

**TUAM LIMITED**

**ANNUAL REPORT**

**FOR**

**YEAR ENDED 30 JUNE 2016**

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## **Company Directory**

|                   |                                     |
|-------------------|-------------------------------------|
| Registered Office | 53 Hereford Street<br>Christchurch  |
| Directors         | Dr K Edwards<br>P Gudsell           |
| Bankers           | Bank of New Zealand<br>Christchurch |

## Statutory Disclosures For the year ended 30 June 2016

### State of Affairs

Tuam Ltd sold its land and building investments on Tuam Street to the Central City Development Unit (CCDU) on 3 October 2013.

The financial statements of Tuam Limited are for the year ended 30 June 2016. For the year ended 30 June 2016, the Company made a net surplus of \$27,028,438 (2015: Net deficit \$303,643).

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

### Directors

The persons holding office as Directors of the Company for the year and as at 30 June 2016 were:

Dr K Edwards  
P Gudsell

The following Directors have made general disclosures of interest with respect to any transaction that may be entered into with certain organisations on the basis of them being a Director, Partner, Trustee or Officer of those organisations during the year:

|              |                         |                                             |
|--------------|-------------------------|---------------------------------------------|
| Dr K Edwards | Chief Executive Officer | Christchurch City Council                   |
|              | Director                | CCC One Limited                             |
|              | Director                | Vbase Limited                               |
|              | Director                | Ellerslie International Flower Show Limited |
|              | Director                | CCC Five Limited                            |
|              | Director                | CCC Six Limited                             |
|              | Director                | CCC Seven Limited                           |
| P Gudsell    | Chief Financial Officer | Christchurch City Council                   |
|              | Director                | CCC One Limited                             |
|              | Director                | Ellerslie International Flower Show Limited |
|              | Director                | CCC Five Limited                            |
|              | Director                | CCC Six Limited                             |
|              | Director                | CCC Seven Limited                           |

### Remuneration of Directors

The company has paid insurance on behalf of its directors.

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

**Use of Company Information**

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

**Donations**

The Company made no donations during the year.

**Employees' Remuneration**

The Company has no employees.

**Auditors**

The Auditor General is appointed under Section 14 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.



Dr Karleen Edwards  
Director

Date 29 September 2016



Peter Gudsell  
Director

Date 29 September 2016

# Statement of Comprehensive Income for the year ended 30 June 2016

|                                                | Note | 2016<br>\$000 | 2015<br>\$000 |
|------------------------------------------------|------|---------------|---------------|
| Other income                                   | 1(a) | <u>27,315</u> | <u>(203)</u>  |
|                                                |      | <u>27,315</u> | <u>(203)</u>  |
| Finance costs                                  | 1(b) | 45            | -             |
| Other expenses                                 | 1(b) | <u>88</u>     | <u>108</u>    |
|                                                |      | <u>133</u>    | <u>108</u>    |
| <b>Profit (loss) before income tax expense</b> |      | <u>27,182</u> | <u>(311)</u>  |
| Income tax expense/(income)                    | 2(a) | <u>154</u>    | <u>(7)</u>    |
| <b>Net surplus/(deficit) for period</b>        |      | <u>27,028</u> | <u>(304)</u>  |
| Other comprehensive income                     |      | -             | -             |
| <b>Total comprehensive income</b>              |      | <u>27,028</u> | <u>(304)</u>  |

The accompanying notes form part of these financial statements.

# **Statement of Changes in Equity for the year ended 30 June 2016**

|                                         | <b>Capital<br/>Reserves<br/>\$000</b> | <b>Retained<br/>earnings<br/>\$000</b> | <b>Total<br/>equity<br/>\$000</b> |
|-----------------------------------------|---------------------------------------|----------------------------------------|-----------------------------------|
| Balance as at 30 June 2014              | 18,135                                | 1,895                                  | 20,030                            |
| Total comprehensive income for the year | -                                     | (304)                                  | (304)                             |
| Balance as at 30 June 2015              | 18,135                                | 1,591                                  | 19,726                            |
| Total comprehensive income for the year | -                                     | 27,028                                 | 27,028                            |
| Balance as at 30 June 2016              | 18,135                                | 28,619                                 | 46,754                            |

The accompanying notes form part of these financial statements.

