

Annual Report

2018-2019

A scenic sunset over a beach. In the foreground, a large, abstract wooden sculpture made of curved planks frames the view. The sun is low on the horizon, creating a bright glow and lens flare. In the background, a concrete bridge with a metal railing spans across the beach. A few people are walking on the sand near the water's edge. The sky is filled with soft, colorful clouds in shades of orange, yellow, and blue.

DCL

Development Christchurch Ltd.

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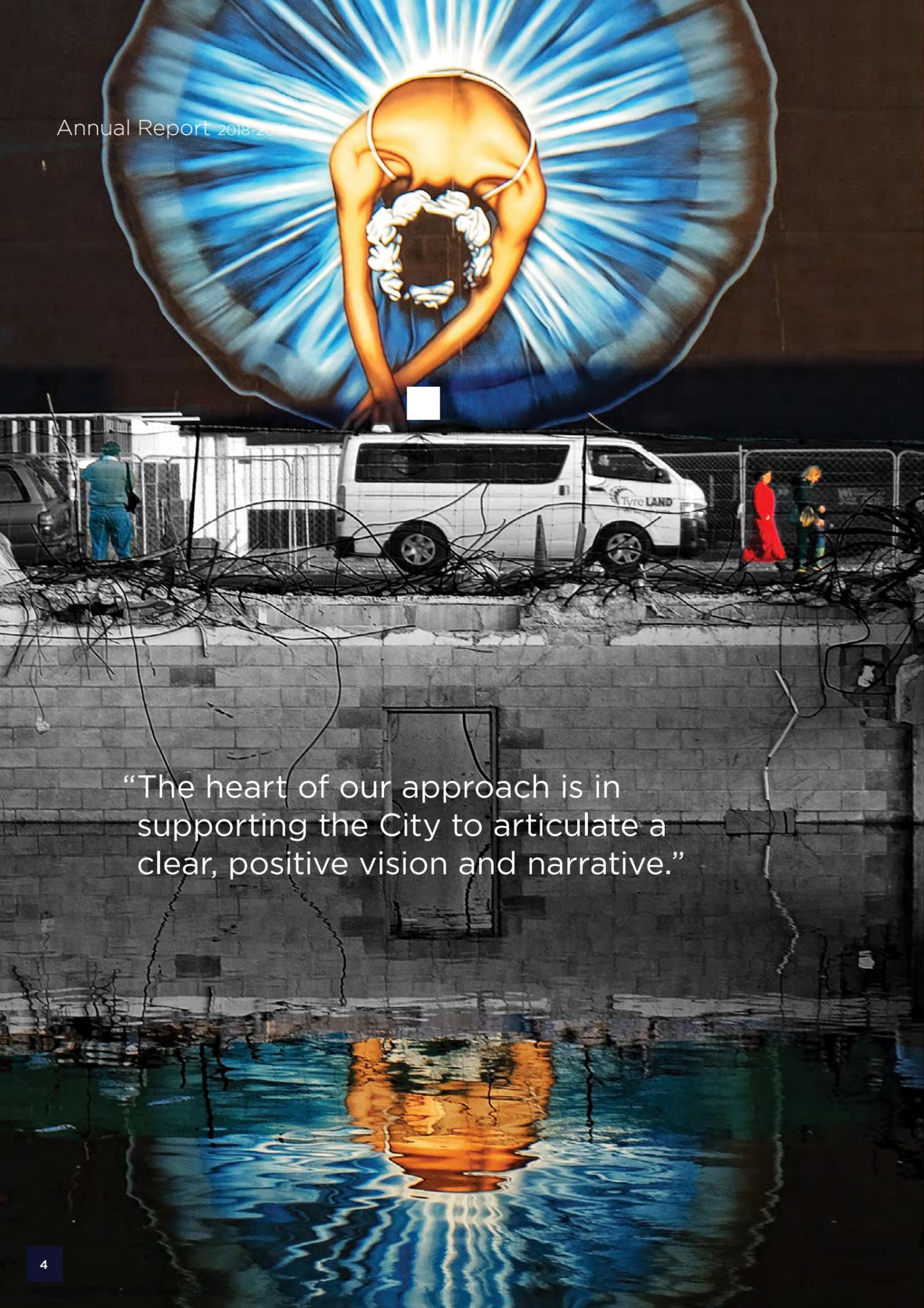
Board Chair and Chief Executive Report

For the year ending 30 June 2019



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.

The past year has been pleasing for DCL; having delivered the popular New Brighton 'wet' playground project on time and within budget in the prior financial year, we quickly got underway on the second phase of the foreshore development, He Puna Taimoana (the hot pools complex). During the year, DCL purchased a significant development site in New Brighton to support our ongoing programme of regeneration in the suburb. Towards the end of the financial year, following direction from Council, we increased our stake in the Christchurch Adventure Park (CAP) to 54% as part of a financial strengthening of that business.



“The heart of our approach is in supporting the City to articulate a clear, positive vision and narrative.”

Creating change through urban regeneration

Building on the DCL 2017 New Brighton Regeneration Implementation Plan, we have continued to advance the revitalisation of the seaside suburb as it transforms into a bustling seaside leisure destination for locals and visitors. Work on the New Brighton Regeneration Project in the past year has included the delivery of a half-court basketball court with accompanying art work and the start of construction on the hot pools, which have been gifted the name He Puna Taimoana. Construction of He Puna Taimoana was significantly advanced during the year and we are excited about the projected opening in the early half of 2020. Our work in New Brighton has also involved engagement with property owners, businesses and the wider community with the aim of revitalising New Brighton's commercial core, while incorporating improvements to public spaces, transport network changes and opportunities for residential development.

Having acquired the former New Brighton School on Seaview Road, we now own 23% of the central core land in the area and have relationships with other landowners. Together with partners we are well placed to influence development and renewal of the area. .

