ \$1	10,000	10,000
5,252,000 fully paid redeemable preference shares (A) @ \$1	<u>5,252</u>	<u>6,188</u>
	<u>15,252</u>	<u>16,188</u>
Fully paid redeemable preference shares (A)		
Opening balance of paid up redeemable preference shares	6,188	6,188
Plus: issued capital	-	-
Less: redeemable preference shares	(936)	-
Less: uncalled portion of shares issued	-	-
Closing balance of paid up redeemable preference shares	<u>5,252</u>	<u>6,188</u>

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.

During the year the company made redemption of redeemable preference shares of \$936,000.

10 Commitments for expenditure

There were no commitments for development expenditure that were not otherwise accrued at 30 June 2023 (2022: \$nil).

11 Contingent liabilities and contingent assets

There were no contingent assets or contingent liabilities as at 30 June 2023 (2022 \$nil).

Notes to the Financial Statements

12 Notes to the cash flow statement

	2023	2022
	\$000	\$000
Cash and cash equivalents		
Cash and cash equivalents	<u>2,605</u>	<u>5,770</u>
	<u>2,605</u>	<u>5,770</u>
Reconciliation of profit for the period to net cash flows from operating activities		
Net profit (Loss) for the period	<u>9</u>	<u>(93)</u>
Changes in net assets and liabilities		
Increase / (decrease) in income tax payable	143	21
(Increase) / decrease in receivables	4	(13)
Increase / (decrease) in payables	(4)	24
Decrease in lease receivable	1,941	1,584
Term deposits reinvested	-	-
Interest received classed as investing	(206)	(98)
Interest paid classed as financing	3,611	3,803
Non cash items:		
Loss / gain on revaluation of investment property	-	-
Increase / decrease in deferred tax	(255)	(139)
Increase / decrease in sinking funds	84	61
Net changes in net assets and liabilities	<u>5,318</u>	<u>5,241</u>
Net cash from operating activities	<u>5,326</u>	<u>5,148</u>

Notes to the Financial Statements

13 Related-party transactions

Council is the ultimate controlling party of the Company. The following transactions were carried out with related parties during the year:

	2023	2022
	\$000	\$000
Receipts from related parties		
Finance Lease interest, principal and rent received from the Council	5,390	5,162
Subvention payments received/(paid) from Council group entities	(102)	(74)
Recovery of property expenses from the Council	712	603
Sinking fund from Council	57	58
Shares issued to CCC	-	-
Loss offset given to Council group entities	-	-
Payments to related parties		
Interest paid to the Council	3,611	3,691
Management fees charged by Ngai Tahu Properties Ltd	108	103
Management fees charged by the Council	23	20
Rates paid to Council	275	260
Loans repaid to Council	3,564	-
Subvention payments paid to CCC group entities	-	-
Loss offset received from CCC group entities	-	-
Te Runanga O Ngai Tahu	-	-
Management fees charged to the Joint Venture by group entities	-	-
Other charges to the Joint Venture by group entities	-	-
Year end balances (GST exclusive)		
Accounts payable to Vbase	-	-
Accounts receivable from Council	-	-
Loan advances from Council	50,324	53,888
Accrued interest payable to Council	105	112
Subvention payments payable to group companies	244	101
Accounts Payable to Council	5	40

The Company expects to receive tax loss from other members of the Council group of \$871,433 (2022: \$361,494) by way of a subvention payable of \$244,001 (2022: \$101,218) which has been accrued and a loss offset of \$627,432 (2022: \$260,276).

Key Management Personnel

All transactions occurred on normal trading terms and conditions.

Key management personnel includes the Directors.

The Company paid no Directors fees in the 2023 financial year (2022: \$nil).

The Company paid no joint venture board fees in 2023 (2022: \$nil).

Notes to the Financial Statements

14 Operating Lease Receivable

	2023	2022
	\$000	\$000
Operating lease as lessor		
Within one year	469	480
Between 1 and 5 years	2,005	2,020
Over 5 years	3,425	4,055
	<u>5,899</u>	<u>6,555</u>

The terms of the lease are detailed in note 5.

