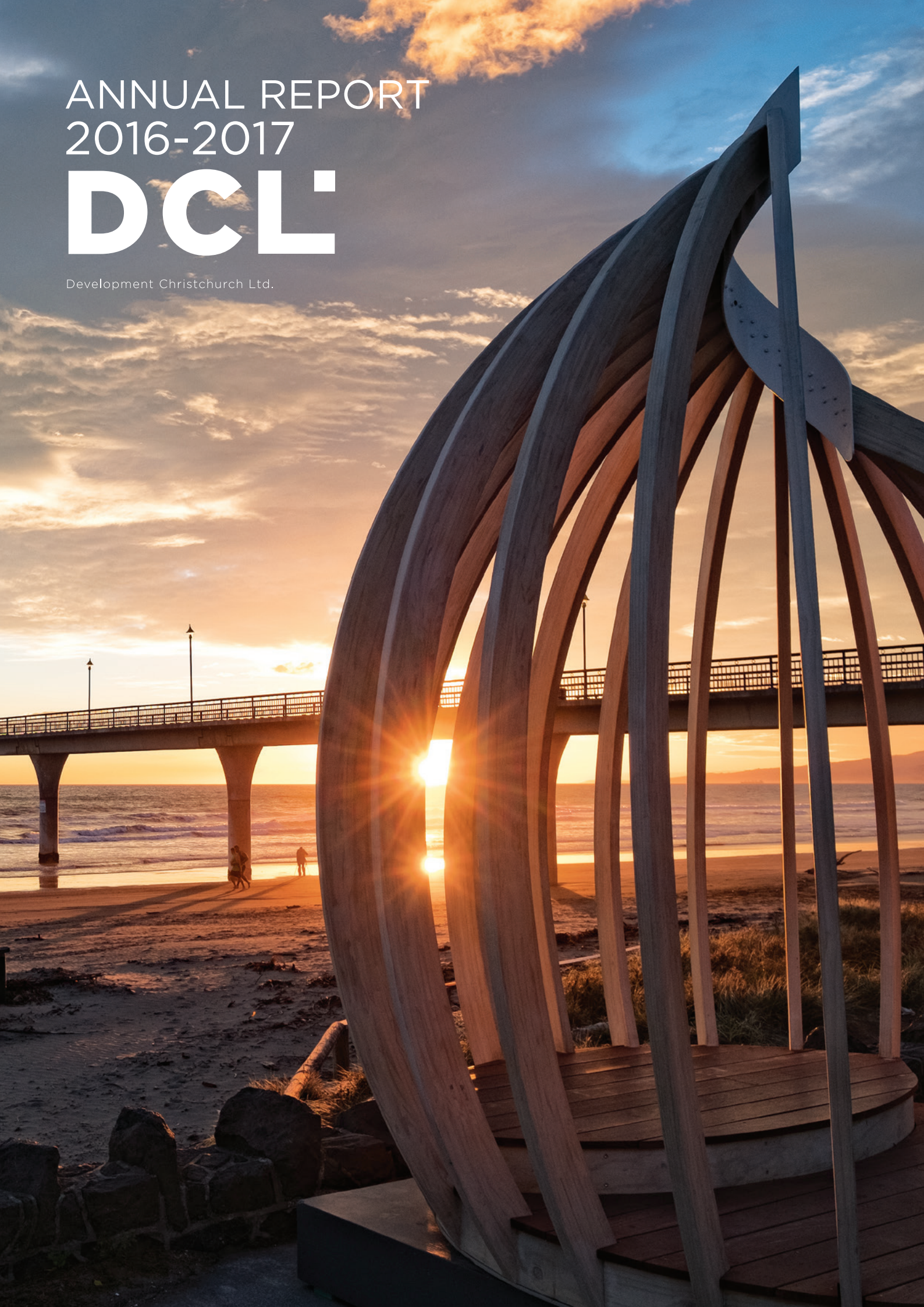


ANNUAL REPORT  
2016-2017

**DCL**

Development Christchurch Ltd.





# Board Chair and Chief Executive Report

For the year ending 30 June 2017

The Board is pleased to report strong financial and operational results for the 2016-2017 financial year.

Development Christchurch Limited's (DCL's) objective is to accelerate development activities in Christchurch's built environment to achieve positive social outcomes that lead to a prosperous economy. In its first full year of operations, DCL has moved quickly to establish itself as a nimble and effective urban development agency. As well as completing its establishment and relocating into permanent premises, DCL has made great progress on the key projects and work streams tasked by the Council.





## Creating change through urban regeneration

Building on the Council's 2015 New Brighton Suburban Centre Master Plan, DCL has joined long-standing community conversations around revitalising the seaside suburb. DCL's New Brighton Regeneration Project includes the delivery of the Council-funded hot salt water pools and beachside playground. It also involves working with landowners, businesses, investors and the community to successfully revitalise New Brighton's commercial core, while incorporating improvements to public spaces, transport network changes and opportunities for residential development.

DCL has made strong progress on this project, with \$19.2m of Council funding approved for the beachside playground, hot pools and Surf Life Saving Club rebuild. We've been clear from the outset, however, that the pools and playground alone are only part of the puzzle. Success will require all the various aspects of the regeneration project – in particular the attraction of private investment to support the revitalisation of the commercial centre – coming together. DCL, with the support of the local community, is on track to transform New Brighton into a bustling seaside leisure destination for locals and visitors.

One of the greatest achievements for DCL so far has been in earning the trust and confidence of the community, and in continuing to demonstrate the capability and capacity to deliver. We're well aware of the need to continue to engage with the community and involve local people in the process as projects progress.

Achieving the buy-in of the private sector is essential to New Brighton's successful regeneration, and DCL has placed a high emphasis on engagement and collaboration with the business and investment community. We've been talking directly with property owners and potential investors about opportunities in the commercial centre. In addition, DCL's \$100,000 Creating Momentum Regeneration Fund has been a valuable mechanism to assist community and commercial entities undertake projects that contribute to New Brighton's regeneration. Funding for Imagination Station, a Carnaby Lane revitalisation project, ARGO co-working scholarships, and a variety of community events have accessed this fund.

## Unlocking development opportunities for others

One of the early roles given to DCL by the Council was to lead the development of an Investor Ready City Strategy. One of the key challenges Christchurch is facing is how to pair strong investor appetite with easily executable opportunities that result in the sort of investment that Christchurch requires.

DCL is working with other organisations to ensure the city develops a consistent strategy and implementation approach. The heart of this strategy is in articulating a clear vision and narrative for the City. This will assist in creating a clear understanding of the sort of investment Christchurch is seeking and how it expects to successfully attract it.

A good example of the successful attraction of investment is DCL's work with its preferred development partner for the site of the old convention centre (the Peterborough Quarter). This development provides an exciting opportunity to use surplus Council-owned land, in partnership with the private sector, to create a mixed-use development that will contribute strongly to the growth and dynamism of the inner city.

The Christchurch Adventure Park was opened on time after a demanding construction schedule in December 2016, which saw it trade above expectations with very strong community support. Unfortunately the park was extensively damaged during the February 2017 Port Hills fires. Repairs on the Christchurch Adventure Park are well underway, and we look forward to the park reopening in November 2017. We also anticipate the start of phase 2 development on the park to begin soon. This will add the Southern Hemisphere's first mountain coaster, along with dorm and cabin style lodgings and additional bike trails.

The project team including DCL received a significant award in May when it won Institute of Finance Professionals New Zealand (INFINZ) Debt Deal of the Year 2017 award. This accolade recognised the unique funding structure between the Leisure Investments New Zealand partnership and China Construction Bank that made the adventure park possible.

## Increased strategic capacity and capability for the Council

DCL's strong commercial focus and expertise, along with its commitment to engage pro-actively with public and private sector entities, adds to the Council's strategic capacity and capability in the short- and long-term.

DCL has collaborated with Council staff to devise a Land Development Strategy (LDS) which allows us to partner with the private sector in developing surplus Council-owned land for specific regeneration outcomes.

