
Ōtākaro Limited

Statement of Performance Expectations

For Financial Year 2019

1. INTRODUCTION

This Statement of Performance Expectations (SPE) is submitted by the Board of Directors of Ōtākaro Limited (Ōtākaro), pursuant to the Crown Entities Act 2004. It sets out the performance expected of Ōtākaro for the period 1 July 2018 to 30 June 2019.

Statement of responsibility

Ōtākaro is responsible for the statements contained in this document, including the appropriateness of the assumptions underlying them. Ōtākaro is responsible for internal control systems that provide reasonable assurance as to the integrity of its financial reporting.



ROSS BUTLER
Chairman

22 November 2018



PETER TOWNSEND
Director

2. OBJECTIVES, SCOPE & OUTPUT FOR FINANCIAL YEAR 2019

2.1 STRATEGIC OBJECTIVES

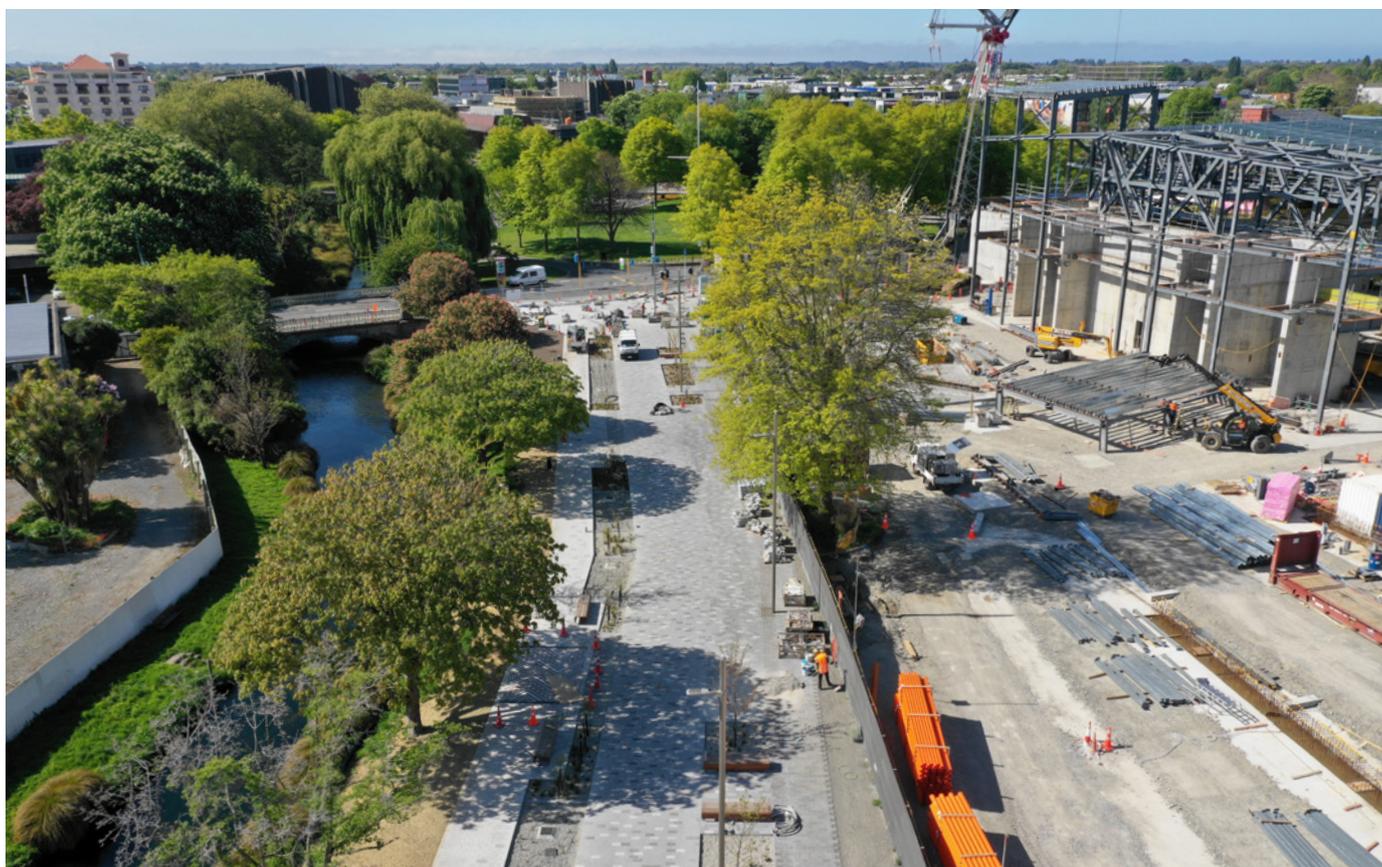
The purpose of the Company is to add value to Anchor Projects and Crown Land in a manner that balances a desire to achieve good commercial outcomes against the Crown's regeneration objectives, and supports the Crown's exit over time on favourable terms.

