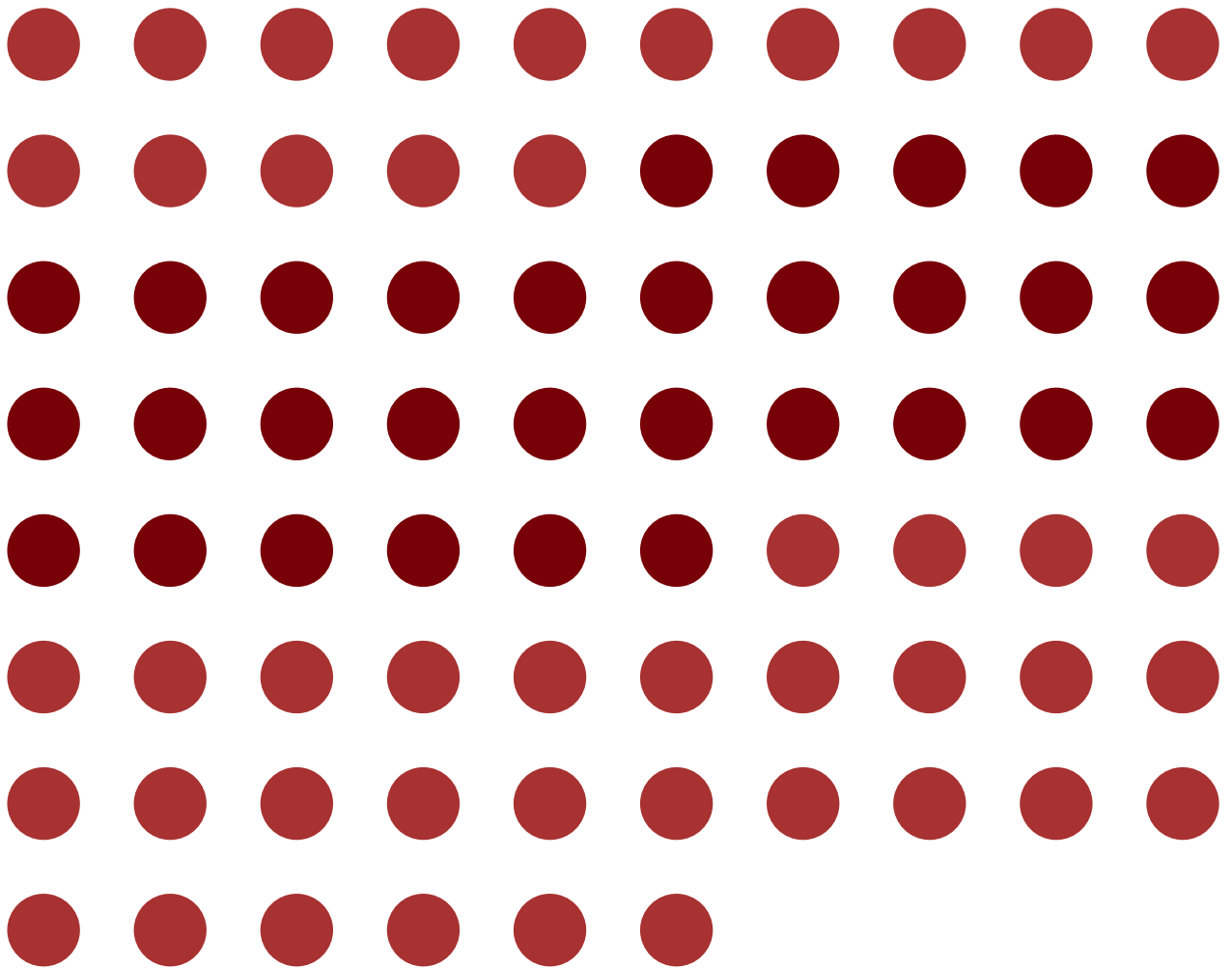
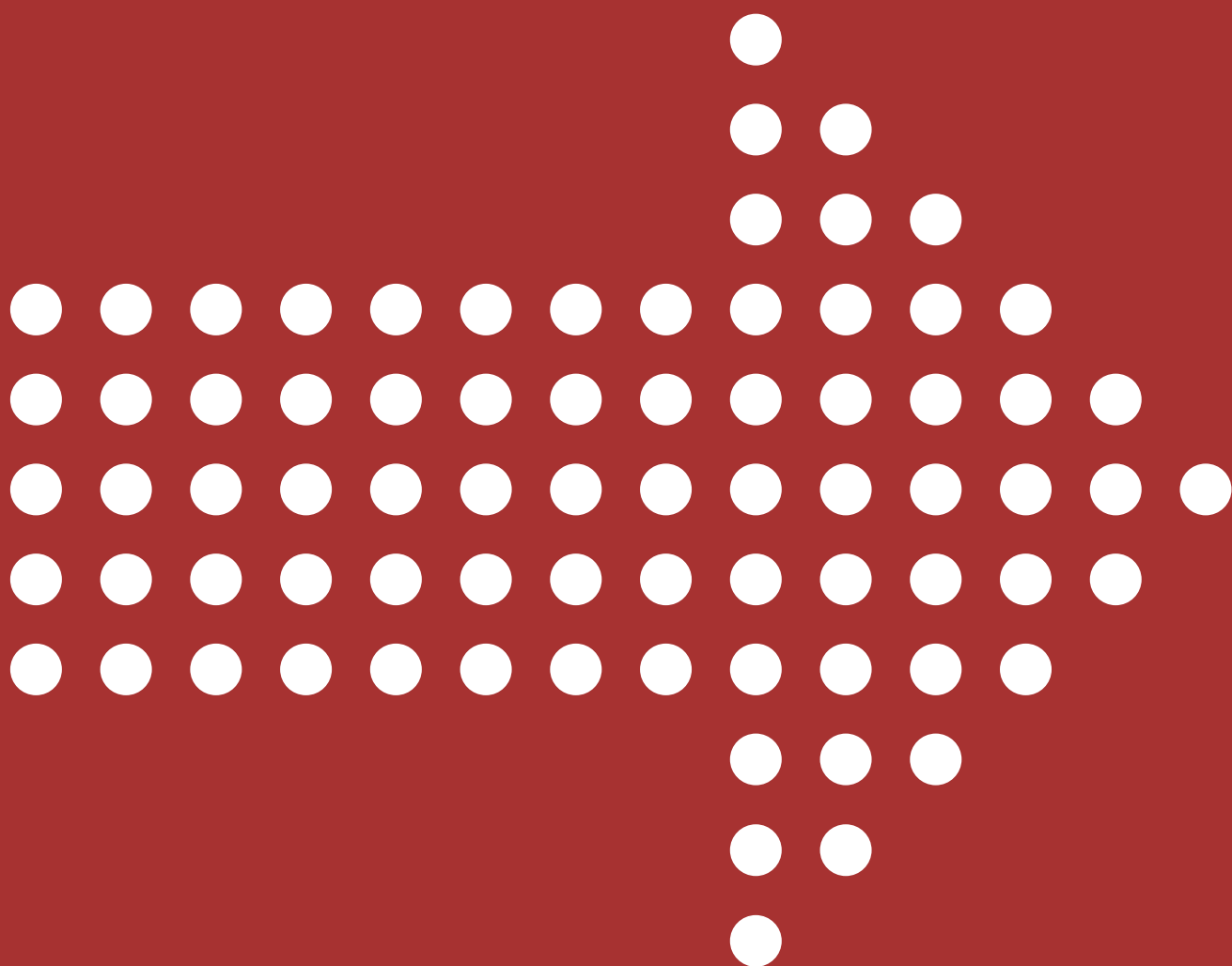


Annual Report

For the period ended 30 June 2016





Annual Report

For the period ended 30 June 2016

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

From Ōtākaro Limited Constitution 2016

Ōtākaro Limited (Ōtākaro) was incorporated in February 2016 and in April 2016 it took over responsibility for some of the functions previously carried out by the Canterbury Earthquake Recovery Authority (CERA). The title of this report refers to the number of days from 16 April to the end of the financial year, the first days of operation.

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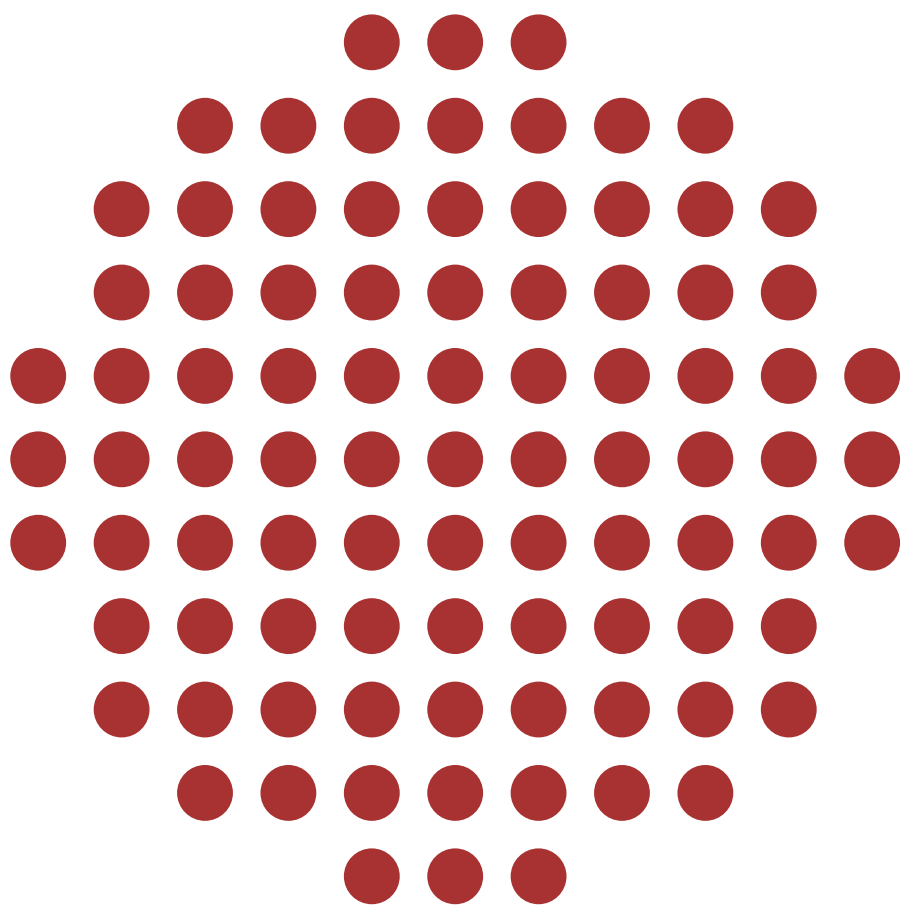
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PART 1:

Context

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

Ōtākaro Limited (Ōtākaro) was incorporated in February 2016. In April 2016 it took over responsibility for some of the functions previously carried out by the Canterbury Earthquake Recovery Authority (CERA).

Scope

Ōtākaro is delivering defined Anchor Projects and a Crown owned land divestment programme that is consistent with the Christchurch Central Recovery Plan (CCRP).

