



Annual Report

2017-2018

DCL

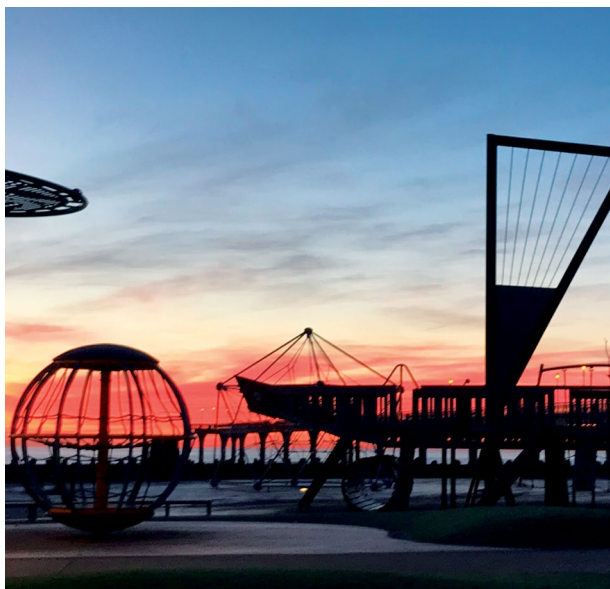
Development Christchurch Ltd.

Board Chair and Chief Executive Report

For the year ending 30 June 2018

Development Christchurch Limited (DCL) is a development agency that accelerates and unlocks development and investment opportunities with the aim of delivering exceptional social, economic and environmental outcomes for Christchurch's communities.

In our second year of operations, we have consolidated ourselves as an effective urban development agency. We have delivered the New Brighton 'wet' playground project quickly and within budget. At the end of the year, we extended our balance sheet by taking ownership of \$10.35m of property from Council alongside of our shareholding in the Christchurch Adventure Park (CAP).



Creating change through urban regeneration

Building on the DCL 2017 New Brighton Regeneration Implementation Plan, we have advanced the early stages of revitalising the seaside suburb. The New Brighton Regeneration Project includes the delivery of the hot water pools to complement the completed beachside playground, which we opened in December 2017. Our work has also involved working with property owners, businesses and the wider community towards a goal of revitalising New Brighton's commercial core, while incorporating improvements to public spaces, transport infrastructure and opportunities for residential development.



Success will require all the various aspects of the regeneration project to be advanced, in particular the attraction of private investment to support the revitalisation of the commercial centre. 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, which will add a valuable addition to the City. This year has seen confidence build on the back of the new playground opening and on the news that we have lodged resource consent for the hot pools, where we anticipate construction work getting underway in the coming year.

A valuable initiative that we successfully delivered on during the year was our Creating Momentum Regeneration Fund for New Brighton, which was a valuable mechanism to assist community and commercial entities undertake projects that contribute to regeneration. As part of this, we provided funding for Imagination Station, a Carnaby Lane revitalisation project, ARGO co-working scholarships, and a variety of community events.

This year saw the Bishopdale Regeneration Project get underway. A partnership approach to the regeneration of the area, which includes the development of short, medium and long term actions that focus on commercial activities, connectivity, movement, efficient land use and initiatives to create momentum. We are working closely with landowners on the future of currently vacant tenancies, potential expansion of the existing supermarket and the further development of the western end of the Mall. DCL undertook a shopper survey, tenant and landowner interviews and staff worked closely with the Council urban design and transport specialists on the development of a concept design for the area.

Unlocking development opportunities for others

An important role undertaken by DCL has been to lead the coordination of inbound investment to the city. A key challenge with this has been pairing investor appetite with easily executable opportunities that result in the sort of investment that Christchurch requires. DCL's role in this area is generally of a commercially sensitive nature that has involved making introductions and 'sign posting' opportunities to investors.

DCL works with other organisations to ensure the city develops a consistent strategy and implementation approach in this area. The heart of our strategy is in supporting the City to articulate a clear vision and narrative for the City. This assists in creating a clear understanding of the sort of investment Christchurch seeks and how we expect to successfully attract it.

An example of the work being done to attract investment is our work to date with developers in the area on and surrounding the old convention centre site. This development area provides opportunity to develop an exciting new urban form in this central city district that will contribute strongly to the growth and dynamism of our inner city.

