
Ōtākaro Limited

Statement of Performance Expectations

For Financial Year 2018

1. INTRODUCTION

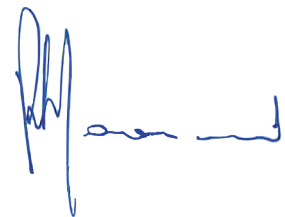
This Statement of Performance Expectations (SPE) is submitted by the Board of Directors of Ōtākaro Limited (Ōtākaro), pursuant to the Crown Entities Act 2004. It sets out the performance expected of Ōtākaro for the period 1 July 2017 to 30 June 2018.

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



PETER TOWNSEND
Director

30 June 2017

2. OBJECTIVES, SCOPE AND OUTPUT FOR FINANCIAL YEAR 2018

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 programmes 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 that balances a good commercial outcome against regeneration objectives;
- Divesting the Residential Red Zone (if transferred); and
- Acting in a manner consistent with recovery plans and any regeneration plans.

3. PERFORMANCE TARGETS

Ōtākaro produces outputs, impacts and outcomes from its activities. However, these are not defined as reportable outputs under the Crown Entities Act. Performance targets for the Company's activities are listed in the following sections.

3.1 MILESTONES AND KPI'S

2018 Financial Year

All performance targets for the 2018 financial year are new, and therefore no prior year results have been included.

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 baseline practical completion, is less than 10 days delayed; and
 - b) estimated costs at completion are below, or equal to, the current budget;

Defined Anchor Projects include:

- 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. Zero-harm incidents
 - a) 90% compliance on all site audits; and
 - b) Total Recordable Injury Frequency Rate (TRIFR) less than 5.0 per 1 million man hours.
 3. Trust and confidence in Ōtākaro. A survey was undertaken by an independent market research organization in October 2016 to establish baseline measures in regards to credibility, trust and confidence.
 - a) Ōtākaro undertakes to complete this survey every six months and, based on the results, establish new targets for the coming six months;
 - b) Ōtākaro will establish upward trending targets to strive for improvement from the baseline results; and
 - c) A summary of the results will be published in the Annual Report.

Outcome: Divestment of Crown land while achieving good commercial outcomes

One of Ōtākaro's key Strategic Objectives is to divest Crown owned land in central Christchurch, while achieving good commercial outcomes and acting in a manner consistent with recovery plans and any regeneration plans.

What will achievement of this outcome look like?

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

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. Zero notifiable events reported to WorkSafe NZ during the financial year;
2. 100% of High Potential Incidents (Reportable and Recordable) are investigated within established timeframes; and
3. All Ōtākaro employees have active learning and development plans in place by 30 June 2018.

4. FORECAST FINANCIAL STATEMENTS

The forecast financial statements below include a forecast Income Statement, Balance Sheet, Statement of Changes in Equity and Statement of Cash Flows for the 2018 financial year.

Ōtākaro conducts a number of different activities under specific funding agreements with the Crown. 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 or 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.

Land was initially transferred 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.

**Statement of Forecast Comprehensive Revenue and Expenses
For the year ended 30 June 2018**

NZ \$000	2018 Forecast
Revenue	
Crown Revenue – Operating	21,500
Crown Revenue – Project Operating	57,094
Crown Revenue – CCP AM/FM & Operator	605
Crown Revenue – Land Remediation	29,056
CCC Revenue	19,000
Other Crown Funding	553
Other Income	1,480
Land Sales net gain/(Loss)	(9,267)
Total Revenue	120,022
Expenses	
Operating Expenses	(21,500)
Project Operating Expenses	(71,315)
Land Remediation Expenses	(25,756)
Other Activities	(3,300)
Total Expenses	(121,871)
Operating Deficit	(1,849)
Provision for Asset Transfer	(57,495)
Project Building Depreciation	(729)
Interest Expense	(3,136)
Deficit for the Year	(63,209)

Statement of Forecast Financial Position
For the year ended 30 June 2018

NZ \$000	2017 Unaudited	2018 Forecast
Equity		
Contributed Capital	140,546	223,026
Retained Earnings	12,552	(42,339)
Surplus/(Loss) for the year	(53,669)	(63,209)
Total Equity	99,429	117,478
Assets		
Cash & Cash Equivalents	9,144	6,316
Short Term Deposits	40,000	40,000
Receivables	3,349	4,931
Land	65,082	48,165
Buildings	48,580	47,851
Land recognised as Inventories	108,604	65,036
Capital Work In Progress	37,453	117,064
Other Assets	194	736
Total Assets	312,406	330,099
<i>Less:</i>		
Liabilities		
Payables	19,153	22,153
Revenue In Advance	1,100	-
Provision for Asset Transfer	47,702	73,723
Crown Vendor Finance	145,022	116,745
Total Liabilities	212,977	212,621
Net Assets	99,429	117,478

Statement of Forecast Changes in Equity
For the year ended 30 June 2018

NZ \$000	Capital	Retained Earnings	Total
Opening Balance	140,546	(41,117)	99,429
Comprehensive revenue and expense			
Net deficit for the year	-	(63,209)	(63,209)
Total Comprehensive revenue and expense	-	(63,209)	(63,209)
Owners transactions			
Distributions to the Crown		(1,222)	(1,222)
Contributed capital	82,480	-	82,480
Total owner's transactions	82,480	-	81,258
Closing Balance 30 June 2018	223,026	(105,548)	117,478

Statement of Forecast Cash Flows
For the year ended 30 June 2018

NZ \$000	2018 Forecast
Cash flows from operating activities	
Crown and Other Revenue	127,584
Operating Project Costs Paid	(97,072)
Other Expenses	(24,737)
	(5,775)
Cash flows from investing activities	
Proceeds from Sale of Land	43,889
Capital Project costs paid	(100,755)
	(56,866)
Cash flows from financing activities	
Capital injection from the Crown	82,480
Distributions to the Crown	(1,222)
Loan Repayments	(32,995)
	48,263
Net Cash Movement	(2,828)
Opening Cash Balance	9,144
Closing Cash Balance	6,316

NOTES TO THE FORECAST FINANCIAL STATEMENTS

REPORTING ENTITY

Ōtākaro Limited (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 a limited life expectancy, currently forecast at seven years from establishment.

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

Ōtākaro 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.

Revenue

Project Funding

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

- 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, and 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.

Depreciation

Depreciation is calculated using the straight line basis at rates that 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 140,546,744 shares at 30 June 2017, and 223,025,589 shares as at 30 June 2018.

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 the subsequent actual results.

Estimates and assumptions are continually evaluated and are based on expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have 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 affect this has on overall project costs and funding required; and,
- 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.