We have worked with a number of property owners in the area of the City known as Cranmer Quarter. This work has been focussed on developing a coordinated vision, master plan and engagement strategy between the private and public sector to regenerate this area to the north of the central City. It also includes the property at 82-94 Peterborough Street and 95 Kilmore Street owned by DCL which form DCL's Peterborough Central project.

Elsewhere, DCL completed the provision of advice to Christchurch City Council on the Bishopdale Regeneration Project. This included findings from an 'Enquiry by Design' workshop held in November 2018 with local businesses, landowners, community and elected members and the subsequent evaluation of all viable regeneration approaches. Any funding for the regeneration of the area will need to be considered as part of the Council's Annual and Long Term planning processes and as part of a whole-of-city approach to priorities for regeneration activities. One of the outcomes of this work is a project now underway to convert the former Bishopdale Mitre 10 building into an integrated Health Hub for the community.

In the past year, DCL has also 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 potential development opportunities in Lyttelton and have acted as the interface between the Council and a developer to progress a mixed-use development in the heart of London Street.

DCL made a commitment to local leaders that we would bring a lighting project to the city and we fulfilled this promise. DCL secured financial support from the Christchurch Business Recovery Trust to purchase a laser projector and to paint a landmark mural on the north face of 245 St Asaph Street as part of the regeneration of Evolution Square in the SALT district (St Asaph, Lichfield and Tuam streets). The mural gained national attention with it featuring on national news and it has subsequently become a popular spot for photographers capturing images of the new Ōtautahi Christchurch. More murals are planned and we are very pleased to note the projector has been used as an activation tool featuring in the Street Art Festival and to support the Cathedral Reinstatement Project. Other events are planned, so watch this space.

Unlocking development opportunities for others

An important role undertaken by DCL has been to coordinate and encourage 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 of a commercially sensitive nature that has involved making introductions and 'sign posting' opportunities to investors and assisting them to execute opportunities that benefit the regeneration and prosperity of the City.

During the past year, DCL staff have facilitated transactions that involved investment and commitments to further investment in the built form and job creation especially into the central city. A number of other leads are continuing to be progressed, which may result in significant opportunities that will enhance the City's prosperity. During the year, DCL staff facilitated discussion and/or introduced people to each other, which resulted in \$50m of direct investment in the City, made up of \$20m of property purchases and a further \$30m of construction finance spent to date. Additionally, DCL supported a number of opportunities that assisted in further transactions taking place.

DCL continues to work with other organisations to ensure the City maintains a consistent and coordinated focus to attracting investment. The heart of our approach is in supporting the City to articulate a clear, positive vision and narrative. We have worked particularly closely with ChristchurchNZ on this as well as on other projects aimed at improving the prosperity of the City. This assists in creating a clear understanding of the sort of investment Christchurch seeks to support growth and how we expect to attract it.

Toward the end of the financial year, and after having provided advice to and received support from the Council, DCL agreed to invest further in the Christchurch Adventure Park so locals and visitors could continue to enjoy the popular facility. This investment was made in conjunction with a group of other supportive Park owners who also invested further.

The Port Hills fires caused extensive damage to the park in 2017 and one year after re-opening, park management and its board indicated it could no longer continue to meet required debt repayments. The park's board announced its intention to seek additional capital from existing shareholders to repay debt, improve operations and attract more local visitors. DCL agreed to purchase \$4.995 million of additional shares. This has resulted in the removal the Council's \$5 million loan shortfall guarantee and has raised DCL's stake in the park from 14.29% to 54.73% making the adventure park a Council Controlled Trading Organisation, sitting as a subsidiary of DCL which has increased oversight of operations.

Increased strategic capacity and capability for the Council

DCL's strong commercial focus and expertise, along with our commitment to quality, proactive engagement with our communities and stakeholders, continues to enhance the Council's capacity and capability through our provision of professional services targeted at providing commercial and strategic advice on request with respect to specific projects and issues.

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 and commercial advice on the Metro Sports Facility, Christchurch Adventure Park and the Global Settlement. We have also been involved in supporting Council on other strategic and commercial issues and providing input into work being undertaken by Regenerate Christchurch as our skills complement their key work streams. These have been largely focussed on redevelopment opportunities especially focussed on the central city.

This work, although less visible, has involved the provision of professional services at no additional cost to Council, which otherwise would have been procured externally within the private sector. DCL has the ability to deliver this work efficiently and in a timely manner, ensuring good value for money.

Looking forward

As we move into our fourth year of operation, the organisation will continue to deliver on work that benefits the prosperity of our City, recognising that the investment made in DCL is an important one where benefits can be significant. With our growing balance sheet, DCL will be able to use this to advance regenerative activities in key areas in a way that will provide positive returns to the City and our shareholder.

We will continue to encourage an approach that allows us to become financially self-sustaining through ownership of property where appropriate, whilst recycling capital where we can to accelerate development projects. We have committed to working closely with partners as we support the transition to greater local leadership, following the agreement supporting the Global Settlement. Our work in New Brighton, Peterborough Central, and our early re-imagining of other sites, including the Milton Street Depot present opportunities for the City, and it is important for the City's future that we continue to work with the private sector to deliver our ambition for the wider benefit of Christchurch.



Bill Dwyer
Chairman

Development Christchurch Limited



Rob Hall
Chief Executive Officer

Development Christchurch Limited

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 2019.

Signed on behalf of the Board.