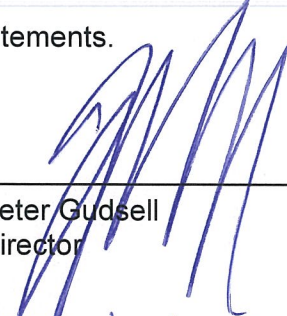
# Statement of Financial Position as at 30 June 2016

|                                             | Note | 2016<br>\$000 | 2015<br>\$000 |
|---------------------------------------------|------|---------------|---------------|
| <b>Current assets</b>                       |      |               |               |
| Cash and cash equivalents                   | 7    | 47,218        | 537           |
| Trade and other receivables                 | 4    | 54            | 14,492        |
| Other financial assets - short-term deposit | 9    | -             | 5,000         |
| Current tax assets                          | 2(b) | 2             | 58            |
|                                             |      | <u>47,274</u> | <u>20,087</u> |
| <b>Total assets</b>                         |      | 47,274        | 20,087        |
| <b>Current liabilities</b>                  |      |               |               |
| Trade and other payables                    | 5    | 95            | 90            |
| Current tax liability                       | 2(b) | 154           | -             |
| Total current liabilities                   |      | <u>249</u>    | <u>90</u>     |
| <b>Non-current liabilities</b>              |      |               |               |
| Deferred tax liabilities                    | 2(c) | 271           | 271           |
| Total non-current liabilities               |      | <u>271</u>    | <u>271</u>    |
| <b>Total liabilities</b>                    |      | 520           | 361           |
| <b>Net assets</b>                           |      | <u>46,754</u> | <u>19,726</u> |
| <b>Equity</b>                               |      |               |               |
| Capital and other equity instruments        | 6    | 18,135        | 18,135        |
| Retained earnings                           | 6(c) | 28,619        | 1,591         |
| <b>Total equity</b>                         |      | <u>46,754</u> | <u>19,726</u> |

The accompanying notes form part of these financial statements.

  
Dr Karleen Edwards  
Director

29 September 2016  
Date

  
Peter Gudsell  
Director

29 September 2016  
Date



# **Statement of Cash Flow** **for the year ended 30 June 2016**

|                                                      | Note | 2016<br>\$000   | 2015<br>\$000  |
|------------------------------------------------------|------|-----------------|----------------|
| <b>Cash flows from operating activities</b>          |      |                 |                |
| Insurance proceeds                                   |      | 41,092          | (31)           |
| Payments to suppliers                                |      | (83)            | (40)           |
| Tax paid                                             |      | 56              | (1)            |
| Net GST movement                                     |      | -               | 5              |
| Net cash inflow/(outflow) from operating activities  | 7(b) | <u>41,065</u>   | <u>(67)</u>    |
| <b>Cash flows from investing activities</b>          |      |                 |                |
| Interest received                                    |      | 661             | 241            |
| Short-term investment matured                        |      | 56,419          | -              |
| Short-term investment purchased                      |      | <u>(51,419)</u> | <u>(5,000)</u> |
| Net cash inflow/ (outflow) from investing activities |      | <u>5,661</u>    | <u>(4,759)</u> |
| <b>Cash flows from financing activities</b>          |      |                 |                |
| Interest and other finance costs paid                |      | <u>(45)</u>     | -              |
| Net cash provided by/(used in) financing activities  |      | <u>(45)</u>     | -              |
| Net inflow/ (outflow) of cash                        |      | 46,681          | (4,826)        |
| Opening bank and short term investments              |      | 537             | 5,363          |
| Represented by:                                      |      |                 |                |
| Cash and cash equivalents                            |      | <u>47,218</u>   | <u>537</u>     |

The accompanying notes form part of these financial statements.

