

Annual Report

For the year ended 30 June 2018





\$149.9m
project
expenditure



\$409.5m
total assets



\$155.8m
total equity

Ōtākaro is turning spaces into places for people.

This year:

- We opened Rauora Park and restored Victoria Square
- Construction started on Te Pae Christchurch, the new convention centre
- Fletcher Living has 172 homes in construction in the East Frame.

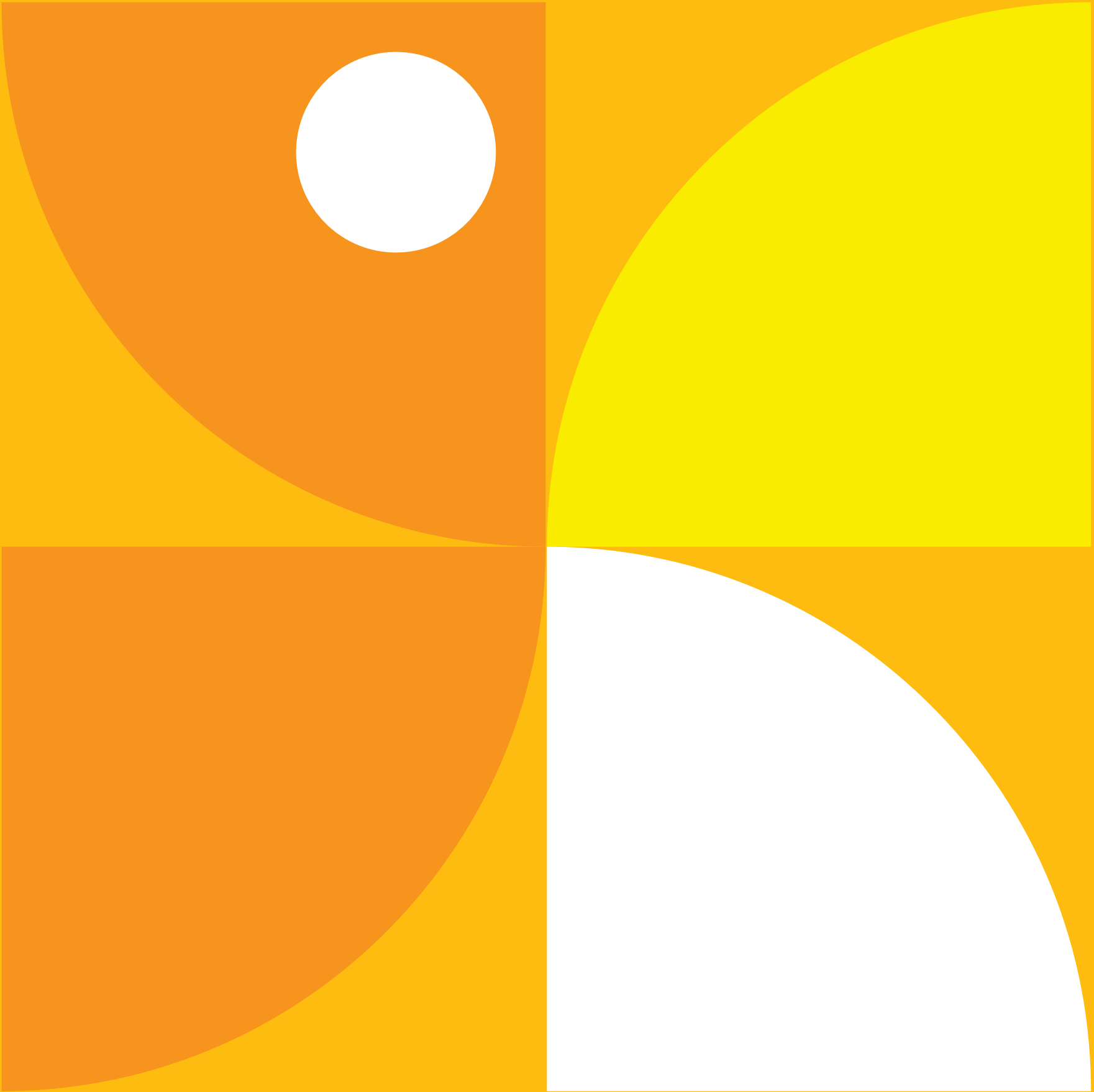
Before the end of 2018:

- The Avon River Precinct will be complete
- Ōtākaro-led Central City Transport projects will be virtually complete
- Ground works will start on the Metro Sports Facility site.



Annual Report

For the year ended 30 June 2018



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 outcomes, and supports the Crown’s exit over time on favourable terms.

– From Ōtākaro Limited Constitution 2016

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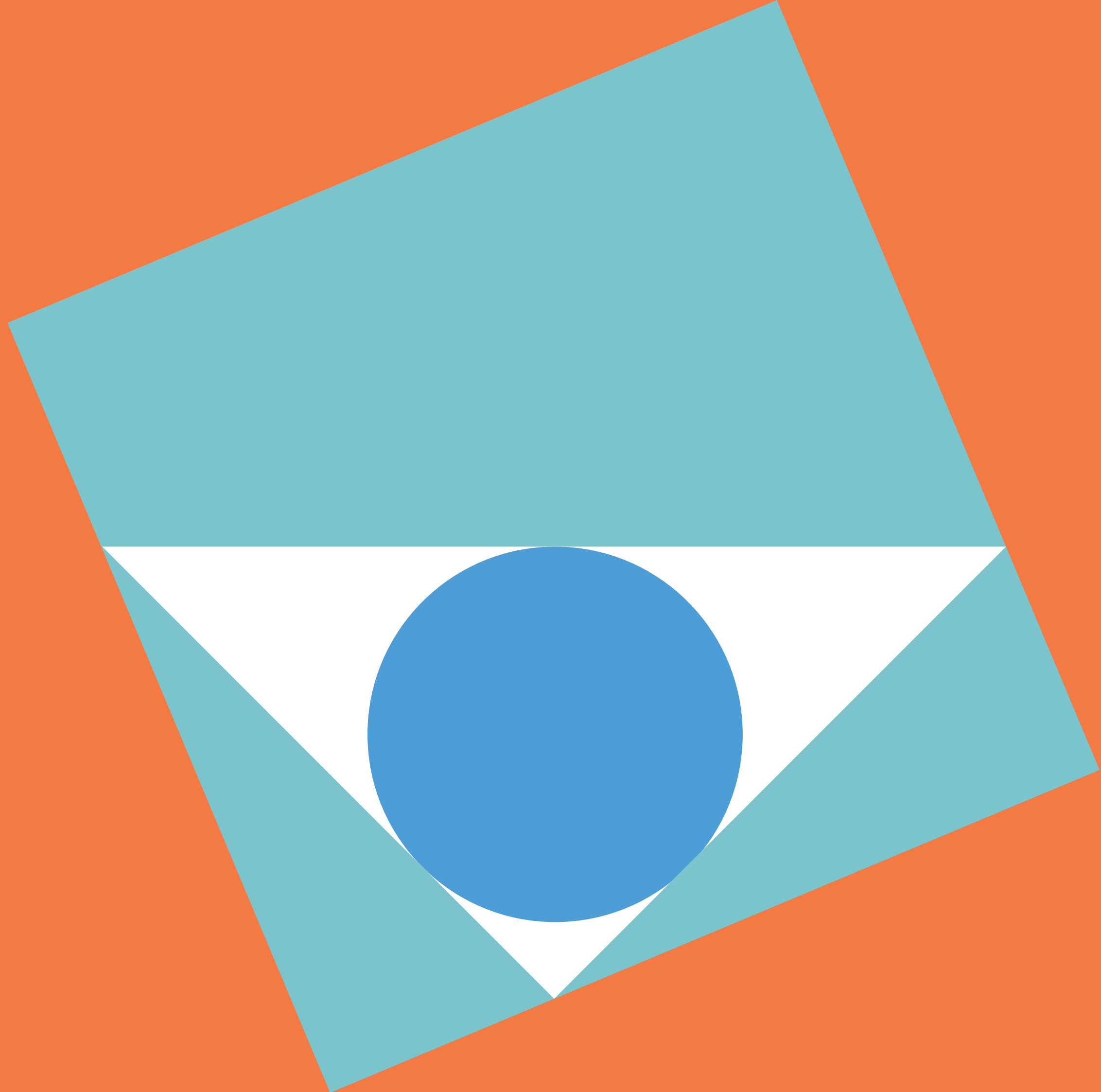
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PART 1:

Context



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



Evolution Square – The South Frame.

Ōtākaro Limited (Ōtākaro) is a Crown Company established on 16 April 2016 under Schedule 4A of the Public Finance Act to take over some of the functions of the Canterbury Earthquake Recovery Authority (CERA).

The Company’s Board uses governance best practices to make efficient and effective decisions with a commercial focus.

SCOPE

Ōtākaro is required to deliver defined Anchor Projects and a land divestment programme that is consistent with the Christchurch Central Recovery Plan (CCRP). It does so in a way that ensures it is viewed as a credible market participant.

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 assets in central Christchurch in a manner that balances a good commercial outcome against regeneration objectives
- Approving the submission of the draft Residential Red Zone Plan to the Minister Supporting Greater Christchurch Regeneration
- Acting in a manner consistent with recovery plans and any regeneration plans.

FUNCTIONS AND OPERATIONS

Ōtākaro manages its functions and operations in a way that is consistent with the Company’s strategy, as set by the Board. The Board provides strategic direction to the Chief Executive to ensure decisions are made in the interests of the people of Christchurch and the Crown.

The Board provides the governance and assurance that Management is delivering the expected outputs. The Chief Executive is responsible to the Board for the supervision and oversight of the day-to-day operational activities of the Company, and the Chief Executive has appointed an

Senior Leadership Team to assist in delivering these operational activities.

Ōtākaro has five core teams. The Project Development Team is focused on the delivery of Anchor Projects. The Strategy and Property Opportunities Team manages Crown assets before their divestment, oversees Te Pae Christchurch Convention Centre operational business, and provides commercial input to regeneration plans being developed by Regenerate Christchurch. These teams are supported by the enabling functions (Finance, People and Capability and IT), Legal and Risk and Communications and Stakeholder Engagement.

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. 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 will mean that the Company must, within a planned manner, be able to adapt to the changing requirements of its programme and projects.

