



ANNUAL REPORT

**For the Year Ended
30 June 2019**

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Directory and Statutory Disclosures

Registered Office	53 Hereford Street Christchurch
Directors	James Gough David East Mike Davidson
Bankers	Bank of New Zealand Westpac 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 2019 were:

James Gough
David East
Mike Davidson

DIRECTOR'S INTERESTS

The following Directors as at 30 June 2019 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 Director Director Director Director Director Director Director Shareholder Shareholder Trustee	Christchurch City Council Christchurch City Holdings Ltd Gough Corporation Holdings Ltd The Terrace On Avon Ltd 69 Worcester Boulevard Ltd Gough Property Corporation Ltd The Terrace Carpark Limited Countrywide Residential (2018) Ltd The Russley Village Limited Gough Holdings Ltd Antony Gough Trust
David East	Councillor Director Treasurer Trustee Trustee	Christchurch City Council Cavalier Business Services Canterbury Neighbourhood Support Inc Canterbury Museum Trust Board Christchurch Stadium Trust
Mike Davidson	Councillor	Christchurch City Council

REMUNERATION OF DIRECTORS

No remuneration and other benefits were paid or due and payable to directors for services as a director during the year (2018: 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 (2018: Nil).

DIVIDENDS

There have been no dividends declared for the year (2018: Nil).

EMPLOYEES' REMUNERATION

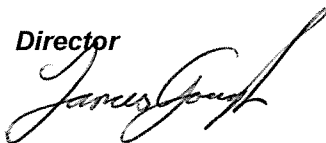
The Company has no employees.

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



J. T. GOUGH

Date

12/9/19.

Director



D.C. East

Date

12/9/19

**Statement of Comprehensive Income and Expense
For the year ended 30 June 2019**

	Note	2019 \$000	2018 \$000
Revenue	1(a)	4,725	5,992
Finance costs	1(b)	4,077	5,403
Other expenses	1(b)	<u>706</u>	<u>657</u>
		4,783	6,060
(Loss) before income tax		<u>(58)</u>	<u>(68)</u>
Income tax expense/(income)	2	(16)	(377)
(Loss) / profit for the period		<u>(42)</u>	<u>309</u>
Other comprehensive income		-	-
Total comprehensive income		<u><u>(42)</u></u>	<u><u>309</u></u>

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

Civic Building Limited
Annual Report Year Ended 30 June 2019

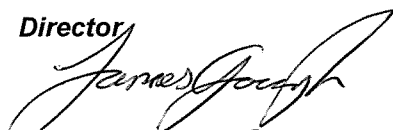
Statement of Financial Position
As at 30 June 2019

	Note	2019 \$000	2018 \$000
Current assets			
Cash and cash equivalents	12	1,025	5,195
Trade and other receivables	4	4,513	4,216
Current tax assets	2(b)	560	489
Total current assets		<u>6,098</u>	<u>9,900</u>
Non-current assets			
Investment property	6	6,400	6,400
Trade and other receivables	5	43,836	45,036
Total non-current assets		<u>50,236</u>	<u>51,436</u>
Total assets		56,334	61,336
Current liabilities			
Trade and other payables	7	546	562
Borrowings	8	1,000	5,000
Total current liabilities		<u>1,546</u>	<u>5,562</u>
Non-current liabilities			
Borrowings	8	52,888	53,888
Deferred tax liabilities	2(c)	10,520	10,464
Total non-current liabilities		<u>63,408</u>	<u>64,352</u>
Total liabilities		<u>64,954</u>	<u>69,914</u>
Net assets		<u>(8,620)</u>	<u>(8,578)</u>
Equity			
Capital and other equity instruments	9	6,188	6,188
Retained earnings		(14,808)	(14,766)
Total equity		<u>(8,620)</u>	<u>(8,578)</u>

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

For and on behalf of the Board

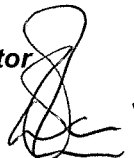
Director


 J. T. GOUGH

Date

12/9/19.

Director


 D. C. EAST

Date

12/9/19.