The overarching responsibilities of Ōtākaro include:

- Delivery of defined Anchor Projects by providing procurement, design management and construction management services on behalf of the Crown
- Providing programme governance, including risk, cost and schedule management
- Divestment of Crown owned land in central Christchurch and the Residential Red Zone (if transferred), in a manner that balances a desire to achieve good commercial outcomes against the Crown's regeneration objectives
- Acting in a manner consistent with recovery plans and any regeneration plans.

FUNCTIONS AND OPERATIONS

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 Company manages its functions and operations in a way that is consistent with the strategy set out by the Board.

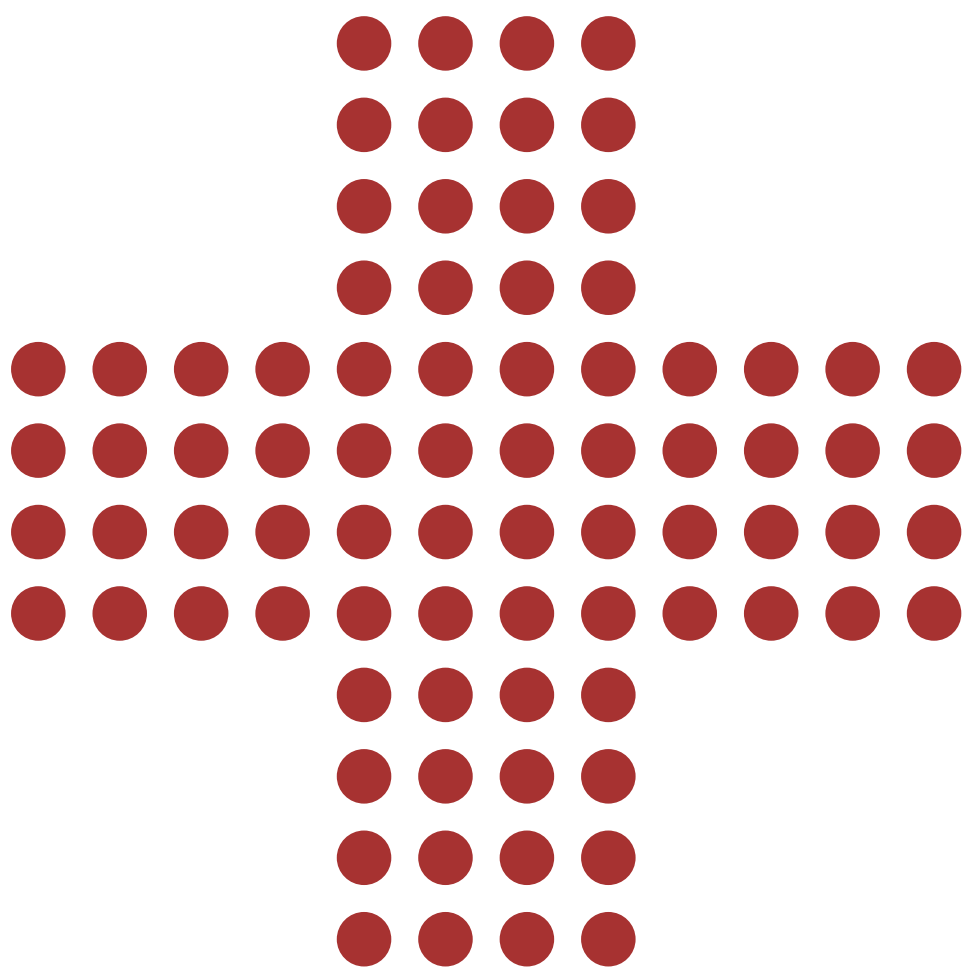
The Board also provides the governance and assurance that Management is delivering the expected outputs. The Chief Executive has appointed a Senior Leadership Team to assist in providing supervision and oversight of the day-to-day operational activities of the Company.

The organisation has five core teams. A Project Development Team is focused on the delivery of Anchor Projects, and a Strategy and Property Opportunities Team is focused on land opportunities and divestment. These functions are supported by Corporate Services, General Counsel/Legal and Communications teams.

The Company's activities are guided by policies and procedures that ascribe to good corporate discipline with clear links to the organisation's overarching responsibilities. In addition, the Company's values and behaviours support the organisation to deliver on its purpose.

ADAPTABILITY

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



PART 2:

Organisational health and capability

ŌTĀKARO VALUES AND BEHAVIOURS

Ōtākaro is developing an organisational culture that supports the delivery of its activities. This culture is defined by specific, straightforward values which set out the behaviours expected of all employees.

These values are:

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

By working with its employees, specific behaviours have been defined to “model” and to support the values of Ōtākaro. These behaviours include:

- Acting with purpose, and staying focused
- Doing things efficiently
- Considering the audience
- Communicating clearly, consistently and concisely
- Knowing and playing your part
- Doing what you say you 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

As a Crown Company operating in a construction environment, Ōtākaro will be a health and safety leader and ensure compliance with the Health and Safety Work Act 2015.

Ōtākaro is committed to a culture that holds safety as a core part of the Company’s identity.

The Company is doing this through:

- The Board and Management modeling behaviors that it expects from staff and contractors
- Establishing best practice health and safety approaches in the field and in the office environment, monitoring adherence to these practices and taking immediate corrective actions, if required
- Ensuring that the Company, and those working for it, meet all health, safety and environmental regulatory obligations.

CAPABILITY DEVELOPMENT

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

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

ENSURING ŌTĀKARO IS A GOOD EMPLOYER

The successful delivery of the Anchor Projects and the Crown's central Christchurch land divestment objectives depend on the technical, commercial, financial and investment/divestment expertise of Ōtākaro personnel. The Company has sought to attract and retain skilled staff, to be a good employer and to offer an attractive place to work, with a culture that is valued by employees and supports the Company in delivering its purpose.

Consistent with the State Services Commission Guidance on Expectations for Pay and Employment Conditions in the State Sector, Ōtākaro employment policies also aim to ensure that the Company respects its equal-opportunity responsibilities.



Tom Hepi, Health and Safety and Environment Manager at Ōtākaro.

ŌTĀKARO VALUES:

Keep it
simple

Make it
happen

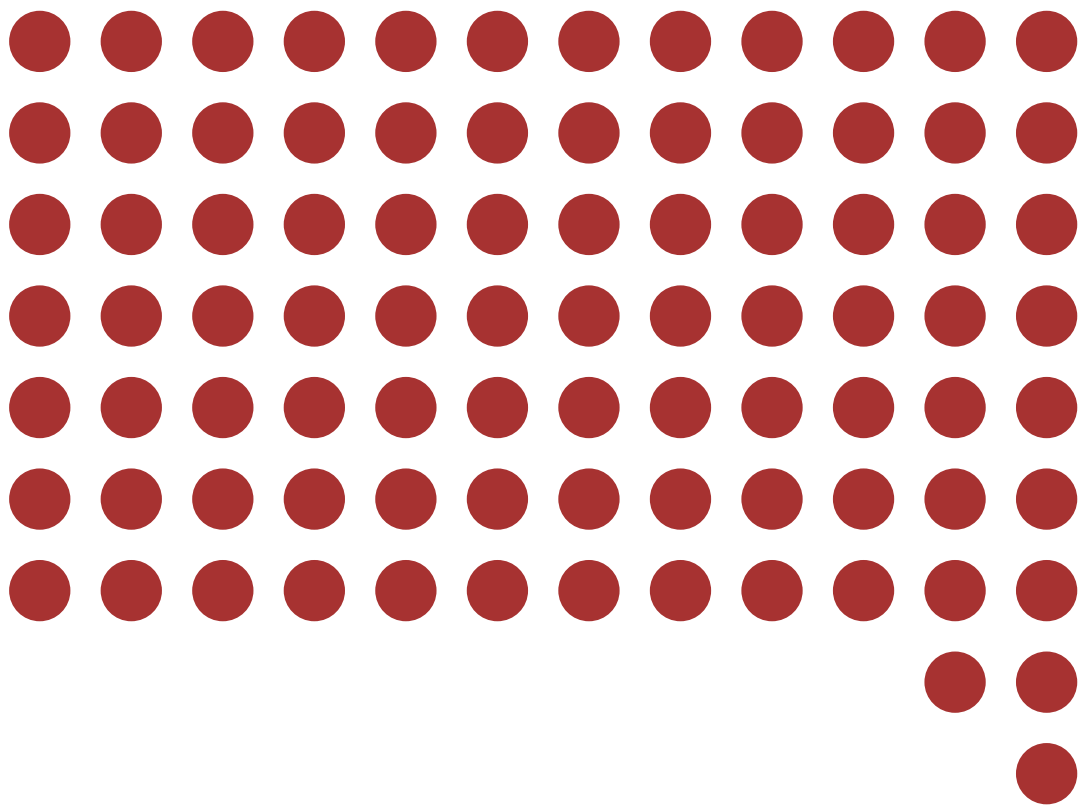
Do what
is right



Andrew Trevelyan (Communication Manager, Internal) and Shaun Jarmai (Project Manager, Avon River Precinct) at The Terraces near Worcester Street.



Left to right: Gabrielle Bettany (Assistant Project Manager, An Accessible City), Simon Thompson (Commercial Manager), Bruce Apperley (Project Manager, Avon River Precinct) and Keith Beal (General Manager, Strategy and Property Opportunities) discussing Ōtākaro Anchor Projects.



PART 3:

Chair and Chief Executive's letter



Albert Brantley and Ross Butler.

DEAR SHAREHOLDERS

This is the first Annual Report for Ōtākaro Limited. It covers the period from 17 February 2016 to 30 June 2016.

A STRONG FOUNDATION

An Establishment Team of advisors assisted with the setup of the Company to enable a smooth transition from the Canterbury Earthquake Recovery Authority, to sustain rebuild momentum, and to engage with the incoming Board and Senior Leadership Team. These advisors successfully completed their role by May 2016.

Staff appointments have been made, in line with the Company's purpose and objectives, recognising the need for flexibility over time. Information technology and other support services have been established to ensure the Company's successful operations.

Ōtākaro was established to accelerate delivery and create confidence in the rebuild of the central city. The efficient formation of the Company set the tone for the early months, and Ōtākaro has since made good progress in its first few months of existence.

A FOCUS ON PROGRESS

Visible progress on Anchor Projects will help to create confidence for people in the future of Christchurch.

Since formation, the Company has announced:

- Ōtākaro will lead the design and construction of the Convention Centre Precinct
- Completion of The Bridge of Remembrance and The Terraces
- Preliminary Design approval for the Metro Sports Facility and Developed Design for the Victoria Square restoration.

A UNIQUE OPPORTUNITY

The Ōtākaro team comprises skilled people to move the Anchor Projects forward. The people of Ōtākaro are aware of the unique opportunity they have to contribute to the rebuild of Christchurch in a tangible way. There is a sense of purpose within the team that demonstrates an understanding of the level of responsibility the work of Ōtākaro carries for the people of Christchurch and New Zealand.

WHAT'S NEXT?

The Christchurch central city is a hive of regeneration activity. Ōtākaro is mindful that the central city is a highly visible place to operate. It needs to ensure that Crown-led Anchor Projects are delivered as expected, and when promised, which will also grow and maintain confidence in its work.