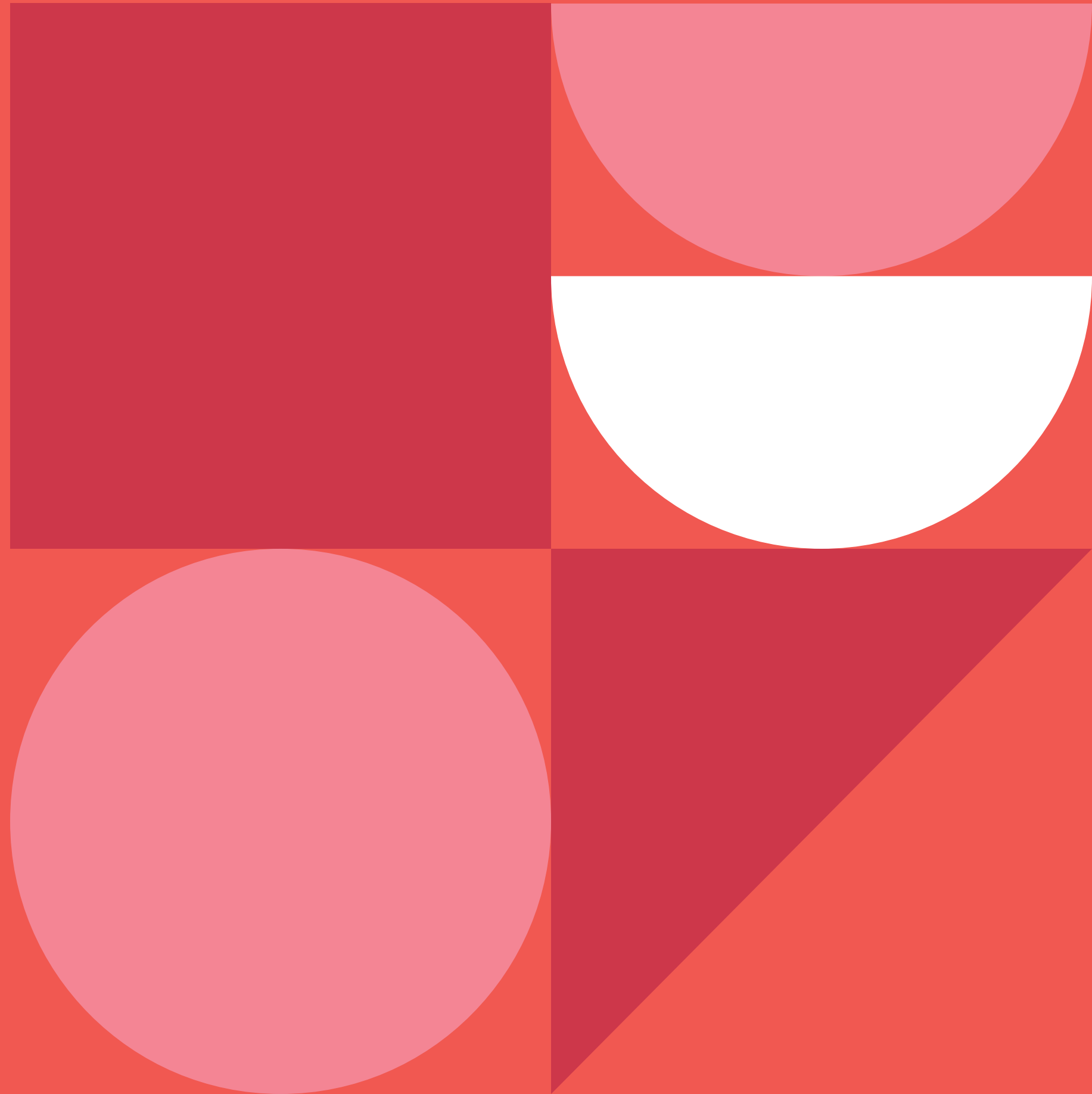
DISESTABLISHMENT AND TRANSITION TO ONGOING OPERATIONS

Ōtākaro will exist until the projects it is responsible for are delivered and land it is responsible for has been divested. Based on current expectations, the Company’s existence is forecast to be no longer than seven years from establishment.

For projects that have operational aspects that extend beyond the seven-year horizon (e.g. Te Pae Christchurch Convention Centre), Ōtākaro will consider how best to manage its disestablishment and the transition to an entity that will be structured to deliver any outstanding activities.

PART 2:

Organisational health and capability



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.

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’.

HEALTH AND SAFETY

Ötākaro has adopted a risk based approach to identify and manage risks to the health, safety and wellbeing of persons directly, or indirectly, employed by the Company.

As a Crown Company operating in a construction environment, Ötākaro is seeking to be a leader of health and safety in New Zealand.

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

- Establishing robust, yet simple health and safety management systems aligned to the Health and Safety at Work Act 2015

- Focusing on the identification and implementation of consistent controls for critical risk activities throughout its activities
- Consulting with key stakeholders to improve health and safety capabilities and knowledge throughout the Anchor Projects
- Creating a health and wellness strategy to ensure the ongoing wellbeing of its workers.

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.

ÖTĀKARO AS A GOOD EMPLOYER

The successful delivery of the Anchor Projects and the Crown’s central Christchurch land divestment objectives depends 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. Ötākaro has developed a positive culture and a supportive and safe working environment 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 Expectations for Pay and Employment Conditions 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.

PART 3:

Chair and Chief Executive's report



Albert Brantley and Ross Butler.

Dear Shareholders

People are the key ingredient to the regeneration of central Christchurch. While Ōtākaro completed or significantly progressed major construction projects in 2018, it will be remembered as a year that the Company further delivered on its commitment to create ‘places for people’.

THE PAST YEAR

Cities need attractive areas where people can gather or relax. The restoration of Victoria Square was completed in March. It is pleasing to see locals returning to this historic and special park, along with other recently completed gathering places including Evolution Square in the South Frame, the former CTV building site - which has been turned into a peaceful garden area, and the expansive Rauora Park in the East Frame.

Rauora Park will effectively be the backyard for those who will live in the One Central residential area, where Fletcher Living currently has 172 homes under construction.

Work on the auditorium at Te Pae Christchurch Convention Centre was highly visible during the year, and the foundation work commenced on the adjacent exhibition hall later in the year. Already more than 40 events are booked for the first three years of operation, with 12,000 visitors expected in the fourth quarter of 2020, soon after the Te Pae opening.

It was pleasing to get clarity on the approach to the much-anticipated Metro Sports Facility, which will be complete in late 2021. Designed for everyone from recreational to elite athletes, the facility will attract about 40,000 visitors and users a week and will bring national and international sporting events to the city.

LAND DIVESTMENT

People are also integral to the Ōtākaro land divestment strategy. The goal of balancing commercial and regeneration outcomes is evident in the Farmers’ Market land divestment, which was completed this year. In its prime position in the Retail Precinct overlooking the Ōtākaro/Avon River, the Farmers’ Market is expected to attract several million visitors each year once it is open in 2019.

The Hoyts Cinema Complex, conveniently located across Colombo Street from the Bus Interchange on a site divested by Ōtākaro, is expected to attract about 400,000 visitors per year once it is open in late 2018.

Additional divestments include the development site of a Quest Hotel, a retained heritage façade in the South Frame, and an education, research and technology transfer hub is proposed by the preferred developer of the former IRD building.

THE ŌTĀKARO TEAM

It’s been a busy year for the Ōtākaro team. Those working on our major projects have significant work ahead of them, but we know they are up to the task.

Before the end of 2018 work will be virtually complete on the Central City Transport Projects and the Avon River Precinct, so the resourcing and structure of Ōtākaro will change to reflect this.

We know that departing staff are proud of their contribution to the regeneration of Christchurch, and that the knowledge and experience they have acquired will be valued by future employers.

We are grateful for the commitment and contribution of the Board and staff, and the support of businesses and of our community.

Ross Butler and Albert Brantley

The Board particularly acknowledges the leadership, contribution, passion and commitment of our initial Chief Executive, Albert Brantley, who resigned in August 2018.

PART 4:

Financial summary and achievements





A total of \$178.4m of project and project management funding relating to the year ended 30 June 2018 was received from the Crown. This was received through a mixture of operating grants and share capital.



Total project and project management expenditure of \$149.9m was incurred for the year ended 30 June 2018. This is an increase of \$42.8m on the prior year, largely due to the construction of Te Pae Christchurch Convention Centre.



The net deficit was \$28.3m for the year. The key reason for this deficit was the recognition of a \$55m provision to transfer assets to Christchurch City Council at nil value.



Four land sale transactions were entered into during the year. Three parcels totalling \$13.8m were recorded as sales of land inventory. The second superlot for the East Frame Residential Development was sold to Fletcher Residential for \$3.4m.



Total assets are \$409.5m at 30 June 2018. This is an increase of \$61.3m from the prior year, due to the transfer of Metro Sports Facility land to Ōtākaro and the work in progress associated with capital projects.



Total equity is \$155.8m at 30 June 2018. Additional share capital of \$70.1m was issued during the year to fund capital projects and \$7.7m of shares were repurchased this year as the Canterbury Earthquake National Memorial was transferred to the Ministry of Culture and Heritage.

PART 5:

Anchor Project snapshots



Anchor Project overview

- COMPLETE
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Te Papa Ōtākaro / Avon River Precinct - Victoria Square
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The former CTV building site
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South Frame - Pūtahi Whakatetonga
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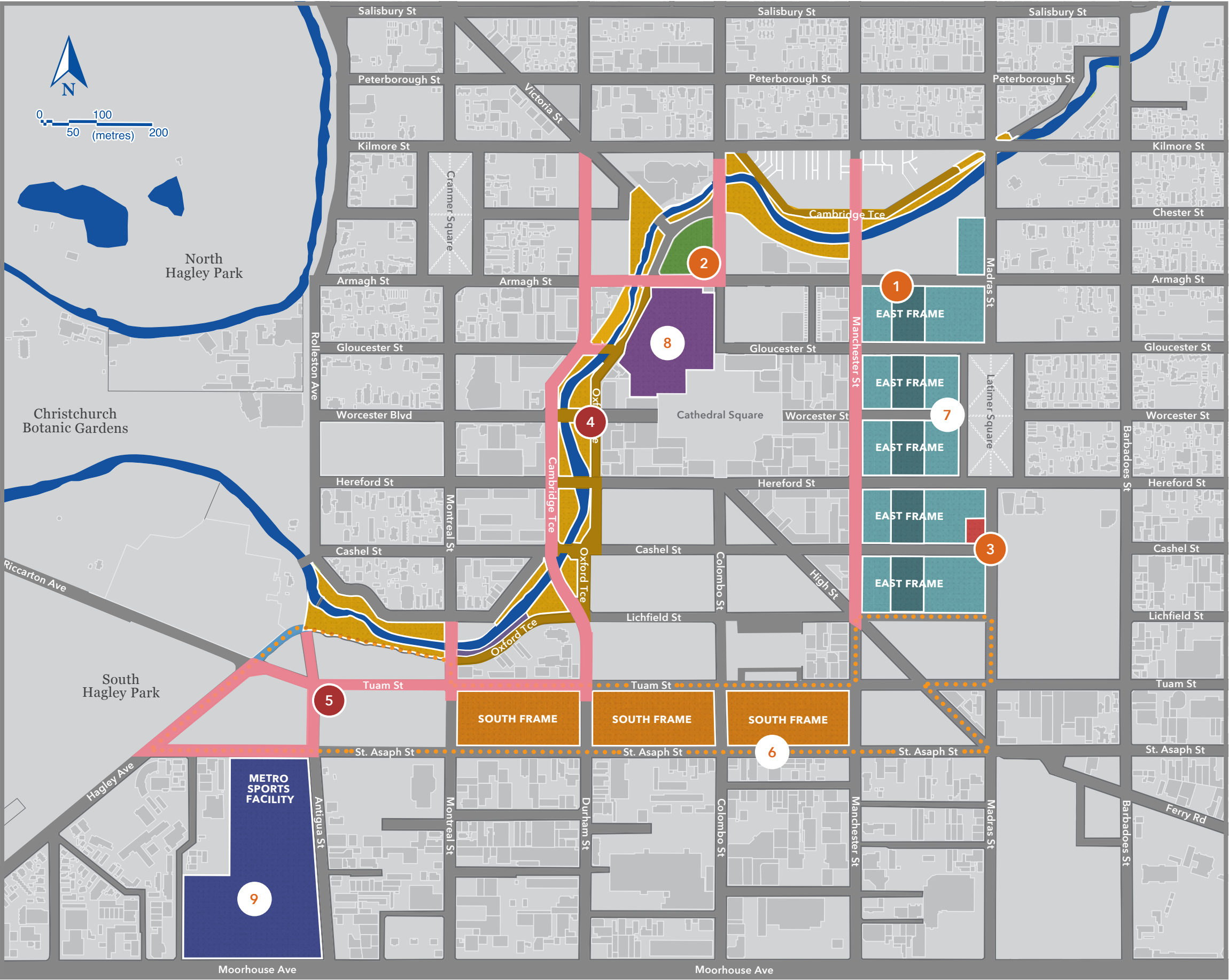
Metro Sports Facility - Taiwhanga Rēhia

Key

Complete

Finishing Soon

Long Term Projects





COMPLETE

East Frame

Rauora Park

Central City
Anchor
Projects

Rauora
Park

WHAT IS IT?

Rauora Park is a new public park in the central city. It runs through the middle of five city blocks between Armagh and Lichfield Streets and will eventually be bordered by the East Frame (One Central) homes. As many of the East Frame homes will not have gardens, this park will act as a backyard for the central city. Created for local residents as well as the broader community, the park is made up of green spaces, trees, rain gardens, a basketball area, pathways and a shared path for pedestrians, cyclists and cars.

Rauora Park opened in December 2017 with a formal blessing. A family fun day was held in January 2018 with free activities mostly sponsored by Ōtākaro suppliers and local organisations.

Photo courtesy of ChristchurchNZ.com



COMPLETE

Te Papa Ōtākaro /

Avon River Precinct

Victoria Square

Central City
Anchor
Projects

Te Papa
Ōtākaro/
Avon River
Precinct

WHAT IS IT?