Bill Dwyer
Chair
21 November 2019



Peter Houghton
Director
21 November 2019

Financial Statements

Statement of comprehensive revenue and expense
for the year ended 30 June 2019

	Note	DCL		Group	
		2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Operating and other revenue	3	7,257	9,933	7,738	9,933
Operating expenses	4	(9,192)	(10,868)	(9,878)	(10,868)
Surplus/(deficit) before interest, tax, depreciation and amortisation		(1,935)	(935)	(2,140)	(935)
Depreciation and amortisation	9(a)	(47)	(47)	(262)	(47)
Share of associate's surplus/(deficit)		-	357	-	357
Surplus/(deficit) before interest and tax		(1,982)	(625)	(2,402)	(625)
Finance income		50	65	50	65
Finance Costs	5	(6)	-	(15)	-
Net finance income		44	65	35	65
Surplus/(deficit) before income tax expense		(1,938)	(560)	(2,367)	(560)
Income tax expense/(credit)	6	(611)	294	(1,263)	294
Surplus/(deficit) for the period		(1,327)	(854)	(1,104)	(854)
Other Comprehensive Income		-	-	-	-
Total comprehensive revenue and expense for the period		(1,327)	(854)	(1,104)	(854)
Total comprehensive revenue and expense attributable to:					
Non-controlling interest		-	-	(180)	-
Development Christchurch Limited:		(1,327)	(854)	(924)	-
		(1,327)	(854)	(1,104)	(854)



Statement of financial position
as at 30 June 2019

	Note	DCL		Group	
		2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Non-current assets					
Investments	10	4,401	-	-	-
Property, plant and equipment	9(a)	190	166	8,324	166
Land inventory	9(b)	8,939	9,939	8,939	9,939
Intangible Assets	11	-	-	-	-
Deferred tax asset	6	749	136	1,401	136
Total non-current assets		14,279	10,241	18,664	10,241
Current assets					
Cash and cash equivalents	7	802	1,533	794	1,533
Trade and other receivables	8	711	322	782	322
Land Inventory	9(b)	2,200	-	2,200	-
Prepayments		-	40	460	40
Inventories		-	-	57	-
Current tax asset	6	-	-	-	-
Total current assets		3,713	1,895	4,293	1,895
Total assets		17,992	12,136	22,957	12,136
Current liabilities					
Creditors and other liabilities	12	1,820	475	2,924	475
Current tax liabilities	6	-	357	-	357
Total current liabilities		1,820	832	2,924	832
Non-current liabilities					
Borrowings	13	1,200	-	1,200	-
Total non current liabilities		1,200	-	1,200	-
Total liabilities		3,020	832	4,124	832
Net assets		14,972	11,304	18,833	11,304
Equity					
Capital and other equity instruments	15	18,844	13,849	18,844	13,849
Retained earnings		(3,872)	(2,545)	(3,468)	(2,545)
Non controlling interests		-	-	3,457	-
Total equity		14,972	11,304	18,833	11,304

Statement of changes in equity
for the year ended 30 June 2019

Statement of cash flows
for the year ended 30 June 2019

DCL		Share capital \$'000	DCL Retained earnings \$'000	Total \$'000
	Note			
Balance as at 1 July 2017		3,500	(1,690)	1,810
Total comprehensive revenue and expenses		-	(854)	(854)
Share issue - ordinary shares		10,349	-	10,349
Balance as at 30 June 2018		13,849	(2,544)	11,305
Total comprehensive revenue and expenses for the period		-	(1,328)	(1,328)
Share issue - ordinary shares	15	4,995	-	4,995
Non-controlling interests		-	-	-
Balance as at 30 June 2019		18,844	(3,872)	14,972

Group		Share capital \$'000	Retained earnings \$'000	Attributable to Equity holders of Parent \$'000	Non-Controlling Interests \$'000	Total \$'000
	Note					
Balance as at 1 July 2017		3,500	(1,690)	1,810	-	1,810
Total comprehensive revenue and expenses		-	(854)	(854)	-	(854)
Share issue - ordinary shares		10,349	-	10,349	-	10,349
Balance as at 30 June 2018		13,849	(2,544)	11,305	-	11,305
Total comprehensive revenue and expenses for the period		-	(924)	(924)	(180)	(1,104)
Share issue - ordinary shares	15	4,995	-	4,995	-	4,995
Non-controlling interests		-	-	-	3,637	3,637
Balance as at 30 June 2019		18,844	(3,468)	15,376	3,457	18,833

	Note	DCL		Group	
		2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Cash flows from operating activities					
Receipts from customers and other sources		6,224	10,168	6,874	10,168
Interest received		50	65	50	65
Payments to suppliers and employees		(6,642)	(8,942)	(7,599)	(8,942)
Subvention payments		(363)	(65)	(363)	(65)
Interest and other finance costs paid		-	-	-	-
Net cash from operating activities		(731)	1,226	(1,038)	1,226
Cash flows from investing activities					
Payment for land held as inventory	9(b)	(1,200)	(10,349)	(1,231)	(10,349)
Payment for investments		(4,995)	-	(4,995)	-
Net cash from investing activities		(6,195)	(10,349)	(6,226)	(10,349)
Cash flows from financing activities					
Proceeds from issue of shares	15	4,995	10,349	12,530	10,349
Proceeds from borrowing		1,200	-	1,200	-
Repayment of borrowings		-	-	(7,205)	-
Net cash provided by financing activities		6,195	10,349	6,525	10,349
Net increase in cash and cash equivalents		(731)	1,226	(739)	1,226
Cash and cash equivalents at beginning of year		1,533	307	1,533	307
Cash and cash equivalents at end of year	7	802	1,533	794	1,533



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.

On 1st May 2019 DCL completed the increase in its investment in the Christchurch Adventure Park taking its shareholding to 54.73% establishing it as a Council Controlled Organisation and subsidiary of DCL. DCL has now formed a consolidated group from purchase date.

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.

Profit and Loss Information

3 Operating revenue

	DCL		Group		
	Note	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Services Income		5,606	8,881	6,087	8,881
Rental Income		77	-	77	-
Project costs on-charged to Christchurch City Council		354	1,052	354	1,052
Fair Value gain on Investment		1,149	-	1,149	-
Other Income		71	-	71	-
		7,257	9,933	7,738	9,933

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.