In August and September 2016, Ōtākaro reviewed the scheduling for all Anchor Projects to optimise the efficiency and effectiveness of delivery.

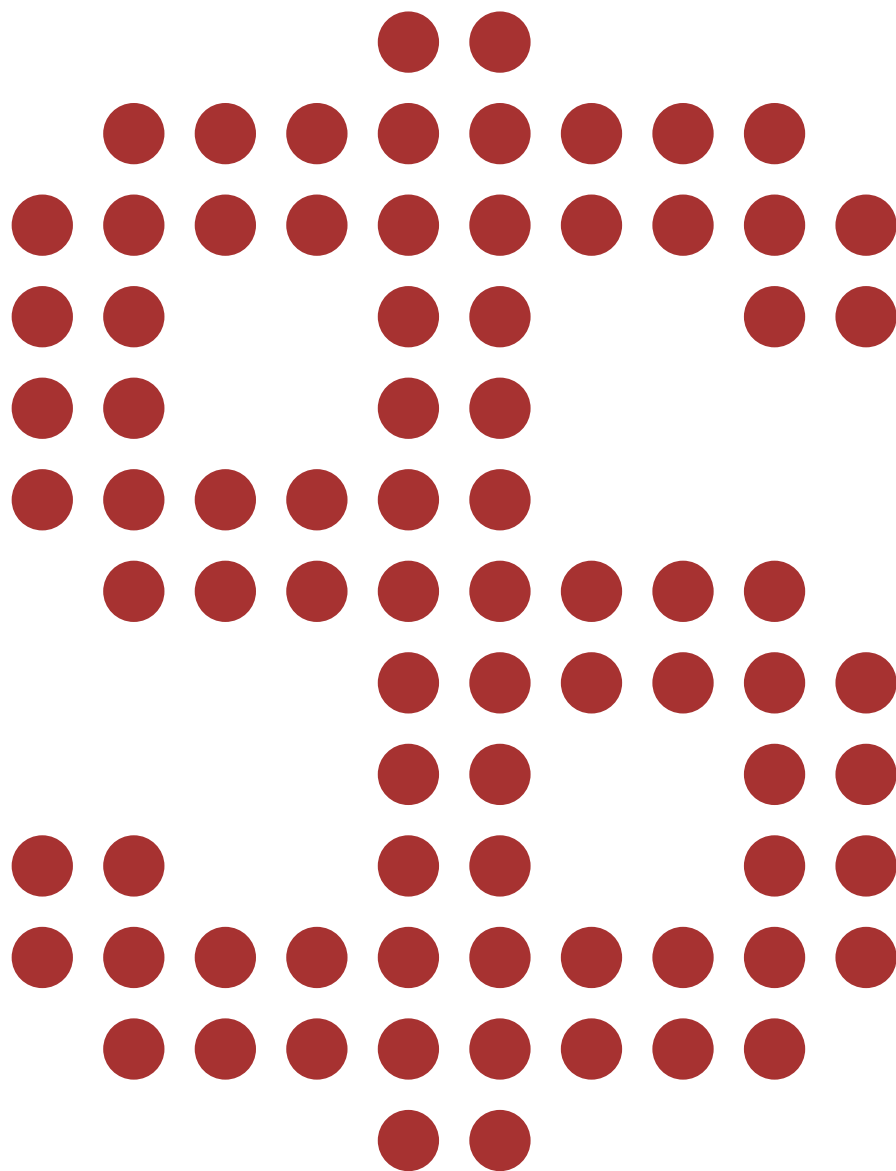
Within the next twelve months, Christchurch people can expect to see the following activities:

Milestone
Sections of the South Frame will be complete in 2016 and 2017
The Canterbury Earthquake National Memorial will be complete by February 2017
East Frame public spaces will be well advanced in 2017
Victoria Square construction will be complete by late 2017
Christchurch Convention Centre Precinct construction will start in mid-2017
Metro Sports Facility construction will start in mid-2017 (finishing in early 2020)
Avon River Precinct will be significantly advanced (finishing in 2018)
An Accessible City work will be complete on Durham Street and Manchester Street in 2017.

Ōtākaro is confident these projects will be delivered as promised, and that the right systems are in place to assist with good commercial and social/regeneration outcomes. These projects will make a real difference to the city and its people.

Thank you for your continued support.

Ross Butler and Albert Brantley

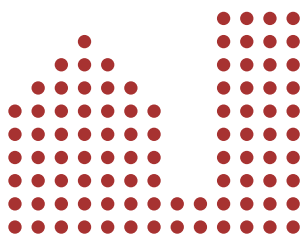


PART 4:

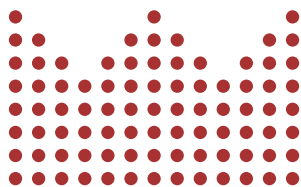
Financial summary and achievements



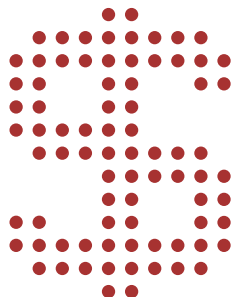
Ōtākaro Limited was incorporated on 17 February 2016. The Company was established with \$6.1m of capital funding. Establishment costs of \$5.4m were incurred during the current financial period, with the remaining establishment costs to be incurred in the 2017 financial year.



Land and buildings totaling \$204.4m, which related to various projects, were transferred into Ōtākaro in April 2016 and were funded by loans from the Crown of \$143.4m and share capital of \$61m.



Three projects – the Convention Centre Precinct, the Metro Sports Facility and the Stadium – were not transferred to Ōtākaro as at 30 June 2016. However, during that period, the Company acted as project manager on behalf of the Crown and received funding from the Crown to manage these projects.



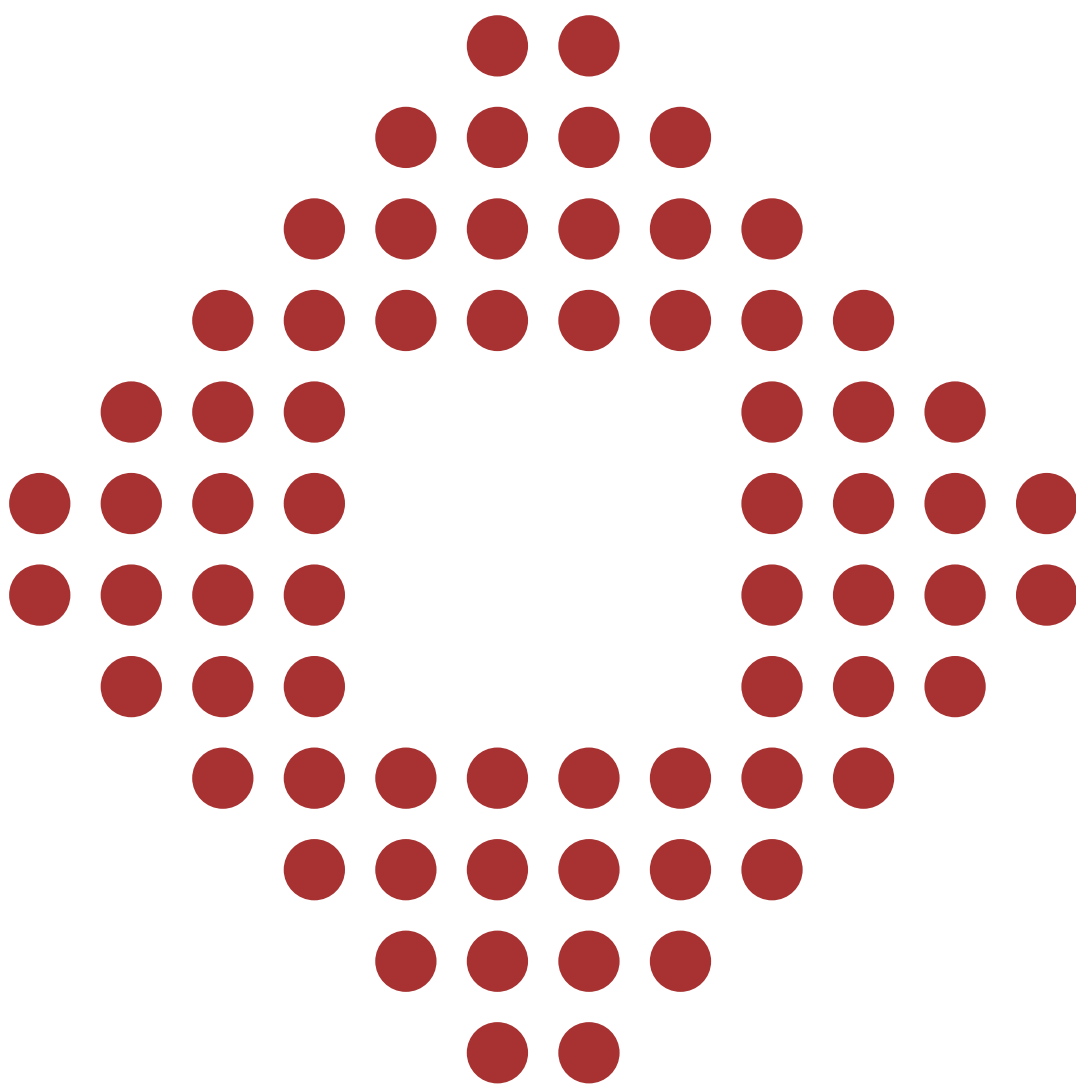
A total of \$67.5m of project and project management funding relating to the period ended 30 June 2016 was received from the Crown. This was received through a mixture of operating grants and share capital.



Total project and project management expenditure of \$12.7m was incurred up to 30 June 2016. The unspent funding from 2016 will 'roll-forward' and be spent in 2017. Initial funding was based on historic forecasts.