## Statement of Service Performance for the year ended 30 June 2016

### Financial Performance Targets

|                                              | 2016<br>Actual<br>\$000          | 2016<br>Target<br>\$000          | 2016<br>Variance<br>\$000 |
|----------------------------------------------|----------------------------------|----------------------------------|---------------------------|
| <b>Income</b>                                |                                  |                                  |                           |
| Interest income                              | 683                              | 197                              | 486                       |
| Other income                                 | 26,632                           | 49                               | 26,583                    |
|                                              | <u>27,315</u>                    | <u>246</u>                       | <u>27,069</u>             |
| <b>Expenditure</b>                           |                                  |                                  |                           |
| Other expenses                               | 133                              | 69                               | 64                        |
|                                              | <u>133</u>                       | <u>69</u>                        | <u>64</u>                 |
| <b>Net surplus (deficit) before tax</b>      | <u><b>27,182</b></u>             | <u><b>177</b></u>                | <u><b>27,005</b></u>      |
| Tax expense                                  | (154)                            | (22)                             | (132)                     |
| <b>Net surplus/(deficit) after tax</b>       | <u><b>27,028</b></u>             | <u><b>155</b></u>                | <u><b>26,873</b></u>      |
|                                              | <b>2016<br/>Actual<br/>\$000</b> | <b>2016<br/>Target<br/>\$000</b> | <b>Variance<br/>\$000</b> |
| Ratio of shareholders' funds to total assets | 99%                              | 99%                              | 0%                        |
| Equity                                       | 18,135                           | 18,135                           | -                         |
| Retained earnings                            | 28,619                           | 2,195                            | 26,424                    |
| Debt                                         | -                                | -                                | -                         |
| Total assets                                 | 47,274                           | 20,630                           | 26,644                    |
| Return on cash deposits                      | 3.69%                            | 4.00%                            | -0.31%                    |

### Variances:

The insurance settlement in December 2015 of \$41,927,440 has resulted in Tuam recognising a further \$26,632,348 of additional insurance income. This was not included in the target.

The additional income has offset the higher than planned expenses. The increased expenses were due to incurring additional costs to support the insurance position and relating to the settlement of the claim.

The actual return on cash deposit was slightly lower than target due to market fluctuations.

**Operational Performance Targets**

Tuam uses the following measures to assess its performance of the financial year:

| Performance Target                                                       | Performance Measure                                                 | Results                                                                                                    |
|--------------------------------------------------------------------------|---------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------|
| The company will distribute capital to Council.                          | The Company will maximise its capital distribution to Council.      | Not achieved.<br>No dividends or returns of capital have taken place. A dividend was paid on 29 July 2016. |
| The company meets all relevant legislative and contractual requirements. | No breaches of legislative or contractual requirements are recorded | There have been no breaches recorded to date.                                                              |

## Notes to the Financial Statements

### 1. Profit from operations

#### a) Revenue

|                      | 2016<br>\$000 | 2015<br>\$000 |
|----------------------|---------------|---------------|
| <b>Revenue</b>       |               |               |
| Interest revenue     | 683           | 231           |
| Insurance recoveries | 26,632        | (434)         |
|                      | <u>27,315</u> | <u>(203)</u>  |
| <b>Total revenue</b> | <u>27,315</u> | <u>(203)</u>  |

#### b) Expenses

|                        | 2016<br>\$000 | 2015<br>\$000 |
|------------------------|---------------|---------------|
| <b>Finance costs</b>   |               |               |
| Interest expense       | 45            | -             |
|                        | <u>45</u>     | <u>-</u>      |
| <b>Other expenses</b>  |               |               |
| Insurance              | 4             | 5             |
| Earthquake costs       | 75            | 92            |
| Consultancy fees       | 4             | 2             |
| Accounting fees        | -             | 4             |
| Auditor's remuneration | 5             | 5             |
|                        | <u>88</u>     | <u>108</u>    |
| <b>Total Expenses</b>  | <u>133</u>    | <u>108</u>    |

### 2. Income taxes

#### a) Income tax recognised in profit or loss

|                                                                      | 2016<br>\$000 | 2015<br>\$000 |
|----------------------------------------------------------------------|---------------|---------------|
| Current tax expense/(income)                                         | 154           | -             |
| Adjustments recognised in current year in relation to prior year tax | -             | (101)         |
| Deferred tax expense/(income)                                        | -             | 94            |
| <b>Total tax expense/(income)</b>                                    | <u>154</u>    | <u>(7)</u>    |
| <b>Attributable to:</b>                                              |               |               |
| Continuing operations                                                | <u>154</u>    | <u>(7)</u>    |

|                                                  | 2016<br>\$000 | 2015<br>\$000 |
|--------------------------------------------------|---------------|---------------|
| Profit/(loss) before tax                         | 27,182        | (311)         |
| Income tax expense calculated at 28% (2015: 28%) | 7,611         | (87)          |
| Correction to prior year tax expense             | -             | (101)         |
| Depreciation recovered                           | -             | 94            |
| Effect of tax offsets to group companies         | -             | 87            |
| Insurance proceeds on sale of building           | (7,457)       | -             |
|                                                  | <u>154</u>    | <u>(7)</u>    |