DCL has also provided strategic advice to the Council on a variety of subjects, including the implementation of the Suburban Centre Master Plans, car-parking, the Metro Sports facility and Christchurch Adventure Park.

## Looking forward

As DCL moves into its second year of operations, the organisation will work with the Council towards becoming financially self-sustaining, whilst recycling capital effectively to accelerate urban development projects. New Brighton, Peterborough Quarter, and a variety of other projects under the LDS present exciting opportunities for the City, and it is crucial for the City's future that we capture and capitalise on them.

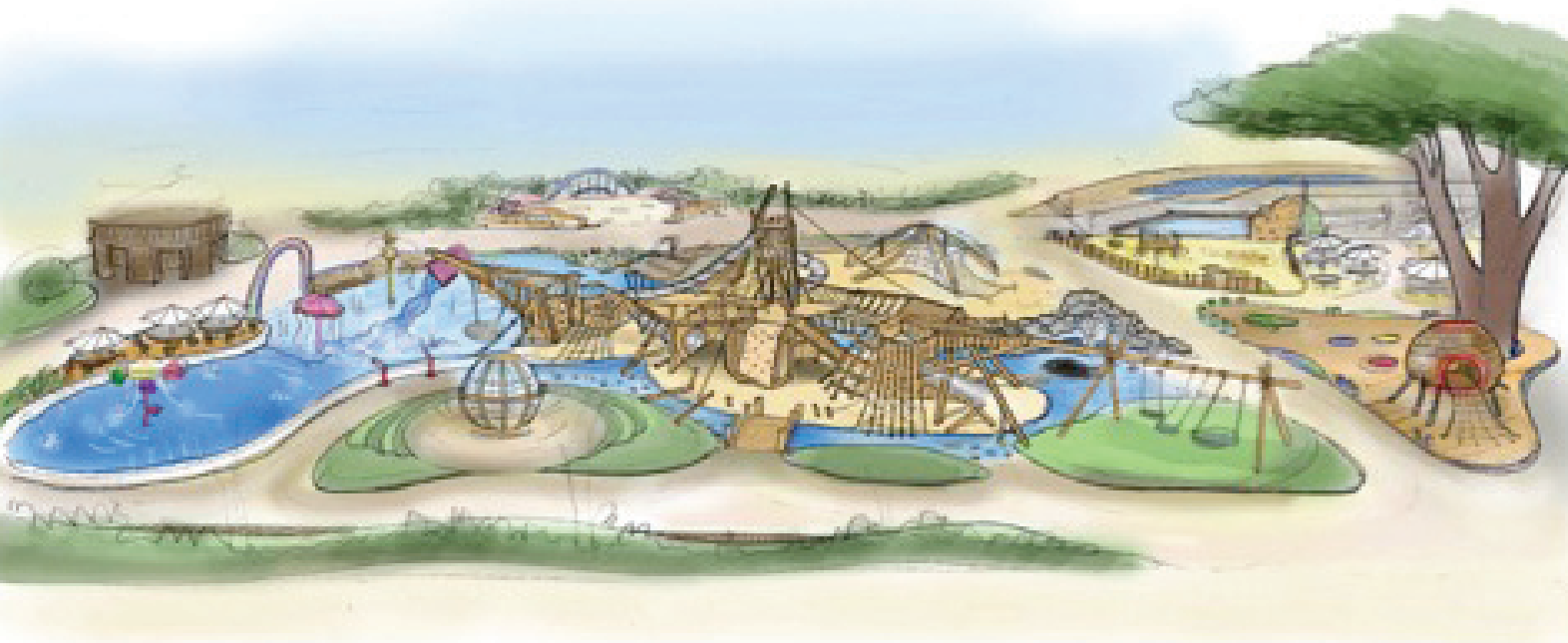


**Bill Dwyer**  
Chairman  
Development  
Christchurch Limited



**Rob Hall**  
Chief Executive Officer  
Development  
Christchurch Limited

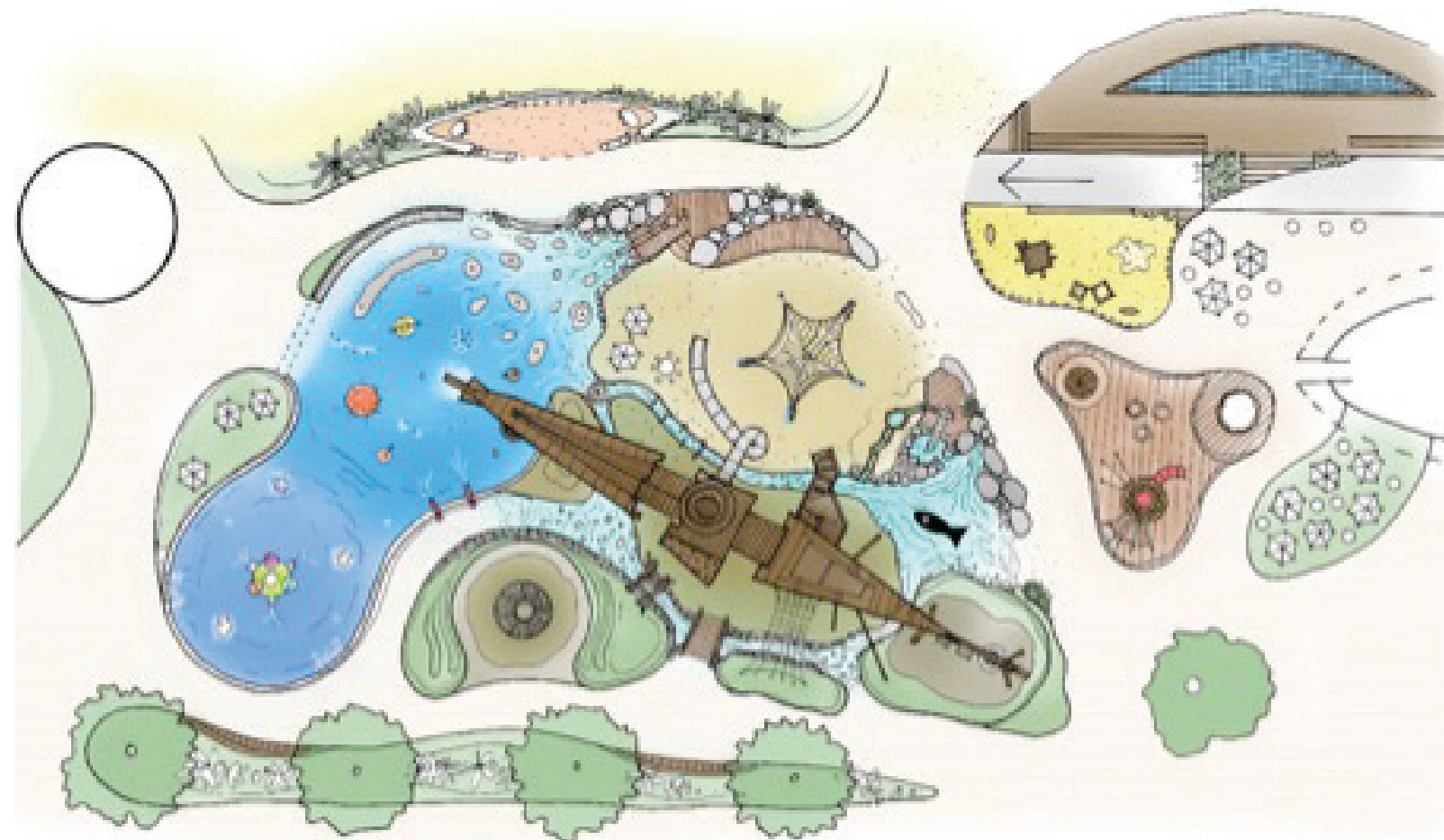
# New Brighton Regeneration Project



## HSWP + Playground

DCL are creating a foreshore destination with a new playground, hot pools, and other activities to get visitors coming to New Brighton.