CAP was re-opened in December 2017 after the devastating February 2017 Port Hills fires. The second half of the year has seen trading of the park below expectation, with a particularly wet winter causing challenges to the operation and expansion of riding trails.

During the year, we developed a toolbox of incentives to drive private sector investment in suburban commercial centres. This was informed by landowner and tenant interviews in three suburban centres; Linwood, Woolston and Lyttelton. Through this work we identified development opportunities in Lyttelton and have acted as the interface between Council and a developer to get a mixed use development in the heart of London Street underway. We continue to work in Lyttelton on development opportunities and with the Council and potential investors on the future use of the vacant school site.

Increased strategic capacity and capability for the Council

Our strong commercial focus and expertise, along with our commitment to quality proactive engagement with our communities and stakeholders, enhances the Council's capacity and capability as we provide professional services as required.

Our staff provided strategic advice to the Council on a variety of matters, including the implementation of the Suburban Centre Master Plans, central city car-parking, the Metro Sports Facility and Christchurch Adventure Park. We have also been heavily involved in supporting Council on other internal strategic and commercial issues and providing input into work being undertaken by Regenerate Christchurch as our skills complement their key work streams.

Looking forward

As we move into our third year of operation, the organisation will continue to work with the Council towards becoming financially self-sustaining through capitalisation of property where appropriate, whilst recycling capital where we can to accelerate urban development projects. Our work in New Brighton, Peterborough Street area, and our early re-imagining of the Milton Street site present exciting opportunities for the City, and it is important for the City's future that we deliver our ambition for them.



Bill Dwyer
Chairman
Development Christchurch Limited



Rob Hall
Chief Executive Officer
Development Christchurch Limited

The Board



Bill Dwyer – Chairman

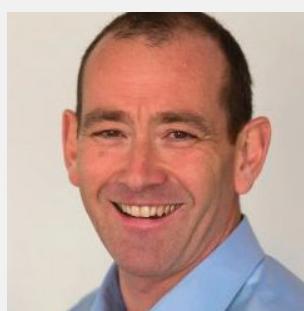
Bill is a commercial lawyer who is currently practising as a sole practitioner but for many years was the managing partner of Lane Neave. He brings a wealth of knowledge and experience as a director and is the founding Chair.



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.



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.



Darren Wright

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Darren has broad governance experience in a variety of community oriented initiatives and 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.



Fiona Mules

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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.



Rob Hall – Chief Executive Officer

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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.

Financial statements

For the year ending 30 June 2018

.....	
Statement of Responsibility	9
Statement of Comprehensive Revenue and Expense	10
Statement of Financial Position	11
Statement of Changes in Equity	12
Statement of Cash Flows	13
Notes to the Financial Statements	14
Profit and Loss Information	15
Assets and Liabilities	18
Financial Risk Management	23
Other Disclosures	25
Statement of Accounting Policies	33
Statutory Information	35
Directory	38
Independent Auditor's Report	39
.....	



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 2018.

Signed on behalf of the Board.

Bill Dwyer
Chair
29 July 2019

Peter Houghton
Director
29 July 2019

Statement of comprehensive revenue and expense

For the year ended 30 June 2018

	Note	2018 \$'000	2017 \$'000
Operating and other revenue	3	9,933	4,317
Operating expenses	4	(10,868)	(4,516)
Surplus/(deficit) before interest, tax, depreciation and amortisation		(935)	(199)
Depreciation	9(a)	(47)	(32)
Share of associate's surplus/(deficit)	8	357	(260)
Surplus/(deficit) before interest and tax		(625)	(491)
Finance income		65	22
Net finance income		65	22
Surplus/(deficit) before income tax expense		(560)	(469)
Income tax expense/(credit)	5	294	(8)
Surplus/(deficit) for the period		(854)	(461)
Total comprehensive revenue and expense for the period		(854)	(461)
Total comprehensive revenue and expense attributable to Christchurch City Holdings Limited		(854)	(461)



Statement of financial position

as at 30 June 2018

	Note	2018 \$'000	2017 \$'000
Non-current assets			
Investments	8	–	1,300
Property, plant and equipment	9(a)	166	213
Land inventory	9(b)	9,939	–
Deferred tax asset	5	136	–
Total non-current assets		10,241	1,513
Current assets			
Cash and cash equivalents	6	1,533	307
Trade and other receivables	7	322	576
Prepayments		40	–
Current tax asset	5	–	8
Total current assets		1,895	891
Total assets		12,136	2,404
Current liabilities			
Creditors and other liabilities	10	475	595
Current tax liabilities	5	357	–
Total current liabilities		832	595
Total liabilities		832	595
Net assets		11,304	1,809
Equity			
Capital and other equity instruments	12	13,849	3,500
Retained earnings		(2,545)	(1,691)
Total equity		11,304	1,809