Many of the surfaces and structures in Victoria Square were either damaged during the Canterbury earthquakes or were already close to the end of their life. Ōtākaro restored the Square using the original design and layout, while making it more accessible.

The restoration work allows Victoria Square to tie into the new Promenade, bringing people into the Square. There are also new opportunities to connect with the river through the punt stop that has been installed opposite the Town Hall.

The restoration design included new elements and artworks that represent the shared Maori and European history of the Square and the Treaty of Waitangi relationship.

Historical features such as the horse watering ramp, the phone booth and the floral clock were preserved during the restoration.

The Bowker Fountain, which has not worked for many years, was fully restored during the project and it now lights up at night as it did in the past.

Victoria Square reopened in March 2018 with a descendant of Henry Bowker helping to switch on the fountain.



COMPLETE

The former CTV building site

WHAT IS IT?

The former site of the Canterbury Television (CTV) building opened to the public on 22 February 2018. A private blessing for the families of those who lost their lives in the building was held on the evening prior to the opening.

Fourteen cherry trees, seven kowhai trees and over 50 different species of plants were added to the site. The existing four trees on the site also remain in place. In the middle of the site there is a stone feature with water running along it that trickles into the garden. There is also a place where people can leave mementoes and flowers next to words of remembrance.

Three of the car parks and much of the building’s foundation have been retained. The western side of the foundation has been covered with stone chip. Planter boxes have been placed on the eastern side where the concrete is exposed. The area has been lit so people can visit the site during the day or night.



FINISHING SOON

Te Papa Ōtākaro / Avon River Precinct

The City Promenade

WHAT IS IT?

The central city section of the Ōtākaro/Avon River is being transformed into an accessible, city waterfront. It will give people an opportunity to connect with the river by sitting near the water, feeding the eels, or walking along the new promenade.

The Promenade is a paved 2.5 kilometre path running through the heart of the precinct on the Oxford Terrace (eastern) side of the river. The western side of the river will be a green space with cycling and walking paths.

STATUS

The Promenade will be complete by the end of 2018. Planting is taking place in completed sections and new hospitality businesses are appearing between Cashel Street and Hereford Street.

Central City Anchor Projects

Te Papa Ōtākaro/ Avon River Precinct

FINISHING SOON

Central city transport projects

WHAT ARE THEY?

Ōtākaro is delivering some key transport projects adjacent to Anchor Projects on behalf of Christchurch City Council, Environment Canterbury, Ngāi Tahu and 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 Christchurch City Council.

STATUS

Durham Street
Complete

Work included building a new north-bound lane between Tuam and Lichfield Street to help people reach the retail precinct and the car parking buildings on Lichfield Street. Footpaths have been widened to create a shared path for cyclists and pedestrians. Rain gardens have been built to filter rainwater before it enters the storm water network.

Victoria Square Streetscape
Expected to be complete in July 2018

Colombo and Armagh Streets, adjacent to Victoria Square, have been rebuilt with paved, shared pathways to tie the area into The Promenade which is being constructed as part of the Avon River Precinct. The berms have been planted with shrubs and trees and short-term parking has been installed.

Manchester Street
Expected to be complete in August 2018

Manchester Street is almost complete. The road has been transformed into a bus priority route with two high quality bus stops to shelter bus users. The footpaths have been paved and widened to create a shared path for pedestrians and cyclists. Rain gardens and trees have been built and planted along the path.

Oxford Gap
Expected to be complete in December 2018

Work to transform Oxford Gap, a short section of Oxford Terrace between Tuam and Antigua Streets, started in mid-2018.

When constructed, the Gap will form a shared space drop-off and pick-up area for the Health Precinct and will connect to The Promenade and the South Frame.

The design was developed in close consultation with the Canterbury District Health Board and was subject to road safety, accessibility and crime prevention through environmental design (CPTED) reviews.

Careful consideration was given to the safety of vulnerable users, including people with impaired mobility and vision.





LONG TERM PROJECTS

South Frame

Pūtahi Whakatetonga

Central City
Anchor
Projects

The South
Frame

WHAT IS IT?

The South Frame will be a place for pedestrians and cyclists to escape the traffic while traveling between the Innovation Precinct and the Health Precinct. It will be a place to gather, dine, be entertained or just relax.

At the heart of the South Frame will be The Greenway, a planted pathway that will run the entire east-west length of the development. The Greenway will connect four gathering spaces which will also be used to host events and markets.

Lanes branching off The Greenway will provide access to Tuam and St Asaph Streets along with retail and hospitality businesses that are moving into the area.

STATUS

The eastern side of the South Frame has progressed significantly over the past twelve months. Evolution Square opened in December 2017 along with many of the surrounding lanes. Businesses are established in the area which complement the Square and the Innovation Precinct.

Work started on the western side of the South Frame this year. The fourth and final gathering place, Kahikatea Common, will be complete in September and new lanes will be built as land becomes available.



LONG TERM PROJECTS

East Frame (One Central)

Residential development

Central City
Anchor
Projects

The East
Frame

WHAT IS IT?

The East Frame residential area has been renamed One Central by Fletcher Building. It will be a new housing area in the heart of the central city, built around Rauora Park. The development will provide a range of attractive options from studios to townhouses. People living in in the city will be the first to support new businesses and events which will help the city to thrive.

STATUS

Work on the first 20 residential homes on Hereford Street near Latimer Square is almost complete. Construction is also well underway on a block of apartments on Lichfield Street, and ground works have started on the south side of Hereford Street. A total of 172 new homes are in construction.



LONG TERM PROJECTS

Te Pae Christchurch Convention Centre

Whare Rūnanga

Central City
Anchor
Projects

Convention
Centre
Precinct

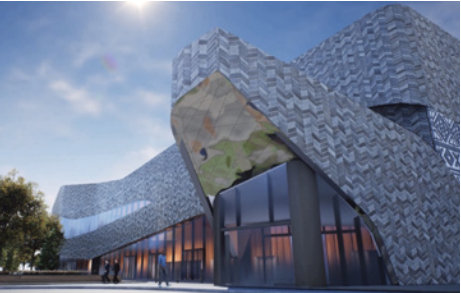
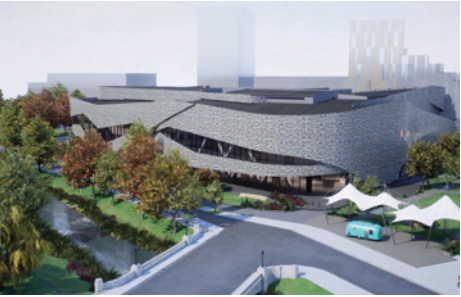
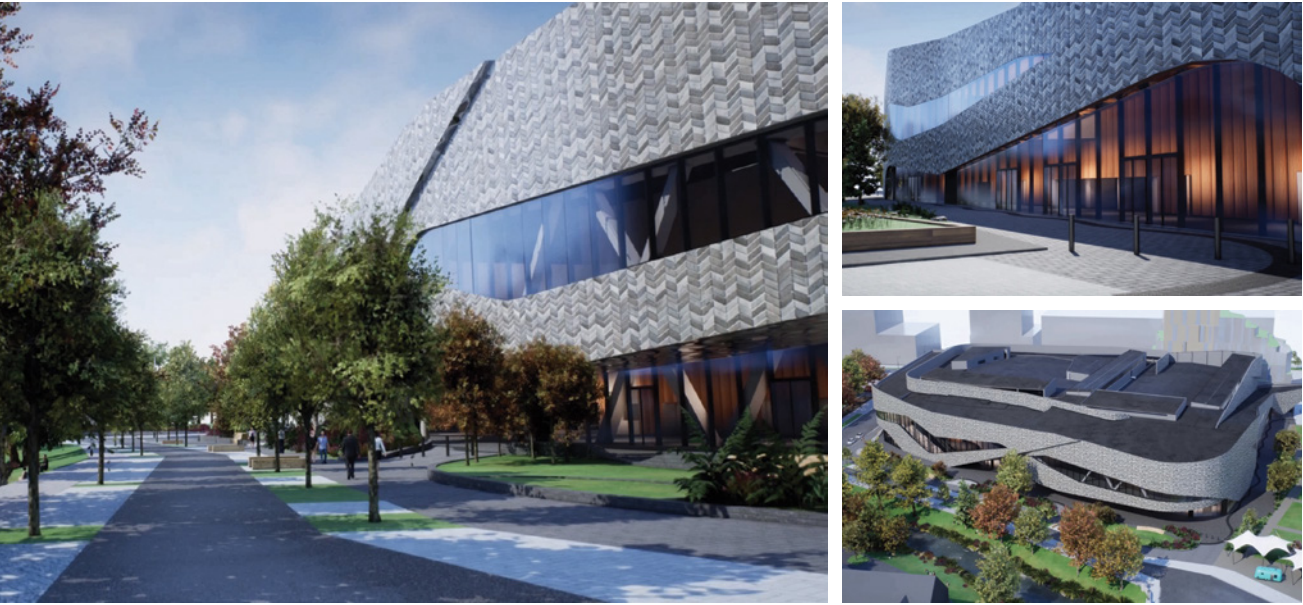
WHAT IS IT?

Te Pae will be a world class conference facility supported by retail, hospitality, and public transport.

The main auditorium will be able to host 1400 people in a space that can divide into two 700-person auditoria. The venue will include a 1200-person banquet hall and 24 interconnected meeting rooms that can hold up to 1400 people. A 3600 square metre multi-use exhibition hall will be able to accommodate 200 booths.

STATUS

Construction started in late 2017 and is progressing well. The foundations are in place for the main auditorium, administration building, and exhibition hall. Structural steel is being installed and a 50-tonne roof truss has been lifted into place. More than 20 conferences and events have been booked through a team dedicated to developing Te Pae.



Te Pae — an experience like no other

From a great location to world-class purpose-built facilities, Te Pae offers an experience like no other.

Centrally located within Christchurch, New Zealand’s most hospitable business-events city, Te Pae is much more than a traditional convention centre. It is a gathering place for the 21st century, where the world will come together to share, learn, be hosted and entertained.

An iconic landmark in a changing cityscape, influences of our majestic southern landscape are interwoven into the striking building design, making it a physical representation of New Zealand, our culture and the stories of our people.

Name and brand influences

The Te Pae brand was launched at the Convention Centre conference, MEETINGS in mid-2018.

The name was chosen in consultation with Matapopore and others who have played a significant role in the design of the facility.

Te Pae draws inspiration from several relevant uses in Te Reo Māori:

- Te Pae Maunga – our mountain views.
- Te Pae Whenua – the vast plains we inhabit.
- Te Pae Tangata – a place to meet and converse.

As a venue influenced and shaped by our landscape and people, Te Pae is our gathering place.

The logo features an abstract representation of the building’s façade and design influences - the South Island’s braided rivers and mountain landscape.





LONG TERM PROJECTS

Metro Sports Facility

Taiwhanga Rēhia

Central City
Anchor
Projects

Metro
Sports
Facility

WHAT IS IT?

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

At over 30,000m², the Metro Sports Facility will feature a 50 metre, 10-lane international standard competition swimming pool, a separate diving pool, a large aquatic leisure area, five hydroslides, fitness spaces and nine indoor courts with 2500 retractable seats surrounding a show court for elite sporting events. The facility will cater for the needs of the recreational, educational and high-performance sporting communities.

STATUS

Market engagement for a Main Works contractor is currently underway and appointment of a preferred contractor is expected around March 2019, with commencement of construction shortly after. Land remediation was completed in 2017. Advanced earthworks on the site will begin in August 2018 in preparation for main construction starting in 2019. The facility is expected to be completed late 2021.