- › 2017 will see the start of works on a family-focussed leisure and recreation attraction based on the community-led concept of hot salt water pools on New Brighton's foreshore.
- › The idea, which local residents have had for many years, is to create a world-class attraction that kick-starts New Brighton's revitalisation.
- › In June 2017, DCL released concept designs of the new Beachside Playground, and ran a four week feedback process to gather community feedback on the designs.
- › Funding of \$11.2m has been approved for the project, and the community will be involved in the planning and design process.





## Creating Momentum Regeneration Fund

The Creating Momentum Regeneration Fund has been designed by DCL to support community and business projects which contribute to New Brighton's regeneration.

Already, it has resulted in some fun, exciting projects breathing life into New Brighton including:

**Imagination Station** A two month pop-up in Carnaby Lane featuring all the fun and activities for kids that have made their central city location such a success.

**Carnaby Lane Revitalisation Project** Supporting local business owners and landlord plans to revitalise the lane with new murals, planter boxes, and seating.

**Community-led Events** Rockabilly Show and Shine, the Duke Festival of Surfing, and the Canterbury Men's Surfing Championships.

**New Brighton Online** A community run online directory of local businesses and things for visitors to do in New Brighton.

**The Good Shop** An exciting social enterprise selling artisan goods and hosting a variety of community workshops.

**New Brighton Business and Landowners' Association** branding and website upgrade.

**Artisan Emporium** Marketing and advertising for a collective of small businesses at 105.

**ARGO Beach Co-working** Funding for three six-month full time scholarships will contribute to expanding New Brighton's knowledge economy, and provide support for entrepreneurs in the East.

## Imagination Station

In the first 2 weeks we've had about 700 people come through, 70% of whom were in NB specifically for Imagination Station and 78% were continuing on to shop in New Brighton after being at Imagination Station. A number of existing events also contribute to the revitalisation of New Brighton.

**Sam Butcher, Director – Imagination Station**

## Revitalising the commercial core

The creation of a bustling commercial core with convenience, niche and leisure retail is key to the regeneration of New Brighton.

DCL's role is to find opportunities for investors, work through the Council to address any challenges, and help smooth the process for development in New Brighton's commercial core.

The outcome will depend on the role that private investors play in the commercial revitalisation, but already it is clear that the current core is too large to support bustling business activity and that aging properties and public amenities will need to be revamped.

DCL is talking with a range of landowners and tenants to push the commercial revitalisation forward.

DCL has partnered with the New Brighton Business and Landowners' Association (NBBLA) to support local leadership and engage the private sector in New Brighton's regeneration.

## Community Engagement

DCL ran a four week long engagement process to gather community feedback on concept designs for the Beachside Playground which were released in June.

For three weekends, staff from DCL ran a market stall for at the Saturday Seaside Market, speaking with community and handing out copies of the concept design and feedback forms. Four public drop-in sessions were also held at the Regeneration Hub on Carnaby Lane.



# The Board



## Bill Dwyer – Chairman

Bill is a commercial lawyer who is currently practising as a sole practitioner but for many years was the managing partner of Lane Neave. He brings a wealth of knowledge and experience as a director and is the founding Chair.



## Darren Wright

Darren has broad governance experience in a variety of community oriented initiatives has been a member and chair of various Ministerial earthquake recovery forums. Most recently he was a member of the Jenny Shipley led Advisory Board for Transition to Long Term Recovery.

Darren has property development and investment experience on developments in the suburbs and understands the challenges of commercial redevelopment.



## Dr. Jane Gregg

Jane is currently the Executive Director of Life in Vacant Spaces (LiVS) which exists to activate vacant sites and buildings around Christchurch.

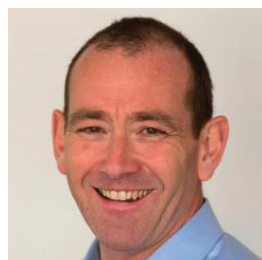
She is a trustee of the Christchurch Arts Festival and has strong community linkages and is experienced in community engagement and building stakeholder links.



## Matt Russell (Intern Director)

Matt has built a successful career in infrastructure and project management. Currently Senior Project Manager at Savills, Matt has also worked as a Director at Harbour Wind Ltd and in various positions at Fulton Hogan and Christchurch City Council.

Matt was selected as an Intern Director through the CCHL Director Internship Programme.



## Peter Houghton

Peter has a background in investment banking at an international level.

He is currently a consultant and member of the Financial Advisors Disciplinary Committee of the Financial Markets Authority.



## Rob Hall – Chief Executive Officer

Rob was born in Christchurch and attended Papanui High School. He is a chartered surveyor and chartered water and environment manager with a post graduate diploma in surveying, having worked extensively overseas.

He returned to Christchurch in 2012 with his wife and two children. While in the UK he directed a number of global capital projects from concept to completion. In 2011 Rob led his department to win the UK Construction Awards for outstanding client organisation.

Prior to working in the development sector, Rob served in the Royal New Zealand Navy where he reached the rank of Lieutenant Commander in 2001, including serving as commanding officer of HMNZS Takapau. He participated in peace support operations in Bougainville in 1990 and helped in Western Samoa recovery efforts in late 1991 after Cyclone Val.

He was also part of a multinational team surveying in Antarctica to improve knowledge of the region and the effects of climate change. Rob spent three years serving as a trustee on the Board of the Art's Centre of Christchurch after the earthquakes.

He most recently served in senior management roles with both Heritage New Zealand and the Christchurch City Council.



## Fiona Mules

Fiona is a self-employed independent consultant with a specialty in government related projects.

Fiona was previously the head of the Public Private Partnership programme in the National Infrastructure Unit of Treasury and is recognised for her knowledge and expertise in this area. Fiona is currently on the National Infrastructure Advisory Board.

# Financial statements

For the year ended 30 June 2017

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## Statement of responsibility

The Board is responsible for the preparation of Development Christchurch Ltd’s financial statements and for the judgements made in them.

The Board of Development Christchurch Ltd 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.

In the Board’s opinion, the financial statements fairly reflect the financial position and operations of Development Christchurch Ltd for the year ended 30 June 2017.

Signed on behalf of the Board.



pp Bill Dwyer  
Chair  
7 August 2018



Peter Houghton  
Director  
7 August 2018

**Statement of comprehensive revenue and expense**  
for the year ended 30 June 2017

	Note	2017 \$'000	2016 \$'000
Operating and other revenue	3	4,317	275
Operating expenses	4	(4,516)	(1,509)
<b>Surplus/(deficit) before interest, tax, depreciation and amortisation</b>		(199)	(1,234)
Depreciation	9	(32)	–
Share of associate's surplus/(deficit)	8b	(260)	–
<b>Surplus/(deficit) before interest and tax</b>		(491)	(1,234)
Finance income		22	5
<b>Net finance income</b>		22	5
<b>Surplus/(deficit) before income tax expense</b>		(469)	(1,229)
Income tax expense/(credit)	5	(8)	–
<b>Surplus/(deficit) for the period</b>		<b>(461)</b>	<b>(1,229)</b>
Total comprehensive revenue and expense for the period		<b>(461)</b>	<b>(1,229)</b>
Total comprehensive revenue and expense attributable to <b>Christchurch City Holdings Limited</b>		<b>(461)</b>	<b>(1,229)</b>

**Statement of financial position**  
as at 30 June 2017

	Note	2017 \$'000	2016 \$'000
<b>Non-current assets</b>			
Investments	8	1,300	2,000
Property, plant and equipment	9	213	2
Total non-current assets		1,513	2,002
<b>Current assets</b>			
Cash and cash equivalents	6	307	285
Trade and other receivables	7	576	381
Current Tax asset	5	9	–
Total current assets		892	666
Total assets		2,405	2,668
<b>Current liabilities</b>			
Creditors and other liabilities	10	595	397
Current Tax liabilities	5	–	–
Total current liabilities		595	397
Total liabilities		595	397
Net assets		<b>1,810</b>	<b>2,271</b>
<b>Equity</b>			
Capital and other equity instruments	12	3,500	3,500
Retained earnings		(1,690)	(1,230)
Total equity		<b>1,810</b>	<b>2,270</b>

The accompanying notes form an integral part of these financial statements and should be read in conjunction with them.