b) Current tax assets and liabilities

|                              | 2016<br>\$000 | 2015<br>\$000 |
|------------------------------|---------------|---------------|
| <b>Current tax assets:</b>   |               |               |
| Tax refund receivable - RWT  | <u>2</u>      | <u>58</u>     |
|                              | <u>2</u>      | <u>58</u>     |
| <b>Current tax payables:</b> |               |               |
| Subvention payable           | <u>154</u>    | <u>-</u>      |
|                              | <u>154</u>    | <u>-</u>      |

c) Deferred tax liabilities (assets)

| Year ended 30 June 2016 | Opening<br>balance<br>\$000 | Recognised<br>in P&L<br>\$000 | Closing<br>Balance<br>\$000 |
|-------------------------|-----------------------------|-------------------------------|-----------------------------|
| Earthquake recoveries   | <u>271</u>                  | <u>-</u>                      | <u>271</u>                  |
|                         | <u>271</u>                  | <u>-</u>                      | <u>271</u>                  |
| Year ended 30 June 2015 | Opening<br>balance<br>\$000 | Recognised<br>in P&L<br>\$000 | Closing<br>Balance<br>\$000 |
| Earthquake recoveries   | <u>177</u>                  | <u>94</u>                     | <u>271</u>                  |
|                         | <u>177</u>                  | <u>94</u>                     | <u>271</u>                  |

3. Remuneration of auditors

|                               | 2016<br>\$000 | 2015<br>\$000 |
|-------------------------------|---------------|---------------|
| Audit New Zealand:            |               |               |
| Audit of financial statements | <u>5</u>      | <u>5</u>      |
|                               | <u>5</u>      | <u>5</u>      |

**4. Current trade and other receivables**

|                      | 2016<br>\$000 | 2015<br>\$000 |
|----------------------|---------------|---------------|
| <b>Current:</b>      |               |               |
| Debtors and accruals | 43            | 14,481        |
| GST receivable       | 11            | 11            |
|                      | <u>54</u>     | <u>14,492</u> |

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

**5. Current trade and other payables**

|                        | 2016<br>\$000 | 2015<br>\$000 |
|------------------------|---------------|---------------|
| Trade payables         | 9             | 5             |
| Related party payables | 86            | 85            |
|                        | <u>95</u>     | <u>90</u>     |

**6. Capital and other equity instruments**

|                                             | 2016<br>\$000 | 2015<br>\$000 |
|---------------------------------------------|---------------|---------------|
| Fully paid ordinary shares                  | 17,635        | 17,635        |
| Fully paid redeemable preference shares (A) | 500           | 500           |
|                                             | <u>18,135</u> | <u>18,135</u> |

**a) Fully paid ordinary shares**

|                                         | 2016<br>No. (000) | 2016<br>\$000 | 2015<br>No. (000) | 2015<br>\$000 |
|-----------------------------------------|-------------------|---------------|-------------------|---------------|
| Balance at beginning of financial year  | 24,635            | 24,635        | 24,635            | 24,635        |
| Less: uncalled portion of shares issued | (7,000)           | (7,000)       | (7,000)           | (7,000)       |
| Balance at end of financial year        | <u>17,635</u>     | <u>17,635</u> | <u>17,635</u>     | <u>17,635</u> |

**b) Fully paid redeemable preference shares (A)**

|                                        | 2016<br>No. (000) | 2016<br>\$000 | 2015<br>No. (000) | 2015<br>\$000 |
|----------------------------------------|-------------------|---------------|-------------------|---------------|
| Balance at beginning of financial year | 500               | 500           | 500               | 500           |
| Balance at end of financial year       | <u>500</u>        | <u>500</u>    | <u>500</u>        | <u>500</u>    |

The redeemable preference shares may be redeemed at any time by special resolution of the Company.