Civic Building Limited
Annual Report Year Ended 30 June 2019

Statement of Changes in Equity
For the year ended 30 June 2019

	Capital	Revaluation	Retained	Total
	\$'000	Reserve	Earnings	\$'000
	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2017	6,188		(15,075)	(8,887)
Total comprehensive income for the period				
Surplus for the year	-	-	309	309
Total comprehensive income for the period	-	-	309	309
Balance at 30 June 2018 and 1 July 2018	6,188	-	(14,766)	(8,578)
Total comprehensive income for the period				
Loss for the year	-	-	(42)	(42)
Total comprehensive income for the period	-	-	(42)	(42)
Balance at 30 June 2019	6,188	-	(14,808)	(8,620)

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

Civic Building Limited
Annual Report Year Ended 30 June 2019

Cashflow Statement
For the year ended 30 June 2019

	Note	2019 \$000	2018 \$000
Cash flows from operating activities			
Operating revenue		5,463	5,353
Insurance proceeds received		3	-
Payments to suppliers		(672)	(649)
Subvention payments received		-	542
Net GST movement		(4)	(1)
Net cash provided by operating activities	12	<u>4,790</u>	<u>5,245</u>
Cash flows from investing activities			
Interest received		149	139
Maturities of term deposits		12,375	20,917
New term deposits		(12,375)	(19,457)
Net cash provided by investing activities		<u>149</u>	<u>1,599</u>
Cash flows from financing activities			
Loan repayment		(5,000)	-
Interest paid		(4,109)	(5,420)
Net cash provided by financing activities		<u>(9,109)</u>	<u>(5,420)</u>
Net increase in cash and cash equivalents		(4,170)	1,424
Cash and cash equivalents at beginning of year		<u>5,195</u>	<u>3,771</u>
Cash and cash equivalents at end of year	12	<u><u>1,025</u></u>	<u><u>5,195</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 \$000	Actual \$000	Variance \$000
<i>Income</i>			
Interest - Finance Lease	3,466	3,466	-
Interest - Other	98	161	63
Other income	1,077	1,098	21
Gain on revaluation of investment property	-	-	-
Total Income	<u>4,641</u>	<u>4,725</u>	<u>84</u>
<i>Expenses</i>			
Finance costs	4,349	4,077	272
Other expenses	637	706	(69)
Total Expenses	<u>4,986</u>	<u>4,783</u>	<u>203</u>
Net Surplus (deficit) before tax	(345)	(58)	287
Taxation	<u>(147)</u>	<u>(16)</u>	<u>131</u>
Net Surplus (deficit) after tax	<u><u>(198)</u></u>	<u><u>(42)</u></u>	<u><u>156</u></u>
<u>Capital Structure</u>			
Uncalled capital	10,000	10,000	-
RPS Shares	6,188	6,188	-
Borrowings from Council	53,888	53,888	-
Finance Lease assets	48,341	48,341	-
Total Assets	54,900	56,334	1,434
Ratio of shareholder funds to total assets	-18.5%	-15.3%	

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 higher than plan due to higher than expected interest received, rental income and recovery of property expenses.

Expenses are lower than plan due to lower finance costs than planned.

The total asset balance of \$56.4 million is higher than plan due to larger than planned cash and cash equivalents and a higher than expected land value.

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.	All performance indicators we 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.	The building is being managed in accordance with the management agreement.

Environmental and Social Performance Targets

Performance Target	Performance Measure	Result
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.	The Facilities Management Team considers that the building is operating in a manner consistent with a star 6 facility.

Civic Building Limited intends to undertake an independent assessment of the building in line with the New Zealand Green Building Council in 2019/20.

Notes to the Financial Statements

1 Profit from operations

(a) Revenue

	2019	2018
	\$000	\$000
Rental revenue:		
Operating lease rental revenue - investment property	443	443
Recovery of property expenses	652	612
	<u>1,095</u>	<u>1,055</u>
Interest revenue:		
Finance lease interest revenue	3,466	3,524
Bank deposits	161	133
	<u>3,627</u>	<u>3,657</u>
Other revenue:		
Gain on revaluation of investment property	-	1,280
Material damage and insurance proceeds received / receivable	3	-
Total revenue	<u>4,725</u>	<u>5,992</u>