The accompanying notes form an integral part of these financial statements and should be read in conjunction with them.



## Statement of changes in equity

for the year ended 30 June 2017

	Note	Share capital \$'000	Retained earnings \$'000	Total \$'000
<b>Balance as at 1 July 2015</b>		–	–	–
Total comprehensive revenue and expenses for the period		–	(1,229)	(1,229)
Share issue – ordinary shares		3,500	–	3,500
<b>Balance as at 30 June 2016</b>		<b>3,500</b>	<b>(1,229)</b>	<b>2,271</b>
Total comprehensive revenue and expenses for the period		–	(461)	(461)
Share issue – ordinary shares	12	–	–	–
<b>Balance as at 30 June</b>		<b>3,500</b>	<b>(1,690)</b>	<b>1,810</b>

## Statement of cash flows

for the year ended 30 June 2017

	Note	2017 \$'000	2016 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers and other sources		4,034	–
Interest received		22	5
Payments to suppliers and employees		(3,791)	(1,218)
Interest and other finance costs paid		–	–
Net cash from operating activities	14	265	(1,213)
<b>Cash flows from investing activities</b>			
Payment for property, plant and equipment		(243)	(2)
Payment for investments	13	–	(2,000)
Net cash from investing activities	8	(243)	(2,002)
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		–	3,500
Net cash provided by financing activities	12	–	3,500
Net increase in cash and cash equivalents		22	285
Cash and cash equivalents at beginning of year		285	–
Cash and cash equivalents at end of year		<b>307</b>	<b>285</b>

The accompanying notes form an integral part of these financial statements and should be read in conjunction with them.

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Notes to the financial statements  
for the year ended 30 June 2017

1 Background and significant events during the year

DCL is a wholly-owned subsidiary of Christchurch City Holdings Ltd (CCHL), which in turn is a wholly-owned subsidiary of Christchurch City Council (the Council).

The Company's business was established in July 2015 following a Council resolution passed in April 2015. The 2016/17 financial year largely encompassed the DCL's initial operating phase, with key tasks such as the development of a Statement of Intent and business plan, development of governance policies being completed. The Company also undertook a number of operational projects as outline in the Chief Executive's review.

DCL's core role is to provide the Council with the increased strategic capacity that arises from its commercial focus and commitment to engage effectively with developers, investors, businesses and other stakeholders. DCL is intended to be a streamlined organisation providing high-quality advice and services to the Council across three areas – Strategic Advice; Development Management; and Engagement and Investor Relations.

2 Use of judgements and estimates

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

No judgements or estimates made are considered to be critical in relation to these financial statements.

Profit and Loss Information

3 Operating revenue

	Note	2017 \$'000	2016 \$'000
Services income		3,285	–
Project costs on-charged to Christchurch City Council		1,032	275
		4,317	275

Accounting policy – revenue

Revenue is recognised when the amount of revenue can be measured reliably and it is probable that economic benefits will flow to the Company, and measured at the fair value of consideration received or receivable.

The Company does receive revenue from Council for non-exchange transactions.

**Undertaking development management activities where a budget has been allocated to the Company by the Council**

Revenue from services rendered is recognised in surplus or deficit in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to a survey of work performed at reporting date.

**Dividends**

Income from dividends is recognised when the Company's right to receive payment is established, and the amount can be reliably measured.

**Rental income from sub-lease of operating leases**

Rental income from sub-lease of operating leases is recognised in surplus or deficit on a straight-line basis over the term of the lease.

4 Operating costs

	Note	2017 \$'000	2016 \$'000
Salaries and wages		1,472	88
Defined contribution plan employer contributions		39	2
Total personnel costs		1,511	90
Audit fees	4a	20	15
Directors' fees		217	34
Other operating expenses		2,768	1,370
		4,516	1,509

4(a) Remuneration of auditors

<b>Audit New Zealand</b>			
Audit of the financial statements		20	15
<b>Total</b>	4	20	15



**Notes to the financial statements**  
for the year ended 30 June 2017

**5 Income taxes**

**5(a) Components of tax expense**

	Note	2017 \$'000	2016 \$'000
Current tax expense/(income)		(8)	–
Deferred tax expense/(income)		–	–
<b>Total tax expense/(income)</b>		<b>(8)</b>	<b>–</b>

**5(b) Reconciliation of prima facie income tax**

Profit/(loss) before tax	(468)	(1,229)
Tax at statutory rate of 28%	(131)	(344)
Non-deductible expenses	123	344
Tax loss not recognised as deferred tax asset	–	–
<b>Total tax expense/(income)</b>	<b>(8)</b>	<b>–</b>

Costs associated with DCL’s establishment phase in FY2016 have been treated as non-deductible, except to the extent that they have been able to recovered through invoicing the Council. Hence no tax losses have been recorded.

There are no timing differences of any significance (2016: \$Nil).

**Imputation credits**

No imputation credits are available for use in subsequent reporting periods (2016: nil).

**Accounting policy – income tax**

Income tax expense includes current tax and deferred tax.

Current tax is the amount of income tax payable based on the taxable surplus for the current year, plus any adjustments to income tax payable in respect of prior years. Current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted at balance date.

The tax currently payable is based on taxable profit for the reporting period. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items recognised directly in equity, in which case the tax is also recognised directly in equity.

## Notes to the financial statements

for the year ended 30 June 2017

### Assets and Liabilities

#### 6 Cash and cash equivalents

	Note	2017 \$'000	2016 \$'000
Cash on hand and at bank		307	285
		<b>307</b>	<b>285</b>

All cash is held with Bank of New Zealand. The interest rate as at 30 June 2017 was 2.25% (2016: 2.25%).

##### Accounting policy – cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

#### 7 Trade and other receivables

Related party receivables	486	317
Prepayments	–	30
Other receivables	60	–
GST receivable	30	34
	<b>576</b>	<b>381</b>

##### Accounting policy – trade and other receivables

Trade and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Impairment of a receivable is established when there is objective evidence that the Company will not be able to collect amounts due according to the original terms of the receivable.

#### 8 Investment in Associate

	Note	2017 \$'000	2016 \$'000
<b>DCL</b>			
Investment in Leisure Investments New Zealand Partnership		1,300	2,000
Equity Accounted carrying amount		2,000	–
Share of associates profits/(losses)		(260)	–
Carrying value before impairment		1,740	–
Impairment in Associate		(440)	–
Carrying value after impairment		<b>1,300</b>	–
<b>Summarised financial information of associate presented on a gross basis</b>			
Assets		20,745	–
Liaibilities		10,443	–
Revenues		3,367	–
Surplus/(deficit)		(1,816)	–
Groups interest		14.29%	–
Share of associates contingent liabilities incurred jointly with other investors		–	–
Contingent liabilities that arise because of severable liability		–	–

Leisure investments New Zealand partnership is an unlisted company

Christchurch Adventure Park, has the ambition of becoming the pre-eminent mountain bike and adventure centre in the Southern Hemisphere. It has the potential to become an 'anchor' tourist attraction for Christchurch and stimulate economic activity across the local and South Island economies.

At the request of the Council, and after performing appropriate due diligence, DCL invested \$2m into Leisure Investments NZ Limited Partnership (LINZ LP). This investment was funded by a \$2m equity injection from CCHL.

The limited partners, through LINZ LP, have a proportionate interest in, and governance oversight over, Port Hills Leisure Ltd, the general partner, which leases the land and owns the assets being developed for the Christchurch Adventure Park. DCL's shareholding represents a 14.29% ownership interest. DCL has the right to appoint one director to LINZ LP.