PART 6:

Land divestment



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

SIGNIFICANT DIVESTMENTS IN 2018

- Ōtākaro divested the former Re:START Mall site in the Retail Precinct to Riverside Limited for an indoor urban farmers’ market. Riverside Market will operate seven days per week and will be linked to a vibrant network of boutique retail, restaurants, cafes and bars. Riverside Market will provide a unique inner-city shopping experience for the local community and visitors.
- A parcel of land in the South Frame adjacent to the Justice and Emergency Services Precinct (JESP) was divested to Home Estate Trustee Limited for the development of a Quest Hotel. The hotel is conveniently located beside the JESP, and close to the Metro Sports Facility and the Christchurch Hospital.
- A small site on High Street in the Innovation Precinct was divested to an adjacent property owner, the Stockman Family Trust. The divested site has a damaged heritage façade and the Trust plans to restore the façade by building a mixed-use development behind the façade and integrating the two sites. The divested site will have a small retail shop on the ground floor, with two offices each on the first and second floors.
- The building at 224 Cashel Street (formerly known as the IRD Building), Cashel Chambers and the adjoining Pavilion Carpark were taken to the market via an Expression of Interest. The preferred developer plans to repurpose the building into an education, research and technology transfer hub.
- Ōtākaro has leased a site in the North Frame alongside the Te Papa Ōtākaro / Avon River Precinct to Ōtākaro Orchard. This community garden will be New Zealand’s first urban food hub where locals and visitors can gain knowledge and inspiration about sustainable food systems in practice.
- Two of the three Stage One, East Frame Residential superlots have been transferred to Fletcher Residential Limited. The final superlot was transferred early in the 2019 financial year.



Artist impression of the future Farmers’ Market.

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

PART 7:

Community engagement



Te Pae comic strip

December 2017

“Ōtautahi: An Origin Story” brings elements of Christchurch’s past and future to life through a 272m² graphic novel located on the Cathedral Square side of the Te Pae Christchurch Convention Centre site.

The fence around Te Pae will be in place for four years so the opportunity was identified to use the fence to engage people with the site long before the buildings are complete. The story has an editable panel which is used to promote upcoming milestones and selfie-stops to allow people to interact with the artwork.

The comic strip is the first professionally commissioned artwork produced by 28-year-old Felicity Jane Powell of RE:Edit Publishing. Miss Powell worked closely with Matapopore on the development of the comic strip.



“I wanted to produce something that encourages visitors and residents to re-think their places and to feel like they are a valued part of the story we’re unfolding here in Christchurch,” says Miss Powell.

Evolution Square opening

December 2017

A community-led ‘house-warming party’ marked the completion of a new South Frame gathering place, Evolution Square.

Ōtākaro worked with nearby businesses during the construction of the Square to form a community before construction was complete. As a result, the businesses managed much of the opening celebration and added special touches such as art, furniture, and virtual reality experiences.



The opening event had free live music, food trucks, fortune cookies, a treasure hunt, and a Christmas tree.

Rauora Park celebration

January 2018

Rauora Park officially opened in December 2017. A family fun day was held at the end of the summer school holidays in January to celebrate the completion of the park and encourage people to come and visit it.

The event was advertised in The Press, on radio stations and via invitations in eastern central city mailboxes. The park’s location, directly across the road from the Margaret Mahy Family Playground, meant many attendees discovered the event when they arrived at the playground.

Over 1000 people attended the three-hour event.



Visitors played basketball with the Canterbury Rams, enjoyed a sausage sizzle sponsored by Humes, made kites, took part in a free Les Mills class in the park and got their faces painted.

Victoria Square time capsule

April 2018

Ōtākaro worked with students from The Cathedral Grammar School in Christchurch to place a time capsule in Victoria Square to mark the completed restoration work.

The seven and eight-year-old students were asked to include items in the time capsule that are popular in 2018 and might be of interest in 2081 when the time capsule is opened for The Cathedral Grammar School’s bicentenary on 16 May 2081. The children wrote stories about themselves and life in Christchurch today. Photos of the restoration work and the people who carried it out have been printed on archival paper and included in the time capsule to show people what the restoration was like.

The time capsule was placed in the ground with a small event including songs and prayers by the children.



Victoria Square market

April 2018

A one-off artisan market was held in Victoria Square to celebrate the restoration and recognise its history as a trading place.

Victoria Square, which was formerly known as Market Square, was an important site for Ngāi Tūāhuriri who visited the site from Kaiapoi to sell their produce to European settlers.

Ōtākaro worked with Matapopore and Felt, an online marketplace for New Zealand makers and craftspeople, to hand-pick a selection of local stallholders. On the day, 30 stallholders set up in the square selling a range of high quality, original items.

Over 1000 people visited the market during the three-hour event.



PART 8:

Governance



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 the 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 underpin its strategies and objectives.

The Board operates in accordance with the relevant expectations set out in the Treasury’s Owners Expectations Manual (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 (15) 5), 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 is currently made up of four 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.

As a company established under Schedule 4A of the Public Finance Act 1989, there are additional legal obligations for Ōtākaro Directors to satisfy, in addition to those specified by the Companies Act. The Crown Entities Act requires the Board to ensure that the Company operates in a manner consistent with its objectives, functions, Statement of Intent and the Shareholders’ Letter of Expectations.

Board Members

ROSS BUTLER

Chairman

Christchurch born and educated, Ross Butler is a professional director with a range of commercial, Crown Entity and community governance roles in New Zealand and Australia.

After spending most of his executive and governance career in financial services in Australia, Ross is now based in Nelson and Christchurch.

PETER TOWNSEND

CNZM – Director

Peter is a professional director, holding several directorships covering a wide spectrum of organisations.

Until November 2017 Peter was CEO of The Canterbury Employers’ Chamber of Commerce, a position he held for twenty-one years. Since 4 September 2010 Peter has been actively involved in Christchurch earthquake recovery issues.

In December 2013 Peter was made a Companion of The New Zealand Order of Merit for his services to the business community.

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, resolving commercial disputes with an emphasis on competition and consumer laws. She was president of the New Zealand Bar Association from 2011-2012.

With 20 years plus of governance experience, Miriam is the current chair of the Banking Ombudsman Scheme, as well as a director of Crown Infrastructure Partners Limited and the Real Estate Institute of New Zealand.

Past directorships include chair of New Zealand on Air, deputy chair of Auckland Council Investments and a member of the Auckland Transition Authority.

Miriam chaired the Government Inquiry into the Whey Protein Concentrate Contamination Incident (the Fonterra botulism scare). More recently, Miriam facilitated and reported to the Government on discussions with engineers for the Church Property Trustees and the Great Christchurch Buildings Trust on engineering options for repair, restoration or replacement of Christchurch Cathedral.

CORINNE HAINES

CNZM – Director

Corinne Haines, the Managing Director of Trimble Navigation New Zealand Limited, has more than 40 years’ business experience and has been at the helm of Trimble since 2003. Christchurch born, Corinne has a passion for the city and the opportunities and lifestyle it provides for residents.

Corinne is a Fellow of Chartered Accountants ANZ. She was made a Companion of the New Zealand Order of Merit for her services to business in the 2016 New Year’s Honours.



The Board members from left to right are: Corinne Haines, Peter Townsend, Ross Butler and Miriam Dean.

BOARD COMMITTEES

The Board has an Audit and Risk Committee to help Directors carry out their duties and fulfil their responsibilities. It provides recommendations, counsel and information on accounting, reporting, risk management and responsibilities under legislation. 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 (overpage) sets out all interests or cessations of interests of Directors recorded in the interests register during the year ended 30 June 2018.

The Senior Leadership Team



ALBERT BRANTLEY
Chief Executive Officer
(Replaced by John Bridgman on 1 August 2018)



KEITH BEAL
General Manager, Strategy and Property Opportunities



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
(Commenced his role in July 2018 replacing Dave Mills who departed in May 2018)

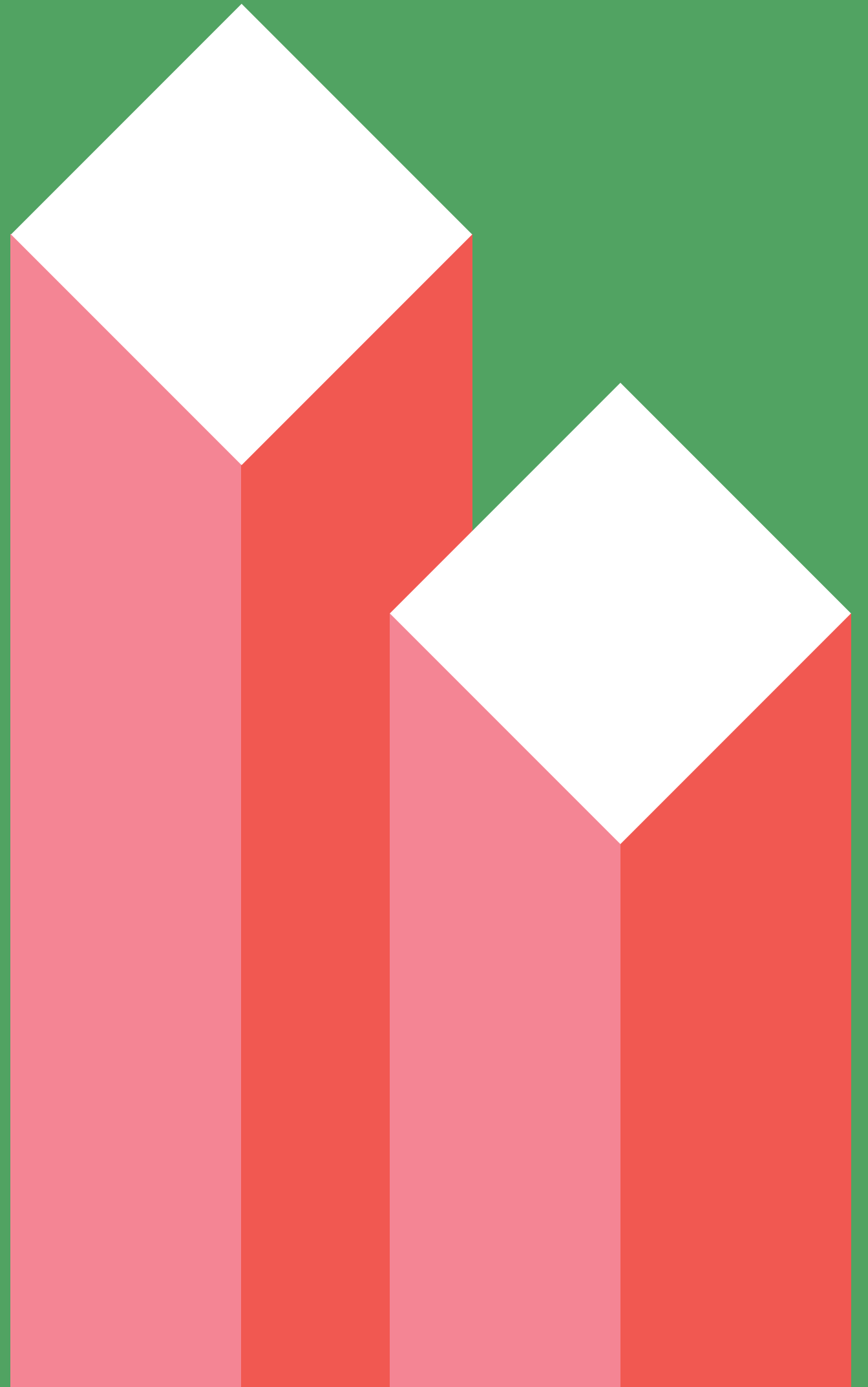
Board of Directors’ Interests Register

Director	Entity	Relationship
Ross Butler	Hockey New Zealand Major Events Limited	Director
	Regenerate Christchurch	Director
	Southern Response Earthquake Services Limited	Chairman
	Southern Response Earthquake Services Limited	Director
	Mercer Investments (Australia) Pty Ltd (MIAL)	Chairman
	MIAL	Member of Remuneration and Nominations Committee
	Mercer Australia Pty Ltd and its subsidiaries	Chairman of Group Audit and Risk Management Committee
	Mercer (N.Z.) Limited	Director and Chair
	Code Committee, Financial Advisers Act	Committee Member
	Merlot Limited	Chairman
	Rangitane Holdings Limited Rangitane Investments Limited	Chairman <i>(ceased)</i>
	Nelson Marlborough Institute of Technology	Chair <i>(ceased)</i>
Miriam Dean	Government Electricity Price Review	Chair
	REINZ Ltd	Director
	Member Auckland Council Reference Panel	Chair
	NZ on Air	Chair <i>(ceased)</i>
	Crown Infrastructure Ltd	Director
	Royal NZ Ballet	Trustee <i>(ceased)</i>
	Banking Ombudsman Scheme	Chair
	NZ Law Society	Member
	NZ Bar Association	Member
	Global Women	Member
	Cathedral - engineering options	Facilitator <i>(ceased)</i>

Director	Entity	Relationship
Peter Townsend	Pegasus Health (Charitable) Ltd	Director
	Pegasus Health Community Board	Board Member <i>(ceased)</i>
	Champion Canterbury Ltd	Director <i>(ceased)</i>
	Hillary Institute of International Leadership	Board Member
	RNZAF Museum Trust Board	Board Member
	New Zealand Chambers of Commerce and Industry	Board Member <i>(ceased)</i>
	Canterbury Employers’ Chamber of Commerce	CEO <i>(ceased)</i>
	BusinessNZ Regional CEOs Group and Council	Member <i>(ceased)</i>
	Canterbury Youth Development Programme	Board Member <i>(ceased)</i>
	Canterbury Earthquake Recovery Lessons & Legacy Sponsors Group	Member <i>(ceased)</i>
	Callaghan Innovation Grants Committee	Member
	Honorary Consul of Chile to Christchurch	Honorary Consul
	Townsend Management Ltd	Director
Corinne Haines	Beena Vision Asia Pacific Pty Limited	Director
	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
	Civil and Structural Computing Pty Limited	Director <i>(ceased)</i>
	Spatial Dimension Pty Limited	Director
	LSI Robway Pty Limited	Director
	Sefaira Pty Limited	Director
	St Barnabas Fendalton Trust	Trustee
	St Barnabas Anglican Church – Fendalton	Vestry member
	Chartered Accountants Australia and New Zealand	Member

PART 9:

Financials



“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 2018

Under 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 2018.