Classification of financial instruments

15 Financial instruments

	2023	2022
	\$000	\$000
Financial assets measured at amortised cost		
Current assets		
Cash and cash equivalents	2,605	5,770
Trade and other receivables	4,782	4,766
Other financial assets	500	-
	<u>7,887</u>	<u>10,536</u>
Non current assets		
Finance Lease non-current	37,489	39,365
	<u>37,489</u>	<u>39,365</u>
Total Financial Assets	<u>45,376</u>	<u>49,901</u>
Financial liabilities measured at amortised cost		
Current liabilities		
Trade and other payables	493	354
Borrowings	-	3,564
	<u>493</u>	<u>3,918</u>
Non current liabilities		
Borrowings	50,324	50,324
	<u>50,324</u>	<u>50,324</u>
Total Financial Liabilities	<u>50,817</u>	<u>54,242</u>

Notes to the Financial Statements

as at June 2023	Carrying amount \$000	Contractual cashflows \$000	Less than 1 year \$000	1 - 2 years \$000	3 - 5 years \$000	More than 5 years \$000
Financial assets:						
Cash and cash equivalents	2,605	2,605	2,605	-	-	-
Trade and other receivables	17	17	17	-	-	-
Other financial assets	-	-	-	-	-	-
Finance lease receivables	42,254	62,200	4,950	4,950	16,190	36,110
	44,876	64,822	7,572	4,950	16,190	36,110
Financial liabilities:						
Trade and other payables	249	249	249	-	-	-
Related party borrowings	50,324	91,996	3,069	5,776	11,245	71,906
	50,573	92,245	3,318	5,776	11,245	71,906

Finance lease receivables due in less than one year are included in the Trade and other receivables balance.

Financial instrument risk

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

Credit risk management

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 historic information about counterparty default rates.

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-.

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 management

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

Interest rates

Interest rate risk is the risk that the cash flows from a financial instrument will fluctuate because of changes in market interest rates. Borrowings and investments issued at variable interest rates expose the Company to interest rate risk.

The Company's borrowing liability with its parent is at a weighted fixed interest rate of 7.19% (2022: 7.03%). 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 \$31,213 or \$22,473 after tax (2022: \$53,814 or \$38,746 after tax).

Notes to the Financial Statements

Foreign exchange

The Company has no exposure to foreign exchange risk.

No significant impact on investment valuation.

16 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 the current and future interest of the community.

17 Joint Arrangements

The Company has a 50% interest in Christchurch Civic Building Joint Venture (CCB-JV) with Ngai Tahu Property (CCC-JV) Limited. The CCB-JV is an unincorporated partnership in which both partners share equally in the assets and liabilities of the operations. The CCB-JV board is comprised of three members appointed by each of the partners.

The CCB-JV owns and leases the Civic Building in Hereford Street to the Christchurch City Council.

The nature of the arrangement is such that it is considered a joint operation for accounting purposes. As a result the financial results of the Company incorporate its 50% share of the CCB-JV on line by line basis.

18 Events after balance date

There have been no material 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 2023.

19 Legislative requirements

The company was required under section 67(5) of the Local Government Act 2002 to complete its audited financial statements and service performance information by 30 November 2022. This timeframe was not met because Audit New Zealand was unable to complete the audit within this timeframe due to an auditor shortage and the consequential effects of Covid-19, including lockdowns.

20 Accounting policies

Reporting Entity

These are the financial statements of Civic Building Limited (the "Company").

The Company 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 Company was established on 12 October 2007 in order to carry out the development of the civic building for the Council. On 26 October 2007 the Company entered into an agreement to develop the civic building on the NZ Post site with Ngai Tahu. The Council's 2009 Annual Plan approved the creation of an unincorporated joint venture structure to carry out the development. The Company has a 50% interest in the resulting joint operations.

Accordingly, the Company has designated itself as a profit orientated entity for the purposes of New Zealand Equivalent to International Financial Reporting Standards (NZ IFRS). The financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand (NZ GAAP). They comply with NZ IFRS and other applicable financial reporting standards as appropriate for Tier 2 profit oriented entities.