The Christchurch Adventure Park opened in December 2016, but unfortunately suffered damage as a result of the Port Hills Fires that occurred in February 2017. Damage was suffered to the chairlift, zip lines, and biking trails and the park remained temporarily closed until reopening of 5 December 2017. The park initially reopened with reduced bike trails, because of remediation of other trails still occurring.



## Notes to the financial statements

for the year ended 30 June 2017

As a result of the closure and damage DCL has impaired its investment in this asset utilising a discounted cash flow model. The model is based on the forecast cash flows which represent DCL's best estimate of future cash flows, and are sufficiently robust for use in the impairment assessment.

There is uncertainty over future operating cash flows used in the discounted cash flow model. This is due to the short period of operating performance since the reopening of the park used in the model.

The key assumptions applied to the model were a Weighted Average Cost of Capital rate of 12%, based on 15% Cost of Equity, and an adjusted revenue growth rate of 10% for years 2018-2020 with a terminal growth rate of 2% after.

The impairment calculations also remain sensitive to changes in key assumptions. The below table demonstrates, the change in carrying value as a result of an incremental change in assumption:

<b>Change in WACC</b>	<b>-1%</b>	<b>+1%</b>
Impact on carrying value of associate	\$269,960	-\$210,939
<b>Change in growth rate 2018-2020</b>	<b>-1%</b>	<b>+1%</b>
Impact on carrying value of associate	-\$17,500	\$17,500
<b>Change in growth rate terminal growth</b>	<b>-0.5%</b>	<b>+0.5%</b>
Impact on carrying value of associate	-\$78,435	\$86,663

LINZ LP has a balance date of 31 March 2017. The equity accounted carrying amount has been adjusted for significant transactions occurring between 1 April 2017 and 30 June 2018. An adjustment was made for the payment of \$1.869 million of insurance proceeds received within the 3 month period.

### Accounting Policy – Investments in associate

An associate is an entity over which the company has significant influence that is neither a subsidiary nor an interest in a joint venture. The Company's associate investment is accounted for in the parent financial statements using the equity method. The investment in associate is initially recognised as cost and the carrying amount in the parent financial statement's is increased or decreased to recognise the company's share of the surplus of deficit of the associate after the date of acquisition. Distributions received (if any) from the associate reduce the carrying amount of the investment in the parent financial statements.

If the share of deficits of the associate equal or exceeds its interest in the associate, the company discontinues recognising its share of further deficits. After the company's interest is reduced to zero, additional deficits are provided for, and a liability is recognised, only to the extent that the company has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports surpluses, the company will resume recognising its share of those surpluses only after its share of the surpluses equals the share of deficits not recognised.

Where the company transacts with the associate, surpluses or deficits are eliminated to the extent of the company's interest in the associate.

## 9 Property, plant & equipment

Note	2017 \$'000	2016 \$'000
<b>Cost</b>		
Opening balance	2	–
Additions (computers)	243	2
Closing balance	<b>245</b>	<b>2</b>
<b>Depreciation</b>		
Opening balance	–	–
Depreciation for year	(32)	–
Closing balance	<b>(32)</b>	–
Carrying amount	<b>213</b>	<b>2</b>

	Freehold land	Buildings	Plant & Equipment	Electricity distribution system	Specialised Assets	Work in progress	Total
<b>Gross carrying amount 30 June 2017</b>							
Cost/valuation at start of period	–	–	2	–	–	–	2
Additions	–	–	243	–	–	–	243
Additions through business combinations	–	–	–	–	–	–	–
Disposals	–	–	–	–	–	–	–
Impairment of land	–	–	–	–	–	–	–
Net movements in work in progress	–	–	–	–	–	–	–
Re-classified as held for sale	–	–	–	–	–	–	–
Net revaluation increments/(decrements)	–	–	–	–	–	–	–
Net foreign currency exchange differences	–	–	–	–	–	–	–
Transfers	–	–	–	–	–	–	–
<b>Cost/valuation at end of period</b>	<b>–</b>	<b>–</b>	<b>245</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>245</b>
<b>Accumulated depreciation</b>							
Accumulated depreciation/impairment at start of period	–	–	–	–	–	–	–
Disposals	–	–	–	–	–	–	–
Net adjustments from revaluation increments/(decrements)	–	–	–	–	–	–	–
Re-classified as held for sale	–	–	–	–	–	–	–
Impairment losses charged to income statement	–	–	–	–	–	–	–
Reversal of impairment losses charged to income statement	–	–	–	–	–	–	–
Depreciation expense	–	–	(32)	–	–	–	(32)
Net foreign currency exchange differences	–	–	–	–	–	–	–
Transfers and other	–	–	–	–	–	–	–
Accumulated depreciation/impairment at end of period	–	–	<b>(32)</b>	–	–	–	<b>(32)</b>
<b>Carrying amount at 30 June 2017</b>	<b>–</b>	<b>–</b>	<b>213</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>213</b>

The accompanying notes form an integral part of these financial statements and should be read in conjunction with them.

The accompanying notes form an integral part of these financial statements and should be read in conjunction with them.

Notes to the financial statements  
for the year ended 30 June 2017

Accounting policy – property, plant and equipment

Property, plant and equipment asset classes currently comprise computer equipment and office fixtures and fittings. Assets are shown at cost less any accumulated depreciation and impairment losses.

Additions

The cost of an item is recognised as an asset only when it is probable that the future economic benefits or service potential associated with the item will flow to the Company and the cost of the item can be measured reliably.

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 included in profit or loss.

Depreciation

Depreciation is provided on a straight-line basis at rates that will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows.

Fixtures and fittings	5 years	20%
Computer equipment	3 years	33%

The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial period end. The depreciation rate was adjusted for Fixtures and Fittings (2016: 10%) to adjust the useful life to align with the leasehold commitments they are related to.

Impairment of non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts might not be recoverable. An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell and value in use.

If an asset’s carrying amount exceeds its recoverable amount, the asset is impaired and the carrying amount is written down to the recoverable amount.

10 Creditors and other payables

Note	2017 \$’000	2016 \$’000
Trade payables and accrued expenses	438	390
Employee entitlements	157	7
	595	397

Creditors and other payables are non-interest bearing and are normally settled on 30-day terms.

Accounting policies – creditors and other payables,  
employee entitlements and GST

Creditors and other payables

Creditors and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

Employee entitlements

Employee entitlements that the Company expects to be settled within 12 months of balance date are measured at undiscounted nominal values based on accrued entitlements at current rates of pay.

Goods and services tax

All items in the financial statements are presented exclusive of goods and services tax (GST), except for receivables and payables, which are presented on a GST-inclusive basis. Where GST is not recoverable as input tax, it is recognised as part of the related asset or expense.

Financial Risk Management

11 Financial Risk Management

The Company’s activities expose it to a variety of financial instrument risks, including liquidity risk, interest rate risk and credit risk. The Company has a series of policies to manage the risks associated with financial instruments and seeks to minimise exposure from financial instruments. These policies do not allow any transactions that are speculative in nature to be entered into.

11(a) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty raising liquid funds to meet commitments as they fall due. To date the Company’s primary mechanism for managing liquidity risk has been through issuing shares to CCHL to fund ongoing operations, and to invoice the Council for projects for which the Council has approved a specific budget. CCHL has also provided DCL with a letter of comfort that enables DCL to enter into medium to long term commitments.

The Council has provided in its most recent Annual Plan a mandate to provide up to \$3m of funding per annum over the next five years, which will fund DCL’s core operations. Additionally, a Memorandum of Understanding currently being progressed with the Council will assist in providing a framework for putting in place funding arrangements for future projects. Negotiation a formal funding agreement in the 2017 financial year has taken place and is ongoing.

In meeting its liquidity requirements, the Company maintains a target level of cash which is available within specified timeframes.



## Notes to the financial statements

for the year ended 30 June 2017

### Contractual maturity analysis of financial liabilities

The following table analyses the Company's financial assets and liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows. The contractual undiscounted amounts are equal to the carrying amounts.