Signed on behalf of the Board



ROSS BUTLER
Chair

1 October 2018



CORINNE HAINES
Director

1 October 2018

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. 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 Limited
- It helps explain Ōtākaro Limited’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 has been established with limited life expectancy.

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 2017/2018 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 2017 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 2018 and were approved by the Board of Directors on 1 October 2018.

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).

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).

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

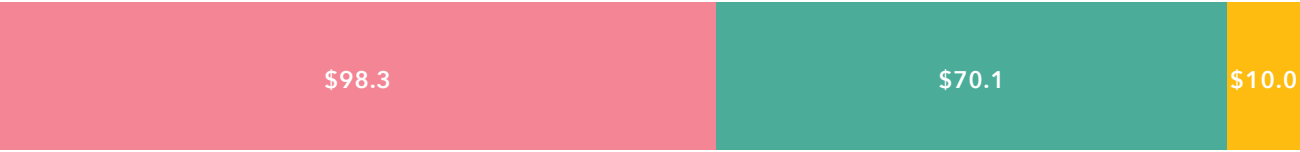
These projects are considered operational in nature for any of the following reasons:

- 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 (hereafter referred to as Te Pae) until August 2017, East Frame Residential, Performing Arts Precinct, and An Accessible City. The Canterbury Earthquake National Memorial was completed in the prior year and was transferred to The Ministry of Culture and Heritage in March 2018.

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

2018 PROJECT FUNDING (\$178.4m)



- Operating projects
- Capital projects
- Project managed projects

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 2017 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	2018 \$000	2017 \$000
Land and buildings held as inventory	93,113	105,568
Property and equipment		
– Land	102,002	74,950
– Buildings	48,069	56,542
– Work in progress	96,981	27,395
Total	340,165	264,455

TRANSFER OF PUBLIC REALM ASSETS

The Crown has an agreement with 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 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 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 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.

Te Pae

In July 2017, detailed design commenced and in August 2017 the project construction contract was executed. Therefore, capitalisation of costs commenced in August 2017. This resulted in a change in classification of the project; it is now a capital project for Ōtākaro. The exception to this is for costs incurred relating to establishing the Te Pae operations which are recognised as operating project expenditure.

Metro Sports Facility

As at 1 July 2017 the Metro Sports Facility was a project managed project. On 11 August 2017 this project was transferred from the Crown to Ōtākaro. On this date, the project became a capital project and assets were transferred to Ōtākaro, funded by an issue of shares.

POST BALANCE DATE EVENTS

Crown and Christchurch City Council Cost Sharing Agreement

On 22 August 2017, the Crown and Christchurch City Council announced they had agreed on a proposed refresh to elements of their cost sharing agreement (CSA). This included the divestment of the Bus Interchange to the Council, which is currently owned by Ōtākaro.

Discussions are currently occurring regarding the CSA, and Ōtākaro is committed to supporting the Crown in the divestment of the Bus Interchange.

Details on timing, scope and quantum of the divestment and the financial impact of this on Ōtākaro are currently being worked through.

PART 9: Financials

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

For the year ended 30 June 2018

	Note	2018 Actual \$000	2018 Budget \$000	2017 Actual \$000
Income				
Project funding	1A	98,325	105,150	75,230
Operational funding	1B	18,653	21,500	18,419
Properties and facilities funding	1B	2,860	605	2,846
Other revenue	1C	9,814	2,033	12,394
Total revenue		129,652	129,288	108,889
Expenses				
Establishment expenses		-	-	317
Operating project expenses	1A	78,388	97,071	66,375
Operational expenses	1B	16,363	21,500	18,419
Properties and facilities expenses	1B	2,962	3,300	2,863
Provision for transfer of public realm assets	2D	55,023	57,495	44,619
Finance costs	1D	5,365	3,136	6,117
Other expenses	1E	1,649	729	1,720
Total expenses		159,750	183,231	140,431
Land sales	2B	17,162	43,889	11,629
Cost of land sales	2B	(15,392)	(53,155)	(10,818)
Gain/(Loss) on land sales		1,770	(9,266)	811
Net surplus/(deficit) for the period		(28,328)	(63,209)	(30,731)
<i>Other comprehensive revenue and expense for the year</i>				
Total comprehensive revenue and expense for the year		(28,328)	(63,209)	(30,731)

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

The accompanying notes form part of these financial statements

PART 9: Financials

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2018

	Note	Capital \$000	Accumulated Surplus \$000	Total \$000
Opening balance 01 July 2016				
		76,854	12,552	89,406
Comprehensive income				
Net surplus/(deficit)		-	(30,731)	(30,731)
Other comprehensive revenue and expense		-	-	-
Total comprehensive revenue and expense		-	(30,731)	(30,731)
Owners' transactions				
Capital contribution - Crown		63,117	-	63,117
Closing balance 30 June 2017		139,971	(18,179)	121,792
Comprehensive income				
Net surplus/(deficit)		-	(28,328)	(28,328)
Other comprehensive revenue and expense		-	-	-
Total comprehensive revenue and expense		-	(28,328)	(28,328)
Owners' transactions				
Capital contribution - Crown		70,061	-	70,061
Share repurchase		(7,700)	-	(7,700)
Closing balance 30 June 2018	3A	202,332	(46,507)	155,825

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

The accompanying notes form part of these financial statements

PART 9: Financials

STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

Assets	Note	2018 Actual \$000	2018 Budget \$000	2017 Actual \$000
Current assets				
Cash and cash equivalents	3C	27,068	6,316	52,751
Short term deposits	3D	23,000	40,000	23,500
Trade and other receivables	3E	8,856	4,931	3,584
Current portion of land and building classified as inventory	2B	28,545	43,800	45,973
Prepayments		1,610	605	589
Total current assets		89,079	95,652	126,397
Non-current assets				
Property and equipment	2A	150,153	96,147	131,655
Other receivables	3E	8,721	-	3,162
Capital work in progress	2C	96,981	117,064	27,395
Land and building classified as inventory	2B	64,568	21,236	59,595
Total non-current assets		320,423	234,447	221,807
Total assets		409,502	330,099	348,204
Liabilities				
Current liabilities				
Creditors and other payables	3F	18,507	22,153	15,237
Employee entitlements	4C	601	-	614
Funding in advance	1B	1,347	-	1,581
Funds held on behalf of Crown to fund project managed projects	1A	104	-	7,888
Revenue in advance - Non Crown	1A	-	-	9,816
Provisions		59	-	60
Current portion of borrowings	3B	18,005	34,000	33,440
Total current liabilities		38,623	56,153	68,636
Non-current liabilities				
Term loan	3B	124,491	82,745	114,319
Provision for transfer of public realm assets	2D	90,563	73,723	43,457
Total non-current liabilities		215,054	156,468	157,776
Total liabilities		253,677	212,621	226,412
Net assets		155,825	117,478	121,792
Equity				
Contributed capital	3A	202,332	223,026	139,971
Accumulated surplus	3A	(18,179)	(42,339)	12,552
Total comprehensive revenue and expense for the year		(28,328)	(63,209)	(30,731)
Total equity		155,825	117,478	121,792

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

The accompanying notes form part of these financial statements

PART 9: Financials

STATEMENT OF CASH FLOWS

For the year ended 30 June 2018

	Note	2018 Actual \$000	2018 Budget \$000	2017 Actual \$000
Cash flows from operating activities				
Crown and other revenue		101,044	126,104	71,515
Interest received		2,270	1,480	925
Sale of goods		13,803	-	9,629
Payments to suppliers and employees		(99,495)	(121,809)	(94,015)
Interest paid		(338)	-	(174)
Goods and services tax (net)		(1,817)	-	(5,688)
Net cash inflow/(outflow) from operating activities	3C	15,467	5,775	(17,808)
Cash flows from investing activities				
Sale of assets		-	43,889	2,795
Maturity of investments		134,700	-	68,000
Purchase of property and equipment		(9)	-	(6,169)
Purchase of capital work in progress		(66,116)	(100,755)	(22,739)
Purchase of investments		(134,200)	-	(91,500)
Net cash inflow/(outflow) from investing activities		(65,625)	(56,866)	(49,613)
Cash flows from financing activities				
Capital contribution – Crown		34,764	82,480	33,910
Distributions to the Crown		-	(1,222)	-
Loan repayment		(10,289)	(32,995)	(8,832)
Net cash inflow/(outflow) from financing activities		24,475	48,263	25,078
Net increase/(decrease) in cash and cash equivalents		(25,683)	(2,828)	(42,343)
Cash and cash equivalents at the beginning of the period		52,751	9,144	95,094
Cash and cash equivalents at the end of the period		27,068	6,316	52,751

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	2018 \$000	2017 \$000
An Accessible City	21,407	14,413
Avon River Precinct	30,566	15,473
Bus Interchange	-	18
Te Pae Christchurch Convention Centre	2,961	25,533
East Frame Residential	328	1,325
Metro Sports Facility	32,060	-
Performing Arts Precinct	-	793
South Frame	983	-
Land remediation	10,020	17,675
Total operating projects funding	98,325	75,230

Operating projects funding for Metro Sports Facility represents revenue received in advance in the prior period that was released in the current financial year, and the contributions to the project from Christchurch City Council in accordance with the cost sharing agreement.

Breakdown of operating projects’ expenditure

Project	2018 \$000	2017 \$000
An Accessible City	25,294	22,351
Avon River Precinct	38,594	12,407
Bus Interchange	-	44
Te Pae Christchurch Convention Centre	2,930	12,750
East Frame Residential	393	485
Metro Sports Facility	816	-
Performing Arts Precinct	39	45
Margaret Mahy Playground	-	198
Earthquake Memorial	(139)	710
Land remediation	10,461	17,386
Total operating projects expenditure	78,388	66,375

The negative value for the Canterbury Earthquake National Memorial is a result of some invoices being over accrued in the 2017 financial year. The final project invoices were not as large as expected, resulting in a negative value for the current financial year.

Utilised as follows	2018 \$000	2017 \$000
Construction contractors	58,287	27,168
Project management	2,065	1,640
Design services	551	4,698
Quantity surveyor	1,042	1,454
Land remediation	10,461	17,386
Fees paid to Audit NZ for other assurance services	17	-
Direct staff costs allocated to projects	667	-
Other project expenses	5,298	14,029
Total operating projects expenditure	78,388	66,375

For the year ended 30 June 2018, \$667k of direct staffing costs have been allocated to operating project expenditure (2017: \$nil) 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 are 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 \$70.1m (2017: \$33.9m). Total cost for the year on these projects was \$69.6m (2017: \$29.5m).

