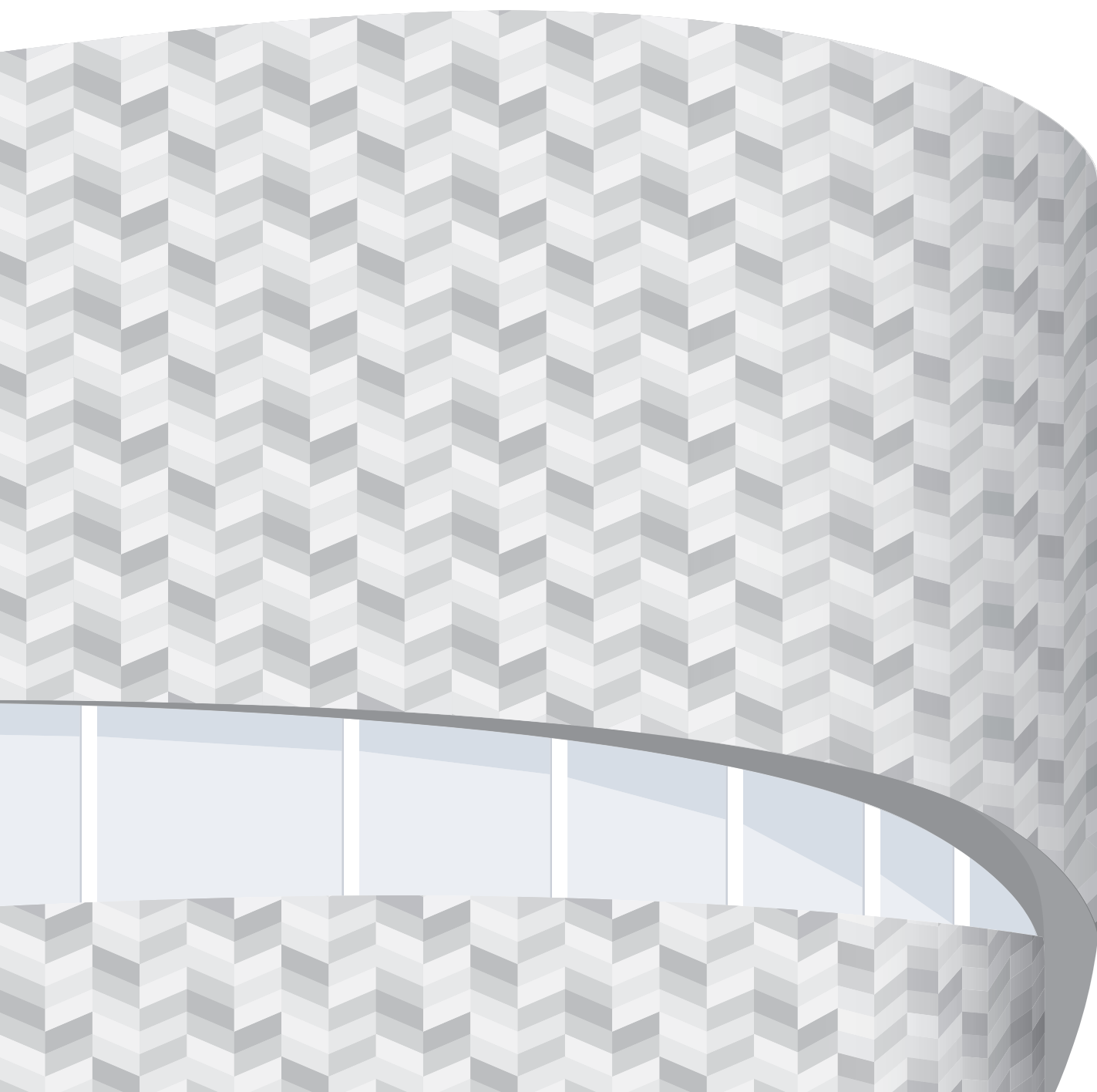


Annual Report

For the year ended 30 June 2020



Turning spaces
into places for people.



The purpose of the Company is to add value to Anchor Projects and Crown Land in a manner that balances a desire to achieve good commercial outcomes against the Crown’s regeneration objectives and supports the Crown’s exit over time on favourable terms.

As the 2020 year was drawing to a close, changes were being made to the Company’s constitution to enable it to undertake other roles or to assist with any projects as requested by Shareholding Ministers.

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“Ōtākaro delivers defined Anchor Projects and a land divestment programme that is consistent with the Christchurch Central Recovery Plan.”



Greater Christchurch Regeneration Minister Megan Woods, Minister of Sport and Recreation Grant Robertson, and Christchurch Mayor Lianne Dalziel turning the sod at the Metro Sports Facility site.

SCOPE

Ōtākaro delivers defined Anchor Projects and a land divestment programme that is consistent with the Christchurch Central Recovery Plan. The overarching responsibilities of Ōtākaro include:

- Delivery of defined Anchor Projects by providing procurement, design management and construction management services on behalf of the Crown
- Providing programme governance, including risk, cost and schedule management
- Divestment of Crown-owned land in central Christchurch that balances a good commercial outcome against regeneration objectives
- Managing the operations and ownership responsibilities of completed assets
- Acting in a manner consistent with recovery plans and any regeneration plans.

FUNCTIONS AND OPERATIONS

The organisation has six core teams. The Development team is focused on the delivery of Anchor Projects. The Property and Operations Group is focused on land divestment and operations. These functions are supported by the Finance and IT, Legal and Risk, People and Capability, and Communications and Stakeholder Engagement teams.

The Company’s activities are guided by policies and procedures that ascribe to good corporate discipline, with clear links to the Ōtākaro purpose and to the Company’s strategic objectives. In addition, the Company’s values and behaviours support the delivery of its purpose and objectives.

ADAPTABILITY

The Company was established with the understanding that it has a finite lifespan, subject to further determinations by the Crown. Accordingly, the Company’s organisational structure reflects the need for adaptability. This means that the Company must, in a planned manner, be able to adapt to the changing requirements of its programme and projects.

THE FUTURE

Ōtākaro was established to exist until the projects it is responsible for are delivered and surplus land is divested. Late in the financial year the Government began looking at the possibility of Ōtākaro having a longer-term role supporting its infrastructure investments in the South Island.

ÖTĀKARO VALUES AND BEHAVIOURS

Ötākaro continues to strengthen its organisational culture to guide all Company activities. This culture is underpinned by specific, straightforward values and behaviours expected of all personnel in undertaking their tasks.

The values are expressed as:

- Keep it simple
- Make it happen
- Do what is right
- Be agile.

By working with its personnel, specific behaviours have been defined to ‘model’ and to support the Ötākaro values.

These behaviours include:

- Acting with purpose and staying focused
- Doing things efficiently
- Communicating clearly, consistently and concisely
- Considering the audience
- People knowing and playing their part
- People doing what they say they will do
- Being innovative
- Doing things promptly, but properly
- Acting with integrity and respect
- Supporting one another
- Making the ‘tough’ calls when necessary
- Being professional and ‘down to earth’
- Anticipating change.

HEALTH AND SAFETY

Ötākaro has no tolerance for anything that endangers the health, safety and wellbeing of people. As a Crown Company operating in a construction environment, Ötākaro intends to be a leader of health and safety and in ensuring compliance with the Health and Safety at Work Act 2015.

Ötākaro is committed to a culture that holds safety as a core part of the Company’s identity. The Company does this through:

- The Board and Management modelling behaviours expected from the Company’s staff and its contractors
- Establishing best practice health and safety approaches in the field and in the office environment, monitoring adherence to these practices and taking immediate corrective actions if required
- Ensuring that the Company, and those who are working for the Company, meet all health, safety and environmental regulatory obligations.

CAPABILITY DEVELOPMENT

Ötākaro supports its staff to achieve the Company’s objectives and purpose by:

- Developing staff for their current roles, providing flexibility to move staff to other roles in the Company, and preparing staff for their next career steps
- Regularly reviewing the capability of its people to align the available skills with the requirements of the project development lifecycles
- Achieving high levels of staff engagement
- Providing a safe environment for staff
- Delivering services required to achieve the Company’s objectives in a cost-effective manner
- Providing staff with reliable, secure and cost-effective technology
- Providing a sound financial and internal control environment.

ENSURING ÖTĀKARO IS A GOOD EMPLOYER

The successful delivery of the Anchor Projects, operational excellence and the Crown’s central Christchurch land divestment objectives depend on the technical, commercial, financial and investment/divestment expertise of Ötākaro.

It is important that the Company attracts and retains skilled staff, is a good employer and offers an attractive place to work, with a culture that is valued by employees and supports the Company to deliver on its strategic objectives and purpose.

Consistent with the State Services Commission Guidance on Employment Relations in the State Sector, Ötākaro employment policies aim to ensure that the Company respects its equal-opportunity responsibilities.

ÖTĀKARO VALUES:

Keep it simple.

Make it happen.

Do what is right.

Be agile.



John Bridgman and Corinne Haines.

Dear Shareholders

As the tile façade wraps further around Te Pae Christchurch Convention Centre (Te Pae Christchurch) and the steel work sprouts above the fence line at Metro Sports Facility, we are reminded of how much progress we have made over the past 12 months.

COVID-19

When the country went into lockdown in March 2020 it was necessary for physical work to stop on all our projects. However, all our 60 staff in the Ōtākaro office were able to shift to a home working environment to continue to progress our projects and plan with our contractors how work would resume on-site.

The lost construction time on-site and subsequent reduced productivity at Level 3, coupled with challenges getting supplies and key overseas-based personnel into New Zealand, will delay the completion of Te Pae Christchurch and the Metro Sports Facility.

Work on the North Frame Pedestrian Bridge and new sections of the South Frame were able to start up quickly after lockdown, so there will only be minimal delays to these projects.

LEADERSHIP CHANGES

This year we welcomed two new Board members, Paul Blackler and Dr Rod Carr. Both have many years of leadership experience and we have appreciated the contributions they bring to the group. The Board has been well supported by the Senior Leadership Team who have done an exceptional job with their teams to keep our work progressing as quickly as possible.

THE NEXT 12 MONTHS

Next year will see the opening of Te Pae Christchurch. We look forward to celebrating this significant achievement and seeing the central city realise the economic and social benefits that will flow from having New Zealand’s only purpose-built business events facility in the heart of the CBD.

The completion of the North Frame Pedestrian Bridge will mark the end of the Te Papa Ōtākaro/Avon River Precinct programme of initiatives, which have succeeded in accentuating the iconic river as a key central city feature.

We have also been given a monitoring role with a number of Canterbury Shovel Ready projects, that have been designed to help stimulate the COVID-19 impacted economy.


AGILE STAFF

One of our Company values is agility and from the first outbreak of COVID-19 in March, our team members demonstrated how agile they are by continuing to work effectively from home, connecting with each other daily to progress their work and support their colleagues.

It’s been a challenging year to say the least. We thank our staff and are proud of how they pulled together in this difficult environment.

Corinne Haines – Chairperson
John Bridgman – CEO

175.2 mil



A total of \$175.2m of project and project management funding relating to the year ended 30 June 2020 was received from the Crown. This was received through a mixture of operating grants and share capital.

191.7 mil




Total project and project management expenditure of \$191.7m was incurred for the year ended 30 June 2020. This is an increase of \$47.8m on the prior year.

40.9 mil



The net deficit was \$40.9m for the year. A key reason for this deficit was the recognition of a \$44.8m provision to transfer assets to Christchurch City Council at nil value.

29.3 mil



Five land sale transactions were settled during the year. Two parcels totalling \$1.7m were recorded as sales of land inventory.

The Bus Interchange and Performing Arts Precinct land were sold to the Christchurch City Council for \$22.9m as part of the Global Settlement Agreement.

The fourth Super Lot for the East Frame Residential Development was sold to Fletcher Residential Ltd for \$4.7m.

557.5 mil



Total assets are \$557.5m at 30 June 2020. This is an increase of \$36.4m from the prior year, due to the work in progress associated with capital projects.

359.9 mil



Total equity is \$359.9m at 30 June 2020. Additional share capital of \$118.5m was issued during the year to fund capital projects.

Anchor Project overview

1 July 2019 – 30 June 2020

- COMPLETE
- 1

Te Papa Ōtākaro / Avon River Precinct
- The Avon Loop
- 2

Central city transport projects
- FINISHING SOON
- 3

Te Papa Ōtākaro / Avon River Precinct
- North Frame Pedestrian Bridge
- 4

The South Frame
- LONG TERM PROJECTS
- 5

The East Frame
- Residential development (One Central)
- 6

Te Pae Christchurch Convention Centre
- 7

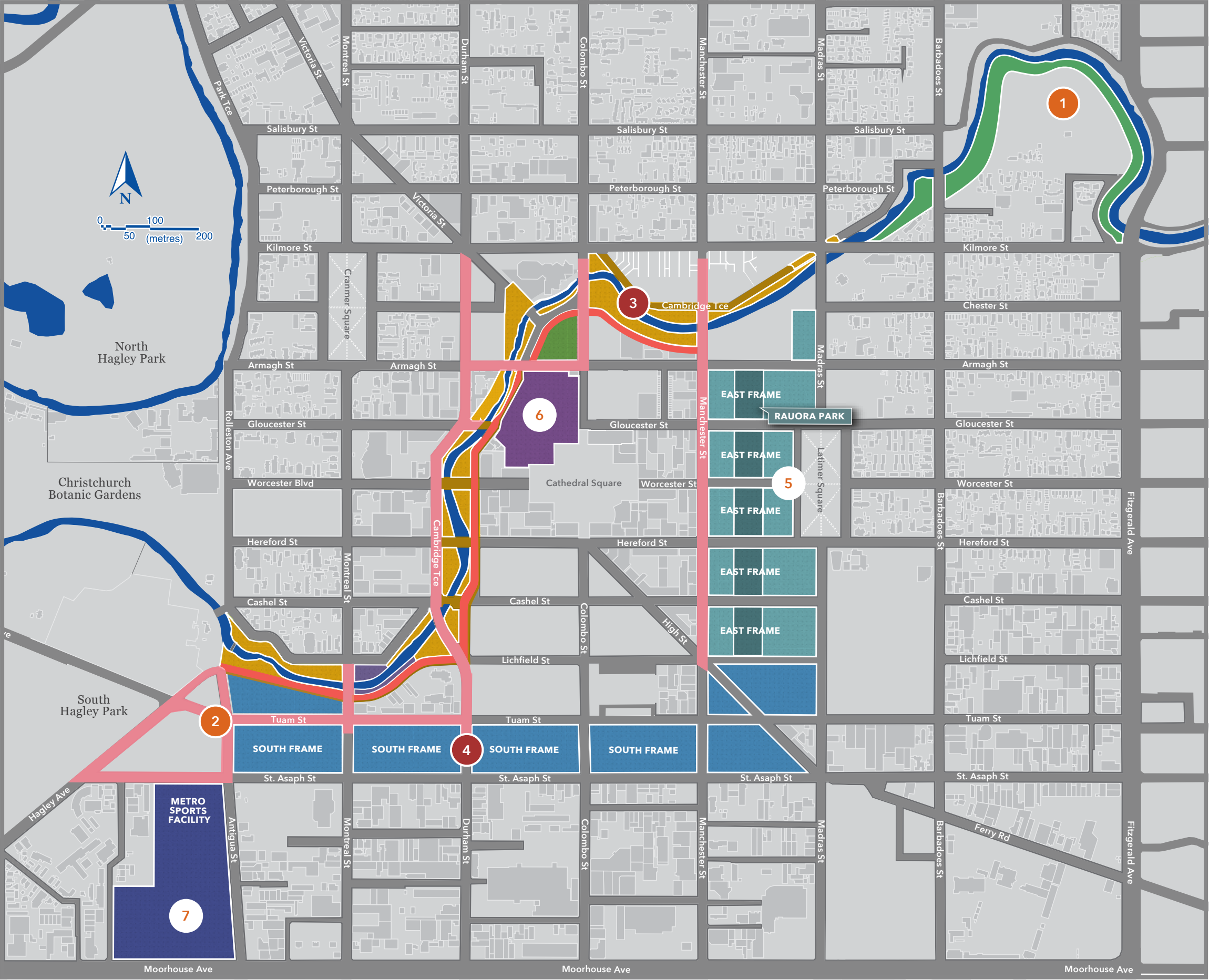
Metro Sports Facility

Key

Complete

Finishing Soon

Long Term Projects





COMPLETE

Central city transport projects

WHAT ARE THEY?