(b) Expenses

		2019	2018
	Note	\$000	\$000
Finance costs:			
Interest on loans		4,077	5,403
		<u>4,077</u>	<u>5,403</u>
Direct operating expenses of investment properties:			
Audit fees	3	16	16
Management fees		20	20
Property management costs		651	611
Repairs and maintenance		14	4
Other		5	6
		<u>706</u>	<u>657</u>
Total expenses		<u>4,783</u>	<u>6,060</u>

Notes to the Financial Statements

2 Income taxes

a. Income tax recognised in profit or loss

	2019	2018
	\$000	\$000
Tax expense/(income) comprises:		
Current tax expense/(income)	(70)	(488)
Deferred tax expense/(income)	56	111
Total tax expense/(income)	<u>(14)</u>	<u>(377)</u>

Reconciliation of prima facie income tax:

	2019	2018
	\$000	\$000
Profit/(loss) from operations	<u>(58)</u>	<u>(68)</u>
Income tax expense calculated at 28% (2018: 28%)	(16)	(19)
Non assessable income	-	(358)
Deferred tax adjustment	56	111
Building lease classified as operating lease for tax purposes	<u>(53)</u>	<u>(111)</u>
	<u>(13)</u>	<u>(377)</u>

b. Current tax assets and liabilities

	2019	2018
	\$000	\$000
Current tax assets:		
Subvention receivable	<u>560</u>	<u>488</u>
	<u>560</u>	<u>488</u>

c. Deferred tax balances

Taxable and deductible temporary differences arise from the following:

	2019	2018
	\$000	\$000
Deferred tax liabilities		
Temporary differences	<u>10,520</u>	<u>10,464</u>
	<u>10,520</u>	<u>10,464</u>

Civic Building Limited
Annual Report Year Ended 30 June 2019

Notes to the Financial Statements

Taxable and deductible temporary differences arise from the following:

Year ended 30 June 2019	Opening balance \$000	Charged to income \$000	Closing balance \$000
Deferred tax liabilities:			
Investment Property	10,464	56	10,520
	<u>10,464</u>	<u>56</u>	<u>10,520</u>

Taxable and deductible temporary differences arise from the following:

Year ended 30 June 2018	Opening balance \$000	Charged to income \$000	Closing balance \$000
Deferred tax liabilities:			
Investment Property	10,353	111	10,464
	<u>10,353</u>	<u>111</u>	<u>10,464</u>

3 Remuneration of auditors

	2019 \$000	2018 \$000
Auditor of the entity:		
Audit of the financial statements	12	12
Audit of the financial statements - other auditor	4	4
	<u>16</u>	<u>16</u>

4 Current trade and other receivables

	Note	2019 \$000	2018 \$000
Finance lease receivable - current portion	5	4,505	4,153
Interest receivable		-	3
Related party receivable		2	54
Sundry Receivable		6	6
Prepayments		-	-
		<u>4,513</u>	<u>4,216</u>

The carrying value of debtors and other receivables approximate their fair value. Receivables are considered to be a low credit risk. 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 been renegotiated amount to \$nil (2018: \$nil).

Notes to the Financial Statements

5 Finance lease receivable

	Minimum future lease payments		Present value of minimum future	
	2019	2018	2019	2018
	\$000	\$000	\$000	\$000
No later than one year	4,681	4,315	4,505	4,153
Later than one year and not later than five years	19,310	19,041	15,594	15,381
Later than five years	57,250	62,199	28,242	29,656
Minimum lease payments	81,241	85,555	48,341	49,189
Unguaranteed residual	-	-	-	-
Gross finance lease receivables	81,241	85,555	48,341	49,189
Less unearned finance income	(32,900)	(36,366)	-	-
Present value of minimum lease payments	48,341	49,189	48,341	49,189
Future rent lost			-	-
Revised carrying value			48,341	49,189
Included in the financial statements as:				
Current trade and other receivables			4,505	4,153
Non-current trade and other receivables			43,836	45,036
			48,341	49,189

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

6 Investment property

	2019	2018
	\$000	\$000
Balance at beginning of financial year	6,400	5,120
Revaluation	-	1,280
Balance at end of financial year	6,400	6,400

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

Notes to the Financial Statements

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

Investment properties were fair valued at 30 June 2019 and 30 June 2018 by independent registered external valuers, Colliers International (Valuation) Limited.

As the valuation of investment 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 remained unchanged from prior year at 6.25%.