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	DCL		Group	
		2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Salaries and wages		1,747	1,663	2,102	1,663
Defined contribution plan employer contributions		47	52	47	52
Total personnel costs		1,794	1,715	2,149	1,715
Audit fees	4(a)	95	21	95	21
Directors' fees		214	210	214	210
Write down of Goodwill	11	1,743	-	1,743	-
Other operating expenses		5,346	8,922	5,677	8,922
		9,192	10,868	9,878	10,868

4(a) Remuneration of auditors

	Note	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Audit New Zealand					
Audit of the financial statements – 2019		29	21	25	21
Audit fee recoveries 2018		31	-	35	-
Audit fee recoveries 2017		35	-	35	-
Total	4	95	21	95	21

5 Finance Costs

	DCL		Group	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Interest expense				
Interest on Borrowings	6	-	15	-
	6	-	15	-

Accounting policy – Finance costs

Borrowing costs are recognised as an expense in the financial year in which they are incurred.

6 Income taxes

6(a) Components of tax expense

	Note	DCL		Group	
		2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Current tax expense/(income)		-	430	-	430
Deferred tax expense/(income)		(611)	(136)	(1,263)	(136)
Total tax expense/(income)		(611)	294	(1,263)	294

6(b) Reconciliation of prima facie income tax

	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Profit/(loss) before tax	(1,938)	(560)	(2,367)	(560)
Tax at statutory rate of 28%	(543)	(157)	(663)	(157)
Non-deductible revenue/expenses	58	451	178	451
Tax loss recognised as deferred tax asset	(126)	-	(126)	-
Initial recognition of deferred tax asset in subsidiary	-	-	(652)	-
Total tax expense/(income)	(611)	294	(1,263)	294

6(c) Deferred taxation

	Note	DCL		Group	
		2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Opening balance		(136)	-	(136)	-
Timing differences		-	(21)	-	(136)
Employee Benefits		(2)	-	(16)	-
PPE		-	-	(697)	-
Provisions		-	-	(11)	-
Land		-	(115)	70	-
Tax losses recognised as asset		(611)	-	(611)	-
Closing balance		(749)	(136)	(1,401)	(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.



Assets and Liabilities

7 Cash and cash equivalents

	Note	DCL		Group	
		2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Cash on hand and at bank		802	1,533	794	1,533
		802	1,533	794	1,533

All cash is held with Bank of New Zealand. The interest rate as at 30 June 2019 was 1.5% (2018: 1.75%).

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.

8 Trade and other receivables

	Note	DCL		Group	
		2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Related party receivables		164	248	164	248
Other receivables		289	-	360	-
GST receivable		258	74	258	74
		711	322	782	322

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.

9a Property, plant & equipment

	Note	DCL		Group	
		2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Carrying Amounts of					
Plant & Equipment		190	166	4,434	166
Buildings		-	-	1,884	-
Motor Vehicles		-	-	42	-
Land improvements		-	-	1,964	-
Closing balance		190	166	8,324	166

	DCL Balance 1 July 2018	Additions	Disposals	Transfers	Balance 30 June 2019
Cost					
Plant & Equipment	245	71	-	-	316
Buildings	-	-	-	-	-
Motor Vehicles	-	-	-	-	-
Land Improvements	-	-	-	-	-
Total	245	71	-	-	316

	Balance 1 July 2018	Additions	Depreciation	Impairment	Balance 30 June 2019
Accumulated Depreciation					
Plant & Equipment	79	-	47	-	126
Buildings	-	-	-	-	-
Motor Vehicles	-	-	-	-	-
Land Improvements	-	-	-	-	-
Total	79	-	47	-	126

	DCL Balance 1 July 2017	Additions	Disposals	Transfers	Balance 30 June 2018
Cost					
Plant & Equipment	245	-	-	-	245
Buildings	-	-	-	-	-
Motor Vehicles	-	-	-	-	-
Land Improvements	-	-	-	-	-
Total	245	-	-	-	245

	Balance 1 July 2017	Additions	Depreciation	Impairment	Balance 30 June 2018
Accumulated Depreciation					
Plant & Equipment	32	-	47	-	79
Buildings	-	-	-	-	-
Motor Vehicles	-	-	-	-	-
Land Improvements	-	-	-	-	-
Total	32	-	47	-	79

	Group Balance 1 July 2018	Additions	Disposals	Transfers	Balance 30 June 2019
Cost					
Plant & Equipment	10,033	141	(59)	-	10,115
Buildings	3,806	-	-	-	3,806
Motor Vehicles	103	-	-	-	103
Land Improvements	3,536	199	-	-	3,735
Total	17,478	340	(59)	-	17,759

	Balance 1 July 2018	Additions	Depreciation	Impairment	Balance 30 June 2019
Accumulated Depreciation					
Plant & Equipment	480	(25)	1,049	4,177	5,681
Buildings	128	-	171	1,623	1,922
Motor Vehicles	27	-	34	-	61
Land Improvements	68	-	111	1,592	1,771
Total	703	(25)	1,365	7,392	9,435

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 (2018: 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

	DCL		Group	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Land held as inventory				
Opening Balance	9,939	-	9,939	-
Additions	1,200	10,349	1,200	10,349
Write down to net realisable value		(410)		(410)
Closing balance	11,139	9,939	11,139	9,939
Represented by				
Current assets	2,200	-	2,200	-
Non current assets	8,939	9,939	8,939	9,939
Closing balance	11,139	9,939	11,139	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 Other financial assets

	DCL		Group	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Non Current Assets				
Investment in subsidiaries	4,401	-	-	-
Closing balance	4,401	-	-	-

On 1st May 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 forming a Council Controlled Organisation.

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.

DCL identified net assets of Partnership with a fair value of \$8.041m. DCL elected to measure non-controlling interests (which represent present ownership interests) at fair value of \$3,640m. On the date of acquisition, the previously held 14.29% interest had a fair value of \$1.149m. On 30 April 2019, DCL recognised \$1.149m in profit or loss and \$1.743m as Goodwill.

In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the identified net asset at the measurement date.

Impairment of goodwill – IAS 36.10 Irrespective of whether there is any indication of impairment, an entity shall test goodwill acquired in a business combination for impairment annually in accordance with paragraphs 80-99.