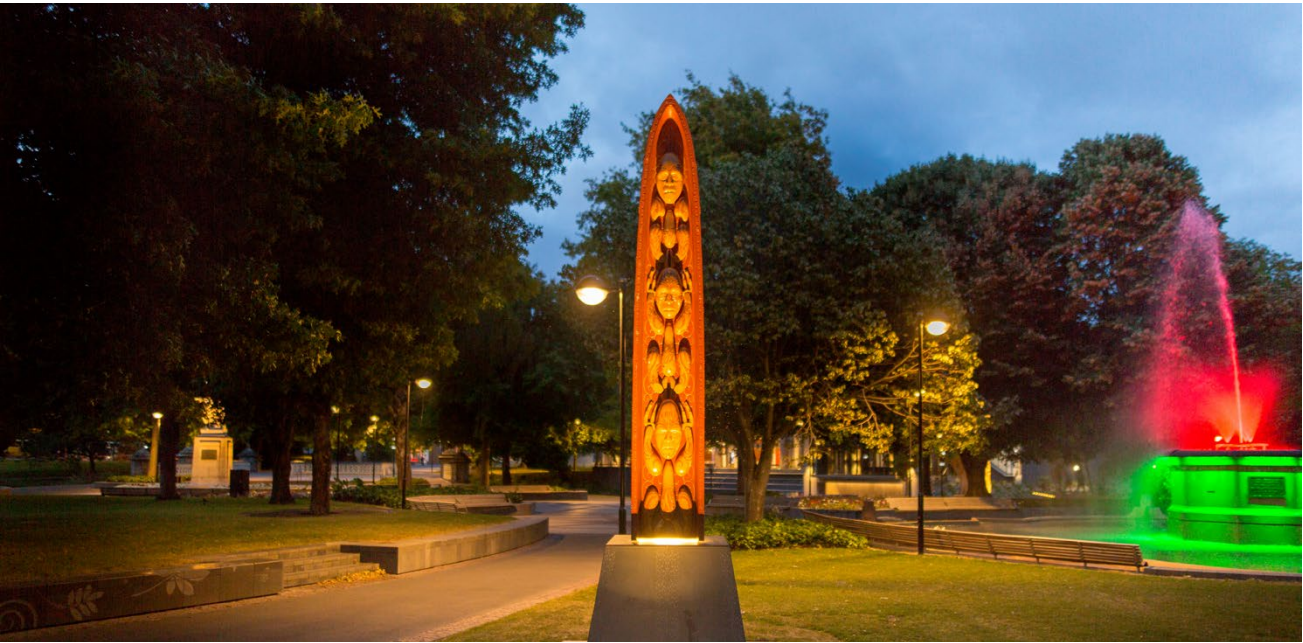
Ōtākaro has delivered some key transport projects adjacent to Anchor Projects on behalf of the Christchurch City Council, Environment Canterbury (ECan), Ngāi Tahu, and Waka Kotahi the New Zealand Transport Agency. The projects are part of the An Accessible City programme of projects designed to improve the transport network in the central city. The remaining An Accessible City projects are being delivered by the Christchurch City Council.

Tuam Street bus stops Opened October 2019

The 120-metre section of Tuam Street behind the Outpatients building has been widened by six metres to include three new bus bays on each side of the road. The footpaths have been widened and paved, and the underground stormwater system has been upgraded.

This project has increased the efficiency of the public transport system in the area. Buses can now pull over outside of the bus lane to drop off and pick up passengers, rather than stopping in the bus lane as they did before.

The new bus stops complement earlier Ōtākaro improvements in the blocks bordered by Oxford Terrace, Durham Street, St Asaph Street and Hagley Avenue.



COMPLETE

Te Papa Ōtākaro / Avon River Precinct

The Avon Loop and Victoria Square

Central City
Anchor
Projects

Te Papa
Ōtākaro/
Avon River
Precinct

WHAT IS IT?

The historic Avon Loop area, extending from Willow Street to Fitzgerald Avenue, is the final section of the Te Papa Ōtākaro/Avon River Precinct pathway. Now complete, it runs from the Christchurch Hospital along the river to Fitzgerald Avenue.

The Avon Loop upgrade includes a new shared pathway for pedestrians and cyclists, a boardwalk, a boat ramp, native plantings and car parking. The area reopened in February 2020.

Ōtākaro largely completed the restoration of Victoria Square in 2018.

Mana Motuhake

A new artwork – Mana Motuhake – was unveiled in Victoria Square in November 2019. It was the final element in the restoration of this popular inner-city public space. At almost five metres tall, the two waka stand shoulder-to-shoulder with Queen Victoria as Christchurch’s way of acknowledging the significance of its shared cultural history.

The waka forms are a direct reference to Victoria Square once being a canoe landing site for the purpose of trading food, gathered at mahinga kai sites significant to Ngāi Tahu.

The lighting around Victoria Square was also enhanced to make the area enjoyable and interesting at night. Seven light pole wraps feature silhouettes of the Puanga and Matariki constellations, and mahinga kai designs honouring the varieties of foods historically traded in the Market Square.



FINISHING SOON

Te Papa Ōtākaro / Avon River Precinct

North Frame Pedestrian Bridge

Central City
Anchor
Projects

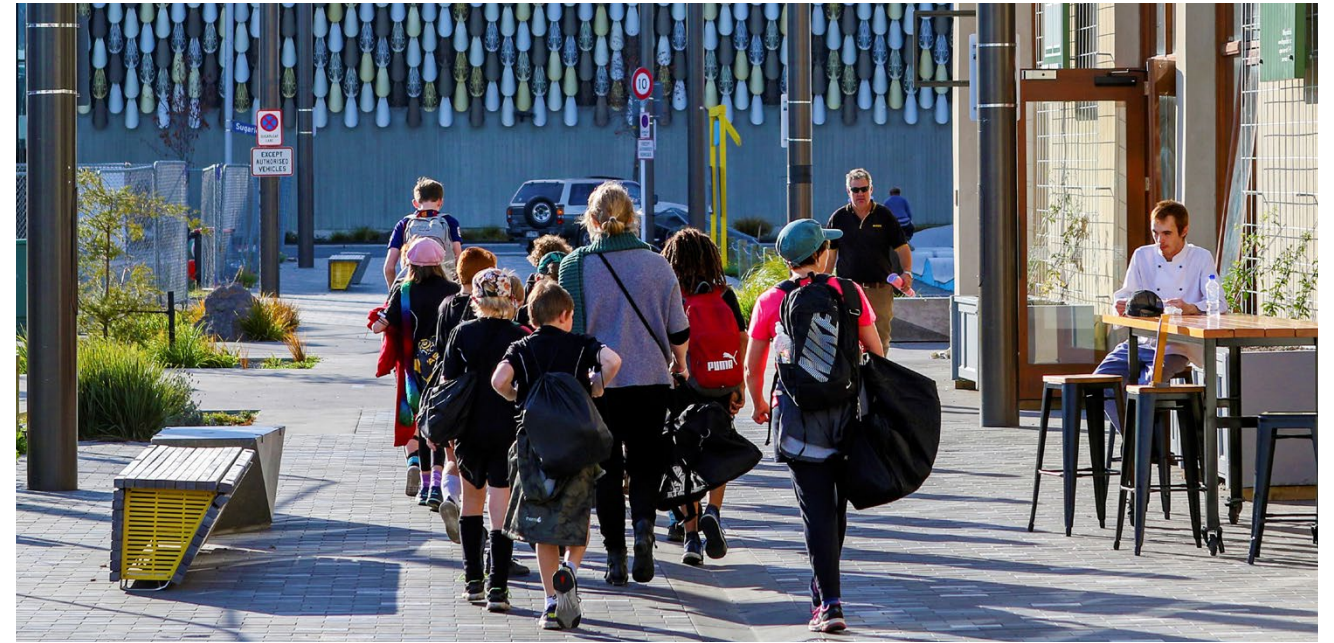
Te Papa
Ōtākaro/
Avon River
Precinct

WHAT IS IT?

A new 32-metre bridge will connect the Te Papa Ōtākaro/ Avon River Precinct to the North Frame. The bridge will follow a ‘desire line’ at a bend in the river that cyclists and pedestrians would take if they were able to. It will also support future developments in the area by providing a connection between popular city features like the band rotunda and the future Ko Tāne Cultural Central and Catholic Precinct.

STATUS

Work started in May 2020 and is expected to be complete by early 2021.



FINISHING SOON

The South Frame

Central City
Anchor
Projects

The South
Frame

WHAT IS IT?

The South Frame was designed to hem in the south side of the central city to create a more compact and vibrant CBD. The network of laneways and gathering spaces breaks down the city blocks in the area, creating attractive places to meet, dine and relax.

At the heart of the South Frame is the Greenway, a planted pathway for pedestrians and cyclists, which will run the entire east-west length of the development from the SALT District to the Health Precinct. When complete, the Greenway will connect four gathering spaces that will be used for events and markets.

Lanes branching off the Greenway provide access to Tuam and St Asaph Streets along with retail and hospitality businesses in the area.

STATUS

The South Frame is about 85% complete. Work is underway on one of the final sections of the Greenway and the current construction of Butchers Lane will complete all work on the most eastern block.



LONG TERM PROJECTS

The East Frame

One Central

Central City
Anchor
Projects

The East
Frame

WHAT IS IT?

The East Frame residential area has been named One Central by Fletcher Residential Ltd. It is a new housing area in the heart of the central city built around Rauora Park. The development provides a range of attractive options from studio apartments to three-bedroom townhouses. People living in the city will be well placed to support business and events which will help the CBD grow and thrive.

STATUS

At year-end 172 properties were complete and about 100 had been sold. The homes are a mix of apartments, terraced homes and townhouses. Sixty-six units are under construction on Super Lot 3 (Worcester Mews) with an additional 10 one-bedroom units approved to go through the resource consent phase.



LONG TERM PROJECTS

Te Pae Christchurch

Convention Centre

Central City
Anchor
Projects

Convention
Centre
Precinct

WHAT IS IT?

Te Pae Christchurch will be a world-class business events facility supported by the adjacent central city retail and hospitality sectors.

While it will have the capacity to host 2000-person events, more importantly it will also be able to host simultaneous smaller events.

The main auditorium will be able to host 1400 people in a space that can be divided into two 700-person auditoria. The venue will include a 1000-person banquet hall and 24 flexible meeting rooms that can hold up to 1400 people. Up to 3300m² of exhibition hall space will be able to accommodate up to 200 booths.

STATUS

The building's 43,000-tile façade is almost complete, the roof is in place and the interior fit out of the building is well underway. The completion date for Te Pae Christchurch has been shifted to 2021 due to various issues, including COVID-19.

The Te Pae Christchurch team have been working closely with affected clients and some upcoming international events have been rescheduled for 2022 and beyond.



LONG TERM PROJECTS

Metro Sports Facility

Central City
Anchor
Projects

Metro
Sports
Facility

WHAT IS IT?

The Metro Sports Facility is intended to be the largest aquatic and indoor recreation and leisure venue of its kind in New Zealand. It will be accessible to people of all ages, abilities and skill levels.

At over 30,000m², the Metro Sports Facility’s aquatic area will include a 50-metre, 10-lane competition swimming pool, a separate diving pool, a large aquatic leisure area and five hydrosides. It will also have fitness spaces, an indoor court area that is the size of nine netball courts, and three show courts for elite events that can be converted into a central court with 2500 retractable seats.

The facility will cater for the needs of the recreational, educational and high-performance sporting communities.

STATUS

The structural steel that forms the walls of the building is starting to appear above the site fencing. Concrete foundation slabs have been poured and the shape of the building’s footprint is appearing. Various issues, including COVID-19 disruptions, mean the facility is now likely to be completed in late 2022.



Ōtākaro is required to divest land in a manner that ‘balances a desire to achieve good commercial outcomes against the Crown’s regeneration objectives’, and that ‘supports the Crown’s exit from Anchor Projects and land holdings over time on favourable terms’. The

Land Divestment Strategy will be realised by seeking opportunities where commercial value can be achieved and leveraging the strategic importance of land, where possible, to drive regeneration outcomes.

DIVESTMENTS IN 2020

- Ōtākaro divested a piece of land to the east of Sugarloaf Lane in the South Frame to JBJ Trustees Limited for a purpose-built, inner-city preschool. This will further complement the immediate surrounding area to meet a demand for childcare and education from inner-city residents, workers and visitors to the central city.
- A parcel of land in the South Frame adjacent to Evolution Square was divested to Duncans Lane Limited in the exercise of an option to purchase associated with the divestment of the Duncan’s Building in High Street.
- Super Lot 3 (opposite Latimer Square) has been transferred to Fletcher Residential Ltd and the construction of terraced homes and apartments is underway on site.
- The Bus Interchange and Performing Arts Precinct were transferred to Christchurch City Council as part of the Global Settlement.

Ōtākaro is required to divest land in a manner that “balances a desire to achieve good commercial outcomes against the Crown’s regeneration objectives”

Baby Come Back tour

August 2019

In August 2019, Ōtākaro ran a social media competition to support the ChristchurchNZ ‘Baby Come Back’ campaign, which aimed to bring people back to the central city to support retail and hospitality businesses.

People entered the competition by sharing what they love about the central city and tagging a friend that needs to give the city another chance. Four people were chosen to receive the prizes and they were each able to bring a partner or friend.

The winners were the first members of the public to go on a hard-hat tour of Te Pae Christchurch. This was followed by a short tour of the central city and lunch at Miro.

Competition winner Cathy said after the tour, “I work here in the central city but I don’t get away from the office very much and I don’t venture into the city as much as I should but there’s so much here and it’s all happening so I’ll make sure I make an effort to come out more often.”



SALT District award

November 2019

Ōtākaro work in the SALT District, formerly known as the Innovation Precinct, was recognised with an international award last year. The new district (between St Asaph, Lichfield and Tuam Streets) took out the ‘Large Scale Place Project’ award at the Asia/Pacific region’s largest placemaking awards held in Canberra in November 2019.

The SALT District is the result of a new placemaking model developed by Ōtākaro, ChristchurchNZ and Development Christchurch Limited, who have collaborated with landowners and tenants to create the new SALT brand and bring events to the area, with some support also being provided by the Christchurch City Council.

The local community helped form the SALT Collective Charitable Trust that is now part of a network of Australasian ‘Town Teams’ which encourage collaboration and drive innovation in communities.

Neighbourhood-led initiatives this year included world-class street art on the side of a building animated by projections (the first of its kind in New Zealand), the Highlight Street Art Party, the SALTY Buskers Club and the SALTY Comedy Club, and a proposal to host an official Fan Zone for the America’s Cup.



Avon Loop treasure hunt

June 2020

In June 2020 Ōtākaro ran a three-week treasure hunt in the Avon Loop to bring people in to see the improvements. Treasure hunt entry forms could be printed from the Ōtākaro website or collected from rain-proof boxes in the Avon Loop. Eight information signs were installed along the new pathway to provide answers to the questions on the entry form. Entrants could also submit photos of their walk in the Avon Loop to go in the draw to win a Pomeroy's Pub voucher.

Around 300 entries were received along with dozens of photo competition entries. Many of the people entering the competition commented on how improved the area was and how much they enjoyed the walk.