	Balance Sheet \$'000	Contractual cash flows \$'000	Less than 1 year \$'000	1-2 years \$'000	2-5 years \$'000	5 years+ \$'000
<b>30 June 2017</b>						
Cash, cash equivalents and deposits	307	307	307	–	–	–
Debtors and other receivables	576	576	576	–	–	–
Creditors and other payables	(595)	(595)	(595)	–	–	–
	<b>288</b>	<b>288</b>	<b>288</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>30 June 2016</b>						
Cash, cash equivalents and deposits	285	285	285	–	–	–
Debtors and other receivables	351	351	351	–	–	–
Creditors and other payables	(397)	(397)	(397)	–	–	–
	<b>239</b>	<b>239</b>	<b>239</b>	<b>–</b>	<b>–</b>	<b>–</b>

### 11(b) Interest rate risk

#### Fair value interest rate risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate owing to changes in market interest rates. The Company's exposure to fair value interest rate risk is limited to its bank balances. Because these are not accounted for at fair value, fluctuations in interest rates do not have an impact on the profit/loss of the Company or the carrying amount of the financial instruments recognised in the statement of financial position.

#### 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. At call cash deposits and borrowings (where applicable) at variable interest rates expose the Company to cash flow interest rate risk.

#### Sensitivity analysis

Given the relatively small size of cash holdings, a 100 basis point increase or decrease in interest rates would have had an insignificant impact on the results (2016: \$Nil).

### 11(c) Credit risk

Credit risk is the risk that a third party will default on its obligation to the Company, causing the Company to incur a loss. Credit risk arises in the Company from exposure to counterparties from trade and other receivables and cash deposits.

The Company invests surplus cash with major registered trading banks and limits exposure to any one institution.

The Company's maximum credit exposure for each class of financial instrument is represented by the total carrying amount of cash and cash equivalents (Note 6) and trade and other receivables (Note 7). There is no collateral held as security against these financial instruments and no instruments are overdue or impaired.

All receivables have been reviewed and are considered to be fully collectible.

## Other Disclosures

### 12 Share capital

	Note	2017 \$'000	2016 \$'000
Opening balance		3,500	–
Shares issued to CCHL for:			
Core funding		–	1,500
Christchurch Adventure Park	8	–	2,000
Closing balance		<b>3,500</b>	<b>3,500</b>
3,500,000 fully paid ordinary shares		3,500	3,500
		<b>3,500</b>	<b>3,500</b>

Ordinary shares have no par values

There were no costs associated with share issues (2016: nil).

### Capital management

The Company's capital is its equity, which comprises retained earnings and share capital. Equity is represented by net assets. The Company manages its equity as a by-product of prudently managing revenues, expenses, assets, liabilities, investments and general financial dealings to ensure the Company effectively achieves its objectives and purpose, whilst remaining a going concern.

### Accounting policy – equity instruments

An equity instrument is any contract that provides a residual interest in the assets of the Company after deducting the Company's liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of any direct issue costs.

Notes to the financial statements  
for the year ended 30 June 2017

13 Related party disclosures

Identification of related parties

CCHL is the 100% shareholder of DCL. The ultimate controlling entity is Christchurch City Council (CCC).

The Chairman of DCL, Bill Dwyer, is a director of:

- › Regenerate Christchurch Ltd, an entity jointly owned by the Council and the Crown
- › Lyttelton Port Company Ltd, a subsidiary of CCHL
- › CCHL, the 100% owner of DCL. Bill Dwyer’s last day as the director of CCHL was 18 August 2016.

During the course of its business, DCL has engaged with a number of group entities, including CCC, CCHL, Canterbury Development Corporation, Christchurch International Airport Ltd and Christchurch and Canterbury Tourism regarding the development of strategies and other operating matters.

Significant transactions and balances with related entities

	Note	2017 \$'000	2016 \$'000
<b>Transactions during the year</b>			
Shares issued to CCHL	(i)	–	3,500
Services purchased from CCHL	(ii)	21	47
Invoiced to CCC	(iii)	1,032	275
Services provided to CCC	(iv)	3,318	–
<b>Balances at end of year</b>			
Amounts owed by CCC	(v)	255	317
Subvention payments receivable		–	–

- (i) No Shares were issued in 2017.
- (ii) Services purchased from CCHL relate to staff time.
- (iii) DCL has invoiced CCC for \$1,032K (\$1,187K inc.GST) in relation to costs incurred in the 2017 financial year in respect of the New Brighton High level Implementation Plan, Saltwater Pool and Promenade projects.
- (iv) DCL performed a range of advisory and other services for the Council during the year. The cost of providing these services has been funded through \$3m per annum for its core operations from Council.
- (v) This represents the amount due from CCC in respect of the invoice for New Brighton costs referred to in (iii) above

Other related party disclosures

DCL enters into various transactions with the Council and related Council organisations. These transactions occur within a normal supplier or client relationship on terms and conditions no more or less favourable than those that it is reasonable to expect DCL would have adopted if dealing with those entities at arms-length in the same circumstances. These have not been disclosed as related party transactions.

14 Reconciliation of profit to net cash operating flows

	Note	2017 \$'000	2016 \$'000
Profit for the year		(461)	1,229
<b>Add/(less) non-cash items</b>			
Depreciation, impairment and share of associated deficit	9	732	–
		732	–
<b>Add/(less) movement in working capital items</b>			
Debtors, prepayments and other current assets		(195)	(381)
Creditors and other liabilities		190	397
		(5)	16
<b>Net cash used in operating activities</b>		<b>266</b>	<b>(1,213)</b>

15 Classification of assets and liabilities

<b>Loans and receivables</b>			
Cash and cash equivalents	6	307	285
Trade and other receivables	7	576	381
		<b>883</b>	<b>666</b>
<b>Financial liabilities measured at amortised cost</b>			
Creditors and other payables	10	595	397
		<b>595</b>	<b>397</b>

Notes to the financial statements  
for the year ended 30 June 2017

16 Performance against Statement of Intent targets

The company’s Statement of Intent for the 2017 financial year set out a number of performance targets, achievement of which is set out in the following tables:

Strategic/Governance objectives

	Objective	Performance target 2016-17	Status
1	DCL maintains a strategic direction that is consistent with that of 100% shareholder Christchurch City Holdings Ltd (CCHL) and the Council.	<b>Target 1</b> DCL will adopt policies, plans and strategies that are consistent with the Council's requirements.	DCL's Business Plan for FY2017/18 and Statement of Intent (Sol) was completed and reviewed by Christchurch City Holdings Limited (CCHL) and has been submitted to Council for adoption. Current policies are up to date and staff continue to review our policy requirements on an ongoing basis.
		<b>Target 2</b> DCL will submit a draft Sol for 2017/18 for approval to CCHL by 1 March 2017.	Draft sent 28th February 2017.
2	DCL keeps its owners informed of all significant matters relating to DCL.	<b>Target 3</b> DCL will meet and provide quarterly updates to the S&F Committee and will provide a quarterly report to CCHL, and advise any major matters of urgency to its owners at the earliest opportunity.	The Quarterly reports are provided to CCHL. DCL is reporting to Finance and Performance Committee every two months. The next meeting report will be presented on 2 August 2017. A general summary of activity is sent via email every Friday.
3	Corporate governance procedures are appropriate, documented and reflect best practice.	<b>Target 4</b> The Board will develop appropriate and comprehensive corporate governance policies and procedures.	Policy drafts and updates are reviewed by the Audit and Risk committee and then approved by the Board.
4	Management are tasked with working collaboratively with Council and Crown entities	<b>Target 5</b> DCL will agree an aligned set of objectives with Regenerate Christchurch.	<p>The Chair of DCL meets regularly with the Chair of Regenerate Christchurch regarding the alignment of objectives and activities. The two respective CEO's meet weekly and have aligned establishment and relevant project work. The Regenerate Christchurch Sol for FY 2017/18, clarifies objectives and roles with respect to New Brighton.</p> <p>A regular joint agency Communications meeting has been set up (DCL, CCC, RC, Ōtākaro &amp; DPMC) to co-ordinate communications efforts across all the regeneration entities.</p> <p>The Chief Executives from DCL, Council, Ōtākaro, Regenerate Christchurch and DPMC meet fortnightly (City Executive meetings).</p>
		<b>Target 6</b> DCL will engage effectively with Council Executive in regard to its business plan through the annual planning process.	DCL have worked with CCC staff on relevant information for the Annual Plan. DCL management work collaboratively with the Council executive in achieving the DCL business plan.