Accounting policy – Other financial assets

Financial Assets (other than shares in subsidiaries) are initially recognised at fair value plus transaction costs unless they are carried at fair value through surplus or deficit in which case the transaction costs are recognised in the surplus or deficit.

At year end, the assets are assessed for indicators of impairment. Impairment is established when there is evidence that DCL or the group will not be able to collect amounts due according to the original terms of the receivable. If assets are impaired, the amount not expected to be collected is recognised in surplus or deficit.

Shares in subsidiaries

DCL consolidates in the group financial statements all entities where the DCL has the capacity to control their financing and operating policies so as to obtain benefits from the activities of the subsidiary. This power exists where DCL controls the majority voting power on the governing body or where such policies have been irreversibly predetermined by DCL or where the determination of such policies is unable to materially affect the level of potential ownership benefits that arise from the activities of the subsidiary. DCL will recognise goodwill where there is an excess of the consideration transferred over the net identifiable assets acquired and liabilities assumed. This difference reflects the goodwill to be recognised by DCL. If the consideration transferred is lower than the net fair value of DCL's interest in the identifiable assets acquired and liabilities assumed, the difference will be recognised immediately in the surplus or deficit.

The investment in subsidiaries is carried at cost in the Council's parent entity financial statements.

11 Intangible Assets

	DCL		Group	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Goodwill	1,743	-	1,743	-
Accumulated impairment	(1,743)	-	(1,743)	-
Closing balance	-	-	-	-

Accounting policy – Intangible assets

Goodwill

Goodwill on acquisition of businesses and subsidiaries is included in “intangible assets”. Goodwill on acquisition of an associate is included in “investment in associate” and impairment is considered as part of the overall investment balance. Goodwill is allocated to cash-generating units for the purposes of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each financial year is recognised in the surplus or deficit.

Impairment of Intangible assets

Intangible assets that have an indefinite useful life, or are not yet available for use, are not subject to amortisation and are subject to impairment testing annually.

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.

12 Creditors and other payables

	DCL		Group	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Trade payables and accrued expenses	1,678	302	2,228	302
Employee entitlements	142	173	316	173
Revenue in Advance	-	-	380	-
	1,820	475	2,924	475

Accounting policy – 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.

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

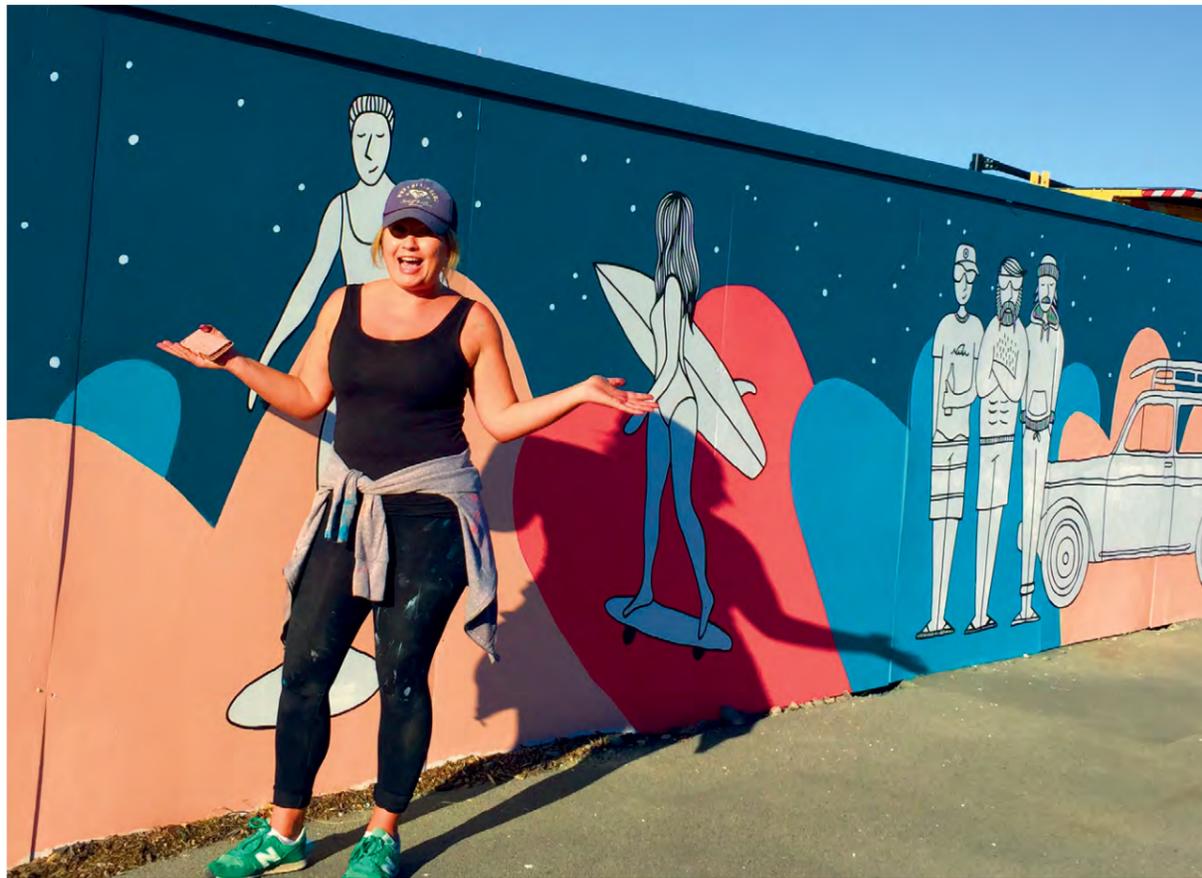
13 Borrowings

	DCL		Group	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Non Current portion				
Secured Loans	1,200	-	1,200	-
	1,200	-	1,200	-

Accounting policy – Borrowings

Borrowings on normal commercial terms are initially recognised at the amount borrowed plus transaction costs. Interest due on the borrowings is subsequently accrued and added to the borrowings balance.