Statement of changes in equity

for the year ended 30 June 2018

	Note	Share capital \$'000	Retained earnings \$'000	Total \$'000
Balance as at 1 July 2016		3,500	(1,229)	2,271
Total comprehensive revenue and expenses for the period		-	(461)	(461)
Share issue – ordinary shares		-	-	-
Balance as at 30 June 2017		3,500	(1,690)	1,810
Total comprehensive revenue and expenses for the period		-	(854)	(854)
Share issue – ordinary shares	12	10,349	-	10,349
Balance as at 30 June 2018		13,849	(2,544)	11,304



Statement of cash flows

for the year ended 30 June 2018

	Note	2018 \$'000	2017 \$'000
Cash flows from operating activities			
Receipts from customers and other sources		10,168	4,034
Interest received		65	22
Payments to suppliers and employees		(8,942)	(3,791)
Tax/subvention payments		(65)	-
Interest and other finance costs paid		-	-
Net cash from operating activities	14	1,226	265
Cash flows from investing activities			
Payment for land held as inventory	9(b)	(10,349)	(243)
Payment for investments		-	-
Net cash from investing activities		(10,349)	(243)
Cash flows from financing activities			
Proceeds from issue of shares	12	10,349	-
Net cash provided by financing activities		10,349	-
Net increase in cash and cash equivalents		1,226	22
Cash and cash equivalents at beginning of year		307	285
Cash and cash equivalents at end of year	6	1,533	307

Notes to the financial statements

for the year ended 30 June 2018

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).

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.

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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.

DCL's judgements in relation to the Christchurch Adventure Park had a significant impact on the financial statements due to the calculation of an impairment that writes down to zero the value of DCL's investment in the entity. No other judgement value or estimates made are considered to be critical in relation to these financial statements.



Profit and Loss Information

3 Operating revenue

	Note	2018 \$'000	2017 \$'000
Services income		8,881	3,285
Project costs on-charged to Christchurch City Council		1,052	1,032
		9,933	4,317

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	2018 \$'000	2017 \$'000
Salaries and wages		1,663	1,472
Defined contribution plan employer contributions		52	39
Total personnel costs		1,715	1,511
Audit fees	4(a)	21	20
Directors' fees		210	217
Other operating expenses		8,922	2,768
		10,868	4,516

4(a) Remuneration of auditors

Audit New Zealand

Audit of the financial statements		21	20
Total	4	21	20

Notes to the financial statements

for the year ended 30 June 2018

5 Income taxes

5(a) Components of tax expense

	Note	2018 \$'000	2017 \$'000
Current tax expense/(income)		430	(8)
Deferred tax expense/(income)		(136)	-
Total tax expense/(income)		294	(8)

5(b) Reconciliation of prima facie income tax

Profit/(loss) before tax	(560)	(468)
Tax at statutory rate of 28%	(157)	(131)
Non-deductible expenses	451	123
Tax loss not recognised as deferred tax asset	-	-
Total tax expense/(income)	294	(8)

5(c) Deferred taxation

	30 June 2017			30 June 2018	
	Opening balance \$'000	Profit /loss \$'000	Closing balance \$'000	Profit /loss \$'000	Closing balance \$'000
Deferred tax liabilities:					
Property, plant and equipment	-	-	-	-	-
Other	-	-	-	-	-
	-	-	-	-	-
Deferred tax assets:					
Provisions/employee entitlements	-	-	-	21	21
Impairment	-	-	-	115	115
	-	-	-	136	136
Net deferred tax liability/(asset)	-	-	-	(136)	(136)

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 2018

Assets and Liabilities

6 Cash and cash equivalents

	Note	2018 \$'000	2017 \$'000
Cash on hand and at bank		1,533	307
		1,533	307

All cash is held with Bank of New Zealand. The interest rate as at 30 June 2018 was 1.75% (2017: 2.25%).