Strategic objectives

	Objective	Performance target 2016-17	Status
1	<b>Development Management</b> <b>The company:</b> Takes a pro-active approach to development through the use of Council-owned land and other non-financial levers	<b>Peterborough Quarter</b> <b>Target 7</b> DCL will lead a Development Management process that seeks a development partner for Council land in the Peterborough Quarter within the Central City.	DCL continues to partner with Peterborough Quarter Limited on the proposed development for this site.  The project is in a feasibility stage and project budgets and timelines are being developed as part of this process.
			Achieved and ongoing
	<b>Supports the implementation of suburban master-plans and attracts private sector and community-based investment</b>	<b>New Brighton</b> <b>Target 8</b> DCL will lead the revitalisation of the New Brighton commercial core and the attraction of new investment.	DCL has completed a business case for the Hot Salt Water Pools. These have been fully funded by Council for delivery by DCL in FY18 and FY19.
		<b>Christchurch Adventure Park</b> <b>Target 9</b> DCL will provide oversight and assurance at a governance level of the Council's investment and underwrite of the Christchurch Adventure Park.	DCL has continued to provide a governance role for Port Hills Leisure Limited, manage DCL's investment and provide advice to Council regarding its underwrite.
		<b>Target 10</b> DCL will work with the Council to progress other development projects or disposal/development of surplus CCC land which has the potential to deliver on the City's vision, provide value for money and require support from the Council.	DCL has developed a Land Development Strategy which underpinned the approval of transfer of three parcels of land from the Council to DCL on 12 June 2017. No other projects have been progressed at 30 June 2017.
2	<b>Investor Relations and Engagement</b>	<b>Target 11</b> DCL will lead (in partnership with the Council, Christchurch NZ (formerly Christchurch Development Corporation and Christchurch and Canterbury Tourism) , and Regenerate Christchurch and others) the development of an 'Investor Ready City' strategy	Strategy has been agreed with Christchurch NZ (formerly Christchurch Development Corporation and Christchurch and Canterbury Tourism), including future iterations that will respond to market changes.

The accompanying notes form an integral part of these financial statements and should be read in conjunction with them.

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## Notes to the financial statements

for the year ended 30 June 2017

	Establishes credible mechanisms that enable early engagement, effective advocacy and strong working partnerships with private sector, not-for-profit and community groups active in areas of development interest to DCL.	<b>Target 12 Leadership of Investment activity across Christchurch</b>	Agreed an Investor triage process with institutional partners, primarily Christchurch NZ (formerly Christchurch Development Corporation and Christchurch and Canterbury Tourism), CCC, Ōtakaro, Regenerate Christchurch and NZTE.  Identify forms if investment required to support the Christchurch Economic Development Strategy (CEDS) with Christchurch NZ (formerly Christchurch Development Corporation and Christchurch and Canterbury Tourism).
	Objective	Performance target 2016-17	Status
	Assists Regenerate Christchurch and the Council in promoting the 'shared value' benefits that arise from successful regeneration activities.	<b>Target 13</b> DCL will develop and maintain a credible and effective Engagement Framework.	Fortnightly meetings with CCC, Ōtakaro Ltd and Regenerate Christchurch to ensure coordination and sharing of information continue with positive relationships.  DCL has partnered with Regenerate Christchurch across the New Brighton and central city work streams.  Community engagement in New Brighton is working effectively – development of stronger levels of trust evident.
<b>3</b>	<b>Strategic/Commercial Advice</b> The Council has confidence that the separation of political and commercial decision-making not only retains a clear alignment with CCC's hierarchy of Strategies and Plans but also enhances its ability to engage with other public sector and private sector entities.	<b>Target 14</b> Act as the Council's commercial lead on the proposed new anchor project steering/governance groups	DCL has acted as the commercial lead for CCC on the Metro Sports Facility and the Performing Arts Precinct projects.
	The company provides strategic and commercial advice to the Council in relation to relevant development matters.	<b>Target 15</b> Support the Council's Chief Executive and Chief Financial Officer in their Anchor Project negotiations with Ōtakaro Limited.	DCL continues to support the Council in their strategic thinking as part of cost sharing negotiations with the Crown.
		<b>Target 16</b> Provide commercial/strategic advice to the Council on major capital projects.	DCL has provided strategic/commercial advice to Council across; > Metro Sports Facility/Health Precinct car parking > The Performing Arts Precinct > Suburban Masterplans > The Antarctic Precinct > The Metro Sports Facility > Housing

The accompanying notes form an integral part of these financial statements and should be read in conjunction with them.

## Financial and operational objectives

	Objective	Performance target 2016-17	Status
<b>1</b>	The company is financially sustainable	<b>Target 17</b> DCL will work with CCHL to finalise financial forecasts for the three years to 30 June 2019.	A financial model for DCL has been developed. The business plan includes five year forecasts from this model which have been provided to CCHL and incorporated into their own group financial model. The DCL financial model will be updated on an ongoing basis, with significant changes being reported to the Board as they occur.
<b>2</b>	Operational excellence	<b>Target 18</b> DCL will achieve a high level of satisfaction, as measured by relevant surveys and feedback, from those stakeholders that it has engaged with.	DCL has undertaken a customer survey during the year. DCL has received significant public feedback during public consultations on the transfer of land and with respect to work in New Brighton.
		<b>Target 19</b> DCL is committed to maintaining rigorous health and safety processes in accordance with accepted industry standards, and to establishing the reporting mechanisms appropriate to them.	A Health and Safety Policy was adopted by the Board in August 2016, following an internal and external (Work Safe NZ) review. Staff team meetings are commencing with a health and safety 'moment' to help develop a strong health and safety culture in DCL. DCL is a signatory to the Canterbury Rebuild Safety Charter. Internal reporting of incidents and near misses is in place. Some staff have attended first aid training and recent health and safety representative training.
<b>3</b>	Fit for purpose group policies	<b>Target 20</b> DCL will undertake a review of existing CCHL and Council group policies, and adopt a set of policies that are relevant to the activities of DCL and provide for the degree of transparency and accountability expected of DCL.	Policy drafts and updates are reviewed and by the Audit and Risk Committee and approved by the Board.

The accompanying notes form an integral part of these financial statements and should be read in conjunction with them.

Notes to the financial statements  
for the year ended 30 June 2017

17 Capital and operating lease commitments

	Note	2017 \$'000	2016 \$'000
<b>Operating Lease Commitments</b>			
Not more than one year		287	–
Later than one year but not more than five years		1,067	–
More than five years		–	–
		<b>1,354</b>	<b>–</b>

Operating Leave commitments

The Company leases buildings during the normal course of its business. The majority of these have a non-cancellable term of 60 months. The future aggregate minimum lease payments under non-cancellable operating leases are above.

Capital commitments

The company has no capital commitments (2016: nil)

18 Contingent liabilities and assets

DCL had no contingent liabilities or assets as at 30 June 2017 (2016: \$nil).

19 Events after the balance sheet dates

There were no significant events after the balance date requiring disclosure or adjustment in these financial statements.

Statement of Accounting Policies

20 Statement of Accounting Policies

Reporting entity

The reporting entity is Development Christchurch Ltd (DCL or the Company). It was incorporated on 22 January 2008 as CCHL 6 Ltd, and remained a non-trading company until 3 July 2015 when it changed its name to Development Christchurch Ltd and commenced operations from that date. DCL is a limited liability company incorporated in New Zealand under the Companies Act 1993, and is a public benefit entity.