New Zealand Institute of Landscape Architects Awards

NZILA GEORGE MALCOLM AWARD
– 2019: TE PAPA ŌTĀKARO/AVON RIVER PRECINCT

Judges’ citation (excerpt)

Te Papa Ōtākaro is not only the largest public realm project undertaken in Aotearoa New Zealand, it has also involved many landscape architecture practices and other collaborators, working within the complex context of the re-building of Christchurch.

The Ōtākaro/Avon River itself has been considerably enhanced, with the river now a healthier and more inviting element of the city to engage with. It is not unusual to see people feeding the eels at the Terraces, possibly an attribute that makes Christchurch’s city centre unique worldwide. The project demonstrates an holistic approach to landscape architecture, drawing in many voices, skills, and knowledge, and creating something of great value to the city of Christchurch.

NZILA CATEGORY WINNER/URBAN SPACES
– 2019: TE PAPA ŌTĀKARO/AVON RIVER PRECINCT

Judges’ citation (excerpt)

Extending from the Hospital to the west, through to Fitzgerald Avenue in the east, Te Papa Ōtākaro is made up of a series of sub-landscapes, each with their own character and focus – but with an overall sense of coherence...Māori cultural expression is a vibrant component of Te Papa Ōtākaro, with designed elements that root the landscape in this place, with elements like the whāriki (woven mats) which give a rhythm and depth of content to the river’s edge.

This foregrounding of Māori design contributes strongly to Christchurch’s journey out of the earthquakes and into a place which honours its history, celebrates diversity and foregrounds well-being. The development of generous paths for pedestrians and cyclists has enlivened the city centre, providing routes that are experientially varied and interesting, and unified by the presence of the river throughout.

This extensive, well-coordinated, and expertly detailed park re-unites the city with its river and is a worthy winner of the Urban category.

NZILA AWARD OF EXCELLENCE/INFRASTRUCTURE
– 2019: AN ACCESSIBLE CITY - PHASE 1

Judges’ citation (excerpt)

The Canterbury earthquakes created a massive upheaval in Christchurch’s CBD but also provided an opportunity to rethink how Christchurch’s urban streets could best cater for the multiple ways people move around and experience the city. The Accessible City project has effectively demonstrated how landscape architects can successfully guide and influence the design of urban transportation infrastructure to emphasise ‘people’ and ‘place’ in parallel with vehicle demands.

The project has positively reallocated the road space more equitably across all modes of movement and provided more space for pedestrians and cyclists alongside vehicles. In conjunction with this, the design team has produced a built outcome that treats over 90% of stormwater runoff through roadside rain gardens. The generously sized rain gardens and adjacent planter beds are filled with a bold and innovative planting design, which has combined natives and exotic planting species, including evergreens together with herbaceous perennials to dramatic effect. This discernible ‘greening’ of the city streetscape has had great visual impact, providing an attractive and stimulating ‘garden city’ character to the streets, which has been warmly received by the Christchurch public.

ORGANISATION FORM

Incorporated under the Companies Act 1993, Ōtākaro is a Crown-owned Company listed under Schedule 4A of the Public Finance Act 1989, and subject to the Crown Entities Act 2004, the Official Information Act 1982 and the Ombudsmen Act 1975.

Its shareholders are the Minister of Finance and the Minister for Greater Christchurch Regeneration, who each hold 50% of the share capital.

Ōtākaro is monitored by the Treasury for the Company’s commercial and financial performance and the Department of Prime Minister and Cabinet (DPMC) for its regeneration outcomes.

MANAGEMENT OF THE COMPANY

The Company’s governance framework is designed to ensure that it is effectively managed and that statutory obligations are met. The governance framework ensures a clear understanding of the separate roles of Board and Management and demonstrates a shared commitment to the Company’s purpose.

The Board of Directors is responsible for the overall direction of Ōtākaro on behalf of Shareholding Ministers in the manner set out in the Company’s Constitution, Letter of Expectations, and Statement of Intent.

The Board has delegated to the Chief Executive the Company’s day-to-day management, operation and administration, and the Company has put in place a suite of policies that underpins its strategies and objectives.

The Board operates in accordance with the relevant expectations set out in the Treasury’s guide Owner’s Expectations for Crown companies and entities monitored by the Treasury (including the Principles in the Securities Commission ‘Corporate Governance in New Zealand: Principles and Guidelines’), and Cabinet Office Circular Investment Management and Asset Performance in the State Services (CO (19) 6), including the reporting, accountability and financial governance expectations.

BOARD OF DIRECTORS

The Board of Directors is committed to a high standard of corporate governance and regulatory compliance in guiding and monitoring the Company’s activities. The Board currently comprises five non-executive Directors appointed by the Shareholding Ministers, following Cabinet approval. Under the Company’s Constitution there must be no fewer than two and no more than five Directors.

Board Members



CORINNE HAINES
CNZM, Chairperson

Corinne Haines, the managing director of Trimble Navigation New Zealand Limited, has more than 40 years of business experience and has been at the helm of Trimble since 2003. Corinne is a fellow of Chartered Accountants Australia and New Zealand.

Christchurch born, she has a passion for the city and the opportunities and lifestyle it provides for residents.

Corinne was named a Companion of the New Zealand Order of Merit for her services to business in the 2016 New Year’s Honours.



PAUL BLACKLER
Director

Paul Blackler is the New Zealand construction manager at Ryman Healthcare and has 38 years’ experience in the construction industry.

He was deputy chairman of the Building Practitioners Board from 2005 to 2012. The board played a key role in shaping the licensing system for building practitioners, and hears appeals against licensing decisions and complaints against Licensed Building Practitioners.

Paul has been actively involved in the post-quake regeneration of Christchurch. He joined Citycare in 2013 to manage the Building Construction division, before taking up the leadership of Citycare Civil in 2015.

He was chairman of the Citycare JFC Joint Venture, which has delivered many of the city’s most significant civil projects and was a board member of SCIRT (Stronger Christchurch Infrastructure Rebuild Team) from mid-2017 to early-2019.

Previously Paul was chief executive of Chas S. Luney Limited, where he worked for 24 years. Project managing construction of the Westpac Sport and Entertainment Centre (now Horncastle Arena) was a highlight of Paul’s time with Luneys, a cornerstone of the local construction sector.



DR ROD CARR

Director

Dr Carr has extensive experience in both public and private sector governance and leadership. He served as chair and non-executive director of the Reserve Bank of New Zealand, having previously served as deputy governor and, for a time, acting governor of the Bank. Rod was the founding chair of the National Infrastructure Advisory Board and for over a decade was a non-executive director of the Canterbury Employers' Chamber of Commerce.

He led the University of Canterbury as vice chancellor for ten years before retiring in February 2019, having substantially completed the recovery from the earthquakes of 2010 and 2011.

Rod is currently the chair of the Climate Change Commission, a director of ASB Bank Limited and of Ōtākaro Limited, as well as a trustee of the Christchurch Earthquake Appeal Trust and of the Arts Centre of Christchurch.

Rod holds a PhD in insurance and risk management, an MA in applied economics and managerial science, an MBA in money and finance, and honours degrees in law and in economics.



MIRIAM DEAN

CNZM, QC, Director

Miriam Dean has 38 years of legal experience as a former partner of law firm Russell McVeagh and a long-standing member of the independent bar. She was president of the New Zealand Bar Association from 2011 to 2012. She has conducted a number of inquiries and reviews, including chairing the Government's Electricity Price Review from 2018 to 2019 and Auckland Council's review of its council-controlled organisations in 2020.

With 25 years of governance experience, Miriam is the current chair of the Banking Ombudsman Scheme, as well as a director of the Real Estate Institute of New Zealand. Past directorships include chair of NZ On Air, director of Crown Infrastructure Partners Limited, deputy chair of Auckland Council Investments and a member of the Auckland Transition Authority.

Miriam facilitated and reported to the Government on discussions with engineers on options for the repair, restoration or replacement of Christchurch Cathedral in 2017. She is also chair and a member, respectively, of the Legal Advisory Board and the Advisory Committee of the Greater Christchurch Earthquake Claims Resolution Service.

Miriam was made a Companion of the New Zealand Order of Merit for services to business and law in 2013.



PETER TOWNSEND

CNZM, Director

Peter Townsend is the former chief executive of the Canterbury Employers' Chamber of Commerce, a position he held from 1996 to 2017. The Chamber, as the largest business support agency in the South Island, concentrates on assisting members to improve their enterprises, ensuring members can operate in a business-friendly environment, and encourages new business activity.

Peter holds several directorships including being chair of Pegasus Health (Charitable) Limited and chair of Te Papa Hauora/The Health Precinct. He is a member of the Callaghan Innovation Grants Committee and a board member of Warbirds over Wanaka and the Royal New Zealand Air Force Museum Trust. He is a trustee of the Hillary Institute of Leadership.

Since 4 September 2010, and especially since 22 February 2011, Peter has been actively involved in earthquake recovery issues.

Peter is the honorary consul for Chile for the South Island, a fellow of the Institute of Directors and a fellow of the Institute of Management. Peter has a BSc (Hons) and a Post Graduate Diploma in business. In May 2014 Lincoln University made Peter an Honorary Doctor of Commerce for his services to business. He is a life member of the Otago University Students' Association and of the Canterbury Employers' Chamber of Commerce. In December 2013 Peter was made a Companion of the New Zealand Order of Merit.

BOARD COMMITTEES

The Board has an Audit and Risk Committee, which is comprised of three Directors, to assist the Board to meet its financial governance, risk management and accountability requirements and responsibilities. The Committee’s Terms of Reference also cover the role of oversight of assurance.

Other ad hoc and standing committees may be formed from time to time.

INDEMNITIES AND INSURANCE

As permitted by the Ōtākaro Constitution, deeds of indemnity have been given to Directors, officers and employees involved in the management of the Company. The Company has professional indemnity, and directors’ and officers’ liability insurance in place.

DISCLOSURE OF INTERESTS BY DIRECTORS

The Board maintains and regularly updates an Interests Register to ensure conflicts of interest (both real and perceived) are recorded and managed as required by the Companies Act 1993. The following table on Pages 36–37 sets out all interests or cessations of interests of the Directors recorded in the Interests Register during the year ended 30 June 2020.

The Senior Leadership Team



JOHN BRIDGMAN
Chief Executive Officer



KEITH BEAL
General Manager, Property and Operations Group



RUTH KEATING
General Manager, Legal and Risk



JOHN O'HAGAN
General Manager, Development



SUE SQUIRE
General Manager, People and Capability



ANDREW TREVELYAN
General Manager, Communications and Stakeholder Engagement



CURTIS MITCHELL
Chief Financial Officer

Board of Directors’ interests register

Directors	Date of Disclosure	Organisation	Role
Corinne Haines Last updated 31 May 2019	31 May 2019	Logistics Drive Investments Limited	Shareholder
		Motim Technologies Limited	Shareholder
	4 September 2017	Beena Vision Asia Pacific Pty Limited	Director
	1 August 2016	Trimble Navigation New Zealand Limited	Employee/Director
		Trimble New Zealand Solutions	Director
		Manhattan Asia Pacific NZ Limited	Director
		Trimble Loadrite Auckland Limited	Director
		Trimble Navigation Australia Pty Limited	Director
		Trimble Australia Solutions Pty Limited	Director
		Manhattan Asia Pacific Pty Limited	Director
		Spatial Dimension Pty Limited	Director
		LSI Robway Pty Limited	Director
		St Barnabas Fendalton Trust	Trustee
		St Barnabas Anglican Church - Fendalton	Vestry member
		Chartered Accountants Australia and New Zealand	Member
Paul Blackler Last updated 5 October 2019	5 October 2019	Blacklight NZ Limited	Director
		Ryman Healthcare Limited	New Zealand Construction Manager
		New Zealand Institute of Building	Member
		Te Karaka Trust	Chairman/ Trustee
		Shamaria Trust	Trustee
		Avishai Trust	Trustee
Dr. Rod Carr Last updated 6 April 2020	4 October 2019	JRC (NZ) Limited	Director and Shareholder
		Conner Operating Group Limited	Shareholder
		Waingawa Forest Corporation Limited	Director and Shareholder
		ASB Bank Limited	Director
		The Professionals Club	Limited liability partner
		Christchurch Arts Centre	Trustee
		Canterbury Earthquake Appeal Trust	Trustee
		Air New Zealand	Shareholder
		Contact Energy	Shareholder
	8 October 2019	Climate Change Commission	Chair

Directors	Date of Disclosure	Organisation	Role
Miriam Dean Last updated 3 February 2020	3 February 2020	Auckland Council	Chair
	5 August 2019	Ministry of Justice’s Legal Aid Advisory Board	Chair
	9 July 2019	Facilitation Group for the 10 Year Screen Sector Strategy	Chair
	7 May 2019	Department of Internal Affairs’ External Advisory Committee	Member
	5 November 2018	Legal Advisory Group of the Greater Christchurch Earthquake Claims Resolution Service	Chair
		Advisory Committee of the Greater Christchurch Earthquake Claims Resolution Service	Member
	28 September 2017	REINZ Ltd	Director
	3 August 2017	Member Auckland Council Reference Panel	Chair
		Banking Ombudsman Scheme	Chair
	17 February 2016	NZ Law Society	Member
		NZ Bar Association	Member
		Global Women	Member
Peter Townsend Last updated 2 December 2019	4 December 2019	Warbirds over Wanaka Limited	Director (effective 1 December 2019)
	2 December 2019	Warbirds Over Wanaka Airshows Limited	Director (effective 1 December 2019)
		Warbirds Over Wanaka Community Trust	Trustee (effective 1 December 2019)
	21 June 2019	Te Papa Hauora/Health Precinct Advisory Council	Chairman (effective 1 July 2019)
	31 May 2019	After Hours Properties Ltd	Director
		CECC Management Training Ltd	Director
	17 February 2016	Pegasus Health (Charitable) Ltd	Director (appointed Chairman 28 September 2018)
		Hillary Institute of International Leadership	Trustee
		RNZAF Museum Trust Board	Board Member
		Callaghan Innovation Grants Committee	Member
		Honorary Consul of Chile to Christchurch	Honorary Consul

“The Board of Directors of Ōtākaro Limited has responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting for the Company.”

Statement of Responsibility

for the year ended 30 June 2020

Under the Crown Entities Act 2004 and the Public Finance Act 1989, the Board is responsible for the preparation of Ōtākaro Limited’s Annual Report, which includes the financial statements and performance information, and the judgements made therein.

The Board of Directors of Ōtākaro Limited has responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting for the Company.

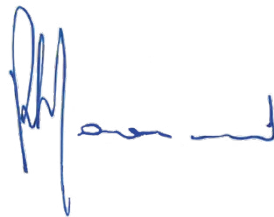
In the Board’s opinion, these financial statements and performance information fairly reflect the financial position and performance of Ōtākaro Limited for the year ended 30 June 2020.

Signed on behalf of the Board



CORINNE HAINES
Chairperson

18 December 2020



PETER TOWNSEND
Director

18 December 2020

About this report

IN THIS SECTION

The notes to the financial statements include information which is considered relevant and material to assist the reader in understanding the financial performance and position of Ōtākaro Limited (Ōtākaro). Information is considered relevant or material if:

- The amount is significant because of its size or nature
- It is important to understanding the results of Ōtākaro
- It helps explain Ōtākaro’s business.

Ōtākaro is a limited liability company incorporated in New Zealand under the Companies Act 1993 and is a Schedule 4A entity of the Public Finance Act 1989. Ōtākaro was established with limited life expectancy; however, with additional responsibilities the timeline has been extended.

The purpose of Ōtākaro is to add value to Anchor Projects and Crown Land in a manner that balances a desire to achieve good commercial outcomes against the Crown’s regeneration objectives and support the Crown’s exit over time on favourable terms.

Ōtākaro was incorporated on 17 February 2016 with two Shareholding Ministers and a Board of Directors.