2.2 BUSINESS SCOPE

Ōtākaro is a Crown Company established on 16 April 2016 under Schedule 4A of the Public Finance Act to deliver defined Anchor Projects and a land divestment programme that is consistent with the Christchurch Central Recovery Plan (CCRP).

The overarching responsibilities of Ōtākaro include:

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



Te Pae Christchurch (right) under construction alongside the virtually complete City Promenade (centre)

3. REPORTABLE OUTPUTS & PERFORMANCE TARGETS

3.1 REPORTABLE OUTPUTS

Ōtākaro produces outputs, impacts and outcomes from its activities. Ōtākaro has two reportable outputs, as defined under the Crown Entities Act 2004, as follows:

1. Delivery of defined anchor projects
2. Divestment of Crown land while balancing good commercial outcomes

These reportable outputs are intended to achieve the Ōtākaro dual objectives to add value to Anchor Projects and Crown Land in a way that balances a desire to achieve good commercial outcomes with the Crown's regeneration objectives.

The expected revenue and expense for each reportable output for the financial year 2019 is as follows:

Reportable Output	Revenue (NZ \$000)	Expense (NZ \$000)
Delivery of defined anchor projects (capital and operational expenditure)	\$198,380*	\$233,767
Divestment of Crown land while balancing good commercial outcomes with the Crown's regeneration objectives	\$93,068	\$98,141

** Expenses are greater than revenue due to income carried forward from the prior year.*

The performance of the two outputs will be measured through the "Delivery of defined Anchor Projects" and "Divestment of Crown Land while balancing good commercial outcomes against the Crown's regeneration objectives" performance targets noted in the following section.

3. REPORTABLE OUTPUTS & PERFORMANCE TARGETS

3.2 PERFORMANCE TARGETS

Performance targets for the Company's activities are measured as milestones and KPIs which have been set as follows:

2019 Financial Year

Outcome: Delivery of defined Anchor Projects

Add value to Crown Anchor Projects by delivering the projects safely, on budget, to schedule and to the desired quality.

What will achievement of this outcome look like?

1. All defined Crown Anchor Projects:

- a. cumulative working days variance, when comparing forecast practical completion to the opening financial year baseline practical completion, is less than 10 days delayed;
- b. current estimated costs at completion are below or equal to the current approved budget;
- c. work undertaken on defined Anchor Projects is to the desired quality, as established during the project planning phase.

Defined Anchor Projects include:

- Te Pae Christchurch Convention Centre Precinct
- Metro Sports Facility
- Te Papa Ōtākaro / Avon River Precinct
- East Frame Public Realm
- East Frame Residential Precinct
- An Accessible City
- South Frame

2. Health and Safety:

- a. A minimum of 90% compliance on all site audits on Ōtākaro managed areas;
- b. Total Recordable Injury Frequency Rate (TRIFR) in the range 6-8 per million hours worked;
- c. Zero notifiable events reported to WorkSafe NZ during the financial year occur on Ōtākaro sites; and
- d. 80% of High Potential Incidents (Reportable and Recordable) are investigated (full Incident Cause Analysis Method investigations) within established time-frames (30 days).