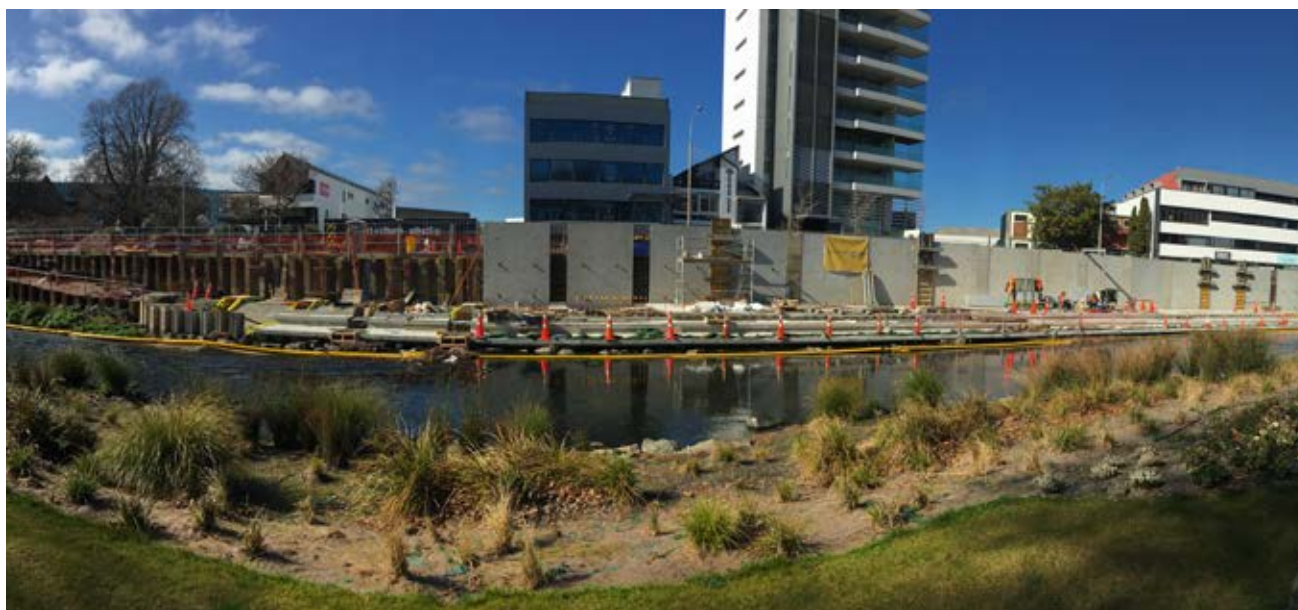


Project and project management funding of \$44.5m relating to the 2017 year was received just prior to balance date, and is reflected in the Ōtākaro bank balance of \$95.1m at 30 June 2016.



PART 5:

Anchor Project snapshots



Canterbury Earthquake National Memorial

He Whakamaharatanga mō Ngā Rū o Waitaha

Central City
Anchor
Projects

Canterbury
Earthquake
Memorial

WHAT

The Canterbury Earthquake National Memorial will provide a place to reflect on the events that changed Canterbury forever – paying respect to the 185 people who lost their lives on 22 February 2011 and those who were seriously injured. It will acknowledge the shared trauma and support received with the recovery operation that followed. It comprises a reflective space on the north bank of the river and a Memorial Wall that is being built on the Oxford Terrace side of the river. Slovenian architect Grega Vezjak's design for the Memorial Wall was selected following a call for 'Ideas to Remember'.

WHY

The earthquakes had a profound effect on the families of those who lost their lives, those involved in the recovery process and the people of Christchurch and Canterbury. A memorial to acknowledge this is an important part of the city's recovery and history.

STATUS

Works on the north side of the river are complete. Work is now focused on the Memorial Wall area on the Oxford Terrace side of the river. Piling is finished and the remaining work is above ground. The 440 marble panels are now being fitted to the wall. There is clear, visible progress.



Avon River Precinct

Te Papa Ōtākaro

Central City
Anchor
Projects

Te Papa
Ōtākaro/
Avon River
Precinct

WHAT

The central city area of the Ōtākaro/Avon River is being transformed as part of Christchurch's regeneration. A new city waterfront is being created to make it easier to access the river surrounds. A key feature will be a paved City Promenade extending two kilometres through the heart of the precinct, on the city side of the river, replacing Oxford Terrace. The Cambridge Terrace side of the river will be a green space with walking and cycling paths.

WHY

The 'Share an Idea' public consultation process highlighted the importance of the Ōtākaro/Avon River to the people of Christchurch. The Christchurch Central Recovery Plan identified the Ōtākaro/Avon River Precinct as a significant Anchor Project that would improve people's connections with the iconic river.

STATUS

Some of the Te Papa Ōtākaro/Avon River Precinct projects have been completed and others will begin in late 2016 or early 2017. Access to the river is already substantially improved.



East Frame Public Realm and Residential Precinct

Pūtahi Whakaterāwhiti

Central City
Anchor
Projects

The East
Frame

WHAT

The East Frame will be a new residential area in the heart of the city, built around a large park. It will be enhanced by cafés, restaurants and outdoor entertainment areas.

WHY

The East Frame will redefine inner city living in Christchurch and provide attractive choices for people wanting to live centrally. The East Frame is likely to lead to almost half again more people living within the four avenues than prior to the earthquakes. This in turn will stimulate other activities and businesses like cafés, restaurants and cultural events – a key goal of the Christchurch Central Recovery Plan.

STATUS

Work on the public spaces began in October 2016. The timing for work to begin on the first residential Superlot is to be confirmed.



South Frame Public Realm

Pūtahi Whakatetonga

Central City
Anchor
Projects

The South
Frame

WHAT

The South Frame will be a place for markets, events and celebrations – an area to gather, dine, be entertained or just relax. At the heart of the South Frame will be the Greenway, a pedestrian and cycling corridor with distinctive gardens that will run east-west across the development. The Greenway will connect four gathering spaces. Lanes branching off the Greenway will provide access to retail and hospitality businesses housed in restored or new buildings.

WHY

The South Frame is critical to the Central Christchurch Recovery Plan goal of creating a green, people-focused and well connected city centre. It will complete the ‘framing’ of the condensed central city by connecting the East Frame at one end with the Ōtākaro/Avon River and Hagley Park at the other end.

STATUS

Work began on the eastern end of the Greenway and some of the lanes in June 2016. The project will be delivered in stages and is dependent on the acquisition of land required to build the lanes. Work behind the McKenzie and Willis development and a section of the Innovation Precinct will be finished in spring 2016. Work is also clearly visible on Mollett Street.



An Accessible City

He Taone Wātea

Central City
Anchor
Projects

An
Accessible
City

WHAT

An Accessible City is a programme of improvements to the central city's travel network. It will support the economic, social and environmental regeneration of the city centre by making it more compact and easier to get around – for any form of transport. Ōtākaro is delivering the An Accessible City projects which are adjacent to Anchor Projects on behalf of the Christchurch City Council, NZ Transport Agency, Environment Canterbury and Te Rūnanga o Ngāi Tahu.

WHY

The Christchurch Central Recovery Plan points to the need for rebuilt central city public spaces, buildings and facilities to be more accessible. These transport projects will provide a travel network that meets the current and future needs of all inner city travellers whether they are on foot, on a bike, in a wheelchair, car or bus.

STATUS

Work is underway on two Ōtākaro projects. There is significant progress on the Manchester and Durham Street sites.



Convention Centre Precinct

Whare Rūnanga

Central City
Anchor
Projects

Convention
Centre
Precinct

WHAT

The Christchurch Convention Centre will be a world class conference facility supported by accommodation, retail, hospitality and public transport. In a competitive environment where convention centres around the world are expanding their capacity to accommodate larger events, the Christchurch Convention Centre will be a boutique facility, set in a well organised and compact, regenerating city.

WHY

Christchurch lacks appropriate convention facilities which limits the city's tourism potential, economic activity and diversity. The facility will complement the larger 3500-delegate venue in Auckland and the smaller facility proposed in Queenstown.

STATUS

Initial work to prepare the precinct site for construction is underway. The section of Gloucester Street between Colombo Street and Oxford Terrace has been closed and underground services are being rerouted around the section. Substantial earthworks began in October 2016. Ōtākaro called for Registrations of Interest (ROI) from suitably qualified Main Contractors for the design and construction contract in October 2016.



Metro Sports Facility

Taiwhanga Rēhia

Central City
Anchor
Projects

Metro
Sports
Facility

WHAT

The largest venue of its kind in New Zealand, the Metro Sports Facility will be accessible to people of all ages, abilities and skill levels. With a separate 50 metre competition swimming pool and a 20 metre diving pool, a large aquatic leisure area, fitness spaces and nine indoor courts for sports such as netball and basketball, the Metro Sports Facility will cater for the needs of the recreational, educational and high-performance sporting communities.

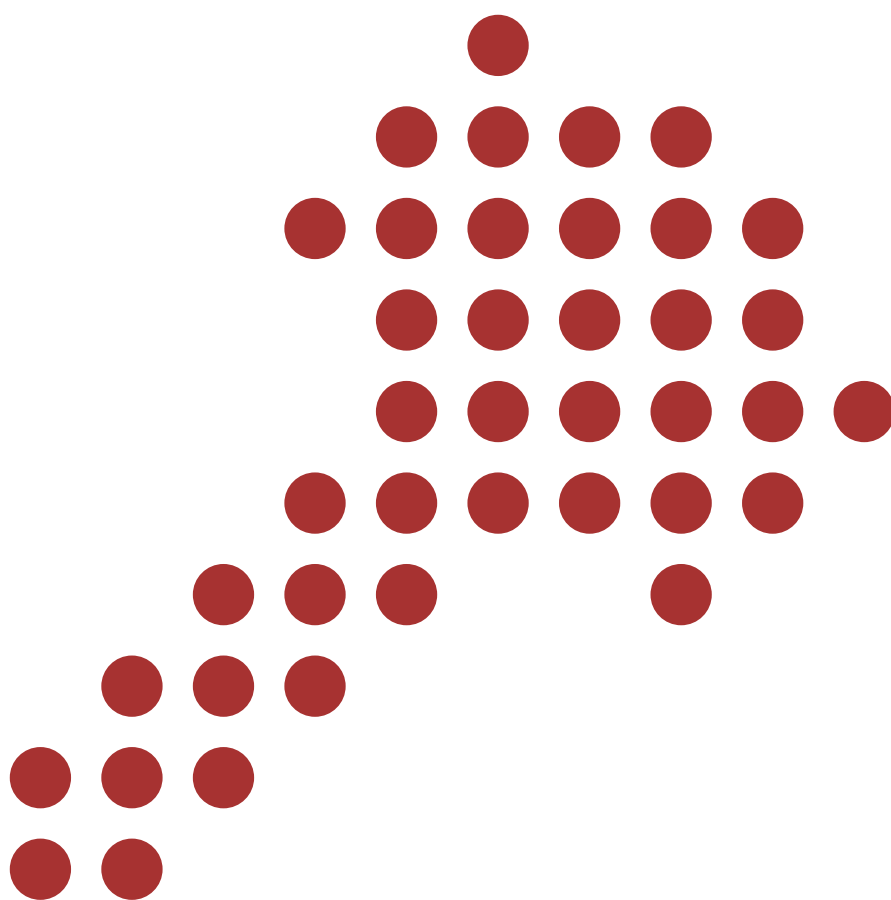
WHY

The Metro Sports Facility will play an important part in fostering health and wellbeing in the region. It will attract people from across Canterbury and New Zealand. They will be able to play, train, participate and compete in a broad range of sports and recreational facilities for all ages and abilities. It will also offer a pleasant and relaxing environment for spectators.

STATUS

Preliminary design was completed and approved by Christchurch City Council in early September 2016. Main construction is expected to begin in June 2017.

“The Metro Sports Facility will play an important part in fostering health and wellbeing in the region. It will attract people from across Canterbury and New Zealand.”



PART 6:

Governance

“The shareholders of Ōtākaro are the Minister of Finance and the Minister supporting Greater Christchurch Regeneration, who each hold 50% of the share capital.”

ORGANISATION FORM

Ōtākaro was incorporated under the Companies Act 1993 on 17 February 2016. 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.

The shareholders of Ōtākaro are the Minister of Finance and the Minister supporting 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 the business and other activities of Ōtākaro on behalf of Shareholding Ministers in the manner set out in the Constitution and Statement of Intent of Ōtākaro.