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.

The Canterbury Earthquake National Memorial was completed during 2017. On 28 March 2018 the asset was transferred to the Ministry for Culture and Heritage via a share repurchase from the Crown.

Breakdown of capital projects’ funding

Project	2018 \$000	2017 \$000
Te Pae Christchurch Convention Centre	29,064	-
East Frame Public Realm	5,734	14,201
Canterbury Earthquake National Memorial	-	7,815
South Frame	716	9,296
Metro Sports Facility	32,197	-
Performing Arts Precinct	2,350	-
Margaret Mahy Playground	-	2,597
Total capital project funding	70,061	33,909

The Performing Arts Precinct received capital funding this year for the purchase of additional land, which is recognised as Property and Equipment on the face of the Statement of Financial Position.

Breakdown of capital projects’ expenditure

Project	2018 \$000	2017 \$000
Te Pae Christchurch Convention Centre	47,149	-
East Frame Public Realm	9,191	13,274
Canterbury Earthquake National Memorial	-	6,018
Metro Sports Facility	9,087	-
South Frame	4,202	8,394
Margaret Mahy Playground	-	1,774
Total capital projects expenditure	69,629	29,460

Utilised as follows	2018 \$000	2017 \$000
Construction contractors	53,173	27,185
Project management	2,637	319
Architect	2,379	406
Direct staff costs allocated to projects	1,493	-
Other project expenses	9,947	1,550
Total capital projects expenditure	69,629	29,460

For the year ended 30 June 2018, \$1.5m of direct staffing costs have been allocated to capital project expenditure and subsequently capitalised as work in progress (2017: \$nil).

More details are provided in note 2C in regard to 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 was received in the 2017 financial year from Christchurch City Council (\$9.6m) in relation to the Metro Sports Facility project. As these project assets were not owned by Ōtākaro at 30 June 2017, this was recognised as a liability in the statement of financial position.

As noted in the Significant Matters section, the Metro Sports Facility transferred from the Crown and became a capital project in August 2017. All funding that was unspent from Christchurch City Council and the Crown relating to this project was recognised as revenue in the statement of comprehensive revenue and expense.

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 2018.

Breakdown of project managed project funding

Project	2018 \$000	2017 \$000
Metro Sport Facility (Crown)	9,586	11,535
Metro Sport Facility (CCC)	-	9,616
Stadium	450	-
Total funding for project managed projects	10,036	21,151

Breakdown of project managed project expenditure

Project	2018 \$000	2017 \$000
Te Pae Christchurch Convention Centre	-	3,239
Metro Sport Facility	1,584	8,080
Stadium	346	-
Total expenditure for project managed projects	1,930	11,319

Utilised as follows	2018 \$000	2017 \$000
Specialist engineer	393	3,204
Consultancy	476	1,210
Project management	43	755
Other project expenses	1,018	6,150
Total expenditure for project managed projects	1,930	11,319

	2018 \$000	2017 \$000
Prior year unspent funding	17,504	33,205
Funding received	10,036	21,151
Te Pae Christchurch Convention Centre funding released	-	(25,533)
Metro Sports Facility funding released	(25,505)	-
Expenditure	(1,931)	(11,319)
Unspent funding for project managed projects	104	17,504

Represented by:	2018 \$000	2017 \$000
Funds held on behalf of Crown to fund project managed projects	104	7,888
Revenue in advance - non Crown	-	9,616
Total unspent funding for project managed projects	104	17,504

Revenue in advance - non-Crown

There is nil Revenue in advance from non-Crown sources at balance date. In 2017, the Revenue in advance on the Statement of Financial Position was made up of \$9.6m (as shown in the table above) which was funding received from Christchurch City Council in relation to Metro Sport Facility, and \$0.2m for a deposit received on the Retail Precinct land sale which completed in the 2018 Financial Year.

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 2018 is recorded as funding received in advance (liability).

Breakdown of operational funding from the Crown

	2018 \$000	2017 \$000
Gross Operational funding received from the Crown	20,000	20,000
Funding recognised as Revenue during year	(18,653)	(18,419)
Funding received in advance (liability)	1,347	1,581

The funding in advance liability from 2017 was repaid to the Crown during the 2018 financial year.

Breakdown of operational expenditure

Operational expenses	2018 \$000	2017 \$000
Fees paid to Audit NZ for audit of financial statements - 2018	98	-
Fees paid to Audit NZ for audit of financial statements - Prior Year	-	114
Fees paid to Audit NZ for other assurance services	-	31
Depreciation	130	123
Personnel costs	10,627	13,673
Consultancy	1,484	1,592
Other operational expenses	4,024	2,886
Total operational expenses	16,363	18,419

For the year ended 30 June 2018, \$1.5m of direct staffing costs have been allocated to capital project expenditure and subsequently capitalised as work in progress (2017: \$nil). In addition, \$667k of direct staffing costs have been allocated to operating project expenditure (2017: \$nil) 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 2018 financial year.

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 2018 is \$1.3m (2017: \$1.6m).

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.

	2018 \$000	2017 \$000
Bus Interchange facilities management	1,325	1,159
Land holding costs	1,535	1,687
Total operational property and facilities funding	2,860	2,846

Utilised as follows	2018 \$000	2017 \$000
Repairs and maintenance	486	340
Rates	1,518	1,484
Cleaning	333	359
Other	625	680
Total operational property and facilities expenditure	2,962	2,863

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.

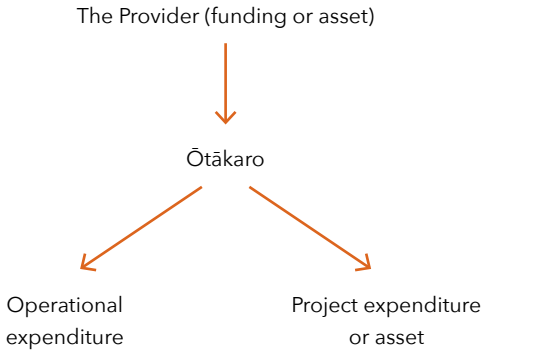
Additionally, any land that transfers to Ōtākaro from another entity at nil cost is a non-exchange transaction.

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

	2018 \$000	2017 \$000
Non-exchange revenue	125,297	106,021
Exchange revenue	21,517	14,498
Total revenue	146,814	120,519

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 direct benefit.



1C - OTHER REVENUE

Other revenue	2018 \$000	2017 \$000
Interest revenue from bank	2,197	1,667
Crown contribution to borrowings cost	2,607	2,920
Donations received	-	-
Rental revenue from leased land and buildings	824	1,171
Non-exchange revenue from asset transfers	2,855	6,538
Other revenue	1,331	98
Total other revenue	9,814	12,394

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 \$2.2m (2017: \$1.7m).

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 \$2.6m (2017: \$2.9m).

Non-exchange revenue from asset transfers

In the 2017 financial year land related to certain closed roads for Anchor Projects was transferred to Ōtākaro from the Crown at nil cost. This transfer is considered a non-exchange transaction and the value of the transfer is recorded at fair value. There was one transaction of this nature in the current financial year in relation to the Metro Sports Facility land to the value of \$2.9m.

Other Revenue

Other revenue is predominantly comprised of income received from Christchurch City Council for works performed on its behalf by the An Accessible City project team. This work was performed in tandem with the project work.

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	2018 \$000	2017 \$000
Depreciation of buildings	852	681
Inventory write-down to Net Realisable Value	666	993
Other expenses	131	46
Impairment loss	-	-
Total other expenses	1,649	1,720

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

For further details, see note 2B.

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 2016	86,056	67,984	102	154,142
Additions	41,273	7,941	146	49,360
Transfers - land and buildings held as inventory	(52,379)	(18,665)	-	(71,044)
Depreciation expense	-	(718)	(85)	(803)
Net book value 30 June 2017	74,950	56,542	163	131,655
Cost or fair value	74,950	57,541	257	132,748
Less accumulated depreciation	-	(999)	(94)	(1,093)
Net book value 30 June 2017	74,950	56,542	163	131,655
Additions	36,374	-	8	36,382
Disposals	(5,720)	(7,580)	-	(13,300)
Transfers - land and buildings held as inventory	(3,602)	-	-	(3,602)
Depreciation expense	-	(893)	(89)	(982)
Net book value 30 June 2018	102,002	48,069	82	150,153
Cost or fair value	102,002	49,833	266	152,101
Less accumulated depreciation	-	(1,764)	(184)	(1,948)
Net book value 30 June 2018	102,002	48,069	82	150,153

Total depreciation of \$982k (2017: \$803k) is made up of \$893k (2017: \$718k) for the Bus Interchange, leasehold improvements and other buildings' depreciation (note 1D) and \$89k (2017: \$85k) 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.

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 and the Te Pae projects.

	2018 \$000	2017 \$000
Less than one year	176,943	12,426
Between one and five years	31,618	-
Total capital commitments	208,561	12,426

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 2018, 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 results 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.

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 2018, M Ogg of Colliers, a registered valuer, performed a review of the fair value of all land and buildings owned by Ōtākaro as a basis of assessing whether any impairment was required for land and buildings in inventory or a revaluation required for land and buildings in property and equipment. Based on the review, Ōtākaro concluded that no impairment was required and the carrying value of land and buildings in property and equipment was materially consistent with fair value.

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%.

Buildings

Specialised buildings

The Bus Interchange is valued using depreciated replacement cost due to its specialised nature. This falls within level 2 of the fair value hierarchy.

Significant assumptions are applied when determining depreciated replacement cost. These included:

- The replacement asset is based on the reproduction of the building
- The replacement cost is derived and adjusted (where appropriate) from recent construction contracts related to this project (as it was completed in July 2015)
- The remaining useful life of the asset is estimated after considering factors such as the condition of the asset and future maintenance and replacement plans
- Straight-line depreciation has been applied in determining the depreciated replacement cost value of the asset.

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 \$666k (2017: \$993k). The write-down reflects the decrease in the market value of East Frame Super Lot 7 based on an allowance for a change in land use on the land forming the former Bedford Row.

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

Land and buildings held as inventory	2018 \$000	2017 \$000
Land	76,313	85,628
Buildings	16,800	19,940
Total land and buildings held as inventory	93,113	105,568

Represented by:	2018 \$000	2017 \$000
Current assets	28,545	45,973
Non-current assets	64,568	59,595
Total land and buildings held as inventory	93,113	105,568

The decrease in the inventory balance relates to land and building sales that have occurred during the 2018 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:

	2018 \$000	2017 \$000
Land	58,421	67,782
Buildings	12,889	14,168
Total loans related to land and buildings held as inventory	71,310	81,950

Land sales and cost of land sales

The sales in the current year included three pieces of surplus land holdings, the vesting of three parcels of land to the Christchurch City Council, and SuperLot 7 within the East Frame Residential Precinct. The sale of SuperLot 7 for \$3.4m is recorded as a receivable in the statement of financial position.

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.

Margaret Mahy Playground was vested in Christchurch City Council on 6 July 2017. Land and capital works completed on the Metro Sports Facility were transferred to Ōtākaro in August 2017, and land for the Te Pae precinct was transferred to Ōtākaro in August 2017.

	2018 \$000	2017 \$000
South Frame	15,755	11,553
Margaret Mahy Playground	-	2,197
East Frame Public Realm	22,836	13,645
Te Pae Christchurch Convention Centre	47,149	-
Metro Sports Facility	11,242	-
Total capital work in progress	96,981	27,395

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 Christchurch City Council in the future, as a result of the signing of a memorandum of understanding between Ōtākaro and Christchurch City Council.

The timing of when parcels of land are transferred to 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 Christchurch City Council in the coming year, the scale of this is not able to be reliably estimated and is disclosed as non-current.

The Margaret Mahy Playground vested to Christchurch City Council on 6 July 2017.

	2018 \$000	2017 \$000
Land		
- Public Realm	11,134	13,702
- Margaret Mahy Playground	-	2,360
- Metro Sports Facility	29,597	-
Capital work in progress	49,832	27,395
Total provisions for transfer of public realm assets	90,563	43,457

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.