Notes to the Financial Statements

The financial statements of the Company have been prepared in accordance with the Companies Act 1993 and the Local Government Act 2002.

The financial statements of the Company are for the year ended 30 June 2023. The financial statements were authorised for issue by the Board of Directors on 2 October 2023.

New accounting standards and interpretations issued but not yet effective.

Amendments to NZ IAS 1 - Disclosure of accounting policies:

In the absence of the definition of term 'Significant' in NZ IFRS, it is now replaced with 'Material' and by NZASB, which is widely understood by the users of financial statements. This amendment has no material impact on CBL annual report.

Amendments to NZ IAS 8 - Definition of Accounting Estimates:

Accounting estimates are now defined as, "monetary amounts in financial statements that are subject to measurement uncertainty". This amendment has no material impact on CBL annual report.

Amendments to NZ IAS 12 - Deferred tax related to Assets and Liabilities arising from a single transaction:

It is important to make a sound judgment in determining whether any temporary difference exist on initial recognition of the assets, and liability.

The initial recognition only applies if the recognition of a lease assets and lease liability gives rise to taxable and deductible temporary difference that are not equal. However, if deferred tax assets and liabilities are not equal, then an entity would need to account for the difference between in profit and loss. This amendment has no material impact on CBL annual report.

Amendments to NZ FRS 44 - Disclosure of fees for audit firm's services:

Entities are required to disclose the fees incurred for services received from the audit firm and a description for the services. This amendment has no material impact on CBL annual report.

Amendments to NZ IFRS 10, NZ IAS 28 – Sale or contribution of Assets between and investor and its Associate of Joint Venture.

A full gain or loss is recognised when a transfer to an associate or joint venture involves a business as defined in NZ IFRS3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognised only to the extent of unrelated investor's interest in the associate or joint venture. This amendment has no material impact on CBL annual report.

Basis of financial statement preparation

The financial statements have been prepared on an historical cost basis except for the revaluation of investment properties.

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

Judgements, estimates and assumptions

In preparing these financial statements the Company has been required to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances. These estimates and assumptions form the basis for making judgements about the carrying values of assets and liabilities, where these are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are regularly reviewed. Any change to estimates is recognised in the year if the change affects only that year, or into future years if it also affects future years. In the process of applying the Company's accounting policies, management has made the following

Notes to the Financial Statements

judgements estimates and assumptions that have had the most significant impact on the amounts recognised in these financial statements. The determination of the fair value of investment property is regarded as a critical estimate and is valued at least on an annual basis. This requires the estimation of current market values by an independent registered valuer, refer to note 6.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

A. Joint Operations

A joint operation is a joint arrangement whereby the parties have joint control of the arrangements and have rights to the assets, and obligations for the liabilities relating to the arrangement.

Where such an arrangement exists the Company will recognise its share of the assets, liabilities, revenue and expenses including its share of any held or incurred jointly.

B. Financial Assets

Term deposits with maturities greater than three months are measured at amortised cost and have been designated as loans and receivables.

C. Trade and other receivables

Trade and other receivables are initially measured at fair value less any recognition of any expected credit loss over the life of the assets less any provision for impairment.

D. 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 statement of financial position.

E. Investment property

The land leased to third parties under operating leases is classed as investment property.

Investment property is measured initially at 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 fair value of the investment property are recognised in the statement of comprehensive income.

F. Share capital

(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.

Preference share capital is classified as a liability if it provides for mandatory redemption by the issuer for a specific amount at a specific date (or gives the holder the right to requires such redemption from the issuer), or if it gives the holder the right to put it back to the issuer for cash or another financial asset. Dividends thereon are recognised in the statement of comprehensive income as interest expense.