Borrowings are classified as current liabilities unless the DCL or group has an unconditional right to defer settlement of the liability for at least 12 months after balance date.



Financial Risk Management

14 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.

14(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 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 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.

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.

14(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 2019 Parent						
Cash, cash equivalents and deposits	802	802	802	-	-	-
Debtors and other receivables	711	711	711	-	-	-
Creditors and other payables	(1,820)	(1,820)	(1,820)	-	-	-
	(307)	(307)	(307)	-	-	-
30 June 2018 Parent						
Cash, cash equivalents and deposits	1,533	1,533	1,533	-	-	-
Debtors and other receivables	321	321	321	-	-	-
Creditors and other payables	(475)	(475)	(475)	-	-	-
	1,380	1,380	1,380	-	-	-
30 June 2019 Group						
Cash, cash equivalents and deposits	794	794	794	-	-	-
Debtors and other receivables	782	782	782	-	-	-
Creditors and other payables	(2,924)	(2,924)	(2,924)	-	-	-
	(1,348)	(1,348)	(1,348)	-	-	-
30 June 2018 Group						
Cash, cash equivalents and deposits	1,533	1,533	1,533	-	-	-
Debtors and other receivables	321	321	321	-	-	-
Creditors and other payables	(475)	(475)	(475)	-	-	-
	1,380	1,380	1,380	-	-	-

14(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 (2018: \$Nil).

14(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

15 Share capital

	DCL		Group	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Opening balance	13,849	3,500	13,849	3,500
Shares issued to CCHL for:				
Land purchases	-	10,349	-	10,349
Investments	4,995	-	4,995	-
Closing balance	18,844	13,849	18,844	13,849
18,844,000 fully paid ordinary shares	18,844	13,849	18,844	13,849
	18,844	13,849	18,844	13,849

Ordinary shares have no par values

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

16 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	DCL		Group	
		2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Transactions during the year					
Shares issued to CCHL	(i)	4,995	10,349	4,995	10,349
Borrowing from CCHL	(ii)	1,200	-	1,200	-
Interest payments to Invoiced by CCC	(ii)	6	-	6	-
Services provided to CCC	(iii)	661	10,649	661	10,649
CCC Group loss offset	(iv)	6,052	9,957	6,052	9,957
Subvention Payment	(v)	933	(167)	933	(167)
	(v)	363	(65)	363	(65)

(i) 4,995,000 Shares were issued in 2019. (2018: 10,349,000).

(ii) \$1,200,000 was borrowed from CCHL. (2018: \$0).

(iii) Payments to CCC for property and tax related charges. (2018: \$10.349m).

(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 Hot Pool project.

(v) CCC Group Losses transferred to DCL through loss offset of \$933,000 (2018: \$167,000) and subvention payment of \$363,000 (2018: \$65,000).

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.

17 Classification of financial assets and liabilities

	Note	DCL		Group	
		2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Loans and receivables					
Cash and cash equivalents	7	802	1,533	794	1,533
Trade and other receivables	8	711	322	782	322
		1,513	1,855	1,576	1,855
Financial liabilities measured at amortised cost					
Creditors and other payables	12	1,820	475	2,924	475
		1,820	475	2,924	475



18 Performance against Statement of Intent targets

The company's Statement of Intent for the 2019 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 2018-2019	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 ensure it maintains 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 CCHL and was submitted to CCC and adopted. The FY2019/20 business plan was submitted in May 2019. Current policies are up to date and staff continue to review policy requirements on an ongoing basis.
		Target 2 DCL will submit a draft Sol for 2019/20 for approval to CCHL by 1st March 2019.	Was delivered on 28th February 2019. Statement of Intent (Sol) was completed and reviewed by CCHL and was submitted to CCC and adopted.
2	DCL keeps its owners informed of all significant matters relating to DCL.	Target 3 DCL will meet and provide updates to the Finance and Performance Committee on key work programmes as required but quarterly as a minimum. DCL will provide a quarterly report to CCHL noting progress against Sol targets. DCL will advise any major matters of urgency to its owners at the earliest opportunity.	DCL has reported to the Finance and Performance Committee on a 3-monthly basis. DCL is meeting its reporting requirements to CCHL and communicates any issues as required to CCHL management.
		Target 4 The Board will maintain an appropriate and comprehensive suite of corporate governance policies and procedures, which will be regularly reviewed.	Policy drafts and updates are reviewed and approved by the Audit and Risk Committee and the People and Performance Committee, respectively.
3	Corporate governance procedures are appropriate, documented and reflect best practice.		

Strategic objectives

	Objective	Performance target 2018-2019	Status
1	Development Management and Implementation The Company: Takes a proactive approach to development through the use of Council and DCL - owned land and other non-financial levers. Supports the implementation of suburban masterplans as directed by Council and seek to attract private sector and community-based investment as appropriate.	Target 5 DCL will continue to progress and monitor the development of the Peterborough Quarter.	A Request for Development Proposals (RFDP) was issued to selected developers and responses received in early 2019. The responses were evaluated to identify a short list of developers. DCL is working with this shortlist to complete a development strategy and agree appropriate terms and conditions.
	Supports the implementation of suburban master-plans and attracts private sector and community-based investment.	Target 6 DCL will continue to lead the revitalisation of New Brighton: Complete construction of Phase 1b of the Christchurch Hot Pools. Source an external investor to fund the implementation and development of the commercial core as outlined in the suburban masterplan and New Brighton Regeneration Project Implementation Plan.	New Brighton foreshore development Phase 1B (hot pools), ECAN consent was granted in September 2018. Resource consent was granted in December 2018. Project is on track to finish in Q1 2020. Commercial Core We are working with developers/investors in the amalgamation of key land holdings in the front foreshore zone of the commercial core.
		Target 7 DCL will seek, on behalf of CCHL and the Council, development opportunities that have the potential to enhance the economic wellbeing of the city, deliver an optimal return that balances financial and public good outcomes: source development partners for land transferred to DCL by Council.	Tranche One Land Transfer Milton Street The sale, purchase and transfer of the land from Council to DCL was expected to have been completed by Q1 FY2020.
		Target 8 DCL will work with the Council to progress other development projects which have the potential to deliver on the city's vision and provide value for money and require support from the Council.	Tranche One Site Development Owles Terrace DCL may wish to pursue acquisition of this site, pending Due Diligence, from Council to incorporate into the New Brighton Regeneration Project. But, note that it is subject to the Ōtākaro Avon River Corridor Regeneration Plan.