Accounting policy – cash and cash equivalents

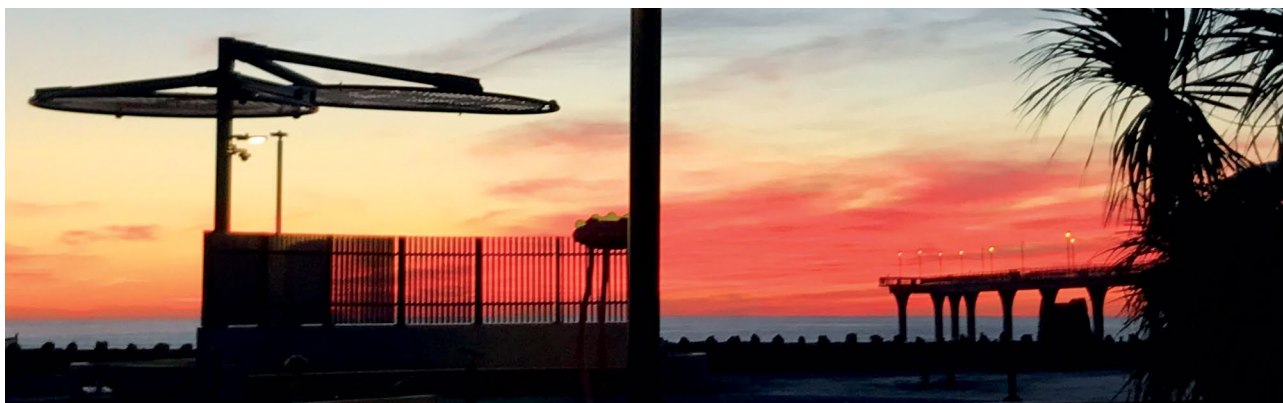
Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

7 Trade and other receivables

Related party receivables	248	486
Prepayments	40	–
Other receivables	–	60
GST receivable	74	30
	362	576

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	Share	2018 LINZ LP \$'000	DCL \$'000
DCL				
Investment in Leisure Investments New Zealand Partnership				
Opening carrying value before impairment			-	1,740
Share of associates profits/(losses)		14.29%	4,366	624
Adjustment for significant transactions		14.29%	(1,869)	(267)
Carrying value before impairment			-	2,097
Opening accumulated impairment			-	440
Impairment expense			-	1,657
Accumulated impairment			-	2,097
Closing carrying value of Investment			-	-
Summarised financial information of associate presented on a gross basis				
Assets			23,406	-
Liabilities			8,738	-
Revenues			1,705	-
Surplus/(deficit)			4,366	-
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 2018

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. Based on the results of the assessment the investment has been fully impaired to zero value despite LINZ LP producing a profit, which was based on the timing of insurance proceeds. The insurance receipts had no impact on the forward cash flow projection and therefore did not impact the impairment calculation.

This impairment of \$1.3m is represented in the "other operating expenses" disclosure in Note 4.

LINZ LP has a balance date of 31 March 2018. There were no significant transactions occurring between 1 April 2018 and 30 June 2018.

Events after Balance Sheet Date:

On 21st December Leisure Investments New Zealand (LINZ) through general partner Port Hills Leisure Limited (PHLL) issued an Investment Memorandum (IM) seeking \$10 million in new capital. This IM was updated through supplementary disclosures on 13th March 2019, 7th, 21st and 27th April 2019.

On 30th April 2019 DCL invested \$4.995 million towards this capital raise. As a result DCL's shareholding in both the general partner (PHLL) and Limited Partnership (LINZ LP) was increased from 14.29% to 54.73% giving DCL a majority ownership and creating a Council Controlled Organisation. This will require DCL to form a consolidated group for the financial year ending 30 June 2019.

Funds for the further investment in PHLL and LINZ LP were provided from share purchases. CCHL purchased \$4.995 million of additional share capital in DCL, CCC also purchased share capital in CCHL of the same amount.

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 or 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.