Ōtākaro has designated itself as a public benefit entity (PBE) for the purposes of financial reporting under Public Sector PBE Standards (PBE Standards). Ōtākaro is a public authority and is exempt from the payment of income tax. Accordingly, no provision has been made for income tax in the financial statements.

The budget figures are those approved by the Board and included in the 2019/2020 Statement of Performance Expectations. The budget figures have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP), using accounting policies that are consistent with those used in preparing these financial statements.

These financial statements have been prepared:

- In accordance with the relevant requirements of the Public Finance Act 1989 and the Crown Entities Act 2004, which include the requirement to comply with NZ GAAP
- In accordance with GAAP and comply with Tier 1 PBE Standards
- On a GST-exclusive basis, except for receivables and payables which are presented on a GST-inclusive basis
- With no changes to accounting policies since the date of the 2018 financial statements
- On an historical cost basis modified by the revaluation of certain assets
- In New Zealand dollars rounded to the nearest one thousand, unless separately identified.

The financial statements of Ōtākaro are for the year ended 30 June 2020 and were approved by the Board of Directors on 15 December 2020.

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

In preparing these financial statements, Ōtākaro 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 expectations of future events that are believed to be reasonable under the circumstances.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

- Useful lives and residual values of property and equipment (note 2A);
- Fair value of land and buildings (note 2A);
- Net realisable value of land and buildings held as inventory (note 2B);
- Provision for transfer of land assets (note 2D);
- Current portion of borrowing (note 3B);
- Capital work in progress (note 2C).

CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

Management has exercised the following critical judgements in applying accounting policies:

- Recording of funding received in advance (note 1B);
- Classification of land and buildings (note 2A and Significant Matters section);
- The capitalisation point for project costs (see Significant Matters section);
- Classification of projects (see Significant Matters section);
- The capitalisation of additional costs related to the COVID-19 lockdown (see Significant Matters section).

Significant matters in the financial year

IN THIS SECTION

Significant matters which have had an impact on the Ōtākaro financial performance and position.

PROJECTS AND THEIR FUNDING

The Crown has committed to the continued support of Ōtākaro and the regeneration of Christchurch by agreeing to fund Ōtākaro for the completion of various Anchor Projects in Christchurch, as listed below. The graph below summarises funding received by project type.

Operating projects

These projects are considered operational in nature for any of the following reasons:

1. The project involves improving land not owned by Ōtākaro.
2. The project has not reached detailed design phase, so it does not yet generate an asset for Ōtākaro.
3. Construction has finished and Ōtākaro is maintaining the asset until it transfers.
4. The project work undertaken is remediating contaminated land and doesn't increase the value of the land.

Projects include Avon River Precinct, Te Pae Christchurch Convention Centre (Te Pae) business establishment, East Frame Residential, Performing Arts Precinct, and An Accessible City.

Ōtākaro is funded for these projects by the Crown with no conditions attached, therefore funding is recognised when received.

Capital projects

Projects are capitalised once the developed design phase is complete. At this point the scope of the project is

fully defined and cost estimates can be provided on an elemental basis. This will confirm that the project is within the approved funding limits. The Board then considers approval of the main works contract.

Te Pae, Metro Sports Facility, South Frame and East Frame Public Realm are currently regarded as capital projects.

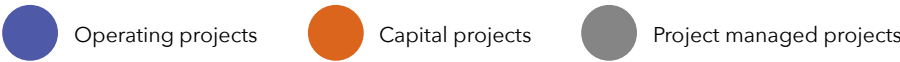
East Frame Public Realm land was transferred to the Christchurch City Council as at 30 June 2019. Formal acceptance of the constructed asset by the Christchurch City Council was received on 16 December 2019, dated 28 June 2019.

Capital projects are funded by an issue of shares to the Shareholding Ministers. Funds received by way of share issue are not recognised as revenue in the Statement of Comprehensive Revenue and Expense. They are recognised as capital contributions.

Project managed projects

On behalf of the Crown, Ōtākaro funded the preparation of the Investment Case for the Stadium/Canterbury Multi-Use Arena (CMUA). The investment case was managed by the Christchurch City Council and was reimbursed by Ōtākaro for costs incurred. Ōtākaro has now completed all of its currently scoped responsibilities for the project. The funding received in relation to this project is not recognised as revenue (and the costs are not recognised as expenditure) in the Statement of Comprehensive Revenue and Expense. The role of Ōtākaro included paying project costs on behalf of the Crown. Funding unspent at 30 June 2020 is recorded as a liability in the Statement of Financial Position.

2020 PROJECT FUNDING (\$175.1m)



PROJECT ASSETS

When operating and capital projects were transferred to Ōtākaro, land and building assets were transferred with them. The classification of these assets in the Statement of Financial Position is based on the expected future use.

A Land Divestment Strategy was approved by the Board of Directors during the 2020 financial year. It determined the expected future use of land and buildings held by Ōtākaro. The classification of the land and buildings in these financial statements is prepared on the basis of the Land Divestment Strategy. For further details see note 2B.

Land and buildings associated with the projects have been classified as follows:

1. Land and buildings held as inventory – these are the land and buildings that have been designated by the Divestment Strategy as surplus land holdings. They have been classified as inventory because Ōtākaro will be selling surplus land holdings as part of its core business.
2. Land and buildings as part of property and equipment – these are either public realm land that is expected to transfer to another entity in the future, or that are being held for strategic purposes.

Project assets breakdown	2020 \$000	2019 \$000
Land and buildings held as inventory	69,666	87,241
Property, plant and equipment held for sale	671	73,557
Property and equipment		
– Land	51,316	55,493
– Buildings	44	84
– Work in progress	306,163	182,458
Total	427,860	398,883

TRANSFER OF PUBLIC REALM ASSETS

The Crown has an agreement with the Christchurch City Council to vest certain pieces of land owned by Ōtākaro at some time in the future. Ōtākaro is not a party to this agreement.

A Memorandum of Understanding was reached between the Christchurch City Council and Ōtākaro in the 2017 financial year as to how public realm land and assets created as part of certain Ōtākaro Anchor Projects will transfer from Ōtākaro to the Christchurch City Council. As a result of this agreement, there is a provision for the transfer of assets.

Included in the provision for the transfer of public realm assets are those assets that are known to be transferring to the Christchurch City Council in the future. These assets have either been recorded as land in the property and equipment class of assets or are recorded as capital work in progress.

CROWN AND CHRISTCHURCH CITY COUNCIL GLOBAL SETTLEMENT AGREEMENT

On 23 September 2019 Cabinet approved the Global Settlement Agreement which provided clarity on all of the outstanding matters from the 2013 Cost Sharing Agreement and other subsequent matters regarding Christchurch's regeneration, between the Crown and the Christchurch City Council. Ōtākaro is only a party to two sale and purchase agreements (attached as schedules to the Global Settlement Agreement), specifically the sale of the Bus Interchange for \$22.993m and the Performing Arts Precinct land for \$1 to the Council. These assets settled and transferred to the Christchurch City Council on 30 September 2019. The associated loss on sale of \$14m has been recognised in Statement of Comprehensive Income this year.

COVID-19 PANDEMIC

On Wednesday 25 March 2020, New Zealand entered into Alert Level Four (full lockdown of non-essential services). All construction activity on Ōtākaro sites ceased accordingly. Alert Level Three commenced on 28 April 2020, and construction activity could recommence albeit with self-distancing and other new health and safety protocols required. New Zealand moved to Alert Level Two on 14 May 2020 and finally to Alert Level One on 8 June 2020, when construction activity could restart without restriction. At each alert level a staged action plan was developed with the contractors, which enabled the projects to recommence and/or increase capacity quickly.

It should be noted that the Company did not utilise the government wage subsidy scheme that was available for businesses during the lockdown and months following.

Contract Types

Ōtākaro Limited has entered into three types of contract that are subject to COVID-19 claims and each form of contract has been reviewed for COVID-19 cost impact:

- i) Construct Contracts (per NZS3190 form of contract) for Metro Sports Facility, Avon River Precinct and South Frame
- ii) Design and Construct Contracts (per NZS3916 form of contract) for Te Pae Christchurch Convention Centre
- iii) Contracts for professional services to support the Anchor Project delivery.

As at 30 June 2020 Ōtākaro Limited has paid and accrued COVID-19 related claims and expenses totalling \$4.2m (excluding GST) across its projects. These are based on assessments by the Engineer-to-contract on the relevant project, and for additional professional fees incurred due to the delay. The claims received and paid are contract variations for extension of time and costs caused by the change in law and per the terms of NZS3910 Conditions of contract for building and civil engineering construction and NZS3916 Conditions of contract for building and civil engineering – Design and construct, which are the standard forms of contract used in the New Zealand construction market. All claims paid and variations paid are capitalised the year they are incurred.

Notwithstanding, the full cost impact of COVID-19 is yet to be finally determined across Ōtākaro Limited construction contracts and professional services. At this stage the expectation is that such costs will be able to be accommodated within the existing project budget. The claims on contracts and variations on professional services not yet received will represent costs incurred in Ōtākaro Limited financial statements for 2020/21. Ōtākaro Limited expects to incur further COVID-19 costs which are not able to quantified at this stage.

The assessment of the impact of COVID-19 on Ōtākaro Limited Statement of Financial Performance and Statement of Financial Position is set out below based on information available at the time of preparing the financial statements.

Financial statement area	Summary of COVID-19 impact	Note disclosing additional information
Valuation of land and buildings held as property, plant and equipment	Ōtākaro Limited performed a full fair value assessment undertaken by a Registered Valuer, and concluded that a valuation loss of \$4.2m is required. Further details are included in note 2A.	Note 2A
Valuation of land and buildings held as inventory	Ōtākaro Limited performed a full assessment undertaken by a Registered Valuer, and concluded that a net inventory write-down of \$12.8m is required. Further details are included in note 2B.	Note 2B
Capital work in progress	Additional costs directly attributable to the asset were incurred during the COVID-19 lockdown. There are two categories of these costs; those that were assessed prior to 30 June 2020, and post 30 June 2020. All of these costs up to 15 December 2020 have been capitalised to Capital work in progress per PBE IPSAS 17 Property, Plant and Equipment.	Note 2C
Contingencies	Ōtākaro has included disclosure of claims for additional costs that are in progress at the time of issuing these financial statements that are directly attributable to the COVID-19 lockdown but for which the value has not yet been substantiated. This disclosure has been made per PBE IPSAS 19 Provisions, Contingent Liabilities and Contingent Assets.	Note 4D

POST BALANCE DATE EVENTS

Land and Buildings held as Inventory

In November 2020 the former IRD and Cashel Chambers Building was sold. As at 30 June 2020 a write-down related to this property was disclosed in note 2B of the financial statements. The final purchase price exceeded the impaired value presented in the Annual Report as at 30 June 2020. The gain on sale between the impaired value and purchase price will be disclosed in the 30 June 2021 Annual Report.

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

For the year ended 30 June 2020

	Note	2020 Actual \$000	2020 Budget \$000	2019 Actual \$000
Income				
Project funding	1A	56,103	88,373	47,671
Operational funding	1B	14,001	16,451	16,740
Properties and facilities funding	1B	2,724	6,671	3,446
Other revenue	1C	3,981	5,296	5,803
Total revenue		76,809	116,791	73,660
Expenses				
Operating project expenses	1A	24,182	30,682	45,382
Operational expenses	1B	12,513	16,451	14,671
Properties and facilities expenses	1B	1,890	1,697	3,223
Provision for transfer of public realm assets	2D	44,808	118,834	11,160
Finance costs	1D	3,166	2,694	5,131
Other expenses	1E	17,077	-	844
Net (Gain)/Loss on other asset sales	1F	13,978	16,069	-
Total expenses		117,614	186,427	80,411
Land sales	2B	6,462	47,131	14,087
Cost of land sales		(6,554)	(40,827)	(13,665)
Gain/(Loss) on land sales		(92)	6,304	422
Net surplus/(deficit) for the period		(40,897)	(63,332)	(6,329)
<i>Other comprehensive revenue and expense for the year</i>				
Total comprehensive revenue and expense for the year		(40,897)	(63,332)	(6,329)

Explanation of major variances against budget are provided in note 4F.

The accompanying notes form part of these financial statements

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2020

	Note	Capital \$000	Accumulated Surplus \$000	Total \$000
Opening balance 01 July 2018				
		202,332	(46,507)	155,825
Comprehensive income				
Net surplus/(deficit)		-	(6,329)	(6,329)
Other comprehensive revenue and expense		-	-	-
Total comprehensive revenue and expense		-	(6,329)	(6,329)
Owners' transactions				
Capital contribution – Crown		132,768	-	132,768
Share repurchase		-	-	-
Closing balance 30 June 2019		335,100	(52,836)	282,264
Comprehensive income				
Net surplus/(deficit)		-	(40,897)	(40,897)
Other comprehensive revenue and expense		-	-	-
Total comprehensive revenue and expense		-	(40,897)	(40,897)
Owners' transactions				
Capital contribution – Crown		118,549	-	118,549
Closing balance 30 June 2020	3A	453,649	(93,733)	359,916

Explanation of major variances against budget are provided in note 4F.

The accompanying notes form part of these financial statements

STATEMENT OF FINANCIAL POSITION

As at 30 June 20

Assets	Note	2020 Actual \$000	2020 Budget \$000	2019 Actual \$000
Current assets				
Cash and cash equivalents	3C	26,761	13,485	27,928
Short term deposits	3D	57,623	12,000	45,000
Trade and other receivables	3E	11,631	19,916	18,853
Current portion of land and building classified as inventory	2B	20,601	10,567	37,575
Property, plant and equipment held for sale	2A	671	-	73,557
Prepayments	3F	21,189	750	27,394
Total current assets		138,476	56,718	230,307
Non-current assets				
Property and equipment	2A	51,521	62,793	55,772
Other receivables	3E	9,993	-	2,851
Capital work in progress	2C	307,277	427,592	182,458
Land and building classified as inventory	2B	50,205	12,477	49,666
Total non-current assets		418,996	502,862	290,747
Total assets		557,472	559,580	521,054
Liabilities				
Current liabilities				
Creditors and other payables	3G	10,508	12,577	20,411
Employee entitlements	4C	811	-	594
Funding in advance	1B	5,999	-	3,143
Funds held on behalf of Crown to fund project managed projects	1A	16	-	27
Revenue in advance - Non-Crown	1A	962	-	11
Provisions		60	-	60
Current portion of borrowings	3B	16,692	11,720	91,994
Total current liabilities		35,048	24,297	116,240
Non-current liabilities				
Term loan	3B	64,450	19,577	47,081
Provision for transfer of public realm assets	2D	98,058	174,172	75,469
Total non-current liabilities		162,508	193,749	122,550
Total liabilities		197,556	218,046	238,790
Net assets		359,916	341,534	282,264
Equity				
Contributed capital	3A	453,649	473,194	335,100
Accumulated surplus	3A	(52,836)	(68,328)	(46,507)
Total comprehensive revenue and expense for the year		(40,897)	(63,332)	(6,329)
Total equity		359,916	341,534	282,264

Explanation of major variances against budget are provided in note 4F.