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 policies that underpin its business strategies.

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 is committed to a high standard of corporate governance and regulatory compliance in guiding and monitoring the Company's activities.

The Crown Entities Act requires the Board to ensure that the Company operates in a manner consistent with its objectives, functions and Statement of Intent and the Shareholders' Letter of Expectations.

Schedule 4A of the Public Finance Act 1989 also places additional legal obligations on Ōtākaro Directors.

BOARD MEMBERS

The Board is currently made up of four non-executive Directors appointed by the Shareholding Ministers, following Cabinet approval. Under the Constitution there must be no fewer than two and no more than five Directors.

The Board

ROSS BUTLER

Chairman

Christchurch born and educated, Ross Butler is a professional director with a range of commercial, Crown Entity, and Maori Authority 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 Townsend is the Chief Executive of the Canterbury Employers' Chamber of Commerce and has held that position since 1996. The Chamber, as the largest business support agency in the South Island, concentrates on assisting members to improve their enterprises; ensuring members can operate in a business friendly environment; and encouraging new levels of business activity.

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

Peter is the Honorary Consul for Chile for the South Island, a Fellow of the Institute of Directors and a Fellow of the Institute of Management. Peter has a BSc (Hons) and a post Graduate Diploma in Business and in May 2014 Lincoln University made Peter an Honorary Doctor of Commerce for his services to business. In 2013 Peter received the Individual Leadership Award at the AUT Business School Excellence in Business Support Awards. In December 2013 Peter was made a Companion of the New Zealand Order of Merit.

MIRIAM DEAN

CNZM – QC, Director

Miriam Dean has 35 years of legal experience as a former partner of law firm Russell McVeagh and is 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 of governance experience, Miriam is also the current chair of both New Zealand on Air and the Banking Ombudsman Scheme, as well as a director of Crown Fibre Holdings Limited and the Royal New Zealand Ballet Company. Past directorships include 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 Started after June 2016

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



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

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 financial accounting, reporting, risk management and statutory responsibilities, including the planning and reporting obligations under the Crown Entities Act 2004. Its Terms of Reference also cover the role of internal audit. The Audit and Risk Committee also monitors and assesses risks to the business.

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 and certain Officers and employees for potential liabilities and costs they may incur for actions or omissions in their capacity as Directors, Officers or employees. The Company has Professional Indemnity and Officers' Liability insurance in place to cover risks usually covered by such policies for the benefit of Directors, Officers and employees. Insurance is not provided for dishonest, fraudulent, malicious or wilful acts or omissions.

DISCLOSURE OF INTERESTS BY DIRECTORS

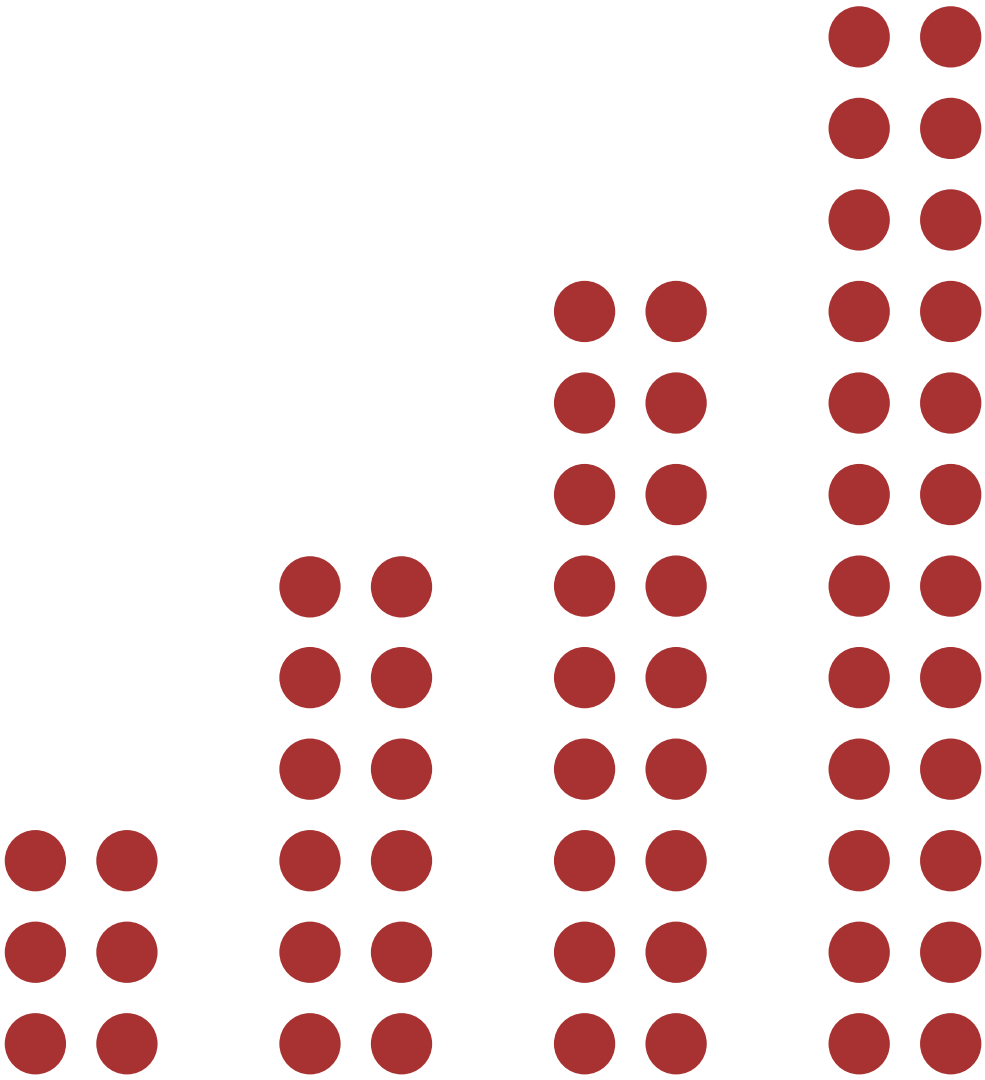
The Board maintains and regularly updates an interests register to ensure conflicts of interest (both real and perceived) are recorded and managed as required by the Companies Act 1993. The table on the following page sets out all new interests or cessations of interests of Directors recorded in the interests register during the year ended 30 June 2016.

PART 6: Governance

Director	Entity	Relationship
Ross Butler	Regenerate Christchurch	Director
	Southern Response Earthquake Services Limited	Chairman, Director
	Mercer Investments (Australia) Pty Ltd (MIAL)	Chairman, 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
	Rangitane Holdings Limited Rangitane Investments Limited	Chairman
	Code Committee, Financial Advisers Act	Committee Member
	Merlot Limited	Chairman
	Nelson Marlborough Institute of Technology	Chairman (ceased)
Miriam Dean	NZ on Air	Chair
	Crown Fibre Holdings	Director
	Royal NZ Ballet	Trustee
	Banking Ombudsman Scheme	Chair
	NZ Law Society	Member
	NZ Bar Association	Member
	Global Women	Member
	Cathedral – engineering options	Facilitator (ceased)
Peter Townsend	Defence Employer Support Council (DESC)	Chairman
	Pegasus Health (Charitable) Ltd	Director
	Pegasus Health Community Board	Board Member
	Champion Canterbury Ltd	Director
	Canterbury Youth Development Programme	Board Member
	Hillary Institute of International Leadership	Board Member
	RNZAF Museum Trust Board	Board Member
	New Zealand Chambers of Commerce and Industry	Board Member

Continued from previous page

Director	Entity	Relationship
	Canterbury Employers' Chamber of Commerce	CEO
	Business NZ Regional CEOs Group and Council	Member
	Canterbury Earthquake Recovery Lessons and Legacy Sponsors Group	Member
	Callaghan Innovation Grants Committee	Member
	Honorary Consul of Chile to Christchurch	Honorary Consul
	Townsend Management Ltd	Director
Corinne Haines	Trimble Navigation New Zealand Limited (TNNZL)	Employee
	TNNZL associated companies as follows:	Director
	Trimble New Zealand Solutions	
	Manhattan Asia Pacific NZ Limited	
	Trimble Loadrite Auckland Limited	
	Loadrite Limited	
	Loadrite North America Limited	
	Loadrite Holdings Limited	
	Trimble Navigation Australia Pty Limited	
	Trimble Australia Solutions Pty Limited	
	Manhattan Asia Pacific Pty Limited	
	Civil and Structural Computing Pty Limited	
	Spatial Dimension Pty Limited	
	LSI Robway Pty Limited	
	Sefaira Pty Limited	
	St Barnabas Fendalton Trust	Trustee
	St Barnabas Anglican Church - Fendalton	Vestry member
	Chartered Accountants Australia and New Zealand	Member



PART 7:

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 period ended 30 June 2016

In terms of the Public Finance Act 1989, and particularly s19A, the Board is responsible for the preparation of Ōtākaro Limited's Annual Report, which includes the financial statements, 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.

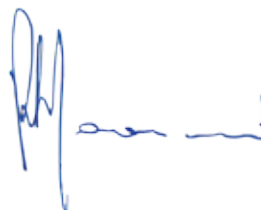
In the Board's opinion, these financial statements fairly reflect the financial position and performance of Ōtākaro Limited for the period ended 30 June 2016.

Signed on behalf of the Board



ROSS BUTLER
Chair

31 October 2016



PETER TOWNSEND
Director

31 October 2016

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 supports 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. These are the first financial statements and are for the period 17 February 2016 to 30 June 2016. There are no comparatives and no budget figures. Ōtākaro has been granted an extension of time to provide its 2015/16 Statement of Intent (SOI) and Statement of Performance Expectations (SPE). The reasons for this were to align delivery of the SOI and SPE with the output of the business plan that the Company will be working through as it is further established.

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.

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 New Zealand generally accepted accounting practice (NZ GAAP)
- in accordance with Generally Accepted Accounting Practice (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
- 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 period ended 30 June 2016, and were approved by the Board of Directors on 31 October 2016.

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)
- Current portion of borrowing (note 3B).

CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

- Funding received in advance (note 1D)
- Classification of land and buildings (note 2A and Significant Matters section)
- Classification of projects (see Significant Matters section).

Significant matters in the financial period

IN THIS SECTION

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

INCORPORATION AND ESTABLISHMENT OF ŌTĀKARO

Projects and their related assets were transferred to Ōtākaro from the Crown on 15 April 2016. These assets were financed by loans from the Crown and the issue of shares.

The establishment phase of Ōtākaro was also financed by way of a share issue at the time of incorporation. Details are provided in section 1A.

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 around Christchurch City, as listed below. The graph summarises funding received from the Crown by project type.

Operating projects

These projects, along with the responsibility to complete them, have been transferred to Ōtākaro. They are considered operational in nature for either, or both, of the following reasons:

- 1. The project involves improving land not owned by Ōtākaro; and/or
- 2. The current phase of the project lifecycle or the work undertaken as part of the project does not generate an asset for Ōtākaro.

These are the Avon River Precinct, East Frame Residential, Performing Arts Precinct, Bus Interchange, and An Accessible City projects.