9a Property, plant & equipment

	Note	2018 \$'000	2017 \$'000
Cost			
Opening balance		245	2
Additions		-	243
Closing balance		245	245
Depreciation			
Opening balance		(32)	-
Depreciation for year		(47)	(32)
Closing balance		(79)	(32)
Carrying amount		166	213

	Freehold land	Buildings	Plant & Equipment	Electricity distribution system	Specialised Assets	Work in progress	Total
Gross carrying amount 30 June 2018							
Cost/valuation at start of period	-	-	245	-	-	-	245
Additions	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-
Cost/valuation at end of period	-	-	245	-	-	-	245
Accumulated depreciation							
Accumulated depreciation/impairment at start of period	-	-	(32)	-	-	-	(32)
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	-	-	(47)	-	-	-	(47)
Net foreign currency exchange differences	-	-	-	-	-	-	-
Transfers and other	-	-	-	-	-	-	-
Accumulated depreciation/impairment at end of period	-	-	(79)	-	-	-	(79)
Carrying amount at 30 June 2018	-	-	166	-	-	-	166

Notes to the financial statements

for the year ended 30 June 2018

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 (2017: 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.

9b

Land held as inventory

	Note	2018 \$'000	2017 \$'000
Land held as inventory			
Land held as inventory		10,349	-
Write down to net realisable value		(410)	-
Closing balance		9,939	-
Represented by			
Current assets		-	-
Non current assets		9,939	-
Closing balance		9,939	-

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

DCL owns land in Christchurch central business district and New Brighton that will be sold in the ordinary course of business.

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

10 Creditors and other payables

	Note	2018 \$'000	2017 \$'000
Trade payables and accrued expenses		302	438
Employee entitlements		173	157
		475	595

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.

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 ending 30 June 2021. 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 of 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 2018

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.

11(a) Liquidity risk

	Balance Sheet \$'000	Contractual cash flows \$'000	Less than 1 year \$'000	1-2 years \$'000	2-5 years \$'000	5 years+ \$'000
30 June 2018						
Cash, cash equivalents and deposits	1,533	1,533	1,533	-	-	-
Debtors and other receivables	322	322	322	-	-	-
Creditors and other payables	(475)	(475)	(475)	-	-	-
	1,380	1,380	1,380	-	-	-
30 June 2017						
Cash, cash equivalents and deposits	307	307	307	-	-	-
Debtors and other receivables	576	576	576	-	-	-
Creditors and other payables	(595)	(595)	(595)	-	-	-
	288	288	288	-	-	-

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 (2017: \$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	2018 \$'000	2017 \$'000
Opening balance		3,500	3,500
Shares issued to CCHL for: Land purchases		10,349	–
Closing balance		13,849	3,500
13,849,000 fully paid ordinary shares		13,849	3,500
		13,849	3,500

Ordinary shares have no par values

There were no costs associated with share issues (2017: 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 2018

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.**

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	2018 \$'000	2017 \$'000
Transactions during the year			
Shares issued to CCHL	(i)	10,349	-
Services purchased from CCHL	(ii)	-	21
Invoiced by CCC	(iii)	10,649	1,032
Services provided to CCC	(iv)	9,957	3,318
Balances at end of year			
Amounts owed by CCC	(v)	-	255
Subvention payments receivable		-	-

(i) 10,349,000 shares were issued in 2018.

(ii) Services purchased from CCHL relate to staff time.

(iii) CCC has invoiced \$10.349m for the purchase of land from them.

(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. DCL also is providing project delivery services for CCC for the New Brighton Host Salt Water Pool project.

(v) This represents the amount due from CCC in respect of the invoice for New Brighton costs referred to in (iv) 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	2018 \$'000	2017 \$'000
Profit for the year		(854)	(461)
Add/(less) non-cash items			
Impairment of associate	8	1,657	732
Depreciation	9(a)	47	-
		1,704	732
Inventory write down	9(b)	410	-
Surplus from associate not received	8	(357)	-
Movement in deferred tax		(136)	-
Add/(less) movement in working capital items			
Debtors, prepayments and other current assets		222	(195)
Creditors and other liabilities		237	190
		459	(5)
Net cash used in operating activities		1,226	266

15 Classification of assets and liabilities

Loans and receivables			
Cash and cash equivalents	6	1,533	307
Trade and other receivables	7	322	576
		1,855	883
Financial liabilities measured at amortised cost			
Creditors and other payables	10	475	595
		475	595

Notes to the financial statements

for the year ended 30 June 2018

16 Performance against Statement of Intent targets

The company's Statement of Intent for the 2018 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 2017-18	Status
1	DCL maintains a strategic direction that is consistent with that of 100% shareholder Christchurch City Holdings Ltd (CCHL) and the Council.	Target 1 DCL will adopt policies, plans and strategies that are consistent with the Council's requirements.	DCL's Business Plan for FY2018/19 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.
		Target 2 DCL will submit a draft Sol for 2018/19 for approval to CCHL by 1 March 2018.	Draft sent 28th February 2018.
2	DCL keeps its owners informed of all significant matters relating to DCL.	Target 3 DCL will meet and provide quarterly updates to the F&P 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. Moved to Quarterly in February 2018. The next meeting report will be presented on 5 September 2018. A general summary of activity is sent via email every Friday.
3	Corporate governance procedures are appropriate, documented and reflect best practice.	Target 4 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.