## c) Retained Earnings

|                                        | 2016<br>\$000 | 2015<br>\$000 |
|----------------------------------------|---------------|---------------|
| Balance at beginning of financial year | 1,591         | 1,895         |
| Surplus                                | 27,028        | (304)         |
| Balance at end of financial year       | <u>28,619</u> | <u>1,591</u>  |

## 7. Notes to the cash flow statement

## a) Reconciliation of cash and cash equivalents

|                           | 2016<br>\$000 | 2015<br>\$000 |
|---------------------------|---------------|---------------|
| Cash and cash equivalents | <u>47,218</u> | <u>537</u>    |
|                           | <u>47,218</u> | <u>537</u>    |

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

|                                                                      | 2016<br>\$000 | 2015<br>\$000 |
|----------------------------------------------------------------------|---------------|---------------|
| Net surplus/ (deficit)                                               | <u>27,028</u> | <u>(304)</u>  |
| <b>Add/(less) Non cash items</b>                                     |               |               |
| Movement in deferred tax balance                                     | -             | 94            |
| <b>Add/(Less) Items classed as financing or investing activities</b> |               |               |
| Interest received classed as investing                               | (616)         | (241)         |
| <b>Add/(Less) Movement in working capital items</b>                  |               |               |
| Debtors - current                                                    | 14,438        | 434           |
| Creditors                                                            | 5             | 73            |
| Tax payable / receivable                                             | 210           | (123)         |
|                                                                      | <u>14,037</u> | <u>384</u>    |
| <b>Net cash inflow/(outflow) from operating activities</b>           | <u>41,065</u> | <u>(67)</u>   |

**8. Related party transactions**

|                                        | 2016<br>\$000 | 2015<br>\$000 |
|----------------------------------------|---------------|---------------|
| <b>Receipts from related parties</b>   |               |               |
| Interest received from Council         | 623           | 74            |
| <b>Payments to related parties</b>     |               |               |
| Operating costs charged by the Council | 75            | 72            |
| <b>Year end balances</b>               |               |               |
| Accrued interest from the Council      | 43            | 21            |
| Accrued receivables from the Council   | -             | 134           |
| Accrued payables to the Council        | 86            | 85            |

The company expects to pay \$153,695 of subvention payments to other members of the Council group and use \$395,217 of tax losses offset from other group companies.

In 2015, the company expected to use tax losses of \$311,229 from other members of the Council group by way of a loss offset of \$311,229.

**9. Financial Instruments**Credit quality of financial instruments

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

|                                            |    | 2016<br>\$000 | 2015<br>\$000 |
|--------------------------------------------|----|---------------|---------------|
| <b>Counterparties with Credit Ratings</b>  |    |               |               |
| Cash and cash equivalents                  | AA | 473           | 537           |
|                                            | A  | 46,745        | -             |
| Other Financial asset - short term deposit | A  | -             | 5,000         |
| Total Financial Assets                     |    | <u>47,218</u> | <u>5,537</u>  |

Classification of financial instruments

|                               | Loans &<br>Receivables<br>\$000 | Other<br>amortised<br>cost<br>\$000 | Total<br>carrying<br>amount<br>\$000 |
|-------------------------------|---------------------------------|-------------------------------------|--------------------------------------|
| <b>As at 30 June 2016</b>     |                                 |                                     |                                      |
| <b>Financial assets:</b>      |                                 |                                     |                                      |
| <b>Current assets</b>         |                                 |                                     |                                      |
| Cash and cash equivalents     | 47,218                          | -                                   | 47,218                               |
| Trade and other receivables   | 54                              | -                                   | 54                                   |
|                               | <u>47,272</u>                   | <u>-</u>                            | <u>47,272</u>                        |
| <b>Financial liabilities:</b> |                                 |                                     |                                      |
| <b>Current liabilities</b>    |                                 |                                     |                                      |
| Trade and other payables      | -                               | 95                                  | 95                                   |
|                               | <u>-</u>                        | <u>95</u>                           | <u>95</u>                            |



|                                            | Loans &<br>Receivables<br>\$000 | Other<br>amortised<br>cost<br>\$000 | Total<br>carrying<br>amount<br>\$000 |
|--------------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|
| <b>As at 30 June 2015</b>                  |                                 |                                     |                                      |
| <b>Financial assets:</b>                   |                                 |                                     |                                      |
| <b>Current assets</b>                      |                                 |                                     |                                      |
| Cash and cash equivalents                  | 537                             | -                                   | 537                                  |
| Other Financial asset - Short term deposit | 5,000                           | -                                   | 5,000                                |
| Trade and other receivables                | 14,492                          | -                                   | 14,492                               |
|                                            | <u>20,029</u>                   | <u>-</u>                            | <u>20,029</u>                        |
| <b>Financial liabilities:</b>              |                                 |                                     |                                      |
| <b>Current liabilities</b>                 |                                 |                                     |                                      |
| Trade and other payables                   | -                               | 90                                  | 90                                   |
|                                            | <u>-</u>                        | <u>90</u>                           | <u>90</u>                            |