3. REPORTABLE OUTPUTS & PERFORMANCE TARGETS

Outcome: Credibility, Trust and Confidence

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

What will achievement of this outcome look like?

1. Improved results from six-monthly public research surveys compared to April 2018.
2. A heightened social media profile (target: an additional 500 'likes', 3-4 posts per-week) and increased engagement (target: 30% engagement with posts)
3. Increased communication outputs, including videos (target: 35) and other updates, news media releases (target: 15) and events, and e-newsletters (target: 8)
4. Intentional use of partner agencies' communication channels as evidenced by examples of positive mentions of Ōtākaro in their channels.

Outcome: Divestment of Crown land while balancing good commercial outcomes

One of Ōtākaro's key Strategic Objectives is to divest of Crown owned land in central Christchurch in a manner which balances a desire to achieve good commercial outcomes against the Crown's recovery and any regeneration plans.

What are good commercial outcomes?

Ōtākaro delivering a balance between optimal returns to the Crown and regeneration activities for the Central City.

What will achievement of this outcome look like?

1. Sales meet forecasted targets for the financial year, as per the Board approved Budget (14 parcels of land are forecast to be divested in the 2019 financial year);
2. Land Divestment Strategy is reviewed six monthly to reflect changes in market conditions; and
3. Land Divestment Strategy is revised and approved annually to include updated market valuations.

Outcome: Health, Wellbeing and Development of all Ōtākaro employees

Ōtākaro is committed to zero harm in the workplace and will support staff to achieve the Company's Objectives and Purpose.

What will achievement of this outcome look like?

1. All Ōtākaro employees have active learning and development plans in place by 30 June 2019; and
2. Improve current engagement score by 5% from the 2018 score.

4. FORECAST FINANCIAL STATEMENTS

The forecast financial statements below include a forecast Statement of Comprehensive Revenue and Expenses, Statement of Financial Position, Statement of Changes in Equity and Statement of Cash Flows for the 2019 financial year.

Ōtākaro conducts a number of different activities under specific funding agreements with the Crown as outlined in section 2.2. The accounting treatment of revenue varies for each activity, depending on the specific terms in each agreement. Funding streams are a mixture of operating grants and share capital. Where operating grants are received in advance of the relevant period the funding agreement requires any unspent amount to be returned, this is recorded as revenue received in advance on the balance sheet. All other operating grants received are recorded as revenue in the Statement of Comprehensive Revenue and Expenses.

Ōtākaro incurs expenditure as part of its various activities. Operating expenditure and project expenditure that is operating in nature is recorded in the Statement of Comprehensive Revenue and Expenses. This expenditure is funded by Crown operating grants. Project expenditure that is capital in nature is recorded on the balance sheet as Capital Work In Progress. Capital expenditure is funded by the issue of shares to the Crown.

Ōtākaro will incur expenditure in relation to the investment case development for the Stadium/Multi-Use arena. As this is undertaken as an agency relationship, the income and expenditure will not be reflected in the financial statements, however the liability representing the revenue received in advance to fund this will reduce.

Land was initially introduced to the Company through a combination of Crown loans and share capital. Proceeds from the sale of land are retained by the Company after first repaying Crown loans.



The new Evolution Square public space in the South Frame

4. FORECAST FINANCIAL STATEMENTS

Statement of Forecast Comprehensive Revenue and Expenses For the year ended 30 June 2019