Strategic objectives

	Objective	Performance target 2017-18	Status
1	Development Management The company takes a pro-active approach to development through the use of Council-owned land and other non-financial levers.	Peterborough Quarter Target 5 DCL will continue to progress the development of the Peterborough Quarter.	DCL continues to work with Peterborough Quarter Limited as preferred purchaser 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.
	Supports the implementation of suburban master-plans and attracts private sector and community-based investment.	New Brighton Target 6 DCL will continue to lead in line with the suburban masterplan the revitalisation of New Brighton.	DCL completed phase 1A of the hot salt water pools playground in December 2017. The development plan for the commercial core and foreshore linkages is ongoing. Achieved and ongoing.
		Target 7 DCL will seek on behalf of CCHL and the Council, development opportunities that have the potential to enhance the economic well-being of the city, deliver an optimal return that balances financial and public good outcomes.	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. Two of those parcels were transferred on 29 June 2018. The third property is expected in late 2018. No other projects have been progressed at 30 June 2018.
		Target 8 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. Two of those parcels were transferred on 29 June 2018. The third property is expected in late 2018. No other projects have been progressed at 30 June 2018.

Notes to the financial statements

for the year ended 30 June 2018

	Objective	Performance target 2017-18	Status
2	Investor Relations and Engagement.	Target 9 Leadership of investment across Christchurch. DCL will lead the delivery of an 'Investor Ready City' strategy.	DCL developed (in partnership with the Council, Christchurch NZ (formerly Christchurch Development Corporation and Christchurch and Canterbury Tourism), and Regenerate Christchurch and others) a high level framework for positioning as an investor ready city. Subsequent work has focused on acting collaboratively and demonstrating an understanding of investor needs.
	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.		DCL meets with Regenerate Christchurch, Council, Ōtākaro, ChristchurchNZ, NZTE and CECC to ensure a joined up approach to identifying and responding to investment opportunities and enquiries in the city. We are reviewing our website to provide a higher profile to our work. We are facilitating discussions between parties seeking to undertake developments in and around Christchurch to identify areas for cooperation.
	Assists Regenerate Christchurch and the Council in promoting the 'shared value' benefits that arise from successful regeneration activities.	Target 10 DCL will develop and maintain a credible and effective Engagement Framework.	Fortnightly meetings with CCC, Ōtākaro Ltd and Regenerate Christchurch to ensure coordination and sharing of information continue with positive relationships. Fortnightly investor triage meetings with CCC and ChristchurchNZ and New Zealand Trade & Enterprise (NZTE) continue to provide a forum to coordinate investment activity in the city. Engagement with the investment and development communities is occurring in one on one meetings around specific issues and via group presentations in industry organised forums, e.g. Property Council events and events hosted by Commercial Real Estate firms. Community engagement in New Brighton is working effectively – development of stronger levels of trust evident.

	Objective	Performance target 2017-18	Status
3	Strategic/Commercial Advice 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.	Target 11 The company provides strategic and commercial advice to Council in relation to development matters, as and when required in relation to but not limited to: <ul style="list-style-type: none"> - Procurement strategies and the ability to effectively engage with the markets. - Commercial strategies. - Investment opportunities. - The attraction of private sector investment to these projects. 	DCL has provided commercial advice to CCC as the commercial lead/advisor for CCC on the Metro Sports Facility, Performing Arts Precinct projects and the global settlement discussions.

Financial and operational objectives

	Objective	Performance target 2017-18	Status
1	The company is financially sustainable.	Target 12 DCL will provide CCHL financial forecasts for the three years to 30 June 2021.	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.
2	Operational excellence.	Target 13 DCL is committed to maintaining rigorous policies in accordance with accepted industry standards.	Policy drafts and updates are reviewed by the Audit and Risk committee and then approved by the Board.