#### Maturity profile of financial instruments

|                               | Carrying<br>Amount<br>\$000 | Contractual<br>Cash Flows<br>\$000 | Less than<br>1 year<br>\$000 | 1 - 2<br>years<br>\$000 | 3 - 5<br>years<br>\$000 | More than<br>5 years<br>\$000 |
|-------------------------------|-----------------------------|------------------------------------|------------------------------|-------------------------|-------------------------|-------------------------------|
| <b>As at 30 June 2016</b>     |                             |                                    |                              |                         |                         |                               |
| <b>Financial assets:</b>      |                             |                                    |                              |                         |                         |                               |
| Cash and cash equivalents     | 47,218                      | 47,218                             | 47,218                       | -                       | -                       | -                             |
| Trade receivables             | 54                          | 54                                 | 54                           | -                       | -                       | -                             |
|                               | <u>47,272</u>               | <u>47,272</u>                      | <u>47,272</u>                | <u>-</u>                | <u>-</u>                | <u>-</u>                      |
| <b>Financial liabilities:</b> |                             |                                    |                              |                         |                         |                               |
| Trade payables                | 95                          | 95                                 | 95                           | -                       | -                       | -                             |
|                               | <u>95</u>                   | <u>95</u>                          | <u>95</u>                    | <u>-</u>                | <u>-</u>                | <u>-</u>                      |

|                                               | Carrying<br>Amount<br>\$000 | Contractual<br>Cash Flows<br>\$000 | Less than<br>1 year<br>\$000 | 1 - 2<br>years<br>\$000 | 3 - 5<br>years<br>\$000 | More than<br>5 years<br>\$000 |
|-----------------------------------------------|-----------------------------|------------------------------------|------------------------------|-------------------------|-------------------------|-------------------------------|
| <b>As at 30 June 2015</b>                     |                             |                                    |                              |                         |                         |                               |
| <b>Financial assets:</b>                      |                             |                                    |                              |                         |                         |                               |
| Cash and cash equivalents                     | 537                         | 537                                | 537                          | -                       | -                       | -                             |
| Other Financial asset - Short<br>term deposit | 5,000                       | 5,000                              | 5,000                        | -                       | -                       | -                             |
| Trade receivables                             | 14,492                      | 14,492                             | 14,492                       | -                       | -                       | -                             |
|                                               | <u>20,029</u>               | <u>20,029</u>                      | <u>20,029</u>                | <u>-</u>                | <u>-</u>                | <u>-</u>                      |
| <b>Financial liabilities:</b>                 |                             |                                    |                              |                         |                         |                               |
| Trade payables                                | 90                          | 90                                 | 90                           | -                       | -                       | -                             |
|                                               | <u>90</u>                   | <u>90</u>                          | <u>90</u>                    | <u>-</u>                | <u>-</u>                | <u>-</u>                      |

#### 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

Credit risk is the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company.

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and short term investments and accounts receivable from CCDU (2015 only). The Company's maximum exposure in respect of these financial

instruments are the amounts as discussed in notes 4 and 9. The Company places its cash and term deposits with banking institutions that have a Standard and Poor's rating of AA or A.

#### 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.

#### Market risk

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

#### Interest Rates

The Company is exposed to interest rate risk through its cash and short term investments.

#### Foreign exchange

The Company has no exposure to foreign exchange risk.

#### Capital management

The Company's capital comprises share capital and retained earnings. The Company manages its revenues, expenses, assets, liabilities, investments and general financial dealings prudently and in a manner that promotes current and future interests of the community.

### **10. Commitments for expenditure**

There are no lease or other expenditure commitments (2015:Nil).

There are no capital expenditure commitments (2015:Nil).

### **11. Post balance date events**

The company declared and paid a dividend of \$46 million on 29 July 2016.

No post balance date events in 2015.