The accompanying notes form part of these financial statements

STATEMENT OF CASH FLOWS

For the year ended 30 June 2020

	Note	2020 Actual \$000	2020 Budget \$000	2019 Actual \$000
Cash flows from operating activities				
Crown and other revenue		108,808	111,398	74,517
Interest received		1,588	667	2,658
Sale of goods		1,778	111,179	12,299
Payments to suppliers and employees		(34,825)	(63,416)	(66,939)
Interest paid		(3,922)	-	(486)
Goods and services tax (net)		3,815	-	(4,203)
Net cash inflow/(outflow) from operating activities	3C	77,242	159,828	17,846
Cash flows from investing activities				
Sale of assets		22,937	-	5
Maturity of investments		66,123	20,000	91,500
Purchase of property and equipment		(118)	(50)	(201)
Purchase of capital work in progress		(154,052)	(233,454)	(118,114)
Purchase of investments		(78,746)	-	(113,500)
Net cash inflow/(outflow) from investing activities		(143,856)	(213,504)	(140,310)
Cash flows from financing activities				
Capital contribution – Crown		118,549	141,844	131,392
Distributions to the Crown			(1,262)	
Loan repayment		(53,102)	(96,811)	(8,068)
Net cash inflow/(outflow) from financing activities		65,447	43,771	123,324
Net increase/(decrease) in cash and cash equivalents		(1,167)	(9,905)	860
Cash and cash equivalents at the beginning of the period		27,928	23,390	27,068
Cash and cash equivalents at the end of the period		26,761	13,485	27,928

Explanation of major variances against budget are provided in note 4F.

The accompanying notes form part of these financial statements

Section 1: Financial performance

IN THIS SECTION

This section provides additional information about items relating to financial performance and projects, including:

- a) Accounting policies, judgements and estimates that are relevant for understanding items related to financial performance and projects
- b) Analysis of the performance of Ōtākaro for the year by reference to the key areas of projects and operational activities.

1A – PROJECTS

There are three types of projects that Ōtākaro is being funded by the Crown to deliver:

1. Projects that are operating in nature.
2. Projects that are capital in nature.
3. Projects managed, but not owned by Ōtākaro.

Refer to the *Significant Matters* section for a description of the projects.

Projects - Operating

Funding for operating projects was received from the Crown during the financial year.

Crown funding is restricted in its use to the purpose set out in the relevant funding agreement to deliver specific projects.

There are no ‘use or return’ conditions attached to the funding. Therefore, it is recognised as revenue at the point of entitlement, which is considered to be the first day of the quarter for which the funds received relate.

The fair value of all revenue received from the Crown (including projects and operational funding) has been determined to be equivalent to the amounts due under the funding agreements.

1A – PROJECTS CONTINUED

Breakdown of operating projects’ funding

Project	2020 \$000	2019 \$000
An Accessible City	3,318	15,456
Avon River Precinct	4,513	10,562
Te Pae Christchurch Convention Centre	5,255	3,210
East Frame Residential	-	-
Metro Sports Facility	26,921	4,378
Performing Arts Precinct	1,142	-
South Frame	-	36
Land Remediation	14,954	14,029
Total operating projects’ funding	56,103	47,671

Operating projects’ funding for Metro Sports Facility represents contributions to the project from the Christchurch City Council in accordance with the Cost Sharing Agreement. Previously funding also included revenue received in advance in previous periods that was released in the 2018 financial year.

Breakdown of operating projects’ expenditure

Project	2020 \$000	2019 \$000
An Accessible City	4,831	13,876
Avon River Precinct	3,727	12,477
Te Pae Christchurch Convention Centre	4,423	1,528
East Frame Residential	54	141
Performing Arts Precinct	1,500	-
Land Remediation	9,649	17,360
Total operating projects’ expenditure	24,183	45,382

Utilised as follows	2020 \$000	2019 \$000
Construction contractors	6,450	20,309
Project management	295	260
Quantity surveyor	237	670
Land remediation	9,649	17,360
Fees paid to Audit NZ for other assurance services	-	50
Direct staff costs allocated to project	275	749
Other project expenses	7,278	5,984
Total operating projects’ expenditure	24,183	45,382

For the year ended 30 June 2020, \$275k of direct staffing costs have been allocated to operating project expenditure (2019: \$749k) as this has reached a material level due to increased staffing levels required for construction. The funding for these direct staffing costs is provided through the Ōtākaro operating grant but is required to be allocated to the specific projects.

1A – PROJECTS CONTINUED

Projects – Capital

Projects that are considered capital in nature create assets for Ōtākaro and are funded by the issue of share capital. Funding received for these projects is not recognised as revenue. Total shares issued in relation to capital funded projects were \$118.5m (2019: \$132.8m). Total cost for the year on these projects was \$165.3m (2019: \$98.1m).

Build costs related to these projects are capitalised to work in progress (see note 2C) and once the projects are complete they will be recognised as property and equipment and will be depreciated.

Breakdown of capital projects' funding

Project	2020 \$000	2019 \$000
Te Pae Christchurch Convention Centre	99,988	130,260
East Frame Public Realm	10	55
South Frame	1,445	2,453
Metro Sports Facility	17,106	-
Total capital projects' funding	118,549	132,768

Breakdown of capital projects' expenditure

Project	2020 \$000	2019 \$000
Te Pae Christchurch Convention Centre	118,577	89,246
East Frame Public Realm	2	19
Metro Sports Facility	47,613	7,340
South Frame	914	1,526
Total capital projects' expenditure	167,105	98,131

Utilised as follows	2020 \$000	2019 \$000
Construction contractors	153,203	88,069
Project management	2,246	2,109
Architect	935	779
Direct staff costs allocated to projects	1,212	1,293
Other project expenses	9,510	5,881
Total capital projects' expenditure	167,105	98,131

For the year ended 30 June 2020, \$1.2m of direct staffing costs have been allocated to capital project expenditure and subsequently capitalised as work in progress (2019: \$1.3m).

More details are provided in note 2C regarding capital work in progress.

1A – PROJECTS CONTINUED

Project managed projects

All funding received from the Crown for project managed projects is initially recorded as a liability. Expenses related to project managed projects are paid for by Ōtākaro, on behalf of the Crown and these amounts reduce the liability.

Funding received and expenses incurred are not reflected in the Statement of Comprehensive Revenue and Expense. An amount is recorded as a liability to represent the unspent funding at 30 June 2020.

Breakdown of project managed project funding

Project	2020 \$000	2019 \$000
Stadium	478	2,395
Total funding for project managed projects	478	2,395

Breakdown of project managed project expenditure

Project	2020 \$000	2019 \$000
Stadium	490	2,472
Total expenditure for project managed projects	490	2,472

Utilised as follows	2020 \$000	2019 \$000
Specialist engineer	61	861
Consultancy	265	692
Project management	121	239
Other project expenses	42	680
Total expenditure for project managed projects	490	2,472

	2020 \$000	2019 \$000
Prior year unspent funding	27	104
Funding received	478	2,395
Expenditure	(490)	(2,472)
Unspent funding for project managed projects	16	27

Represented by:	2020 \$000	2019 \$000
Funds held on behalf of Crown to fund project managed projects	16	27
Total unspent funding for project managed projects	16	27
Revenue in advance - non Crown	619	11
Total Revenue in advance from - non Crown sources	619	11

Revenue in advance - non-Crown

There is \$619k revenue in advance from non-Crown sources at balance date (2019: \$11k).

1B – OPERATIONAL FUNDING

Operational funding from the Crown

An agreement between Ōtākaro and the Crown is in place for the Crown to fund the Company’s operational expenditure.

That agreement sets out restrictions on the use of the funding and applies conditions to unspent money in any quarter.

Given the funding has conditions attached to it as detailed in the Funding Agreement, the revenue recognised is in line with the allowable expenditure incurred. Any unspent funding as at 30 June 2020 is recorded as funding received in advance (liability).

Breakdown of operational funding from the Crown

	2020 \$000	2019 \$000
Gross Operational funding received from the Crown	20,000	19,883
Funding recognised as Revenue during year	(14,001)	(16,740)
Funding received in advance (liability)	5,999	3,143

The funding in advance liability from 2019 was repaid to the Crown during 2020.

Breakdown of operational expenditure

Operational expenses	2020 \$000	2019 \$000
Fees paid to Audit NZ for audit of financial statements - 2020	105	-
Fees paid to Audit NZ for audit of financial statements - Prior Year	-	103
Depreciation	124	90
Personnel costs	8,445	9,923
Consultancy	437	1,077
Other operational expenses	3,402	3,478
Total operational expenses	12,513	14,671

For the year ended 30 June 2020, \$1.2m of direct staffing costs have been allocated to capital project expenditure and subsequently capitalised as work in progress (2019: \$1.3m). In addition, \$275k of direct staffing costs have been allocated to operating project expenditure (2019: \$749k) as this has reached a material level, due to increased staffing levels required for construction. The funding for these direct staffing costs is provided through the Ōtākaro operating grant in line with the Funding Agreement but is required to be allocated to the specific projects. For this reason, the operating expenditure does not match the operational funding in the 2020 and 2019 financial years.

1B – OPERATIONAL FUNDING CONTINUED

Funding received in advance

Funding received in advance is made up of operational funding unspent. Total funding unspent at 30 June 2020 is \$6.0m (2019: \$3.1m).

Operational property and facilities funding from the Crown

Funding for operational property and facilities is funded by the Crown.

All funding received and expenses incurred are recognised in the period in which they are received or incurred.

	2020 \$000	2019 \$000
Bus Interchange facilities management	1,224	2,006
Land holding costs	1,500	1,440
Total operational property and facilities funding	2,724	3,446

Utilised as follows	2020 \$000	2019 \$000
Repairs and maintenance	164	521
Rates	1,276	1,617
Cleaning	92	357
Other	358	728
Total operational property and facilities expenditure	1,890	3,223

Critical judgements in applying accounting policies

Ōtākaro considers all funding received from the Crown to be non-exchange transactions. That includes all funding recorded as revenue and funding received in advance and amounts recorded as payable to or receivables from the Crown.

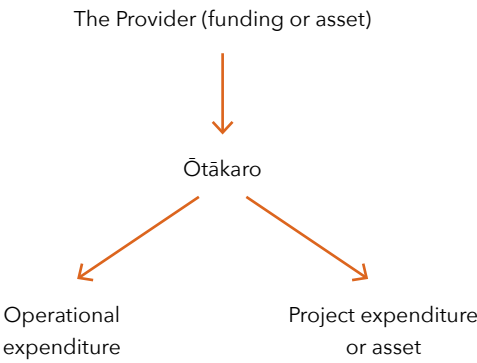
Additionally, any land that transfers to Ōtākaro from another entity at nil cost is a non-exchange transaction.

The split between exchange and non-exchange revenue is as follows:

	2020 \$000	2019 \$000
Non-exchange revenue	75,241	70,271
Exchange revenue	8,029	17,476
Total revenue	83,270	87,747

What is a non-exchange transaction?

This type of transaction is when the Provider does not receive a direct benefit in return for the funding or asset provided. The funding or asset received from the Provider is utilised to complete the various operational and capital funded projects. Ōtākaro considers this as an indirect benefit for the Provider, rather than a direct benefit.



1C - OTHER REVENUE

Other revenue	2020 \$000	2019 \$000
Interest revenue from bank	1,597	2,681
Crown contribution to borrowings cost	1,990	2,414
Rental revenue from leased land and buildings	360	668
Other revenue	35	40
Total other revenue	3,981	5,803

Rental revenue

Lease receipts under an operating lease are recognised as revenue on a straight-line basis over the lease term.

These are in relation to car parking and building leases on land and buildings owned by Ōtākaro.

Interest revenues

Interest received on term deposits and balances held in the bank \$1.6m (2019: \$2.7m).

Crown contribution to borrowings cost

The Crown contribution to borrowings cost represents the portion of interest costs on term borrowings which will be met by the Crown on settlement of the associated mortgage \$1.9m (2019: \$2.4m).

Other Revenue

Other revenue is predominantly comprised of income received from the Christchurch City Council for works performed on its behalf by the An Accessible City project team and time spent assisting the Ministry of Health with evaluation of the new Dunedin Hospital.

1D - FINANCE COSTS

Finance costs

Borrowing costs are expensed in the financial year in which they are incurred. They relate to the interest charged on the loans from the Crown.

1E - OTHER EXPENSES

Other expenses	2020 \$000	2019 \$000
Depreciation of buildings	-	749
Inventory write-down to Net Realisable Value	12,836	59
Valuation loss	4,177	
Other expenses	64	36
Total other expenses	17,077	844

Depreciation of buildings

For further details, see note 2A.

Donations

No donations have been made by Ōtākaro during the period.

Inventory write-down to Net Realisable Value

Any material write-down from cost to net realisable value for the loss of service potential is recognised in the surplus/deficit of the Statement of Comprehensive Revenue and Expenses in the period of the write-down. The write-down of inventories during the year was \$12.8m (2019: \$59k). This write-down was processed in accordance with Estimating the fair value of land and buildings approach outlined in Key judgements and estimates (note 2A refers).

Valuation loss

A loss on the revaluation of land to fair value of \$4.2m was recognised (note 2A refers).

1F - NET (GAIN)/LOSS ON OTHER ASSET SALES

During the financial year ended 30 June 2020 the Bus Interchange and the Performing Arts Precinct land was divested as part of the Global Settlement Agreement and a net loss on sale of \$14m was recognised.

Section 2: Assets

IN THIS SECTION

This section explains the types of assets Ōtākaro owns, as listed below, and how they have been valued.

- Property and equipment
- Land and buildings held as inventory
- Work-in-progress.

2A – PROPERTY AND EQUIPMENT

	\$000 Land	\$000 Buildings	\$000 Office furniture and equipment	\$000 Total
Net book value 01 July 2018	100,202	48,069	82	150,153
Additions	1,376	-	201	1,577
Disposals	(13,294)	-	(30)	(13,324)
Transfers - land and buildings held as inventory	(34,591)	(47,195)	-	(81,786)
Depreciation expense	-	(790)	(58)	(848)
Net book value 30 June 2019	55,493	84	195	55,772
Cost or fair value	55,493	203	387	56,083
Less accumulated depreciation	-	(119)	(193)	(311)
Net book value 30 June 2019	55,493	84	195	55,772
Additions	-	-	117	117
Disposals	-	-	(4)	(4)
Transfers - land and buildings held as inventory	-	-	-	-
Depreciation expense	-	(41)	(147)	(187)
Impairment Loss on revaluation	(4,177)			(4,177)
Net book value 30 June 2020	51,316	43	161	51,521
Cost or fair value	51,316	203	500	52,019
Less accumulated depreciation	-	(160)	(339)	(499)
Net book value 30 June 2020	51,316	43	161	51,521

Total depreciation of \$187k (2019: \$848k) is made up of \$41k (2019: \$790k) for leasehold improvements and other buildings' depreciation (note 1E) and \$147k (2019: \$58k) of depreciation for office equipment (note 1B).

2A – PROPERTY AND EQUIPMENT CONTINUED

Recognition and measurement

Land and buildings are held on the Statement of Financial Position at their fair value at the date of revaluation, less any subsequent depreciation and impairment losses. All other property and equipment are stated at historic cost less accumulated depreciation and any accumulated impairment losses.

Additions

The cost of an item of property and equipment, together with costs incurred subsequent to the initial acquisition, are recognised as an asset only when it is probable that future economic benefits or service potential associated with the item will flow to Ōtākaro, and the cost of the item can be measured reliably.

In most instances, an item of property and equipment is initially recognised at its cost. Where an asset is acquired through a non-exchange transaction, it is recognised at its fair value as at the date of acquisition.

The costs of day-to-day servicing of property and equipment are expensed in the Statement of Comprehensive Revenue and Expenses as they are incurred.

Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are reported net in the Statement of Comprehensive Revenue and Expenses.

Depreciation

Depreciation of property and equipment assets, other than land, is calculated on a straight-line basis. This allocates the cost or fair value amount of an asset, less any residual value, over its estimated remaining useful life.

The useful lives of the major classes of assets are:

- Buildings 66 years;
- Computer Equipment 2 years;
- Office Furniture 4 years;
- Fixtures and Fittings 4 years.

The residual value and useful life of an asset is reviewed and adjusted, if applicable, at each balance date.

Property, plant and equipment held for sale

A portion of the Performing Arts Precinct land is held for sale. The Bus Interchange land and Performing Arts Precinct land and buildings of \$26.4m were reclassified as held for sale in the 2019 year and divested in this financial year.

Capital commitments

The value of committed contracts at balance date in relation to capital projects is made up of committed contracts for the South Frame, East Frame Public Realm, Metro Sports Facility and the Te Pae projects.