Notes to the financial statements

for the year ended 30 June 2018

17 Capital and operating lease commitments

	Note	2018 \$'000	2017 \$'000
Operating lease commitments			
Not more than one year		287	287
Later than one year but not more than five years		574	1,067
More than five years		–	–
		861	1,354

Operating lease 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 (2017: nil)

18 Contingent liabilities and assets

DCL had no contingent liabilities or assets as at 30 June 2018 (2017: \$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 aside from those disclosed in Note 8.

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 29 July 2019.

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.



Notes to the financial statements

for the year ended 30 June 2018

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
Operating revenue	3	Property, plant and equipment	9(a)
Operating costs	4	Land held as inventory	9(b)
Income taxes	5	Creditors and other payables	10
Cash and cash equivalents	6	Share capital	12
Trade and other receivables	7	Classification of financial assets	15
Investment in associate	8	and liabilities	

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 29 July 2019.

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 2018.

Director	Directors' interests	
Bill Dwyer (Chairman)	Director Trustee Director Director	Lyttelton Port Company Wavetree Trust Coconut Culture Ltd Regenerate Christchurch
Jane Gregg	Executive Director Trustee and Co-Chair Trustee Part owner	Life in Vacant Spaces Charitable Trust Christchurch Arts Festival Trust Arts Circus Charitable Trust Terraforma Stonemasonry and Landscape Design Ltd
Peter Houghton	Member Director Director	Financial Advisers Disciplinary Committee Central Otago Health Services Limited Port Hills Leisure Limited (PHLL)
Fiona Mules	Director Director Member Member Member Member Member	Soundgarden Holdings Ltd Garsington Investments Ltd National Infrastructure Advisory Board Tāmaki Redevelopment Company Ltd – Large Scale Procurement Steering Group Capital Investment Panel – New Zealand Treasury Housing Infrastructure Fund Independent Assessment panel – Ministry of Business, Innovation and Employment Capability Project Board – Ministry of Defence
Darren Wright	Director Director Director Director Trustee Director of Resolutions Board member	Wright Consulting Ltd Land Company Holdings Ltd UW Ltd Full Circle Management Ltd Committee for Canterbury Department of Prime Minister and Cabinet Mainland Netball

Notes to the financial statements

for the year ended 30 June 2018

Directors' remuneration (accrued)

Bill Dwyer (Chairman)	\$70,000
Jane Gregg	\$35,000
Peter Houghton	\$35,000
Fiona Mules	\$35,000
Darren Wright	\$35,000

Attendances during the 2018 financial year

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

Key management personnel compensation

The key management personnel include the CEO and his direct reports consisting of 4 (2017: 4) people.

Note	2018 \$'000	2017 \$'000
Salaries and other short term benefits	900	843
Post employment benefits	-	-
Termination benefits	-	-
	900	843

This excludes the Directors remuneration listed above.

Employee remuneration

During the year ended 30 June 2018, employee's received compensation or other benefits exceeding \$100,000.

Number of employees	
110,000-120,000	1
160,000-170,000	1
170,000-180,000	1
180,000-190,000	1
200,000-210,000	2
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.

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

Independent Auditor's Report

To the readers of Development Christchurch Limited's financial statements and performance information for the year ended 30 June 2018

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 10 to 37, that comprise the statement of financial position as at 30 June 2018, 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 28 to 31.

In our opinion:

- the financial statements of the company on pages 10 to 37:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2018; and
 - its financial performance and cash flows for the year then ended; and
 - comply with generally accepted accounting practice in New Zealand in accordance with the Public Benefit Entity Standards Reduced Disclosure Regime.
- the performance information of the company on pages 28 to 31 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 2018.

Our audit was completed on 29 July 2019. This is the date at which our opinion is expressed.

The basis for our opinion is explained below, and we draw your attention to matters concerning the investments in Port Hills Leisure Limited and Leisure Investments New Zealand Limited Partnership. 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.

Investment in Port Hills Leisure Limited and Leisure Investments New Zealand Limited Partnership

Without modifying our opinion, we draw your attention to note 8 in the financial statements regarding the company's investments in Port Hills Leisure Limited and Leisure Investments (NZ) Limited Partnership. Note 8 describes the impairment of the investment in associate for the year ending 30 June 2018. The note also describes the additional investment made in these entities subsequent to the reporting date, and how the company funded the transaction. We consider these 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 9, 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.

dcl.org.nz