Ōtākaro is funded for these projects by the Crown with no conditions attached, therefore funding received is recognised as revenue in the 2016 period.

Capital projects

These projects include the Earthquake Memorial, South Frame, Margaret Mahy Playground and East Frame Public Realm projects.

These capital projects are funded by a share issue to the Shareholding Ministers. Funds received by way of share issue are not recognised as revenue in the statement of comprehensive revenue and expenses. They are recognised as capital contributions.

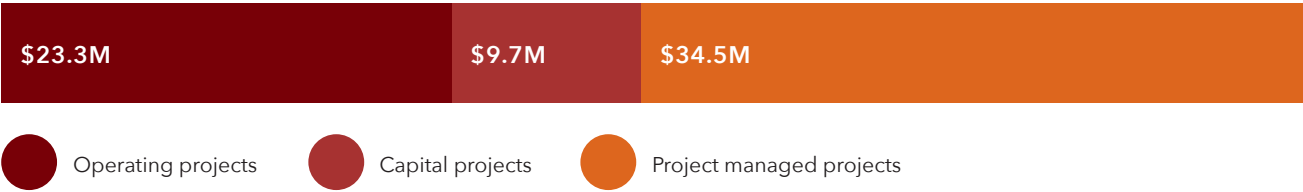
Project managed projects

These projects are owned by the Crown and the role of Ōtākaro is to project manage these on behalf of the Crown. As at 30 June 2016, Ōtākaro did not own the land related to these projects.

These include the Metro Sport Facility, Christchurch Convention Centre and the Stadium projects.

The funding received in relation to these projects is not recognised as revenue (and the costs are not recognised as expenditure) in the statement of comprehensive revenue and expenses. The Ōtākaro role as Project Manager, includes paying project costs on behalf of the Crown. Funding unspent at 30 June 2016 is recorded as a liability in the statement of financial position.

PROJECT FUNDING (\$67.5M)



PROJECT ASSETS

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

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

1. Land and buildings held as inventory – this is the land and buildings related to the East Frame Residential project. They have been classified as inventory because there is a development agreement in place with a third party. The land will be sold in parcels and will be developed for residential purposes.
2. Non-current assets held for sale – land and buildings which have a signed sale and purchase agreement in place as at 30 June 2016.
3. Land and buildings as part of property and equipment – this land is either public realm that is being held for strategic purposes or the future use of the land is not certain as at 30 June 2016.

Project assets breakdown	\$000
Land and building held as inventory	46,150
Non-current assets held for sale	3,808
Property and equipment	
– Land	86,056
– Buildings	67,984
– Work in progress	5,644
Total assets related to projects	209,642

A Land Divestment Strategy is currently under development. This will determine the expected future use of land held currently as property and equipment. As a result of the completion of this Strategy some land and buildings may be reclassified in future periods.

Certain buildings and parcels of land have been funded by loans from the Crown. The loans are repayable upon the sale of the underlying asset.

TRANSFER OF PUBLIC REALM ASSETS

The Crown has an agreement with the Christchurch City Council (CCC) to vest certain pieces of land owned by Ōtākaro at some time in the future. Ōtākaro is not a party to this agreement. In addition, an agreement has not yet been reached with the Crown as to how this land will transfer from Ōtākaro to the Crown. Given an agreement is needed, a contingent liability has been recorded. Uncertainty arises around when this transfer will take place and the value of the assets transferred to the Crown.

Details of the contingent liability are included in note 4A.

POST BALANCE DATE EVENT

As at 30 June 2016 the Christchurch Convention Centre project was a Project Managed Project. On the 8 September 2016, this project was transferred from the Crown to Ōtākaro. On this date, the project became an Operating Project, assets were transferred to Ōtākaro, funded by a Crown loan and the issue of shares.

PART 7: Financials

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

For the period ended 30 June 2016

	Note	\$000
Revenue		
Project funding	1B	23,340
Operational funding	1C	3,586
Properties and facilities funding	1C	725
Other revenue	1E	1,933
Total revenue		29,584
Expenses		
Establishment expenses	1A	5,405
Operating project expenses	1B	5,732
Operational expenses	1C	3,586
Properties and facilities expenses	1C	543
Other expenses	1F	1,766
Total expenses		17,032
Surplus/(deficit) for the period		12,552
Tax expense		-
Net surplus/(deficit) for the period		12,552

The accompanying notes form part of these financial statements

PART 7: Financials

STATEMENT OF CHANGES IN EQUITY

For the period ended 30 June 2016

	Note	Capital \$000	Retained Earnings \$000	Total \$000
Opening balance		-	-	-
Comprehensive revenue				
Net surplus for the period		-	12,552	12,552
Other comprehensive revenue and expense		-	-	-
Total comprehensive revenue and expense		-	12,552	12,552
Owners' transactions				
Capital contribution – Crown	3A	76,854	-	76,854
Closing balance 30 June 2016		76,854	12,552	89,406

The accompanying notes form part of these financial statements

PART 7: Financials

STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	Note	30-Jun-16
Assets		\$000
Current Assets		
Cash and cash equivalents	3C	95,094
Trade and other receivables	3D	4,137
Non-current assets held for sale	2C	3,808
Prepayments		592
Total Current Assets		103,631
Non-Current assets		
Property and equipment	2A	154,142
Capital work in progress	2D	5,833
Land and Building classified as Inventory	2B	46,150
Total Non-current Assets		206,125
Total Assets		309,756
Liabilities		
Current Liabilities		
Creditors and other payables	3E	15,867
Employee entitlements	4F	226
Funding in advance	1D	26,244
Funds held on behalf of Crown to fund project managed projects	1B	33,205
Provisions	4B	60
Current portion of borrowings	3B	3,214
Total Current Liabilities		78,816
Non Current Liabilities		
Term Loan	3B	141,534
Total Non-Current Liabilities		141,534
Total Liabilities		220,350
Net Assets		89,406
Equity		
Contributed capital	3A	76,854
Accumulated surplus	3A	12,552
Total Equity		89,406

The accompanying notes form part of these financial statements

PART 7: Financials**STATEMENT OF CASH FLOWS***For the period ended 30 June 2016*

	Note	\$000
<i>Cash flows from operating activities</i>		
Receipts from Crown		92,759
Interest received		2
Other receipts		1,116
Payments to suppliers		(14,402)
Payments to employees		(2,668)
Interest paid		-
Goods and services tax (net)		5,540
<i>Net cash inflow from operating activities</i>	3C	82,347
<i>Cash flows from investing activities</i>		
Purchase of property and equipment		(111)
Purchase of capital work in progress		(2,980)
<i>Net cash (outflow) from investing activities</i>		(3,091)
<i>Cash flows from financing activities</i>		
Capital contribution – Crown		15,838
<i>Net cash inflow from financing activities</i>		15,838
Net increase in cash and cash equivalents		95,094
Cash and cash equivalents at the beginning of the period		-
<i>Cash and cash equivalents at the end of the period</i>		95,094

The accompanying notes form part of these financial statements

Section 1: Financial performance

IN THIS SECTION

This section explains the financial performance of Ōtākaro, providing additional information about individual items in the statement of comprehensive revenue and expenses, including:

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

1A – ESTABLISHMENT PHASE

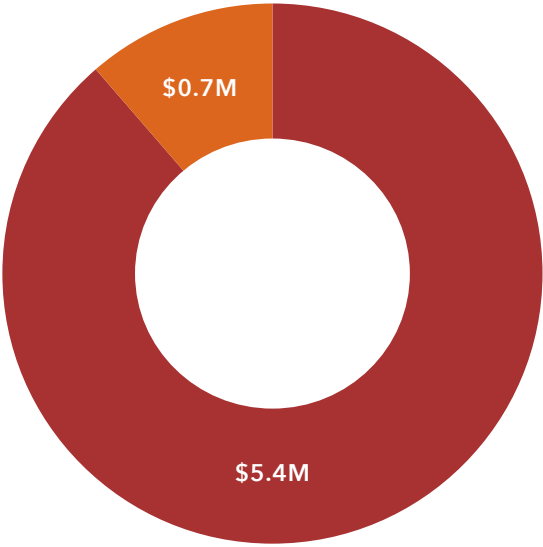
Funding received from the Crown to fund the establishment phase of Ōtākaro was introduced by way of a share issue (\$6.1m of fully paid up shares were issued).

As at 30 June 2016 total establishment phase expenditure totalled \$5.4m. A breakdown of the costs is included in the table below:

Establishment Expenses	\$000
Governance and assurance	1,718
Organisational design and recruitment	1,012
Business infrastructure	1,309
Asset transfer legal support and advice	1,191
Communications	175
Total establishment expenses	5,405

Remaining establishment funding will be spent in the 2017 financial year, to complete remaining tasks.

ESTABLISHMENT PHASE
(\$6.1M)



1B – 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 Significant Matters section for description of the projects.

Projects – Operating

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

There are no conditions attached to the funding and 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.

Breakdown of operating projects' funding

Project	\$000
An Accessible City	11,078
Avon River Precinct	11,262
Bus Interchange	1,000
Total funding	23,340

Breakdown of operating projects' expenditure

Project	\$000
An Accessible City	1,146
Avon River Precinct	3,978
Bus Interchange	161
East Frame Residential	96
Performing Arts Precinct	351
Total operating projects' expenditure	5,732
<i>Utilised as follows</i>	
Construction contractors	4,296
Project Manager	363
Design	471
Quantity Surveyor	130
Other project expenses	472
Total operating projects' expenditure	5,732

Operating funding for East Frame Residential and the Performing Arts Precinct will be included in the funding requested for the 2017 year.

Funding received in advance for future periods is recognised as a liability. See note 1D for more details on funding received in advance.

1B – PROJECTS CONTINUED

Projects – Capital

Projects that are considered capital in nature create assets for Ōtākaro and are funded by the issuance of share capital. Funding received for these projects is not recognised as revenue. Total shares issued in relation to capital funded projects was \$9.7m. Total costs for the period on these projects were \$5.6m.

All costs in relation to these projects are capitalised to work-in-progress (see note 2D) and once the projects are complete they will be recognised as property and equipment and will be depreciated.

Breakdown of capital projects' funding

Project	\$000
East Frame Public Realm	2,634
Earthquake Memorial	590
South Frame	6,514
Total capital funded projects receipts	9,738

Breakdown of capital projects' expenditure

Project	\$000
East Frame Public Realm	371
Earthquake Memorial	1,690
South Frame	3,160
Margaret Mahy Playground	423
Total capital projects' expenditure	5,644
<i>Utilised as follows</i>	
Construction contractors	4,016
Project manager	134
Architect	101
Construction materials	474
Other project expenses	919
Total capital projects' expenditure	5,644

Capital funding for the Margaret Mahy playground will be included in the funding requested for the 2017 year.

Total capital project expenditure is reflected as capital work in progress in the statement of financial position. More details are provided in note 2D.

1B – PROJECTS CONTINUED**Project managed projects**

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

Funding received and expenses incurred are not reflected in the statement of comprehensive revenue and expenses.

An amount is recorded as a liability to represent the unspent funding at 30 June 2016.