7 Current trade and other payables

	2019	2018
	\$000	\$000
Trade payables	389	369
Related party payables	99	131
GST payable	58	62
	<u>546</u>	<u>562</u>

8 Borrowings

	2019	2018
	\$000	\$000
Unsecured:		
Current:		
Loans from parent entity	1,000	5,000
Non-current:		
Loans from parent entity	<u>52,888</u>	<u>53,888</u>
	<u>53,888</u>	<u>58,888</u>

The Company has entered into a cash advance facility agreement with Council. Repayment started in December 2018, and the loan is expected to be fully repaid by 2044. Interest is payable at a weighted average of 7.11% quarterly (2018: 6.33% 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 \$5,000,000 (2018: nil).

The fair value of the borrowings is \$62,191,342 (2018: \$66,623,659) based on cash flows discounted using the market rate of 5.5% (2018: 5.6%)

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 (2018: Level 2).

Notes to the Financial Statements

9 Authorised capital and other equity instruments

	2019	2018
	\$000	\$000
10,000,000 fully paid ordinary shares @ \$1	-	-
6,188,000 fully paid redeemable preference shares (A) @ \$1	6,188	6,188
	<u>6,188</u>	<u>6,188</u>
Fully paid redeemable preference shares (A)		
Opening balance of paid up redeemable preference shares	6,188	6,188
Plus: issued capital	-	-
Less: unpaid shares	-	-
Less: uncalled portion of shares issued	-	-
Closing balance of paid up redeemable preference shares	<u>6,188</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.

10 Commitments for expenditure

There were no commitments for development expenditure that were not otherwise accrued at 30 June 2019 (2018: \$nil).

11 Contingent liabilities and contingent assets

There were no contingent assets or contingent liabilities as at 30 June 2019 or 30 June 2018

Notes to the Financial Statements

12 Notes to the cash flow statement

	2019	2018
	\$000	\$000
Cash and cash equivalents		
Cash and cash equivalents	1,025	5,195
	<u>1,025</u>	<u>5,195</u>
Reconciliation of profit for the period to net cash flows from operating activities		
Net profit for the period	<u>(35)</u>	<u>309</u>
Changes in net assets and liabilities		
Increase / (decrease) in income tax receivable	(69)	55
(Increase) / decrease in receivables	32	(11)
Increase / (decrease) in payables	(2)	(10)
Decrease in lease receivable	849	791
Interest received classed as investing	(150)	(139)
Interest paid classed as financing	4,109	5,420
Non cash items:		
Loss / gain on revaluation of investment property	-	(1,280)
Increase / decrease in deferred tax	56	110
Net changes in net assets and liabilities	<u>4,825</u>	<u>4,936</u>
Net cash from operating activities	<u>4,790</u>	<u>5,245</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:

	2019	2018
	\$000	\$000
Receipts from related parties		
Finance Lease interest, principal and rent received from the Council	4,724	4,977
Subvention payments received from Council group entities	-	544
Recovery of property expenses from the Council	644	611
Sinking fund from Council	45	44
Payments to related parties		
Interest paid to the Council	4,077	5,403
Management fees charged by Ngai Tahu Properties Ltd	94	94
Management fees charged by the Council	20	20
Rates paid to Council	240	229
Loans repaid to Council	5,000	-
Year end balances (GST exclusive)		
Accounts receivable from Council	2	54
Loan advances from Council	53,888	58,888
Accrued interest payable to Council	99	131
Subvention payments receivable from group companies	560	488
Accounts Payable to Council	-	-

The Company expects to transfer tax losses to other members of the council group of \$1,992,793 (2018: \$1,744,869) by way of a subvention payment of \$557,982 (2018: \$488,563) which has been accrued and a loss offset of \$1,434,811 (2018: \$1,256,306).

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 2018/2019 financial year (2017/2018: nil).
The Company paid no joint venture board fees in 2019 (2018: nil).

14 Operating Leases

	Minimum Lease	
	Payments	
	2019	2018
	\$000	\$000
Operating lease as lessor		
Within one year	444	409
Between 1 and 5 years	1,831	1,805
Over 5 years	5,428	5,896
	<u>7,703</u>	<u>8,110</u>

The terms of the lease are detailed in note 6.