Objective	Performance target 2018-2019	Status
<p>2 Investor Relations and Engagement.</p> <p>The Company: Ensures the city has access to the broadest possible pool of capital required to support the successful regeneration of Christchurch. This includes facilitating access to project finance, development capital, investment capital, business and investment, not-for-profit funding and social capital.</p> <p>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.</p>	<p>Target 9 Leadership of investment activity across Christchurch. DCL will lead the delivery of the Investor Ready City strategy, by:</p> <p>Ongoing facilitation of opportunities for investment across a wide range of investors and sectors.</p> <p>Seeking and enabling investment where appropriate in activities that have the potential to enhance the economic wellbeing of the city and in doing so, deliver a return that balances financial and public good outcomes.</p>	<p>DCL continues to facilitate interactions between city institutions to provide a mechanism to share market and institutional intelligence to better inform understanding of investor intentions and requirements. This information is used to triage enquiries for the purpose of ensuring better alignment between investors and the institutions that can support them. Increasingly this translates to a higher level of shared activity between DCL and ChristchurchNZ. An important element of our facilitation work is investor intentions mapping. DCL is working with Council IT staff to develop a Council hosted platform that will consolidate relevant data at one source.</p> <p>Project 8011</p> <p>This is a Council led multi-agency project which seeks to accelerate central city residential development and is an important element of the Central City Action Plan (CCAP). DCL's process of market engagement and subsequent Request for Development Proposal for the development of the former Convention Centre site provides a tangible contribution to this project.</p> <p>Central City Action Plan (CCAP)</p> <p>This programme of work was mandated by instruction from Mayor Dalziel and Minister Woods in response to Regenerate Christchurch's current state assessment of the central city.</p> <p>Subsequently the programme was endorsed by Council and has now moved to a focus on execution. Governance for the programme rests with the City Executives' Group comprised of the CEO's of DCL, CCC, Ōtākaro, ChristchurchNZ, RC and DPMC - Greater Christchurch Group and leadership of the programme is the responsibility of a steering group comprised of DCL, CCC, ChristchurchNZ and DPMC - Greater Christchurch Group.</p>
<p>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.</p>	<p>Target 10 DCL will develop and maintain a credible and effective Engagement Framework to:</p> <ul style="list-style-type: none"> - Provide an effective point of engagement for community groups and other key stakeholders in areas that meet DCL's objectives. <p>Ensure DCL works closely with Regenerate Christchurch and Ōtākaro Limited in providing effective advocacy for, and support of, new regeneration plans.</p>	<p>In discussions with other city institutions including CCC, ChristchurchNZ, Ōtākaro, NZ Trade and Enterprise (NZTE) and Regenerate Christchurch, it has been agreed that formal meetings of the group to discuss market intelligence and triaging activity will be held monthly (previously fortnightly) with the ability to convene relevant organisations at shorter notice if required.</p> <p>Engagement with the investment and development community occurs in one on one meetings both as required to address specific issues and as a relationship management approach. DCL also identifies and/or responds to speaking/presentation opportunities to both convey messages to the market and seek feedback from them.</p> <p>The nature of our relationships with both Ōtākaro and Regenerate Christchurch personnel has, to date, been very positive with a high level of interaction and sharing of information.</p>



Objective	Performance target 2018-2019	Status
<p>Strategic/ Commercial Advice</p> <p>The Company will work to ensure that 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.</p> <p>The Company provides strategic and commercial advice to the Council.</p>	<p>Target 11 The Company provides strategic and commercial advice to the Council in relation to development matters, as and when required in relation to but not limited to:</p> <p>Procurement strategies and the ability to effectively engage with the markets.</p> <p>Commercial strategies, including enhanced revenue and investment opportunities.</p> <p>The attraction of private sector investment to projects.</p>	<p>Work with Regenerate Christchurch</p> <p>DCL met regularly with Regenerate Christchurch management to share thoughts on the current status of the Central City Action Plan.</p> <p>Bus Interchange Commercial Due Diligence</p> <p>This is now part of the Global Settlement Due Diligence work stream.</p> <p>Christchurch Adventure Park</p> <p>DCL completed an investment transaction for \$4.995m on 30 April 2019 which saw DCL's ownership exceed 50%, this has made the business a CCTO under section 6(2) of the LGA.</p>



Financial and operational objectives

	Objective	Performance target 2018-2019	Status
1	The company is financially sustainable.	Target 12 DCL will provide CCHL financial forecasts for the three years to 30th June 2022.	A financial model for DCL has been developed. The business plan includes five year forecasts from this model which have been provided to CCHL. 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.	<p>Target 13 DCL is committed to maintaining rigorous policies and processes in accordance with accepted industry standards the Company will:</p> <ul style="list-style-type: none"> Develop a culture that is focussed, proactive and outcomes focussed. Implement a Diversity and Inclusion Policy designed to recognise the value of diverse and skilled director and employee groups to maintain an inclusive and collaborative boardroom and workplace culture. Develop an effective prioritisation framework and work programme in ensuring an optimal allocation of resources. Ensure decisions around its operation and supporting infrastructure have the support of its shareholder and Council. Maintain a strict no-surprises policy in its relationship with CCHL and Council as appropriate. Promote sustainable environmental practices and reflect these through a Sustainability Policy. Ensure coastal hazard risks and climate change regulatory requirements are fully considered, managed and implemented when appropriate. Provide effective communication and engagement with the communities DCL is involved with. 	<p>DCL has developed sustainability, diversity and inclusion policies in this year along with maintaining all existing policies, which are approved by the Board. DCL will develop a Risk Management Policy to sit alongside the organisational risk register.</p> <p>Coastal hazard risks and climate change regulatory requirements are fully considered in all DCL projects.</p> <p>The management team meet regularly to discuss current work, priorities and allocation.</p> <p>CCHL and key council staff are kept informed via meetings, phone calls and email on issues as they arise.</p> <p>DCL has a Communications Strategy.</p>

19 Capital and operating lease commitments

	DCL		Group	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Operating lease commitments				
Not more than one year	287	287	495	287
Later than one year but not more than five years	287	574	1,042	574
More than five years	-	-	7,560	-
	574	861	9,097	861

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.