Reconciliation of provision for transfer of public realm assets liability to expenditure:

	2018 \$000	2017 \$000
Opening provision	43,457	-
Provision expensed during the year	55,023	44,619
Provision utilised during the year	(7,917)	(1,162)
Closing provision	90,563	43,457

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 2018 is 202,332,140 (2017: 139,971,812).

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

- 1. Land transfer from Land Information New Zealand (LINZ) of 3.1m shares for \$3.1m (2017: 5.6m shares for \$5.6m)
- 2. Capital funded projects of 34.8m shares for \$34.8m (2017: 33.9m shares for \$33.9m) (see note 1A)
- 3. Transfer of Metro Sports Facility land and capital works of 32.2m shares for \$32.2m (2017: nil)
- 4. Repurchase of 7.7m shares for \$7.7m for the transfer of the Canterbury Earthquake National Memorial to the Ministry for Culture and Heritage.

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	2018 \$000	2017 \$000
Contributed capital		
Opening balance	139,971	76,854
Additional capital contributed	70,061	63,117
Share repurchase	(7,700)	-
<i>Closing balance</i>	<i>202,332</i>	<i>139,971</i>
Accumulated surplus		
Opening balance	(18,179)	12,552
Surplus/(deficit) for the year	(28,328)	(30,731)
<i>Closing balance</i>	<i>(46,507)</i>	<i>(18,179)</i>
Total equity	155,825	121,792

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.

All loans are repayable upon the sale of the underlying asset. A portion of the interest due is not repayable upon the sale of the underlying asset.

Borrowings	2018 \$000	2017 \$000
Current portion	18,005	33,440
Non-current portion	124,491	114,319
Total borrowings	142,496	147,759

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 2018 and will be completed before 30 June 2019; or
- The borrowing attached to those assets that were included in the budget as expected to be sold before 30 June 2019.

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 Limited, 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	2018 \$000	2017 \$000
Operating surplus/(deficit)	(28,328)	(30,731)
Add/(less) non-cash items		
Depreciation	982	804
Impairment of assets	-	-
Inventory writedown	666	993
Non-exchange revenue	(2,853)	(6,538)
Inventory expenses	15,391	10,818
Interest payable	5,027	5,943
Vesting expense	55,023	44,619
Add/(less) movements in working capital items		
Accounts receivable	(5,970)	(2,609)
Prepayments	(1,022)	2
Accounts payable & accruals	(1,604)	(242)
Funding received in advance	(17,835)	(40,163)
Acquisiton of fixed assets	(4,010)	(703)
Add/(less) items recorded as investing activities		
Net cash inflow/(outflow) from operations	15,467	(17,808)

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 was one overdue receivables to the value of \$135k (2017: \$nil). These balances were reviewed for impairment. As at 30 June 2018 no balances were considered impaired.

3E – TRADE RECEIVABLES CONTINUED

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 was one overdue receivable to the value of \$135k (2017: \$nil). These balances were reviewed for impairment. As at 30 June 2018 no balances were considered impaired.

Current trade and other receivables	2018 \$000	2017 \$000
Trade receivables	4,175	208
GST receivables	1,685	258
Interest receivable from bank	213	283
Crown Contribution to borrowing costs receivable	783	379
East Frame residential sale receivable	2,000	2,000
Other receivables	-	456
Total current trade and other receivables	8,856	3,584

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 4 (current receivable) and Super Lot 7 (non-current receivable). The land sale of Super Lot 7 has been recognised as revenue in the statement of comprehensive revenue and expense this year. The land sale of Super Lot 4 was recognised as revenue in the 2017 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	2018 \$000	2017 \$000
Crown contribution to borrowings cost receivable	5,362	3,162
East Frame Residential sale receivable	3,359	-
Total non-current other receivables	8,721	3,162

3F – 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.

	2018 \$000	2017 \$000
Total payables under exchange transactions	18,506	15,117
Total payables under non-exchange transactions	1	120
Total trade payables	18,507	15,237
Payables under exchange transactions		
Creditors	773	160
Accrued expenses	15,869	13,571
Anchor project retentions	1,864	1,386
Total payables under exchange transactions	18,506	15,117
Payables under non-exchange transactions		
PAYE payable	-	120
FBT payable	1	-
Total payable under non-exchange transactions	1	120

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

During the 2018 financial year Ōtākaro transferred to a PAYE intermediary. As a result, PAYE is paid to the intermediary in parallel to when employees are paid. As such, the liability is extinguished as soon as employees are paid.

3G – FINANCIAL INSTRUMENTS

Financial instrument categories

	2018 \$000	2017 \$000
Financial liabilities measured at amortised cost		
Payables (excl. deferred revenue & taxes payable)	2,637	1,542
Borrowing	142,496	147,759
Total financial liabilities measured at armortised cost	145,134	149,301
Loans and receivables		
Cash and cash equivalents	27,068	52,751
Receivables	17,577	6,746
Short term deposits	23,000	23,500
Total loans and receivables	67,645	82,997

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 4 and Super Lot 7 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 2018, 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 \$714k (2017: \$750k) lower or higher. This movement would be attributable to increased or decreased interest expense on the Crown loans.

At 30 June 2018, 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 \$292k (2017: \$562k) 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 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 which is required to comply with financial reporting standards.

4A – OPERATING LEASE COMMITMENTS

Operating lease payments

Operating lease payments made during the year totalled \$689k (2017: \$675k), 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:

	2018 \$000	2017 \$000
Not later than one year	693	746
Later than one year and not later than five years	1,498	2,159
Later than five years	-	-

A significant portion of the total non-cancellable operating lease expense relates to the lease of two and 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:

	2018 \$000	2017 \$000
Not later than one year	659	440
Later than one year and not later than five years	741	1,197
Later than five years	-	-

Operating lease receipts are largely derived from the Ōtākaro ownership of the Bus Interchange, rental leases within the Bus Interchange, and several properties currently utilised as car parking facilities.

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
- 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, FBT 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 due 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 contribution to KiwiSaver 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.

	2018 \$000	2017 \$000
Operational personnel costs	10,627	13,673
Personnel costs attributed to projects	2,160	-
Total employee benefits	12,787	13,673

Defined contribution schemes

Employer contributions to Kiwisaver are accounted for as defined contribution superannuation schemes and are expensed as incurred. Total contributions in 2018 were \$269k (2017: \$232k).

4D – CONTINGENCIES

As at 30 June 2018 Ōtākaro has no contingent liabilities (2017: nil) or contingent assets (2017: \$nil).

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.

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

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:

- In April 2017, the XRB issued Impairment of Revalued Assets, which now clearly scopes in revalued property and equipment in the impairment standards
- PBE IPSAS 39 Employment Benefits – prescribes the accounting and disclosure requirements for employee benefits. It will be effective for annual periods beginning on or after 1 January 2019
- PBE IFRS 9 Financial Instruments – this replaces PBE IPSAS 29 Financial Instruments: Recognition and Measurement and establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. It will be effective for annual periods beginning on or after 1 January 2019
- 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 (\$6,825)

Project funding 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.

Properties and facilities funding \$2,255

Ōtākaro has continued to manage the Bus Interchange for the full 2018 financial year. This was not expected when the budget was prepared.

Other revenue \$7,781

Other revenue is higher than budget due to rental received on properties for longer than expected, significantly higher interest earned than budgeted, and funds received from Christchurch City Council for works performed on their behalf by project teams. In addition, Ōtākaro received a parcel of land for Metro Sports Facility at nil cost and recognised it as revenue at fair value.

Operating Project expenses (\$18,683)

Changes to the timing of project cash flows for various projects has resulted in lower than expected project expenditure. For more details see the Statement of Comprehensive Revenue and Expense, and associated notes.

Land sales (\$26,727)

Cost of land sales \$37,763

Land sales that were included in the budget but did not eventuate or were not completed during the year included the Health Precinct, the Performing Arts Precinct, the Residential Demonstrator Precinct and a number of sites in the South Frame. The timing of the sale of land has been reviewed and reforecast during the year.

Statement of financial position

Current portion of Land and Buildings classified as inventory (\$15,255)

The Retail Precinct was sold in the 2017 financial year. A number of other properties that were considered current in

2017 have been reclassified to non-current due to current market conditions.

Property and equipment \$54,006

Non-current portion of Land and Buildings held as Inventory \$43,332

Property and Equipment has increased on budget due to the Performing Arts Precinct land not being sold as budgeted, combined with a significant portion of East Frame Public Realm not being transferred, and the Metro Sports Facility land being recognised as land, not work in progress. The Land and Buildings held as inventory movement is related to the movement in the current portion (as explained above).

Work in progress (\$20,083)

In the budget, it was expected that the Metro Sport Facility land would be recognised as work in progress, rather than Land (as noted above). In addition, the capital works associated with East Frame Public Realm was expected to have vested prior to 30 June 2018. This has been delayed due to the significant subdivision required to transfer this to Christchurch City Council.

Current portion of borrowings (\$15,995)

Term Loan \$41,746

Term 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 \$16,840

The increase compared to budget of this provision is related to Land that has not vested as anticipated when the budget was prepared.

Contributed capital (\$20,694)

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. Additionally, the transfer of the Canterbury Earthquake National Memorial and associated share repurchased was expected to occur in the 2017 financial year at the time that the budget was prepared.

Remuneration report

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

DIRECTOR'S FEES

Director's remuneration is paid in the form of directors' fees.

Currently directors' annual fees of Ōtākaro are:

Board	Chair	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 \$12k (2017: \$12k).

Remuneration paid to non-executive directors of Ōtākaro during the period ended 30 June 2018 is:

Director name	Board fees \$000
Ross Butler (Chair)	70
Miriam Dean	35
Peter Townsend	35
Corinne Haines	35
Total	175

The full time equivalent for Board members is 0.60. This has been determined based on the frequency and length of Board meetings and the estimated time for Board members to prepare for meetings.

No Board members received compensation or other benefits in relation to cessation.

KEY MANAGEMENT PERSONNEL REMUNERATION

Total remuneration paid or payable to members of key management personnel for the year ended is \$2.1m (2017: \$1.9m). This includes the Chief Executive and his direct reports. This equates to six FTEs.

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 2018 received cash remuneration and other benefits (including KiwiSaver contributions, relocation allowances and bonuses) exceeding \$100,000 is included in the table below.

One employee received compensation in relation to cessation for \$35k (2017: \$14k).

Employee remuneration range for staff employed as at 30 June 2018.

\$000s	# of Staff 2018	# of Staff 2017
100-109	5	6
110-119	3	4
120-129	2	3
130-139	6	5
140-149	5	4
150-159	5	5
160-169	2	2
170-179	2	2
180-189	1	1
190-199	-	1
200-209	1	2
210-219	1	-
220-229	1	
230-239	1	-
240-249	-	2
260-269	1	-
280-289	-	1
290-299	1	1
310-319	1	-
330-339	1	-
370-379	-	1
560-569	-	-
570-579	-	1
580-589	1	-
Total	40	41

Statement of performance

2018 PERFORMANCE REPORTING

The performance targets of Ōtākaro for the 2018 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.

A) cumulative working days’ variance, when comparing forecast practical completion to baseline practical completion, is less than 10 days delayed

All defined Crown Anchor Projects:

B) estimated costs at completion are below, or equal to, the current budget.

Anchor Project	Baseline project finish date as at 1 July 2017	Baseline project finish date as at 30 June 2018	Cumulative working days’ variance compared to baseline at 30 June 2018	Current estimated costs at completion compared to budget as at 1 July 2017	Current estimated costs at completion compared to budget as at 30 June 2018
Te Pae Christchurch Convention Centre Precinct	March 2020	February 2020	Nil variance	4.97%	2.49%
Metro Sports Facility	March 2020	October 2021	Nil variance	(8.2%)	0.73%
Te Papa Ōtākaro / Avon River Precinct	July 2018	December 2019	Nil variance	(1.28%)	0.37%
East Frame Public Realm	October 2017	February 2018	Nil variance	2.89%	(0.03%)
East Frame Residential Precinct	July 2024	July 2024	Nil variance	(2.75%)	11.81%
An Accessible City	May 2018	April 2019	Nil variance	(37.22%)	(1.69%)
South Frame	October 2021	October 2021	Nil variance	1.94%	1.94%

Baseline project finish date is the date at which the project has reached practical completion and 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.