Breakdown of project managed project funding

Project	\$000
Convention Centre Precinct	28,967
Metro Sport Facility	5,531
Total funding for project managed projects	34,498

Breakdown of project managed project expenditure

Project	\$000
Convention Centre Precinct	195
Metro Sport Facility	1,098
Total	1,293
<i>Utilised as follows</i>	
Specialist Engineer	497
Consultancy	120
Project manager	89
Other project expenses	587
Total expenditure for project managed projects	1,293

	\$000
Funding Recieved	34,498
Expenditure	(1,293)
Funds held on behalf of crown to fund project managed projects	33,205

1C – 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 detailed in the funding agreement, the revenue recognised is in line with the allowable expenditure incurred. Any unspent funding as at 30 June 2016 is recorded as funding received in advance (liability).

	\$000
Operational funding received from the Crown.	6,666
<i>Recognised as follows:</i>	
Operational funding (revenue)	3,586
Funding received in advance (liability)	3,080

Operational expenses incurred during the period ending 30 June 2016 are as follows:

Operational expenses	\$000
Fees paid to auditor for audit of financial statements	80
Depreciation	9
Personnel costs	2,741
Consultancy	118
Other operational expenses	638
Total operational expenses	3,586

Property and facilities funding from the Crown

Funding for 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.

	\$000
Bus Interchange facilities management	500
Land Holding costs	225
Total property and facilities funding	725
Utilised as follows	
Repairs and maintenance	73
Rates	301
Cleaning	113
Other	56
Total property and facilities expenditure	543

1D – FUNDING RECEIVED IN ADVANCE

Operational and project funding received prior to 30 June 2016 relating to the July to September 2016 quarter has been recorded as funding received in advance. Ōtākaro considers this to be advanced funding relating to the next financial year.

The remainder of the balance is made up of operational funding unspent, as described in note 1C.

Funding received in advance	\$000
Future quarter funding received	
– Operational projects	16,852
– Property and facilities	6,312
Operational funding unspent as at 30 June 2016	3,080
Total funding in advance	26,244

Critical judgements in applying accounting policies

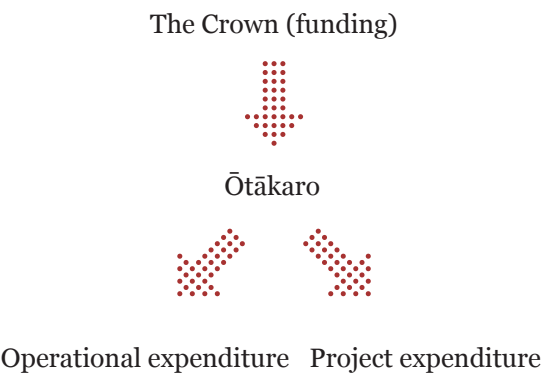
Ōtākaro considers all funding received from the Crown to be non-exchange transactions. That includes all funding recorded as revenue and funding received in advance and amounts recorded as payables to or receivables from the Crown.

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

	\$000
Non-exchange revenue	29,116
Exchange revenue	468
Total revenue	29,584

What is a non-exchange transaction?

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



1E – OTHER REVENUE

Other revenue	\$000
Interest revenue	621
Donations received	846
Rental revenue	209
Other revenue	257
Total other revenue	1,933

Donations

Donations are recognised as revenue when they become receivable unless there is an obligation in substance to return the funds if conditions of the donation are not met. If there is such an obligation, the donations are initially recorded as donations received in advance and recognised as revenue when conditions of the donation are satisfied.

Donations have been utilised to support specific improvements to the Margaret Mahy Family Playground.

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.

1F – OTHER EXPENSES

Other expenses	\$000
Depreciation of Bus Interchange	187
Other Depreciation	94
Interest expense	1,312
Impairment loss on non-current asset held for sale	173
Total other expenses	1,766

Depreciation of Bus Interchange

For further details, see note 2A.

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 Crown.

Impairment loss

For further details, see note 2C.

Donations

No donations have been made by Ōtākaro during the period.

Section 2: Assets

IN THIS SECTION

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

1. Property and equipment
2. Land and buildings held as inventory
3. Non-current assets held for sale
4. Work-in-progress.

2A – PROPERTY AND EQUIPMENT

	\$000	\$000	\$000	\$000
	Land	Buildings	Office furniture and equipment	Total
Assets introduced at inception	86,056	68,265	-	154,321
Additions			111	111
Depreciation expense	-	(281)	(9)	(290)
Net book value 30 June 2016	86,056	67,984	102	154,142
Cost or fair value	86,056	68,265	111	154,432
Less accumulated depreciation	-	(281)	(9)	(290)
Net book value 30 June 2016	86,056	67,984	102	154,142

Total depreciation of \$290k is made up of \$187k for Bus Interchange (note 1F), \$94k for other buildings depreciation (note 1F) and \$9k of depreciation for office equipment (note 1C).

Recognition and measurement

Land and buildings are held on the balance sheet 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.

2A – PROPERTY AND EQUIPMENT CONTINUED**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 50–66 years
- Computer Equipment 2 years
- Office Furniture 4 years
- Fixtures and Fittings 4 years

Capital commitments

The value of committed contracts at balance date in relation to capital projects is made up of land improvement \$14.5m and buildings \$4.3m.

	\$000
Less than one year	17,375
Between one and five years	1,385
Total capital commitments	18,760

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 2016, 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.

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

The 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 expenses.

2A – PROPERTY AND EQUIPMENT CONTINUED

KEY JUDGEMENTS AND ESTIMATES

Estimating useful lives and residual values

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

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

Estimating the fair value of land and buildings

The most recent valuation of land and buildings was performed by an independent registered valuer, M Ogg of CBRE. The valuation is effective 15 February 2016.

Buildings

The Bus Interchange is valued using depreciated replacement cost due to its specialised nature. Significant assumptions applied when determining depreciated replacement cost. These include:

- The replacement asset is based on the reproduction of the building.
- The replacement cost is derived from recent construction contracts related to this project (as it was completed 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.

Some non-specialised buildings within the South Frame have been assessed with a limited life of up to five years, as it is likely that these buildings will be demolished within that time. These properties have been valued at the land value less demolition costs of the existing building plus any allowance for holding income, if applicable.

Other non-specialised buildings (for example, the previous IRD Building) where the building has an ongoing value are valued using market based evidence, on a highest and best use basis.

Adjustments have been made to some building values for costs to repair the building to 67% of NBS rating. Significant assumptions include market rents and capitalisation rates.

- Market rents range from \$128 to \$362 per square metre. An increase (decrease) in market rents would increase (decrease) the fair value of these non-specialised buildings.
- Capitalisation rates are market based rates of return and range from 7.25% to 9.5%. An increase (decrease) in the capitalisation rate would decrease (increase) the fair value of these non-specialised buildings.

Land

Fair value, using market-based evidence, is based on the highest and best use of the land, with reference to comparable land values.

Adjustments have been made to some land values 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%.

2B – LAND AND BUILDINGS HELD AS INVENTORY

Land and building classified as Inventory are recorded at lower of cost and net realisable value.

Ōtākaro owns land and buildings within the East Frame, which runs between Manchester Street and Madras Street and from Cambridge Terrace down to Lichfield Street, that will be utilised for future residential development.

Land and building held as inventory	\$000
Land	44,875
Building	1,275
Total	46,150

Any write-down from cost to net realisable value for the loss of service potential is recognised in the statement of comprehensive revenue and expenses in the period of the write-down.

All land and buildings held as inventory have loans from the Crown attached to them. The total value of loans held in relation to land and buildings held as inventory is:

	\$000
Land	36,228
Buildings	1,029
Total loans related to land and buildings held as inventory	37,257

2C – NON-CURRENT ASSETS HELD FOR SALE

A non-current asset is classified as held for sale if its carrying amount will be recovered principally through sale rather than continuing use. The asset is measured at the lower of its carrying amount and fair value less costs to sell.

Any increases or decreases in fair value are recognised as revenue or expenses, in the period the movement occurs.

A non-current asset is not depreciated or amortised while classified as held for sale.

Ōtākaro owns land and buildings on High Street, Tuam Street and St Asaph Street.

Non-current assets held for sale	\$000
Land	3,528
Buildings	280
Total non-current assets held for sale	3,808

Individual sale and purchase agreements are in place for these properties and transactions are expected to be completed during the next financial year.

One of the properties held for sale has an agreed sale price that is below its carrying value. A reduction in the carrying value, to the sale price, has been recorded as an impairment loss of \$173k.

2D – WORK IN PROGRESS

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

Specialised assets, for example the Earthquake Memorial and Margaret Mahy Playground, which are not yet completed make up the majority of the work in progress balance.

The total of Capital Work in Progress is \$5.8m split between capital projects \$5.6m and the fit-out of Ōtākaro premises \$0.2m.

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
- Accumulated surplus.

Breakdown of equity	\$000
Contributed capital	
Contribution at inception	-
Additional capital contributed	76,854
<i>Balance at 30 June 2016</i>	<i>76,854</i>
Accumulated surplus	
Opening balance	-
Surplus for the year	12,552
<i>Balance at 30 June 2016</i>	<i>12,552</i>
Total	89,406

All shares issued are fully paid and have a face value of \$1 each. The total number shares authorised as at 30 June 2016 is 76,854,469.

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

1. Establishment phase 6.1m share issue for \$6.1m (see note 1A)
2. Partial funding of the initial asset transfer 61m shares for \$61m
3. April to June funding for Capital funded projects of 9.7m shares for \$9.7m (see note 1B).

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.

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 operating and capital project 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.

	\$000
Current portion	3,214
Non-current portion	141,534
Total borrowings	144,748

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 the borrowing attached to those assets recorded as non-current assets held for sale, including interest accrued for the period ending 30 June 2016.

3C – CASH AND CASH EQUIVALENTS

Cash and cash equivalents is cash held in a bank trading account.

All cash at bank is held with Westpac Bank with a credit rating of AA- assessed by reference to Standard and Poor's credit rating.

Reconciliation of net surplus to cash flows from operating activities

	\$000
Operating surplus	12,552
Add non-cash items	
Depreciation	290
Impairment of non-current assets held for sale	173
Interest capitalised	1,312
Add/(less) movements in working capital items	
Accounts receivable	(4,137)
Prepayments	(592)
Accounts payable and accruals	16,153
Funding received in advance	59,449
Add/(less) items recorded as investing activities	(2,853)
Net cash inflow from operations	(82,347)

3D – TRADE RECEIVABLES

All receivables are with counter-parties that have no defaults in the past with Ōtākaro.

All receivables greater than 30 days in age are considered to be overdue. At balance date there were no overdue receivables and no balances are considered to be impaired.

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

Trade and other receivables	\$000
Trade receivables	294
Crown receivables	3,843
Total trade and other receivables	4,137

3E – TRADE PAYABLES

Short term payables are recorded at the amount payable.