	2020 \$000	2019 \$000
Less than one year	125,124	165,458
Between one and five years	76,680	174,053
Total capital commitments	201,804	339,700

Impairment of property and equipment

Items of property and equipment held at cost include computer hardware, office equipment, and furniture and fittings. These items will be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may exceed its value in use.

As at 30 June 2020, no events or changes in circumstances were identified to warrant an impairment review.

Fair value and revaluation of land and buildings

Land and building revaluations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair values at the balance date.

Material land and building revaluation movements are accounted for on a class-of-asset basis.

Any material net revaluation gains are recorded in Other comprehensive revenue and expense and are accumulated to an asset revaluation reserve in equity for that class of asset. Where this would result in a debit balance in the asset revaluation reserve, this balance is recognised in the Statement of Comprehensive Revenue and Expense. In the financial year ended 30 June 2020 a loss on revaluation of \$4.2m was recognised. It was disclosed in Other expenses.

2A – PROPERTY AND EQUIPMENT CONTINUED

Key judgements and estimates

Estimating useful lives and residual values

Ōtākaro makes estimates of the remaining useful lives of assets. Assessing the appropriateness of useful life and residual value estimates of property and equipment requires a number of factors to be considered such as the physical condition of the asset, expected period of use of the asset, and expected disposal proceeds from the future sale of the asset.

An incorrect assessment will affect the depreciation expense and the carrying amount of the asset. Useful lives will be reviewed annually to minimise the estimation uncertainty.

Estimating the fair value of land and buildings

A full valuation of land and buildings was performed in 2016 to establish the transfer values of the assets from CERA to Ōtākaro Limited. In 2020, M. Ogg of Colliers, a registered valuer, performed a full valuation for the purposes of determining whether land and buildings were held at fair value and inventory was impaired. This included consideration of any and all impacts of the COVID-19 pandemic. The valuer has stated that due to COVID-19, the valuations are reported on a basis of material valuation uncertainty. The former IRD Building was valued as if completely repaired and fully occupied, based on an average of the capitalisation approach and discounted cash flow less costs to strengthen and repair the building (based on engineering assessments from external consultants). As at the valuation date, the valuer has considered it appropriate to attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Following the valuation, a \$12.8m inventory write-down to net realisable value, and a \$4.2m valuation loss was recognised. (2019: A fair value assessment was conducted as at 30 June 2019 by an independent registered valuer, M. Ogg of Colliers. There were no indicators of impairment).

Land

Fair value, using market-based evidence, is based on the highest and best use of the land, with reference to comparable land values. This falls within level 1 of the fair value hierarchy.

Adjustments have been made to some land values for the following reasons:

- Where there is a designation against the land, arising from the District Plan, restricting its future use. The adjustment reflects the negative effect on the value of the land where an owner’s control of their property is reduced. These adjustments ranged from 0% to 15%;
- Where there is a public realm designation against the land, restricting its future use. The adjustment reflects the negative effect on the value of land. The adjustment is to reduce the fair value of the land to 33% of the value;
- Where the size of the section or block is considered to have an impact on the ability to sell the land. The adjustment reflects the negative effect on the value of land given the increased difficulty of selling. These adjustments ranged from 5% to 20%;
- Where the location of a piece of land is considered to have an impact on the land’s desirability and value. The adjustment reflects the positive effect the location has on the value of the land. These adjustments ranged from 2.5% to 10%.

2B – LAND AND BUILDINGS HELD AS INVENTORY

Land and buildings classified as inventory are recorded at the lower of cost and net realisable value.

Ōtākaro owns land and buildings in Christchurch central business district that will be sold in the ordinary course of business.

Any material write-down from cost to net realisable value for the loss of service potential is recognised in the surplus/deficit of the Statement of Comprehensive Revenue and Expenses in the period of the write-down. The write-down of inventories during the year was \$12.8m (2019: \$59k). (2020: The write-down reflected the decrease in market value of the IRD Building complex and other inventory assets).

Inventories that are acquired through non-exchange transactions are measured at fair value at the date of the acquisition.

Land and buildings held as inventory	2020 \$000	2019 \$000
Land	67,534	71,368
Building	3,272	15,873
Total land and building held as inventory	70,806	87,241

Represented by:	2020 \$000	2019 \$000
Current assets	20,601	37,575
Non-current assets	50,205	49,666
Total land and building held as inventory	70,806	87,241

The decrease in the inventory balance relates to land and building sales that have occurred during the 2020 financial year.

All land and buildings held as inventory have loans from the Crown attached to them, except for a parcel of land attached to the Metro Sports Facility. The total value of loans held in relation to land and buildings held as inventory is:

	2020 \$000	2019 \$000
Land	51,823	47,850
Buildings	14,647	14,182
Total loans related to land and buildings held as inventory	66,470	62,032

Land sales and cost of land sales

The sales in the current year included four pieces of surplus land holdings, and Super Lot 3 within the East Frame Residential Precinct.

2C – CAPITAL WORK IN PROGRESS

Capital work in progress is recognised at cost less any impairment and is not depreciated.

Specialised assets and capital works which are not yet completed make up the majority of the balance of work in progress.

For the year ended 30 June 2020 a combined total of \$4.2m of additional cost directly attributable to the COVID-19 lockdown period was capitalised across Te Pae and the Metro Sports Facility.

	2020 \$000	2019 \$000
South Frame	6,247	5,333
East Frame Public Realm	-	22,218
Te Pae Christchurch Convention Centre	234,835	136,325
Metro Sports Facility	66,194	18,582
Total capital work in progress	307,277	182,458

2D – PROVISION FOR TRANSFER OF PUBLIC REALM ASSETS

A provision is recognised for future expenditure of uncertain amounts or timing when:

- There is a present obligation (whether legal or constructive) as a result of a past event;
- It is probable that an outflow of future economic benefits or service potential will be required to settle the obligation;
- A reliable estimate can be made of the value of the obligation.

Provisions are measured at the value of the expenditure expected to be required to settle the obligation.

The provision for the transfer of public realm assets recognises that certain pieces of land and capital work in progress will transfer to the Christchurch City Council in the future, as a result of the signing of a memorandum of understanding between Ōtākaro and the Christchurch City Council.

The timing of when parcels of land are transferred to the Christchurch City Council is variable and is subject to a number of factors. These include timeline variabilities due to subdivision and amalgamation processes, change in designation requirements and official title transfer timelines. As such, no estimate is made of timing in terms of current versus non-current. While Ōtākaro expects to transfer public realm land and assets to the Christchurch City Council in the coming year, the scale of this is not able to be reliably estimated and is disclosed as non-current.

	2020 \$000	2019 \$000
Land		
- Public Realm	624	624
- Metro Sports Facility	24,992	28,712
Capital work in progress	72,442	46,133
Total provision for transfer of public realm assets	98,508	75,469

The provision has not been discounted as Ōtākaro is a limited life entity. The public realm assets are to transfer within two years and the provision offsets the carrying value of the assets to be transferred.

The reconciliation of provision for transfer of public realm assets liability to expenditure is:

	2020 \$000	2019 \$000
Opening provision	75,469	90,563
Provision expensed during the year	44,808	11,160
Provision utilised during the year	(22,219)	(26,254)
Closing provision	98,058	75,469

Section 3: Managing funding

IN THIS SECTION

This section explains how Ōtākaro manages its capital structure and working capital and the various funding sources and provides information about:

- 1. Equity and shareholding
- 2. Cash management and debt
- 3. Receivables and payables.

3A – SHARE CAPITAL AND EQUITY

Equity is measured as the difference between total assets and total liabilities. Equity is disaggregated and is currently classified into the following components:

- Contributed capital (less share repurchase)
- Accumulated surplus

All shares issued are ordinary shares, fully paid and have a face value of \$1 each. The total number of shares authorised as at 30 June 2020 is 453,649,479 (2019: 335,100,476).

Contributed capital is made up of multiple share issues during the year:

- 1. Capital funded projects of 118.5m shares for \$118.5m (2019: 131.4m shares for \$131.4m) (see note 1A)

Capital management

Ōtākaro is subject to the financial management and accountability provisions of the Crown Entities Act 2004, which impose restrictions in relation to borrowings, acquisition of securities, issuing guarantees and indemnities, and the use of derivatives.

Ōtākaro has complied with the financial management requirements of the Crown Entities Act 2004 during the year.

Ōtākaro manages its equity as a by-product of prudently managing revenues, expenses, assets, liabilities and general financial dealings to ensure that Ōtākaro effectively achieves its objectives and purpose, while remaining a going concern.

Breakdown of equity	2020 \$000	2019 \$000
Contributed capital		
Opening balance	335,100	202,332
Additional capital contributed	118,549	132,768
Share repurchase	-	-
<i>Closing balance</i>	<i>453,649</i>	<i>335,100</i>
Accumulated surplus		
Opening balance	(52,836)	(46,507)
Surplus/(deficit) for the year	(40,897)	(6,329)
<i>Closing balance</i>	<i>(93,733)</i>	<i>(52,836)</i>
Total equity	359,916	282,264

3B – BORROWINGS

Borrowings are initially recognised at the amount borrowed. Interest due on the borrowings is subsequently accrued and added to the borrowings balance. All borrowing costs are expensed in the period incurred.

All borrowings are held with the Crown and are attached to land and buildings transferred to Ōtākaro.

Borrowings	2020 \$000	2019 \$000
Current portion	16,692	91,994
Non-current portion	64,450	47,081
Total borrowings	81,142	139,075

Key judgement and estimates

Ōtākaro makes estimates of the amount recorded as the current portion of borrowings. The loans are held with the Crown and have no regular repayments. The loans are repaid as and when the underlying asset is sold.

The current portion of borrowing is made up of either:

- The borrowing attached to those assets that have signed sale and purchase agreements in place as at 30 June 2020 and will be completed before 30 June 2021; or
- The borrowing attached to those assets that were included in the budget as expected to be sold before 30 June 2021.

3C – CASH AND CASH EQUIVALENTS

Cash and cash equivalents are cash held in a bank trading account and short-term deposits.

Balances are held with Westpac Bank and ASB Bank, both with credit ratings of AA-, assessed by reference to Standard and Poor’s credit rating.

Reconciliation of net surplus/(deficit) to cash flows from operating activities

Reconciliation	2020 \$000	2019 \$000
Operating surplus/(deficit)	(40,897)	(6,329)
Add/(less) non-cash items		
Depreciation	187	848
Impairment of assets	4,177	
Inventory writedown	12,836	59
Inventory expenses	6,554	13,665
Interest payable	(2,754)	4,645
Vesting expense	44,808	11,160
Add/(less) movements in working capital items		
Accounts receivable	(1,996)	(4,126)
Prepayments	6,206	(25,783)
Accounts payable & accruals	(2,675)	1,897
Funding received in advance	3,797	1,730
Add/(less) items recorded as investing activities		
Acquisition of fixed assets	46,999	20,080
Net cash inflow/(outflow) from operations	77,242	17,846

3D – TERM DEPOSITS

Term deposits represent funds held in investments for a period of more than three months.

Term deposits are held with Westpac Bank and ASB Bank both with a credit rating of AA-, assessed by reference to Standard and Poor’s credit rating.

3E – TRADE RECEIVABLES

Short term receivables are recorded at the amounts due.

All receivables are with counterparties that have no defaults in the past with Ōtākaro.

All receivables greater than 30 days in age are considered to be overdue. At balance date, there were no overdue receivables (2019: two overdue receivables \$26k). As at 30 June 2020 no balances were considered impaired (2019: \$Nil).

Current trade and other receivables	2020 \$000	2019 \$000
Trade receivables	1,915	(131)
GST receivable	1,067	5,874
Interest receivable from bank	243	230
Crown contribution to borrowings cost receivable	1,168	5,714
East Frame Residential sale receivable	7,150	7,151
Other receivables	88	15
Total current trade and other receivables	11,631	18,853

Trade receivables relate to amounts that are to be reimbursed to Ōtākaro under the terms of specific agreements.

Interest receivable

Interest receivable is the portion of interest accrued on term deposits.

Crown contribution to borrowings cost receivable

The Crown contribution to borrowings cost receivable is the portion of interest capitalised to term borrowings that will be met by the Crown upon repayment of loans. The current portion of interest receivable relates to the amount of interest that will be met by the Crown, due on the current portion of term borrowings.

East Frame residential sale receivable

This represents the sale proceeds due from the sale of Super Lot 5, Super Lot 7 and Super Lot 3. The land sale of Super Lot 3 has been recognised as revenue in the Statement of Comprehensive Revenue and Expense this year. The land sale of Super Lot 5 was recognised as revenue in the 2019 financial year. The land sale of Super Lot 7 was recognised as revenue in the 2018 financial year.

The sale proceeds will be received upon completion of the proposed buildings as per the agreement between Ōtākaro and Fletcher Residential Limited.

Non-current other receivables	2020 \$000	2019 \$000
Crown contribution to borrowings cost receivable	5,309	2,851
East Frame Residential sale receivable	4,684	
Total non-current other receivables	9,993	2,851

3F – PREPAYMENTS

Prepayments substantially comprise prepaid insurance, software and amounts prepaid for ongoing Anchor Project work.

3G – TRADE PAYABLES

Short term payables are recorded at the amount payable.

Total trade payables are split between exchange and non-exchange transactions as outlined in the table below.

	2020 \$000	2019 \$000
Total payables under exchange transactions	10,506	20,411
Total payables under non-exchange transactions	2	-
Total trade payables	10,508	20,411
Payables under exchange transactions		
Creditors	990	548
Accrued expenses	9,282	18,388
Anchor project retentions	235	1,475
Total payables under exchange transactions	10,506	20,411
Payables under non-exchange transactions		
FBT payable	2	-
Total payables under non-exchange transactions	2	-

See note 1B for explanation of exchange and non-exchange transactions.

3H – FINANCIAL INSTRUMENTS

Financial instrument categories

	2020 \$000	2019 \$000
Financial liabilities measured at amortised cost		
Payables (excl. deferred revenue and taxes payable)	1,224	2,023
Borrowing	81,142	139,075
Total financial liabilities measured at amortised cost	82,366	141,098
Loans and receivables		
Cash and cash equivalents	26,761	27,928
Receivables	21,624	21,704
Short term deposits	57,623	45,000
Total loans and receivables	106,008	94,632

Financial instrument risks

Credit risk

Credit risk is the risk that a third party will default on its obligation to Ōtākaro, causing it to incur loss. In the normal course of business, Ōtākaro is exposed to credit risk from cash with banks and receivables. For each of these, the maximum credit exposure is best represented by the carrying amount in the Statement of Financial Position.

Ōtākaro mitigates this by holding cash and term deposits with multiple high-quality financial institutions.

Ōtākaro holds a payment security with Fletcher Building Limited, guaranteeing payment of the fixed price portion of Super Lot 5, Super Lot 7 and Super Lot 3 in the event of non-payment by Fletcher Residential Limited.

Cash flow interest rate risk

Cash flow interest rate risk is the risk that the cash flows from a financial instrument will fluctuate because of changes in market interest rates. Any borrowings issued at variable interest rates exposes Ōtākaro to cash flow interest rate risk.

Ōtākaro has borrowings with two distinct elements, fixed and variable rates. The variable portion is linked to the 90-day bank bill rate. The fixed portion is linked to a fixed margin, as determined by the Crown. This limits the exposure to interest rate movements.

Sensitivity analysis

At 30 June 2020, if the 90-day bank bill rate had been 50 basis points higher or lower, with all other variables held constant, the surplus for the year would have been \$452k (2019: \$706k) lower or higher. This movement would be attributable to increased or decreased interest expense on the Crown loans.

At 30 June 2020, if the bank interest rates had been 50 basis points higher or lower, with all other variables held constant, the surplus for the year would have been \$297k (2019: \$367k) higher or lower. This movement would be attributable to increased or decreased interest revenue received on term deposits.