Notes to the Financial Statements

G. 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 using the effective interest method.

H. Provisions

A provision is recognised in the statement of financial position when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of expenditures, the amount of which can be reliably estimated, will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

I. Leases

(i) Finance leases

Leases in which substantially all of the risks and rewards of ownership of an asset transfer to the lessee are classified as finance leases whether or not title is eventually transferred. At inception, finance leases are recognised in the statement of financial position at the present value of the minimum lease payments plus the present value of any unguaranteed residual value expected to accrue at the end of the lease term.

Amounts due from lessees under finance leases are recorded as receivables. 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 rate of return on the net investment outstanding in respect of the lease.

(ii) Operating leases

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset.

J. Revenue

Revenue is measured at the fair value of consideration received.

(i) Interest income

Interest income is recognised in the statement of comprehensive income as it accrues, using the effective interest method.

(ii) 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 Company's net investment in the finance lease.

(iii) Operating lease income

Operating lease income is recognised in the statement of comprehensive income on a straight-line basis over the term of the lease.

(iv) Insurance proceeds

Insurance proceeds are recognised in the statement of comprehensive income when the compensation becomes receivable.

K. Financing costs

Financing costs comprise interest payable on borrowings calculated using the effective interest rate method. All interest payable on borrowings is recognised as an expense in the statement of comprehensive incomes as it occurs.

L. Income tax

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

Notes to the Financial Statements

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

Deferred tax is provided using the statement of financial position 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. Temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit are not provided for.

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 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.

M. Trade and Other Payables

Trade and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method. They represent liabilities for goods and services received by the Company during and up to the end of the financial year and which remain unpaid as at balance date. The amounts are exclusive of GST.

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, payable to, the Inland Revenue Department is included as part of receivables or payable in the statement of financial position.

Independent Auditor's Report

To the readers of Civic Building Limited's financial statements and performance information for the year ended 30 June 2023

The Auditor-General is the auditor of Civic Building Limited (the company). The Auditor-General has appointed me, Chantelle Gernetzky, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and performance information of the company on his behalf.

Opinion

We have audited:

- the financial statements of the company on pages 5 to 8 and 11 to 26, that comprise the statement of financial position as at 30 June 2023, the statement of comprehensive income, statement of changes in equity and cashflow 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 performance information of the company on pages 9 to 10.

In our opinion:

- the financial statements of the company on pages 5 to 8 and 11 to 26:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2023; and
 - its financial performance and cash flows for the year then ended; and
 - comply with generally accepted accounting practice in New Zealand in accordance with New Zealand equivalents to International Financial Reporting Standards Reduced Disclosure Regime; and
- the performance information of the company on pages 9 to 10 presents fairly, in all material respects, the company's actual performance compared against the performance targets and other measures by which performance was judged in relation to the company's objectives for the year ended 30 June 2023.

Our audit was completed on 2 October 2023. This is the date at which our opinion is expressed.

Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors for the financial statements and the performance information

The Board of Directors is responsible on behalf of the company for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand. The Board of Directors is also responsible for preparing the performance information for the company.

The Board of Directors is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the performance information, the Board of Directors is responsible on behalf of the company for assessing the company's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Board of Directors intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors' responsibilities arise from the Local Government Act 2002.

Responsibilities of the auditor for the audit of the financial statements and the performance information

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of these financial statements and the performance information.

For the budget information reported in the financial statements and the performance information, our procedures were limited to checking that the information agreed to the company's statement of intent.

We did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit 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.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- We evaluate the appropriateness of the reported performance information within the company's framework for reporting its performance.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other Information

The Board of Directors are responsible for the other information. The other information comprises the information included on pages 2 to 4, but does not include the financial statements and the performance information, and our auditor's report thereon.

Our opinion on the financial statements and the performance information does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon. In connection with our audit of the financial statements and the performance information, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the performance information, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independence

We are independent of the company in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: *International Code of Ethics for Assurance Practitioners*, issued by the New Zealand Auditing and Assurance Standards Board.

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

A handwritten signature in black ink, appearing to be 'Chantelle Gernetzky', written in a cursive style.

Chantelle Gernetzky
Audit New Zealand
On behalf of the Auditor-General
Christchurch, New Zealand