NZ \$000	2018 ACTUAL	2019 FINAL BUDGET
Income		
Crown Revenue – Operating	18,653	19,451
Crown Revenue – Project Operating	69,520	30,551
Crown Revenue – CCP AM/FM & Operator	2,961	3,121
Other Crown Funding	12,880	15,342
CCC Revenue	16,170	16,668
Rental Income	824	731
Interest Received	4,804	1,132
Non Exchange Revenue	4,066	-
Total Income	129,878	86,996
Net Gain/(Loss) on Land Sales	1,891	(5,073)
Operating Expenses		
Salaries & Staff Costs	(10,627)	(11,667)
Facilities Costs	(946)	(1,004)
IT Costs	(1,076)	(909)
Depreciation	(233)	(117)
Other Expenses	(5,646)	(5,627)
Residential Red Zone Costs	(125)	(127)
Project Operating Expenses	(65,455)	(32,683)
Land Remediation	(10,461)	(11,543)
Land Management	(1,488)	(1,568)
Bus Interchange Operating Costs	(1,473)	(1,409)
Convention Centre AM/FM & Operator Costs*	(1,429)	(3,121)
Total Operating Expenses	(98,959)	(69,775)
OPERATING SURPLUS	32,810	12,148
Provision for Asset Transfer	(55,023)	(29,879)
Interest Expense	(5,365)	(2,817)
Bus Interchange Depreciation	(749)	(749)
DEFICIT FOR THE YEAR	(28,327)	(21,297)

*CCP AM/FM & Operator refers to the income and expenditure for the Te Pae Christchurch Convention Centre Business Establishment and activities relating to Asset Management and Facilities Maintenance

4. FORECAST FINANCIAL STATEMENTS

Statement of Financial Position As at 30 June 2019

NZ \$000	2018 ACTUAL	2019 FINAL BUDGET
EQUITY		
Share Capital Opening	139,972	202,332
Share Capital - Project Costs	62,360	167,829
Share Capital Closing	202,332	370,161
Retained Earnings Opening	(18,180)	(46,507)
Surplus (After Tax)	(28,327)	(21,297)
Retained Earnings Closing	(46,507)	(67,804)
TOTAL EQUITY	155,825	302,357
Represented By:		
ASSETS		
Operating Cash	15,068	12,183
Short Term Deposits	35,000	20,000
Sundry and Other Debtors	11,146	22,047
Interest Receivable	6,357	4,485
Total Current Assets	67,571	58,715
Office Fit Out & Equipment	236	271
Land	102,002	79,716
Inventory	93,113	75,780
Work In Progress	96,981	272,217
Bus Interchange Building	47,915	-
Total Non-Current Assets	340,247	427,984
TOTAL ASSETS	407,818	486,699
Less:		
LIABILITIES		
Current Creditors	17,483	24,669
Revenue In Advance	1,450	-
Provision for Asset Transfer	90,563	86,733
Crown Vendor Finance	142,497	72,940
TOTAL LIABILITIES	251,993	184,342
NET ASSETS	155,825	302,357

4. FORECAST FINANCIAL STATEMENTS

Statement of Changes in Equity For the year ended 30 June 2019

NZ \$000	Capital	Retained Earnings	TOTAL
OPENING BALANCE	202,332	(46,507)	115,825
Comprehensive revenue and expense			
Net deficit for the year	-	(21,297)	(21,297)
Total Comprehensive revenue and expense	-	(21,297)	(21,297)
Owners transactions			
Contributed capital	167,829	-	167,829
Total owner's transactions	167,829	-	167,829
CLOSING BALANCE 30 JUNE 2019	370,161	(67,804)	302,357

4. FORECAST FINANCIAL STATEMENTS

Statement of Cash Flows For the year ended 30 June 2019

NZ \$000	2018 ACTUAL	2019 FINAL BUDGET
Cash Flows From Project Activities		
Crown, CCC, Convention Centre and Rental Income	101,044	82,931
Interest Received	2,270	1,132
Net Capital Injection From Crown	34,764	167,829
Project Costs Paid	(131,571)	(238,901)
General Expenses Paid	(36,195)	(25,433)
	(29,688)	(12,441)
Cash Flows From Land Sale Activities		
Proceeds from Sale of Land and Inventory	13,803	65,398
Payments to Crown - Loan Repayment	(10,289)	(70,691)
	3,514	(5,293)
Cash Flows From Asset Transfers		
Office Equipment Purchased	(9)	(150)
Cash Flows From Asset Transfers	(9)	(150)
Cash Flows From Investing		
Transfer From/(to) Short Term Deposits	(11,500)	15,000
Cash Flows From Investing	(11,500)	15,000
NET CASH MOVEMENT	(37,683)	(2,885)
OPENING CASH BALANCE	52,751	15,068
CLOSING OPERATING CASH BALANCE	15,068	12,183

Reporting entity

Ōtākaro is a limited liability company incorporated in New Zealand under the Companies Act 1993 and is a Schedule 4A entity of the Public Finance Act 1989. Ōtākaro has been established with limited life expectancy.