Overall, all projects are within their current funding limits and are on schedule for completion prior to the current baseline finish date. While some components of a project may be delayed, the project is assessed at an overall level.

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.

There are a number of variances across the projects. Those considered to be at a material level are discussed below.

Te Pae and East Frame Residential

Both projects show a significant positive variance in percentage terms between expected total costs at completion and budget. This is due to the budget being prepared with contingency provision which is in excess of the current conservatively estimated forecast final cost to fund the project at a level consistent with the Crown and Otakaro’s risk appetite.

Metro Sports Facility

In the latter half of 2017 responses from the tender process were higher than expected due to market conditions. Ōtākaro undertook a value management process at which point it was identified that additional funding was required. As a result of this, in November 2017, the Minister requested a report on combining aspects of the Metro Sports Facility with the multi-use arena (stadium). This informed the Minister’s direction on how the project was to proceed which was provided in April 2018. At this time, Treasury was notified that additional funding was appropriated for Ōtākaro Limited for the Metro Sports Facility project. The project baseline was updated following Ministerial approval to proceed in April 2018. Once the contract for the build has been let, the project finish date will be able to be re-baselined as a full schedule will be available from the main contractor. Prior to the April 2018 confirmation, the project was estimated to be over budget, and not completed within the previous target. The table above reflects the effective position as at 30 June 2018.

Te Papa Ōtākaro / Avon River Precinct

The table above shows movement in the baseline project finish date. The baseline difference is a result of the addition of small portions of work relating to the North Frame Pedestrian Bridge and Avon Loop. These small portions of work were agreed after finalisation of design with other agencies.

An Accessible City

The table above shows a material deficit between the estimated costs to complete and budget as at 1 July 2017 for the An Accessible City project. In April 2017 a funding suspension was imposed by the Greater Christchurch Regeneration Minister to allow the project to undergo a review of scope and funding requirements. This was to allow for changes to be made that better reflected community concerns over safety, emergency vehicle access and car parking.

As a result of the funding suspension, the project had to wind down the work faces that were under construction at the time. When the funding was re-established, the project had lost critical time relating to works that had been planned to be done prior to the colder autumn and winter months in 2017.

The suspension of funding meant that the An Accessible City project had to significantly reschedule their programme of works to coincide with other construction activities either finishing or decanting from the An Accessible City site. These included the works around the Hospital which had to be coordinated with several other construction activities such as the Avon River Precinct, Outpatients Building, Health Education Research Facility Building, and Porsche Building.

In September 2017 additional funding was provided for this project and the project was re-baselined at this time.

HEALTH AND SAFETY

Zero-harm incidents

A) 90% compliance on all site audits

An average score of 89% was achieved in the 2018 financial period. This average score represents 247 inspection/audits carried out by Ōtākaro of anchor project construction sites. This remains unchanged with the average score of 89% achieved during the 2017 financial period, where the average score represented 199 inspections/audits.

The most common non-conformances arising from inspections/audits related to Personal Protective Equipment, Electrical Safety, Mobile Plant and Vehicles, and Excavation Safety. These are ongoing challenges and are being addressed through safety conversations with non-conforming workers and assigning corrective actions to project managers to verify these are closed out in a timely manner.

There are no specified industry standards available for inspection/audit benchmarking, however as an industry leader in health and safety Ōtākaro set a benchmark of 90%, which is acknowledged as a high benchmark. Although Ōtākaro fell short of meeting this target by 1%, strong performance has been demonstrated during the period. In most instances non-conformances arising from site audits are low risk (potential), although these have the same impact on the inspection score as high risk (potential) observations.

During the period 83% of inspections completed were on horizontal projects. The range of activities associated with horizontal projects is much more limited than on vertical projects; the implication of this is that many of the elements within the inspection tool are not applicable and do not contribute to the overall audit score. This in turn lowers the overall number of measurable elements in an audit and any non-conforming responses have a greater impact on the overall audit score. In some circumstances one non-conforming response may result in an overall audit score below 90%.

B) *Total Recordable Injury Frequency Rate (TRIFR) less than 5.0 per 1 million man hours.*

As at 30 June 2018 the TRIFR is 4.6 per 1 million man hours. Performance is benchmarked against the Business Leaders Health and Safety Forum TRIFR benchmark. The 2016 Business Leaders benchmark report indicates that the industry standard within the construction industry is 2.05 recordable injuries per 200,000 man hours, which equates to 10.27 injuries per 1 million man hours. This demonstrates that Ōtākaro is performing well against industry standards.

Incident numbers and man hours are provided to Ōtākaro by the contractors involved in the Anchor projects.

It is worth noting that two of the four recordable injuries were due to poor subcontractor injury management. Had these injuries been correctly managed by the Main Contractor, these would have been categorised as First Aid Injuries, rather than Lost Time Injuries and therefore would not have been categorised as recordable injuries.

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) *Zero notifiable events reported to WorkSafe NZ during the financial year.*

There were two notifiable events reported to WorkSafe during the period. This included a Gas Service Strike and an Electric Shock, both of which occurred on the Victoria Square project. These incidents did not involve Ōtākaro staff.

B) *100% of High Potential Incidents (Reportable and Recordable) are investigated within established timeframes.*

During the period there were eight full ICAM investigations undertaken, four of which were not completed within the 30 working day timeframe. In three instances this was due to incorrect forms being prepared initially. Subsequently full ICAM investigation reports were submitted to standard. In one instance the Contractor did not complete the full ICAM investigation. Ōtākaro exhausted all avenues in pursuing this. This contractor has completed works on Ōtākaro sites.

C) *All Ōtākaro employees have active learning and development plans in place by 30 June 2018.*

Ōtākaro employees have active learning and development plans in place by 30 June 2018 for the year ahead which are agreed on between individuals and their line managers. Plans are created based on personal career goals and aspirations, leveraging employees' strengths, what their team needs to achieve in the year ahead, and upskilling in any subject matter which requires further development. Ōtākaro is committed to continuous professional development of its employees both in a formal learning environment such as attending courses and seminars, as well as other learning opportunities such as internal secondments within the business. This will ensure that new competencies and experiences are acquired which in turn produce high performing teams, and further prepares our employees for their next career move given Ōtākaro is a limited life organisation.

TRUST AND CONFIDENCE

To assess trust and confidence in Ōtākaro a survey was undertaken by an independent market research organisation in October 2016 to establish baseline measures in regards to credibility, trust and confidence. As a result:

- A) *Ōtākaro undertakes to complete this survey every six months and, based on the results, establish new targets for the coming six months*
- B) *Ōtākaro will establish upward trending targets to strive for improvement from the baseline results*
- C) *A summary of the results will be published in the Annual Report.*

The results came from market research carried out by an independent market research organisation, Opinions Market Research Limited, using a representative sample of 400 members of the public aged 15 and over, living in Christchurch. Following benchmarking interviews in November 2016, subsequent surveys have been held in April and October 2017, and April 2018.

The scores comprise the averaged results of survey questions grouped as they relate to confidence, credibility and familiarity.

The following table shows the baseline, April 2017 and April 2018 results:

	Confidence	Credibility	Familiarity
Baseline	46%	37%	36%
April 2017	53%	41%	38%
April 2018	45%	34%	38%

Note that while the survey was carried out in October 2017, April results are disclosed as the results most relevant for 30 June 2018.

The results continue to be impacted by low awareness of Ōtākaro. Across all four surveys to-date, only about one-third of participants (26-38%) have known what Ōtākaro does.

Despite significantly increased communication by Ōtākaro in 2018, the public continues to be confused about the roles of the various regeneration organisations, and frustration about the perceived slow pace of the city's regeneration is impacting the 'confidence' and 'credibility' results.

Also, the April 2018 survey interviews were carried out just prior to the announcement about how the Metro Sports Facility would be constructed, when there was considerable uncertainty about the project in the news media.

As a finite life Crown company, with limited communication resources, Ōtākaro is unlikely to achieve a significant improvement in these public research results.

LAND DIVESTMENT

Outcome: Divestment of Crown land while achieving good commercial outcomes.

All land divestment sales are completed within the timeline set out in the approved Land Divestment Strategy.

Sixteen sites were designated for divestment in the 2018 financial year under the Land Divestment Strategy. In total, three sites were sold, two of these were allocated for divestment in the 2018 financial year and one was divested a year ahead of expectation, which was tagged for divestment in the 2019 financial year. A further eight sites are currently under contract. In addition, four sites from the 2018 financial year are in advanced negotiations. A number of sites are awaiting transfer from Land Information New Zealand (LINZ) in readiness for future divestment once subdivision work has been completed.

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.

Feedback from developers suggests opportunities to invest in Christchurch will hold greater appeal when the Anchor Projects are nearing completion.

2019 Statement of Performance Expectations

A Statement of Performance Expectations (SPE) is required before the start of each financial year under s 149C of the Crown Entities Act 2004. The 2019 Letter of Expectations, which informs the preparation of the SPE, was received from the Minister on the 24th of September 2018. This delayed receipt impeded the Board of Directors ability to prepare the 2019 SPE prior to the beginning of the 2019 financial year. The company is in the process of completing the required SPE which will be delivered as soon as practicable.

Independent Auditor’s report

To the readers of Otakaro Limited’s financial statements and performance information for the year ended 30 June 2018

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

OPINION

We have audited:

- the financial statements of the company on pages 64 to 91, that comprise the statement of financial position as at 30 June 2018, 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 a summary of significant accounting policies and other explanatory information; and
- the performance information of the company on pages 92 to 95.

In our opinion:

- the financial statements of the company on pages 64 to 91:
 - present fairly, in all material respects
 - its financial position as at 30 June 2018; 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 92 to 95:
 - presents fairly, in all material respects, the company’s performance for the year ended 30 June 2018, 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
 - complies with generally accepted accounting practice in New Zealand.

Our audit was completed on 1 October 2018. This is the date at which our opinion is expressed.

The basis for our opinion is explained below, and we highlight the failure to complete the statement of performance expectations for the reporting period beginning 1 July 2018. 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.

FAILURE TO COMPLETE THE STATEMENT OF PERFORMANCE EXPECTATIONS FOR THE REPORTING PERIOD BEGINNING 1 JULY 2018

We draw your attention to the disclosure made on page 95 about the failure to comply with section 149C of the Crown Entities Act 2004, which requires the company to complete its statement of performance expectations before the start of the financial year. We consider the disclosures to be appropriate and our opinion is not modified in respect of this matter.

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 preparing financial statements and 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 it determines is necessary to enable it to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the performance information, the Board of Directors is responsible on behalf of the company for assessing the company’s ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless 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 Public Finance Act 1989 and the Crown Entities Act 2004.

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 1 to 59, 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 (Revised): Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

In addition to the audit we have carried out procurement probity assurance engagements, which are compatible with those independence requirements. Other than the audit and these engagements, we have no relationship with, or interests in, the company.



SCOTT TOBIN
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, HSBC Tower
62 Worcester Boulevard
Christchurch 8013
New Zealand

Auditor

The Auditor-General pursuant to section 15 of the Public Audit Act 2001. Scott Tobin of Audit New Zealand was appointed to perform the audit on behalf of the Auditor-General.

Solicitors

Chapman Tripp
Duncan Cotterill
Greenwood Roche
Minter Ellison Rudd Watts
Lane Neave
McPhail Gibson & Zwart
Victoria Heine Barristers

Bankers

Westpac Banking Corporation
ASB Bank Limited

Senior Management

Albert Brantley
Chief Executive Officer

John O’Hagan
General Manager, Development

Ruth Keating
General Manager, Legal and Risk

Dave Mills
General Manager, Corporate Services and Chief Financial Officer (resigned May 2018)

Andrew Trevelyan
General Manager, Communication and Engagement

Keith Beal
General Manager, Strategy and Property Opportunities

Sue Squire
General Manager, People and Capability

Directors’ interests

Pursuant to sections 140 and 211(e) of the Companies Act 1993, the general disclosures of interest made during the year ending 30 June 2018 by Directors of Ōtākaro Limited are included on pages 58 to 59 of the annual report.



The restored Bowker Fountain in Victoria Square.

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Ōtākaro Limited
Building places for people