Total trade payables are split between exchange and non-exchange transactions as follows:

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

Payables under exchange transactions	\$000
Creditors	165
Accrued expenses	9,272
Anchor project retentions	586
Total payables under exchange transactions	10,023

Payables under non-exchange transactions	\$000
Related party payable	9
PAYE payable	306
GST payable	5,529
Total payable under non-exchange transactions	5,844

	\$000
Total payables under exchange transactions	10,023
Total payables under non-exchange transactions	5,844
Total trade payables	15,867

3F – FINANCIAL INSTRUMENTS

Financial instrument categories

	\$000
Financial liabilities measured at amortised cost	
Payables (excl. deferred revenue and taxes payable)	751
Borrowing	144,748
Total financial liabilities measured at amortised cost	145,499
Loans and receivables measured at amortised cost	
Cash and cash equivalents	95,094
Receivables	4,137
Total loans and receivables measured at amortised cost	99,231

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 balance sheet.

Ōtākaro holds no collateral or other credit enhancements for financial instruments that give rise to credit risk.

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.

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 2016, 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 \$58k lower or higher. This movement is attributable to increased interest expense on the Crown loans.

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 – CONTINGENCIES

A contingent liability of \$15.6m has been estimated. This is made up of the assets and the related project capital work-in-progress for those projects that the Crown has agreed will vest with CCC at a future date. Further details are included in the Significant Matters section.

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 and Ōtākaro can draw down on this funding as remediation projects progress.

Ōtākaro has no contingent assets.

4B – PROVISIONS

A provision is recognised for future expenditure of uncertain amount 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 amounts have not been discounted as Ōtākaro is a limited life entity.

Lease make-good provision

In respect of the leased premises, Ōtākaro is required at the expiry of the lease term to make-good any damage caused to the premises and remove any unwanted fixtures or fittings installed by Ōtākaro.

As at 30 June 2016 the amount that will be required to settle this obligation is uncertain, Ōtākaro has estimated this amount up to \$60k.

4C – OPERATING LEASE COMMITMENTS**Operating lease payments**

Operating lease payments made during the year totalled \$106k, 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 six years.

Operating leases as lessee

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

Operating lease commitments	\$000
Not later than one year	724
Later than one year and not later than five years	2,670
Later than five years	156

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:

Operating lease receipts	\$000
Not later than one year	336
Later than one year and not later than five years	994
Later than five years	231

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.

4D – RELATED PARTIES

Ōtākaro is owned by the Crown.

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

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

4E – CHANGES IN FINANCIAL REPORTING STANDARDS

In 2015, the External Reporting Board issued *Disclosure Initiative (Amendments to PBE IPSAS 1)*, *2015 Omnibus Amendments to PBE Standards*, and *Amendments to PBE Standards and Authoritative Notice as a Consequence of XRB A1 and Other Amendments*. These amendments apply to PBEs with reporting periods beginning on or after 1 January 2016. Ōtākaro will apply these amendments in preparing its 30 June 2017 financial statements. Ōtākaro expects there will be no effect in applying these amendments.

4F – 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.

Employee entitlements	\$000
Current portion	
– Accrued salaries and wages	131
– Annual leave	95
Total current portion	226

Employee benefits

Total employee benefits paid of \$3.2m is spread over the establishment phase and operational expenditure for the period ending 30 June 2016.

Establishment	\$000
Personnel costs	485
Operational personnel costs	2,741
Total employee benefits	3,226

These amounts include payments to contractors that were temporarily filling a position on the organisational chart of Ōtākaro. In addition, employer's contribution to defined contribution schemes are included.

Defined contribution schemes

Employer contributions to KiwiSaver are accounted for as defined contribution superannuation schemes and are expensed as incurred.

Remuneration report

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

DIRECTOR'S FEES

Directors' remuneration is paid in the form of director's fees.

In the first year of operations directors are entitled to an additional 50% supplement of the base fee. This is to recognise the additional work required during the first year of operations.

Currently director's annual fees of Ōtākaro (including supplement) are:

Board	Chair	Member
Board of Directors	\$105,000	\$52,500

Prior to the incorporation of Ōtākaro, three of the Directors were contracted under service agreements to attend meetings and provide advisory services in relation to the establishment of Ōtākaro. These amounts are separately disclosed below.

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

Remuneration paid to non-executive directors of Ōtākaro during the period ended 30 June 2016 is:

Director name	Board fees \$000	Advisory fees \$000
Ross Butler (Chair)	46	41
Miriam Dean	23	6
Peter Townsend	23	5
Total	92	52

The full time equivalent for Board members is 0.40. 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 from 17 February 2016 is \$424,463. This includes the Chief Executive and his direct reports. This equates to six FTEs.

During the pre-incorporation establishment phase of Ōtākaro, executive leadership was contracted at a cost of \$99,000 for one key executive management position.

EMPLOYEE REMUNERATION RANGE

The number of employees of Ōtākaro (not including Directors) who during the period ended 30 June 2016 received cash remuneration and other benefits (including KiwiSaver contributions and relocation allowances) exceeding \$100,000 is nil.

No employees received compensation or other benefits in relation to cessation.

Annualised employee base remuneration range for staff employed as at 30 June 2016

\$000s	# of Staff
100 – 109	5
110 – 119	3
120 – 129	4
130 – 139	5
140 – 149	6
150 – 159	1
160 – 169	4
170 – 179	2
180 – 189	3
190 – 199	1
210 – 219	1
230 – 239	1
240 – 249	2
290 – 299	1
350 – 359	1
460 – 469	1
Total	41

Independent Auditor's report

To the readers of Ōtākaro Limited's financial statements for the period ended 30 June 2016

The Auditor-General is the auditor of Ōtākaro 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 of the company on her behalf.

OPINION ON THE FINANCIAL STATEMENTS

We have audited the financial statements of the company on pages 44 to 71, that comprise the statement of financial position as at 30 June 2016, the statement of comprehensive revenue and expense, statement of changes in equity and statement of cash flows for the period ended on that date and the notes to the financial statements that include accounting policies and other explanatory information.

In our opinion:

- the financial statements of the company fairly, in all material respects:
 - a) its financial position as at 30 June 2016; and
 - b) its financial performance and cash flows for the period then ended; and
- comply with generally accepted accounting practice in New Zealand in accordance with PBE standards.

Our audit was completed on 31 October 2016. This is the date at which our opinion is expressed.

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

Basis of Opinion

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

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

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

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Board of Directors;
- the adequacy of the disclosures in the financial statements; and
- the overall presentation of the financial statements.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements. Also, we did not evaluate the security and controls over the electronic publication of the financial statements.

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

RESPONSIBILITIES OF THE BOARD OF DIRECTORS

The Board of Directors (the board) are responsible for preparing financial statements that:

- comply with generally accepted accounting practice in New Zealand; and
- present fairly the company's financial position, financial performance and cash flows.

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

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

RESPONSIBILITIES OF THE AUDITOR

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

Independence

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board. Other than the audit, we have no relationship with or interests in the company.



SCOTT TOBIN

Audit New Zealand

On behalf of the Auditor-General
Christchurch, New Zealand

STATUTORY INFORMATION AND OTHER DISCLOSURES

Shareholders

Minister supporting Greater Christchurch Regeneration
(Hon Gerry Brownlee)

Minister of Finance
(Hon Bill English)

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
Lane Neave
Minter Ellison Rudd Watts
Greenwood Roche Chisnall
Duncan Cotterill
Mark Russell

Bankers

Westpac Banking Corporation

Senior Management

Albert Brantley
Chief Executive Officer

Robert Fiske
GM Development

Ruth Keating
General Counsel

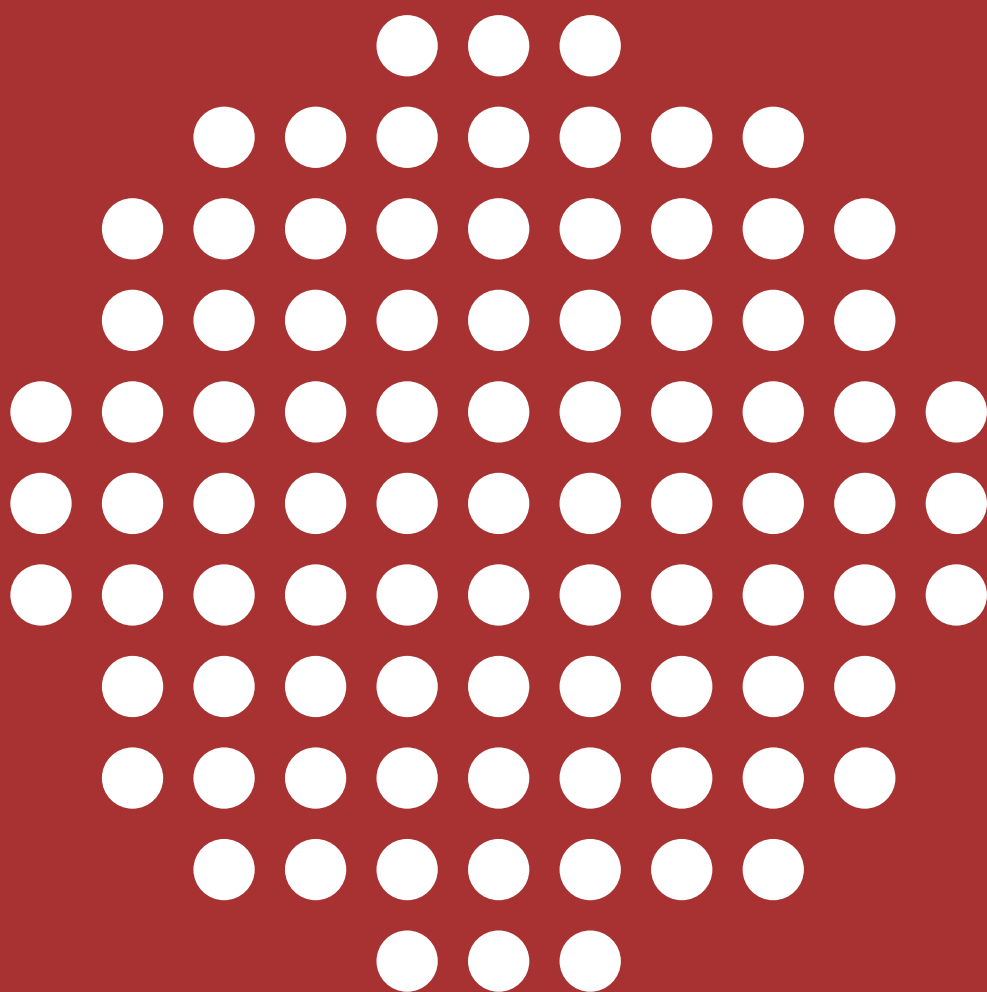
Dave Mills
GM Corporate Services and CFO

Annemarie Settle
Manager Communications and Stakeholder Engagement

Keith Beal
GM Strategy and Property Opportunities
(from 15 August 2016)

Director's interest

Pursuant to sections 140 and 211(e) of the companies Act 1993, the general disclosures of interest made during the period 17 February 2016 to 30 June 2016 by directors of Ōtākaro Limited are included on pages 37 to 39 of the annual report.



Ōtākaro Limited
PO Box 73
Christchurch 8140
New Zealand

P: 03 357 6300
E: info@otakaroltd.co.nz
W: otakaroltd.co.nz