Notes to the Financial Statements

15 Financial instruments

Classification of financial instruments

	2019	2018
	\$000	\$000
Financial assets measured at amortised cost		
Current assets		
Cash and cash equivalents	1,025	5,195
Trade and other receivables	4,513	4,216
	<u>5,538</u>	<u>9,411</u>
Non current assets		
Finance lease receivable	43,836	45,036
	<u>43,836</u>	<u>45,036</u>
Total Financial Assets	<u><u>49,374</u></u>	<u><u>54,447</u></u>
Financial liabilities measured at amortised cost		
Current liabilities		
Trade and other payables	546	562
Borrowings	1,000	5,000
	<u>1,546</u>	<u>5,562</u>
Non current liabilities		
Borrowings	52,888	53,888
	<u>52,888</u>	<u>53,888</u>
Total Financial Liabilities	<u><u>54,434</u></u>	<u><u>59,450</u></u>

Notes to the Financial Statements

Contractual Maturity Analysis

as at 30 June 2019	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	1,025	1,025	1,025	-	-	-
Trade and other receivables	4,513	4,689	4,689	-	-	-
Other financial assets	-	-	-	-	-	-
Finance lease receivables	43,836	76,558	-	4,714	14,595	57,249
	<u>49,374</u>	<u>82,272</u>	<u>5,714</u>	<u>4,714</u>	<u>14,595</u>	<u>57,249</u>
Financial liabilities:						
Trade and other payables	546	546	546	-	-	-
Related party borrowings	53,888	114,667	4,837	5,055	15,392	89,383
	<u>54,434</u>	<u>115,213</u>	<u>5,383</u>	<u>5,055</u>	<u>15,392</u>	<u>89,383</u>

as at 30 June 2018	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	5,195	5,195	5,195	-	-	-
Trade and other receivables	4,216	4,378	4,378	-	-	-
Other financial assets	-	-	-	-	-	-
Finance lease receivables	45,036	81,239	-	4,681	14,359	62,199
	<u>54,447</u>	<u>90,813</u>	<u>9,574</u>	<u>4,681</u>	<u>14,359</u>	<u>62,199</u>
Financial liabilities:						
Trade and other payables	562	562	562	-	-	-
Related party borrowings	58,888	113,919	9,188	4,825	14,999	84,907
	<u>59,450</u>	<u>114,481</u>	<u>9,750</u>	<u>4,825</u>	<u>14,999</u>	<u>84,907</u>

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.

Notes to the Financial Statements

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 7.11% (2018: 9.21%). 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 \$43,387 or \$31,239 after tax (2018: \$54,030 or \$38,901 after tax).

Foreign exchange

The Company has no exposure to foreign exchange risk.

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 2019.

19 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

Notes to the Financial Statements

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.

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 2019. The financial statements were authorised for issue by the Board of Directors on 12 September 2019.

New accounting standards and interpretations

NZ IFRS 9 Financial instruments

Civic Building Limited complies with all requirements of NZ IFRS 9 Financial instruments (NZ IFRS 9) as of 1 July 2018. NZ IFRS 9 includes two areas of change that affect these financial statements:

(i) Classification and measurement of financial instruments

Civic Building Limited determines the classification of financial assets at initial recognition. Classification is driven by the companies business model for managing the financial assets and their contractual cash flow characteristics.

Civic Building Limited has completed a detailed assessment of its financial assets and liabilities as at 1 July 2018 and there has been no change in classifications under the new standard. All its financial instruments remain measured at amortised cost.

(ii) New impairment Model

NZ IFRS 9 prescribes an 'expected credit loss' model instead of a previous incurred loss model, so it is no longer necessary for a trigger event to have occurred before recognising credit losses. NZ IFRS 9 requires Civic Building Limited to base the measurement of expected credit losses on forward-looking information, as well as current and historic information. There was no expected credit loss allowance recognised as a result of adoption, as Civic Building Limited has not experienced a history of significant credit losses, and no current or forward-looking information at 30 June 2019 indicated a significant increase in credit risk.

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.

B. 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.

C. Financial Assets

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

D. 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.

E. 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.

F. 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.

G. 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

H. 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.

I. 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.

J. 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.

K. 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.

L. 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.

M. Income tax

Notes to the Financial Statements

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.

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.

N. 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.

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