Liquidity risk

Liquidity risk is the risk that Ōtākaro will encounter difficulty raising liquid funds to meet commitments as they fall due.

The majority of funding is received from the Crown and all borrowing is held with the Crown. Borrowings are repaid when associated assets are sold. The final repayment date is June 2023. As a result, Ōtākaro has minimal liquidity risk.

Ōtākaro manages liquidity risk by continuously monitoring forecast and actual cash flow requirements.

Section 4: Other

IN THIS SECTION

This section includes the remaining information relating to the Ōtākaro financial statements that is required to comply with financial reporting standards.

4A – OPERATING LEASE COMMITMENTS

Operating lease payments

Operating lease payments made during the year totalled \$869k (2019: \$729k), relating to motor vehicle, computer and premises leases.

Operating lease commitments

Operating leases are leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased items.

Lease commitments and receipts have been estimated based on the assumption that Ōtākaro has a limited life, not exceeding seven years.

Operating leases as lessee

The future aggregate minimum lease payments to be paid under non-cancellable operating leases are:

	2020 \$000	2019 \$000
Not later than one year	685	820
Later than one year and not later than five years	234	882
Later than five years	-	-

A significant portion of the total non-cancellable operating lease expense relates to the lease of two and a half floors of an office building. The lease expires in October 2021. There is no option to purchase the asset at the end of the lease term.

Operating leases as lessor

The future aggregate minimum lease payments to be received under non-cancellable operating leases are

	2020 \$000	2019 \$000
Not later than one year	-	247
Later than one year and not later than five years	-	494
Later than five years	-	-

Operating lease receipts were previously derived from the Ōtākaro ownership of the Bus Interchange, rental leases within the Bus Interchange and several properties currently utilised as car parking facilities. During the year the Bus Interchange was divested, and operating lease receipts are now nil.

4B – RELATED PARTIES

Ōtākaro is owned by the Crown.

Related party disclosures have not been made for transactions with related parties that are:

- within a normal supplier or client/recipient relationship; and
- on terms and conditions no more or less favourable than those that are reasonable to expect Ōtākaro would have adopted in dealing with the party at arm’s length in the same circumstances.

In conducting its activities, Ōtākaro is required to pay various taxes and levies (such as GST, PAYE, and rates) to the Crown and entities related to the Crown. The payment of these taxes is based on the standard terms and conditions that apply to all taxpayers.

Ōtākaro enters into transactions with government departments, Crown entities and state-owned enterprises (e.g. New Zealand Post) and other government-related bodies (e.g. Air New Zealand and local councils). These transactions occur within normal supplier or client relationships on terms and conditions no more or less favourable than those that it is reasonable to expect Ōtākaro would have adopted if dealing with those entities at arm’s length in the same circumstances. These have not been disclosed as related party transactions and are not individually or collectively significant.

4C – EMPLOYEE ENTITLEMENTS AND BENEFITS

Employee entitlements

Provision is made for benefits owing to employees in respect of wages and salaries and annual leave. Provisions are recognised when it is probable they will be settled and can be measured reliably. They are carried at the remuneration rate expected to apply at the time of settlement.

Short-term employee entitlements are expected to be settled within 12 months after the end of the year in which the employee provides the related service. They are measured based on accrued entitlements at current rates of pay.

A liability and an expense are recognised for bonuses where there is a contractual obligation and a reliable estimate of the obligation can be made.

Employee benefits

Operational personnel costs include salaries and wages of Ōtākaro employees and payments to contractors that were temporarily filling a position on the organisational chart of Ōtākaro. In addition, employer’s contributions to KiwiSaver and a grant provided for staff wellbeing are included.

Personnel costs capitalised to projects represents staffing costs that have been funded through the Ōtākaro operating grant but are required to be allocated to specific projects. Refer to note 1B for further explanation.

	2020 \$000	2019 \$000
Operational personnel costs	8,445	9,923
Personnel costs attributed to projects	1,487	2,041
Total employee benefits	9,932	11,964

Defined contribution schemes

Employer contributions to KiwiSaver are accounted for as defined contribution superannuation schemes and are expensed as incurred. Total contributions in 2020 were \$293k (2019: \$257k).

4D – CONTINGENCIES

As at 30 June 2020 Ōtākaro has no contingent assets (2019: \$Nil).

Contingent liabilities

Some land owned by Ōtākaro has been identified as containing potential contaminants that will need to be remediated in the future. The quantum of the remediation work required is not fully known. As work progresses the full quantum and cost to remediate will become more certain. This is consistent with what was noted in the FY19 Annual Report.

The Crown has allocated funding to remediate land. Ōtākaro can draw down on this funding as remediation projects progress.

In relation to some construction projects underway the company is a party to various claims and disputes. All claims received are under legal assessment and are unquantified at present as the amounts of any potential liability cannot be measured with sufficient reliability.

4E – CHANGES IN FINANCIAL REPORTING STANDARDS

Standards and amendments, issued but not yet effective that have not been early adopted, and which are relevant to Ōtākaro are:

- PBE FRS 48 Service Performance Reporting – this establishes requirements for Tier 1 and Tier 2 public benefit entities to select and present service performance information. It will be effective for annual periods beginning on or after 1 January 2021.

The timing of Ōtākaro adopting these standards will be guided by the Treasury’s decision on when the Financial Statements of Government will adopt them. Ōtākaro has not yet assessed the effects of the new standards.

4F – EXPLANATIONS FOR VARIANCE TO BUDGET

All variances identified are in \$000s.

Statement of comprehensive revenue and expense

Project funding (\$32,270)

Project funding is lower than the budget due to changes to the timing of project cash flows for various projects, and is also impacted from COVID-19 delays and various delays and sundry disputes. This has resulted in less funding being requested during the year, in addition to utilising overfunding from the prior period.

Other expenses \$17,077

Other expenses is higher than budget due to the write-down of inventory to net realisable value and the valuation loss processed at year end.

Provision for transfer of public realm assets (\$74,026)

Provision for Transfer of Public Realm Assets is lower than budget due to less work being completed than expected on the Metro Sports Facility and a portion of the South Frame project due to land acquisitions.

Land sales (\$40,669)

Cost of land sales 34,273

Land sales that were included in the budget but did not eventuate or were not completed during the year included a number of sites in the South Frame and East Frame Super Lots. The timing of the sale of land has been reviewed and reforecast during the year.

Statement of financial position

Prepayments \$20,439

The increase on budget relates to prepayments made for ongoing Anchor Project work.

Current portion of land and buildings classified as inventory \$10,034

Land and buildings classified as inventory \$37,728

It was expected that more land sales would have occurred during the current financial year. A substantial number were contracted however the settlements were deferred and in some cases cancelled totally.

Work in progress (\$120,315)

It was expected that further work would have been completed on Te Pae and the Metro Sports Facility by 30 June 2020. This has been impacted further by the COVID-19 lockdown and various delays and sundry disputes.

Current portion of borrowings \$4,972

Term Loan \$44,873

Loan repayments occur when the related land or buildings are sold. As there were lower than expected land sales during the year, this is reflected in lower repayment amounts, and higher term loan balances.

Provision for transfer of public realm assets (\$76,114)

Provision for Transfer of Public Realm Assets is lower than budget due to less work being completed than expected on the Metro Sports Facility and a portion of the South Frame Project due to delayed land acquisitions.

Contributed capital (\$19,545)

Funding for capital projects is lower than the budget due to changes to the timing of project cash flows for various projects. This has resulted in less funding being requested during the year, in addition to utilising overfunding from the prior period.

Remuneration report

Ōtākaro is committed to fair, responsible and equitable remuneration and ensuring a clear relationship between performance and remuneration.

DIRECTORS’ FEES

Directors’ remuneration is paid in the form of directors’ fees. Currently directors’ annual fees of Ōtākaro are:

Board	Chairperson	Member
Board of Directors	\$70,000	\$35,000

Directors are also entitled to be reimbursed for costs directly associated with carrying out their duties, including travel costs and professional development relevant to their Board roles, up to a collective \$15k (2019: \$12k).

Remuneration paid to the five non-executive directors (2019: four) of Ōtākaro during the period ended 30 June 2020 is:

Director name	Board fees \$000
Corinne Haines (Chairperson)	70
Miriam Dean	35
Peter Townsend	35
Rod Carr (Member from October 2019)	26
Paul Blackler (Member from October 2019)	26
Total	192

Director’s are remunerated in accordance with Crown Company Director Fees Methodology.

No Board members received compensation or other benefits in relation to cessation (2019: \$Nil).

KEY MANAGEMENT PERSONNEL REMUNERATION

Total remuneration paid or payable to members of key management personnel for the year ended 30 June 2020 is \$2.5m (2019: \$2.6m). This includes the Chief Executive, his direct reports and board members. This equates to seven FTEs (2019: seven) and five board members (2019: four).

CHIEF EXECUTIVE’S REMUNERATION

Total remuneration paid or payable to the Chief Executive John Bridgman for the year ended 30 June 2020 is \$633k (2019: \$538k– 11 months’ service). This includes salary, benefits, short term incentives and long-term incentives, as outlined below:

	2020 \$000	2019* \$000
Salary	504	428
Benefits**	19	13
Short term incentives	110	97
Long term incentives	-	-
Total remuneration	633	538

* Undertook role in August 2018, 11 months of remuneration payments.

**Benefits include Kiwisaver and a grant for staff wellbeing.

CHIEF EXECUTIVE’S PAY FOR PERFORMANCE

Short term incentives paid to the Chief Executive John Bridgman for the year ended 30 June 2020 totalled \$110k (2019: \$97k – 11 months’ service). The short term incentive is 45% based on key company KPI’s set out in the SPE and 55% based on business KPI’s. Performance is assessed by the Board of Directors.

PROFESSIONAL INSURANCES

Ōtākaro has taken out directors’ and officers’ insurance, and professional indemnity insurance during the financial year in respect of the liability or costs of Board members and employees.

EMPLOYEE REMUNERATION RANGE

The number of employees of Ōtākaro (not including Directors) who during the year ended 30 June 2020 received cash remuneration and other benefits (including KiwiSaver contributions, relocation allowances and bonuses) exceeding \$100,000 is included in the table below.

Cessation payments for the year totalled \$68k (2019: \$239k).

Employee remuneration range for staff employed for the year ended 30 June

\$000s	# of Staff 2020	# of Staff 2019
100-109	2	6
110-119	3	1
120-129	2	6
130-139	1	4
140-149	4	6
150-159	6	3
160-169	3	2
170-179	-	3
180-189	2	3
190-199	1	2
200-209	1	2
210-219	-	1
220-229	3	1
230-239	2	1
250-259	-	1
320-329	-	1
330-339	1	-
340-349	1	1
360-369	-	1
370-379	1	-
530-539	-	1
580-589	-	-
630-639	1	-
Total	34	46

Statement of performance

IN THIS SECTION

This section describes our performance against the measures and targets set out in our Statement of Performance Expectations 2020/21.

Ōtākaro is funded through a mix of Crown funding and third-party revenue. Crown funding is provided through an appropriation in Vote Finance:

- Management of Anchor Projects by Ōtākaro Limited.

This section provides summary information on our activities under the appropriation, and then a fuller statement of the performance achieved, organised under the strategic goals set out in the Statement of Intent 2019–2023 and the 2020 Statement of Performance Expectations.

	Actual 2020 Costs (\$000)	Actual 2020 Revenue (\$000)	Budget 2020 Costs (\$000)	Budget 2020 Revenue (\$000)	Actual 2019 Costs (\$000)	Actual 2019 Revenue (\$000)
Management of Anchor Projects	14,401	22,724	21,600	21,600	19,650	22,973

MANAGEMENT OF ANCHOR PROJECTS BY ŌTĀKARO LIMITED

This appropriation is intended to achieve continuation of Christchurch earthquake recovery of the Anchor Projects Programme and divestment of Crown-owned land in Christchurch and is limited to the Crown’s contribution to Ōtākaro operating and financing expenses.

Ōtākaro will manage and administer the Anchor Projects Programme and divestment of Crown-owned land in Christchurch in accordance with the Company’s purpose as set out in its Constitution and its Statement of Intent.

The overarching responsibilities of Ōtākaro include:

- Delivery of defined Anchor Projects by providing procurement, design management and construction management services on behalf of the Crown;
- Providing programme governance, including risk, cost and schedule management;
- Divestment of Crown owned land in central Christchurch in a manner which balances a desire to achieve good commercial outcomes against the Crown’s regeneration objectives;
- Managing the operations and ownership responsibilities of completed assets; and
- Acting in a manner consistent with recovery plans and any regeneration plans.

These responsibilities are reflected in the strategic objective contained in the Statement of Intent as follows:

The purpose of the Company is to add value to Anchor Projects and Crown Land in a manner that balances a desire to achieve good commercial outcomes against the Crown’s regeneration objectives and supports the Crown’s exit over time on favourable terms.

The detailed performance reporting against the appropriation and strategic objective is per the content in the Statement of Performance Expectations which is reported below. Ōtākaro Limited performance against some measures, particularly with regard to Project Delivery, have been impacted by various claims, sundry disputes and COVID-19 government imposed restrictions during Alert Levels Four, Three and Two.

Significant matters in the financial year included within the Financial Statements provides a more detailed description of the financial impact of COVID-19 on Ōtākaro Limited.

Performance Measures	Standard for 2019/20	Performance for 2019/20
Non- Departmental Other Expenses		
Christchurch Bus Interchange and Associated Transport Infrastructure - Operating		
During operating hours, the Bus Interchange is not closed from operations greater than two hours at any one point in time during the year.	Achieved	Achieved
All 'An Accessible City' projects are on time and on budget.	Achieved	Achieved
Te Pae Christchurch Convention Centre - Operating		
The Convention Centre is progressed on time and on budget.	Achieved	Not Achieved*
Christchurch Stadium - Operating		
The project will be progressed in line with Government decisions and agreed project timelines.	Achieved	Achieved
Metro Sports Facility - Operating		
Metro Sports Facility is progressed on time and on budget.	Achieved	Not Achieved*
Pre-Development Holding Costs - Operating		
All cleared/remediated land is held in a state ready for development or ultimate sale.	Achieved	Achieved
Procurement of Land and Assets - Operating		
Land is acquired and remediated to a level and in a timeframe needed to meet all Anchor Project performance targets and all land divestment targets as per the Ōtākaro Land Divestment Strategy.	Achieved	Achieved
Public Space - Operating		
All public space projects are developed, operated and divested in keeping with Anchor Project performance targets and the Ōtākaro Land Divestment Strategy.	Achieved	Achieved
Non-Departmental Capital Expenditure		
Christchurch Bus Interchange and Associated Transport Infrastructure - Capital		
Expenditure is in line with the agreed project timelines.	Achieved	Achieved
Te Pae Christchurch Convention Centre - Capital		
The Convention Centre is progressed on time and on budget.	Achieved	Not Achieved*
Land and Asset Acquisition - Capital		
Land is acquired in a timeframe needed to meet all Anchor Project performance targets and all land divestment targets as per the Ōtākaro Land Divestment Strategy.	Achieved	Achieved
Metro Sports Facility - Capital		
Metro Sports Facility is progressed on time and on budget.	Achieved	Not Achieved*
Public Space - Capital		
All public space projects are developed, operated and divested in keeping with Anchor Project performance targets and the Ōtākaro Land Divestment Strategy.	Achieved	Achieved

* The timelines for the Te Pae Christchurch Convention Centre and the Metro Sports Facility were both significantly impacted by the restrictions in place during the COVID-19 lockdown and various claims and sundry disputes.

2020 PERFORMANCE REPORTING

The performance targets of Ōtākaro for the 2020 financial year relate to the construction programme, health and safety, land divestment and establishment of market credibility.