DCL is a wholly-owned subsidiary of Christchurch City Holdings Ltd, itself a wholly owned subsidiary of Christchurch City Council.

These financial statements were approved by the Board of Directors on 7 August 2018.

Statement of compliance

The financial statements of the Company have been prepared in accordance with New Zealand generally accepted accounting practice (Public Benefit Entity International Public Sector Accounting Standards).

The financial statements have been prepared in accordance with Tier 2 Public Benefit Entity Standards and disclosure concessions have been applied. The Company is eligible to report in accordance with Tier 2 Standards on the basis that it does not have public accountability and is not a large for-profit public sector entity.

Basis of preparation

The financial statements have been prepared on an historical cost basis.

Functional and presentation currency

The financial statements are presented in New Zealand dollars, and all values are rounded to the nearest one thousand dollars (\$000). The functional currency of the Company is New Zealand dollars.

Accounting policies

Accounting policies are included in the individual notes to the financial statements, as follows:

	Note		Note
Property, plant and equipment	9	Trade and other receivables	7
Operating revenue	3	Creditors and other payables	10
Operating costs	4	Share capital	12
Income taxes	5	Classification of assets and liabilities	15
Cash and cash equivalents	6		

Notes to the financial statements  
for the year ended 30 June 2017

Changes in accounting policies and disclosures

There have been no changes in accounting policies. All policies have been applied on bases consistent with the prior year. The following standards may have an effect on future periods:

PBE IPSAS 39 – Employee Benefits

PBE IFRS 9 – Financial Instruments

Section 67 of the Local Government Act 2002 requires the board of a Council Controlled Organisation to deliver to its shareholders an audited annual report within 3 months of the end of the financial year. The annual report was delivered on 7 August 2018.

Statutory Information

Principal activities

The principal activity of DCL is providing high-quality advice and services to Christchurch City Council across three areas – Strategic Advice; Development Management; and Engagement and Investor Relations.

Directors’ interests

DCL maintains an interests register in which particulars of certain transactions and matters involving the directors are recorded. These are requirements under the Companies Act 1993. The following entries were recorded in the interests register during the year ended 30 June 2016.

Director

Bill Dwyer  
(Chairman)

Jane Gregg  
(appointed  
13 June 2016)

Peter Houghton  
(appointed  
13 June 2016)

Fiona Mules  
(appointed  
13 June 2016)

Darren Wright  
(appointed  
13 June 2016)

Directors’ Interests

Director Lyttelton Port Company  
Trustee Wavetree Trust  
Director Coconut Culture Ltd  
Director Regenerate Christchurch  
Director CCHL (ceased on 18 August 2016)

Executive Director Life in Vacant Spaces Charitable Trust  
Trustee and Co-Chair Christchurch Arts Festival Trust  
Trustee Arts Circus Charitable Trust  
Part owner Terraforma Stonemasonry and Landscape Design Ltd

Member Financial Advisers Disciplinary Committee

Director Soundgarden Holdings Ltd  
Director Garsington Investments Ltd  
Member National Infrastructure Advisory Board (effective 1 August 2016)  
Member Tāmaki Redevelopment Company Ltd - Large Scale Procurement Steering Group  
Member Capital Investment Panel – New Zealand Treasury  
Member Housing Infrastructure Fund Independent Assessment panel – Ministry of Business, Innovation and Employment  
Member Capability Project Board – Ministry of Defence

Director Wright Consulting Ltd  
Director Land Company Holdings Ltd  
Director UW Ltd  
Director Full Circle Management Ltd  
Trustee Committee for Canterbury  
Director of Resolutions Department of Prime Minister and Cabinet  
Board member Mainland Netball



Notes to the financial statements  
for the year ended 30 June 2017

Directors’ remuneration (accrued)

Bill Dwyer (Chairman)	\$76,667
Jane Gregg	\$35,000
Peter Houghton	\$35,000
Fiona Mules	\$35,000
Darren Wright	\$35,000

Attendances during the 2017 financial year

DCL Board	Board meetings (Total 11)
Bill Dwyer (Chairman)	11
Jane Gregg	11
Peter Houghton	9
Fiona Mules	10
Darren Wright	11

Key Management Personnel Compensation

The key management personnel include the CEO and his direct reports consisting of 4 (2016: 1) people.

Note	2017 \$’000	2016 \$’000
Salaries and other short term benefits	843	24
Post employment beefits	–	–
Termination benefits	–	–
	<b>843</b>	<b>24</b>

This excludes the Directors remuneration listed above.

Employee remuneration

During the year ended 30 June 2017, employee’s received compensation or other benefits exceeding \$100,000.

	Number of employees
130,000-140,000	1
160,000-170,000	1
180,000-190,000	1
190,000-200,000	1
300,000-310,000	1

Insurance

The Company has effected Directors’ and Officers’ Liability insurance. The Company indemnifies the Directors against costs and liabilities incurred by Directors for acts or omissions made in their capacity as Directors to the extent permitted by the Company’s Constitution and the Companies Act 1993.

Donations

No donations were made during the year.

Dividends

No dividends were paid during the year.

## Independent Auditor's Report

### To the readers of Development Christchurch Limited's financial statements and performance information for the year ended 30 June 2017

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

### Opinion

We have audited:

- the financial statements of the company on pages 14 to 31 and 36 to 41, that comprise the statement of financial position as at 30 June 2017, the statement of comprehensive revenue and expense, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of the company on pages 32 to 35.

In our opinion:

- the financial statements of the company on pages 14 to 31 and 36 to 41:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2017; 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 the Public Benefit Entity Standards Reduced Disclosure Regime.
- the performance information of the company on pages 32 to 35 presents fairly, in all material respects, the company's actual performance compared against the performance targets and other measures by which performance was judged in relation to the company's objectives for the year ended 30 June 2017.

Our audit was completed on 7 August 2018. This is the date at which our opinion is expressed.

The basis for our opinion is explained below, and we draw your attention to the uncertainties associated with the carrying value of the investment in Leisure Investments New Zealand Limited Partnership.

## Directory

### Shareholder

Christchurch City Holdings Ltd

### Location and Registered Office

Level 2  
181 High Street  
Christchurch 8011.  
New Zealand

**Web:** www.dcl.org.nz  
**Email:** info@dcl.org.nz  
**Phone:** 03 941 5992

### Auditor

The Auditor-General is the auditor pursuant to section 14 of the Public Audit Act 2001. Andy Burns of Audit New Zealand was appointed to perform the audit on behalf of the Auditor-General.

### Banker

Bank of New Zealand

### Legal advisers

Buddle Findlay  
Chapman Tripp

### Financial advisers

KPMG  
PricewaterhouseCoopers

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.

**Uncertainties associated with the carrying value of the investment in Leisure Investments New Zealand Limited Partnership**

Without modifying our opinion, we draw your attention to note 8 in the financial statements. This note describe how the value of the investment in the Leisure Investments New Zealand Limited Partnership has been determined and the uncertainties in measuring that value. These uncertainties include a number of key assumptions about the future operating cash flows of the investments that the Leisure Investments New Zealand Limited Partnership has made in a tourist attraction in the Christchurch area. We consider the disclosures to be adequate.

**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 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 that are fairly presented and that comply with generally accepted accounting practice in New Zealand. The Board of Directors is also responsible for preparing the performance information for the company.

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 the Board of Directors intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

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

**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.

We did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

As part of an audit in accordance with the Auditor-General’s Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company’s internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- We evaluate the appropriateness of the reported performance information within the company’s framework for reporting its performance.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company’s ability to continue as a going concern. If we conclude that a material uncertainty exists we are required to draw attention in our auditor’s report to the related disclosures in the financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the company to cease to continue as a going concern.



- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

## Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 2 to 13, 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.

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



Andy Burns  
Audit New Zealand  
On behalf of the Auditor-General  
Christchurch, New Zealand





# DCL

Development Christchurch Ltd.