### **12. Contingencies**

There are nil contingent liabilities as at 30 June 2016 (2015: Nil)

There are no contingent assets as at 30 June 2016. The company had a contingent asset as at 30 June 2015 relating to its final insurance claim. The company's insurers fully settled its claim in February 2016.

### **13. Statement of Significant Accounting Policies**

#### **a) Reporting Entity**

These are the financial statements of Tuam 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 primary purpose of the Company was to manage the Council's former civic buildings/offices and the Tuam Street car park. Accordingly, the Company has designated itself as a profit oriented entity for the purposes of New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS). The Company is not considered 'large' for the purposes determining the appropriate reporting tier and has consequently opted to report as a Tier 2 entity applying NZ IFRS with Reduced Disclosure Requirements.

The financial statements of the company are for the year ended 30 June 2016. The financial statements were authorised for issue by the Board of Directors on 29 September 2016.

#### **b) Basis of financial statement preparation**

The financial statements are prepared under the historical cost convention.

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

In preparing these financial statements the Company has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the process of applying these accounting policies, management has made the following judgements, estimates and assumptions that have the most significant impact on the amounts recognised in these financial statements;

#### **c) Statement of Compliance**

The financial statements of the Company have been prepared in accordance with New Zealand generally accepted accounting practice. They comply with the New Zealand equivalents to Tier 2 NZ IFRS. The Company will apply NZ IFRS with reduced reporting disclosures.

#### **d) Changes in Accounting Policies**

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

#### **e) Revenue**

Interest income is recognised using the effective interest method.

Insurance recoveries are recognised when the claim can be reliably measured and where there is virtual certainty of receiving the amount.

**f) Income tax**

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

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

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

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

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

**g) Cash and cash equivalents**

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

**h) Financial Assets**

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

**i) Trade and other receivables**

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

**j) Impairment**

The carrying amounts of the Company's assets, other than deferred tax assets, are reviewed at each balance date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the statement of comprehensive income.

**k) Trade and other payables**

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

**l) Equity**

Share capital – ordinary shares and redeemable preference shares are classified as equity.

**m) Goods and Services Tax**

The financial statements are prepared exclusive of GST with the exception of receivables and payables that are shown inclusive of GST. Where GST is not recoverable as an input tax it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the statement of financial position.

The net GST paid to, or received from the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

## **Independent Auditor's Report**

## **Independent Auditor's Report**

**To the readers of  
Tuam Limited's  
financial statements and statement of service performance  
for the year ended 30 June 2016**

The Auditor-General is the auditor of Tuam Limited (the company). The Auditor-General has appointed me, Julian Tan, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and statement of service performance of the company on her behalf.

### **Opinion on the financial statements and the statement of service performance**

We have audited:

- the financial statements of the company on pages 6 to 21, that comprise the statement of financial position as at 30 June 2016, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the statement of service performance information of the company on pages 10 and 11.

In our opinion:

- the financial statements of the company:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2016; 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 with reduced disclosure requirements.
- the statement of service performance of the company 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 2016.

Our audit was completed on 29 September 2016. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities, and explain our independence.

## **Basis of opinion**

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements and the statement of service performance are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence readers' overall understanding of the financial statements and the statement of service performance. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements and in the statement of service performance. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and the statement of service performance, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the company's financial statements and statement of service performance in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Board of Directors;
- the appropriateness of the reported performance information within the company's framework for reporting performance;
- the adequacy of the disclosures in the financial statements and in the statement of service performance; and
- the overall presentation of the financial statements and the statement of service performance.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and the statement of service performance.

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

## **Responsibilities of the Board of Directors**

The Board of Directors is responsible for the preparation and fair presentation of financial statements for the company that comply with generally accepted accounting practice in New Zealand. The Board of Directors is also responsible for preparation of the statement of service performance for the company.

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



The Board of Directors is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements and the statement of service performance that are free from material misstatement, whether due to fraud or error. The Board of Directors is also responsible for the publication of the financial statements and the statement of service performance, whether in printed or electronic form.

### **Responsibilities of the Auditor**

We are responsible for expressing an independent opinion on the financial statements and the statement of service performance and reporting that opinion to you based on our audit. Our responsibility arises from the Public Audit Act 2001.

### **Independence**

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.

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



Julian Tan  
Audit New Zealand  
On behalf of the Auditor-General  
Christchurch, New Zealand