CONSTRUCTION PROGRAMME

Outcome: Delivery of defined Anchor Projects .Add value to Crown Anchor Projects by delivering the projects safely, on budget, to schedule and to the desired quality.

For all defined Crown Anchor Projects:

- a) cumulative working days’ variance, when comparing forecast practical completion to the opening financial year baseline practical completion, is less than 10 days delayed;
- b) current estimated costs at completion are below or equal to the current approved budget.

Anchor Project	Baseline practical completion date as at 1 July 2017	Baseline practical completion date as at 1 July 2018	Baseline practical completion date as at 1 July 2019	Forecast practical completion date as at 30 June 2020	Cumulative working days’ variance –compared to 1 July 2019 baseline practical completion date	Current estimated costs at completion compared to budget as at 1 July 2017	Current estimated costs at completion compared to budget as at 1 July 2018	Current estimated costs at completion compared to budget as at 30 June 2019	Current estimated costs at completion compared to budget as at 30 June 2020
Te Pae Christchurch Convention Centre Precinct	March 2020	February 2020	June 2020	February 2021	192 Days	4.97%	3.48%	3.38%	1.80%
Metro Sports Facility	March 2020	October 2021	November 2021	July 2022	176 Days	(8.2%)	(25.59%)	0.04%	(0.47%)
Te Papa Ōtākaro / Avon River Precinct	July 2018	December 2019	February 2020	February 2021	246 Days	(1.28%)	0.79%	1.01%	0.32%
East Frame Public Realm	October 2017	February 2018	February 2018	February 2018	0 Days	2.89%	(0.09%)	(0.06%)	0.03%
East Frame Residential Precinct	July 2024	July 2024	January 2025	January 2025	10 Days	(2.75%)	10.69%	14.00%	18.79%
An Accessible City	May 2018	April 2019	November 2019	November 2019	0 Days	(37.22%)	(10.11%)	0.26%	(0.00%)
South Frame	October 2021	October 2021	April 2021	April 2021*	0 Days	1.94%	2.28%	2.28%	5.90%

Baseline practical completion date is the date at which the asset is available for use; but does not include the close-out period where defects can be addressed.

When assessing the estimated costs at completion compared to budget, a positive variance indicates that the estimated costs at completion are less than the budget.

Working days for the purpose of the above table does not include weekends or the period 27 to 31 December 2019.

*This date is subject to the laneway underlying the BNZ EPIC centre foyer not being required

CONSTRUCTION PROGRAMME CONTINUED

As shown in the table above the forecast completion date of Te Pae, Metro Sports Facility, and Avon River Precinct (North Frame Pedestrian Bridge component only) is now later than expected at the start of the financial year. The budgets were increased for Te Pae and the Metro Sports Facility during the year to deal with COVID-19 related issues which explains the change in the estimated costs of completion between 1 July and 30 June for those projects.

At 30 June 2020, after these changes to timing and budget, all projects are within their current funding limits and are on schedule for completion as shown in the forecast practical completion column above. While some components of a project may be delayed, the project is assessed at an overall level.

There are a number of variances across the projects. Those considered to be at a material level are discussed below. Overall, the variances are due to levels of uncertainty looking forward, particularly when considering risk profiles for the various projects. These are monitored monthly by project teams and managed accordingly.

c) Forecast cost accuracy (forecast costs vs actual cost incurred) between 90% and 110% YTD;

The forecast cost accuracy for the year was 94%.

d) Work undertaken on defined Anchor Projects is to the desired quality, as established during the project planning phase.

As with each Anchor Project contracted engineers and architects confirm monthly the completeness and quality of the work completed in the preceding month.

Te Pae

Te Pae is forecast to be delivered within the current budget. The budget was increased to cover COVID-19 and other project costs. The company continues to assess the impact of COVID-19 on the project. The forecast construction completion date is February 2021, which will be followed by a commissioning period. This is due to COVID-19 disruptions on site and various claims and sundry disputes.

Metro Sports Facility

Metro Sports Facility is forecast to be delivered just over budget, primarily because of additional work and delay costs relating to ground conditions on site. The budget was increased to cover COVID-19 and other project costs. The company continues to assess the impact of COVID-19 on the project. Construction is expected to be completed in June 2022. This is due to COVID-19 disruptions and various claims and sundry disputes. The reported completion date in the above table excludes the post practical completion commissioning to be undertaken by the Christchurch City Council.

Avon River Precinct

The baseline practical completion date for Avon River Precinct has moved from December 2019 to February 2021. The stakeholder engagement process for the North Frame Pedestrian Bridge took longer than expected as approval was sought from the various external stakeholders before the project could proceed. A main works tender was issued in November 2019 and the construction contract was awarded on 30 March 2020. It was always intended for the project programme to be re-baselined based on the contractor’s programme, which has now been done, with the forecast completion date being February 2021.

East Frame Residential

The movement in the delivery schedule is driven by market conditions that are not currently favourable for the sale of completed homes. Accordingly, market research was undertaken and incorporated into the typology of the remaining Super Lots as appropriate to ensure better outcomes for the Crown.

An Accessible City

The final section of the An Accessible City project, Bus Super stop on Tuam Street and associated works, was completed in November 2019. The asset was fully transferred to the Christchurch City Council on 7 April 2020.

South Frame

The baseline practical completion date for the South Frame Blocks 18b and C has moved from early March 2021 to mid-April 2021. This is due to Team Hutchinson Ford taking longer than expected with their redevelopment works. The package of work for the Lane through Block 102a, adjacent to the Pegasus Arms, is being transferred to the University of Otago to deliver as part of their works. The Lane through Block 103, Miles site, is expected to be completed in August 2021 but there is risk to this date and it is subject to Miles undertaking their own redevelopment of their site, including demolition works to enable the laneway to be constructed.

HEALTH AND SAFETY

a) Monthly critical risk inspections undertaken on active projects with 90% of audit findings adequately addressed within the timeframes agreed at the time of inspection;

	2020
Percentage of audit findings adequately addressed within timeframes agreed at the time of the inspection	92.31%

b) TRIFR of less than 2.7 per 200,000 hours worked across the project portfolio. Where the TRIFR rate for a project or operational site is above 4 for two months in a row, Ōtākaro will undertake an audit of that contractors health and safety management system within a month.

As at 30 June 2020 the TRIFR is 0.82 per 200,000 man hours. No operational projects had a TRIFR rate above 4 during the year ended 30 June 2020.

c) Zero events assessed by Worksafe NZ as being notifiable during the financial year occur on Ōtākaro sites;

There were three notifiable events during the year relating to Te Pae as defined in the Health and Safety at Work Act 2015 (2019: two notifiable events). Worksafe was notified of all three events and advised it would not be investigating further.

d) 90% of Incident Cause Analysis Method (ICAM) investigations’ corrective and preventative actions adequately addressed within timeframes agreed at the time of the investigation; and

	2020
Percentage of ICAM investigations corrective and preventative actions adequately addressed within timeframes agreed	97.37%

e) 90% of ICAM investigation findings communicated on quarterly basis across all sites with Ōtākaro presenting, in person, these findings at two toolbox talks per site (target: 12 per annum).

Some findings of ICAM investigations were communicated by way of Safety Alerts and presentation at a quarterly Contractor Leadership Forum. During the year two Safety Alerts shared ICAM investigation findings and one presentation at a quarterly Contractor Leadership Forum shared learnings from two ICAM investigations.

CREDIBILITY, TRUST AND CONFIDENCE

Outcome: Ōtākaro is committed to thorough delivery, through good, open communication with internal and external stakeholders and with our communities.

a) Improved results from six-monthly public research surveys compared to April 2019;

The April 2020 results showed a considerable improvement in most scores, including a 10% increase in credibility and 5% increases in confidence and familiarity.

	Confidence	Credibility	Familiarity
Baseline	46%	37%	36%
April 2019	72%	53%	33%
April 2020	77%	63%	38%

b) A heightened social media profile (target: an additional 1000 ‘likes’, 3-4 posts per week) and increased engagement (target: 10% engagement with posts);

c) Increased communication outputs, including videos (target: 35) and other updates, news media releases (target: 15) and events, and e-newsletters (target: 8).

Ōtākaro achieved most of its communication objectives for the year.

Performance measure	2020 target	2020 result
Additional Facebook ‘likes’	1000	1868
Average posts per week	3-4	2.2
Engagement with posts	10%	15%
Videos	35	63
News media releases	15	14
E-newsletters	8	6
Events	-	9

LAND DIVESTMENT

Outcome: Divestment of Crown land while achieving good commercial outcomes against the Crown’s recovery and any regeneration plans.

- a) Sales meet forecasted targets for the financial year, as per the Board approved Budget (11 parcels of land are forecast to be divested in the 2020 financial year);
- b) Land Divestment Strategy is reviewed six-monthly to reflect changes in market conditions; and
- c) Land Divestment Strategy is revised and approved annually to include updated market valuations.

Eleven sites were designated for divestment in the 2020 financial year under the Land Divestment Strategy. In total, five sites were sold; three of these were allocated for divestment during the 2020 financial year and two were divested ahead of expectation. A further six sites are currently under contract.

There are a number of factors that have affected sales. These include:

- Changing market conditions, which have become significantly more challenging;
- Delays in obtaining titles and achieving subdivision;
- Decision to test land conditions on all sites;
- The uncertainty generated by Developers related to the impacts of COVID-19 on lease up and lending capabilities.

As part of the Land Divestment process, the strategy has been reviewed six-monthly against market conditions, and revised and approved annually based on market valuations. An updated market valuation was completed in June 2020. Feedback from developers suggests opportunities to invest in Christchurch will hold greater appeal when the Anchor Projects are nearing completion.

HEALTH, WELLBEING AND DEVELOPMENT

Outcome: Health, wellbeing and development of all Ōtākaro employees. Ōtākaro is committed to zero harm in the workplace and will support staff to achieve the Company’s objectives and Purpose.

To achieve this outcome, Ōtākaro will strive for:

- a) All employees to actively participate in health, safety and wellbeing initiatives;

Otakaro runs an annual Wellbeing calendar which ensures we have events scheduled at least monthly. Activities include educational sessions, summer and winter wellness packs, and team activities which encourage social interaction and support specific events such as Mental Health Awareness Week.

- b) All Ōtākaro employees have active learning and development plans in place by 30 June 2020; and

Fifty-five out of fifty-six employees had active learning and development plans throughout the year. The exception was a staff member on parental leave.

- c) Improve current engagement score by 5% from the 2019 score.

Against the ambitious target, our engagement score lifted by 2.77% at the last survey conducted in June 2020. Engagement remain a strong focus for Ōtākaro given its direct link to retention. The Company utilises many different strategies to maintain and lift engagement including upskilling of our people managers to ensure they have the skills to create a positive and engaging culture for their teams, offering employees significant learning and development opportunities, and operating within a work environment that gives our people flexibility and contributes positively to their overall wellbeing. Regular assessment of engagement is conducted on an informal basis, and it is also intended to formally measure engagement again in June 2021.

TRANSFER TO LOCAL LEADERSHIP

Outcome: Ōtākaro will assist the Crown’s transition to local leadership as part of the earthquake recovery.

Ōtākaro assists with the transition to local leadership by completing public realm and transport projects in the central business district and transferring ownership of them to the Christchurch City Council. The Ōtākaro delivered public realm and transport projects are: The Avon River Precinct, East Frame Public Realm (Rauora Park), South Frame and An Accessible City.

As at 30 June 2020 Ōtākaro had completed and transferred ownership of 23 of 30 portions of public realm assets across to the Christchurch City Council. The public realm assets and transport projects are settled and transferred for no consideration.

FINANCIAL PERFORMANCE AND CAPITAL MANAGEMENT

Outcome: Ōtākaro will ensure good financial performance and effective capital management in achieving its outcomes.

Each government agency is issued an Investor confidence rating (ICR) by the Treasury on a scale of A to E. Ōtākaro’s rating is A. This rating signals a high level of investment management capability and performance, and trust in the agency delivering investments successfully. The Treasury review the rating tri-annually.

Independent Auditor’s report

To the readers of Ōtākaro Limited’s financial statements and performance information for the year ended 30 June 2020

The Auditor-General is the auditor of Ōtākaro 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 the performance information, including the performance information for an appropriation, of the company on his behalf.

OPINION

We have audited:

- the financial statements of the company on pages 40 to 70, that comprise the statement of financial position as at 30 June 2020, the statement of comprehensive revenue and expenses, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements including the summary of significant accounting policies and other explanatory information; and
- the performance information of the company on pages 71 to 78.

In our opinion:

- the financial statements of the company on pages 40 to 70:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2020; 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 Public Benefit Entity Reporting Standards; and
- the performance information on pages 71 to 78:
 - presents fairly, in all material respects, the company’s performance for the year ended 30 June 2020, including:
 - for each class of reportable outputs:

- its standards of delivery performance achieved as compared with forecasts included in the statement of performance expectations for the financial year; and
- its actual revenue and output expenses as compared with the forecasts included in the statement of performance expectations for the financial year; and
- what has been achieved with the appropriation; and
- the actual expenses or capital expenditure incurred compared with the appropriated or forecast expenses or capital expenditure.
 - complies with generally accepted accounting practice in New Zealand.

Our audit was completed on 18 December 2020. This is the date at which our opinion is expressed.

The basis for our opinion is explained below, and we draw attention to the impact of Covid-19 on the company. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements and the performance information, we comment on other information, and we explain our independence.

EMPHASIS OF MATTER - IMPACT OF COVID-19

Without modifying our opinion, we draw attention to the disclosures on pages 44 and 45 about the impact of Covid-19 on the company. We draw specific attention to the following matter due to the material level of uncertainty caused by Covid-19:

- Land and buildings

Note 2A on page 59 describes the material valuation uncertainty highlighted by the valuer, related to estimating the fair values of the company’s land and buildings held as property, plant and equipment; and the net realisable value of land and buildings held as inventory.

BASIS FOR 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 audit 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 the preparing financial statements and the performance information that are fairly presented and comply with generally accepted accounting practice in New Zealand.

The Board of Directors is responsible for such internal control as they determine is necessary to enable them to prepare the financial statements and the 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, the matters related to going concern and using the going concern basis of accounting, unless there is an intention to merge or to terminate the activities of the company, or there is no realistic alternative but to do so.

The Board of Directors’ responsibilities arise from the Crown Entities Act 2004 and the Public Finance Act 1989.

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 performance expectations.

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 is responsible for the other information. The other information comprises the information included on pages 2 to 39 and 82 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 in our capacity as auditor, we have no relationship with, or interests, in the company.



JULIAN TAN
Audit New Zealand

On behalf of the Auditor-General
Christchurch, New Zealand

Statutory information and other disclosures

Shareholders

Minister of Finance
(Hon Grant Robertson)

Minister supporting Greater Christchurch Regeneration
(Hon Dr Megan Woods)

Registered office and contact address

Level 8, Anthony Harper Tower
62 Worcester Boulevard
Christchurch 8013
New Zealand

Auditor

The Auditor-General pursuant to section 14 of the Public Audit Act 2001. Julian Tan of Audit New Zealand was appointed to perform the audit on behalf of the Auditor-General.

Solicitors

Chapman Tripp
Duncan Cotterill
Greenwood Roche
MinterEllisonRuddWatts

Bankers

Westpac Banking Corporation
ASB Bank Limited

Senior Management

John Bridgman
Chief Executive Officer

John O’Hagan
General Manager, Development

Ruth Keating
General Manager, Legal and Risk

Curtis Mitchell
Chief Financial Officer

Andrew Trevelyan
General Manager, Communication and Engagement

Keith Beal
General Manager, Property and Operations

Sue Squire
General Manager, People and Capability

Directors’ interests

Pursuant to sections 140 and 211(1)(e) of the Companies Act 1993, the general disclosures of interest made during the year ending 30 June 2019 by Directors of Ōtākaro Limited are included on pages 36 to 37 of the annual report.

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Ōtākaro Limited
Building places for people