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

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

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

Basis of preparation

These prospective financial statements have been prepared:

- in accordance with the relevant requirements of the Public Finance Act 1989 and the Crown Entities Act 2004, which include the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP);
- in accordance with PBE FRS 42 and NZ GAAP as it relates to prospective financial statements;
- on a GST-exclusive basis, except for receivables and payables which are presented on a GST-inclusive basis;
- on an historical cost basis modified by the revaluation of certain assets and liabilities; and,
- in New Zealand dollars rounded to the one nearest thousand, unless separately identified.

The actual financial results achieved for the period covered are likely to vary from the information presented and the variations may be material

Significant accounting policies

The following accounting policies significantly affect the measurement of financial performance and position.

Depreciation

Depreciation is calculated using the straight line basis at rates that will write off the costs (or valuations) of the assets to their estimated residual values over their useful lives. The residual value and useful life of an asset are reviewed, and adjusted if applicable, at the end of each financial year.

BORROWINGS

All borrowings are held with the Crown and are attached to operating and capital project land and buildings transferred to Ōtākaro. All loans are repayable upon the sale of the underlying asset. A portion of the interest due is not repayable upon the sale of the underlying asset.

SHARE CAPITAL AND EQUITY

All shares issued are fully paid and have a face value of \$1 each. The Crown holds all issued capital of Ōtākaro. The Crown investment in Ōtākaro is expected to be made up of 370,160,907 shares as at 30 June 2019.

Critical Accounting Estimates and Assumptions

In preparing these prospective financial statements, Ōtākaro has made estimates and assumptions concerning the future. These estimates and assumptions may differ from subsequent actual results.

Estimates and assumptions are continually evaluated and are based on expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have significant risk of causing material adjustment to the carrying amount of the assets and liabilities within the forecast financial statements are:

- Land sales and divestments forecast uncertainty with regard to timing and amount of future sales and divestments;
- Cost of land remediation activities and the current level of uncertainty in estimating land remediation costs; and
- Progress of Anchor Projects and the impact this has on overall project costs and funding required.
- Provision for asset transfers is estimated based on land classified as public realm and all work-in-progress capitalised during the financial year. The estimated amount is effected by the uncertainty with regard to timing of divestments and Anchor Project progress.

REVENUE

Project Funding

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

- Projects that are operating in nature – these projects do not create an asset for Ōtākaro and funding is recognised as revenue in the period it is received.
- Projects that are capital in nature – these projects create an asset for Ōtākaro and are funded by a share issue to the Crown. This funding is not recognised as revenue in the forecast financial statements.
- Projects managed, but not owned by Ōtākaro – funding received for these projects is not recognised as revenue in the Ōtākaro forecast financial statements. Unspent funding is recorded as a liability of Ōtākaro to the Crown.

Operational Funding

An agreement between Ōtākaro and the Crown is in place for the Crown to fund the Company's operational expenditure. The agreement applies conditions to unspent funding received. As such, unspent funding is recorded as a liability in the forecast financial statements.

Ōtākaro considers all funding received from the Crown to be non-exchange transactions.

PROJECT ASSETS

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

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

- Land and buildings held as inventory – this is land and buildings that is being held for sale in the normal course of business, this includes land related to the East Frame Residential project.
- Land and buildings as part of property and equipment – this land is either public realm that is being held for strategic purposes or the future use of the land is not certain at the time of preparing the forecast financial statements.

Fair value and revaluation of land and buildings

Land and building revaluations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair values at the balance date. Land and building revaluation movements are accounted for on a class-of-asset basis.