The group holds the rights to a 50 year land lease agreement. The total future value of minimum lease payments is shown above.

Capital commitments

The company has no capital commitments (2018: nil)

20 Contingent liabilities and assets

DCL Parent had no contingent liabilities or assets as at 30 June 2019 (2018: \$nil). The consolidated group through CAP has a legal claim outstanding against it due to the Port Hills Fires, which cannot be quantified at this time.

21 Events after the balance sheet dates

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

Statement of Accounting Policies

22 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 21 November 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.



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	Other financial assets	10
Operating costs	4	Intangible Assets	11
Income taxes	6	Creditors and other payables	12
Cash and cash equivalents	7	Borrowings	13
Trade and other receivables	8	Share capital	15
Investments	9	Classification of financial assets and liabilities	18
Property, plant and equipment	9(a)		
Land held as inventory	9(b)		

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

Breach of Statutory Deadline:

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 adopted on 21 November 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 2019.

Director	Directors' interests	
Bill Dwyer (Chairman)	Director Trustee Trustee Consultant Director	Lyttelton Port Company Wavetree Trust Ohinetahi Charitable Trust Tavendale and Partners Turleys Farms Limited
Jane Gregg	Executive Director Trustee and Co-Chair Trustee Part owner	Life in Vacant Spaces Charitable Trust Christchurch Arts Festival Trust Andromeda Arts 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 Member	Garsington Investments Ltd Capability Project Board – Ministry of Defence
Darren Wright	Director Director Director Director Trustee Board member Director Advisory Board Member Director	Wright Consulting Ltd Land Company Holdings Ltd UW Ltd Full Circle Management Ltd Committee for Canterbury Mainland Netball UW 2016 Ltd (26 Lismore Street is a property owned by this company) Seipp Construction Ltd Greater Christchurch Claims Resolution Service

Directors' remuneration (accrued)

	Note	2019 \$'000	2018 \$'000
Bill Dwyer (Chairman)		70,840	70,000
Jane Gregg		35,840	35,000
Peter Houghton		35,840	35,000
Fiona Mules		35,840	35,000
Darren Wright		35,840	35,000

Attendances during the 2019 financial year

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

Key management personnel compensation

The key management personnel include the CEO and his direct reports consisting of 4 (2018: 4) people.

	Note	2019 \$'000	2018 \$'000
Salaries and other short term benefits		923	900
Post employment benefits		-	-
Termination benefits		-	-
		923	900

This excludes the Directors remuneration listed above.

Employee remuneration

During the year ended 30 June 2019, 8 employee's received compensation or other benefits exceeding \$100,000 (2018:7).

	Number of employees
100,000-110,000	1
120,000-130,000	2
160,000-170,000	1
180,000-190,000	1
200,000-210,000	1
210,000-220,000	1
310,000-320,000	1

Insurance

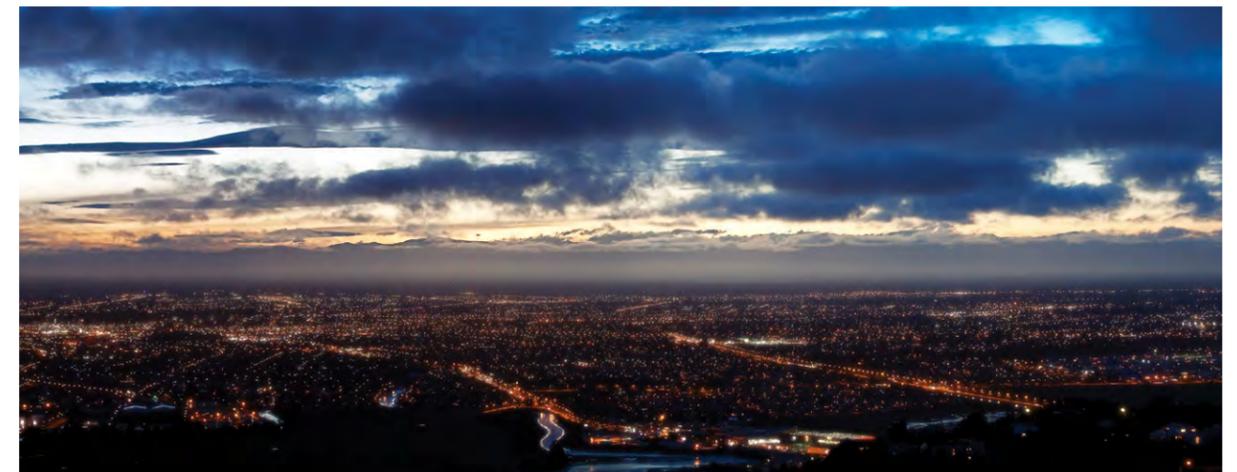
The Company has effected Directors' and Officers' Liability insurance. The Company indemnifies the Directors against costs and liabilities incurred by Directors for acts or omissions made in their capacity as Directors to the extent permitted by the Company's Constitution and the Companies Act 1993.

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 3, BNZ Centre
101 Cashel 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 group's financial statements and performance information for the year ended 30 June 2019

The Auditor-General is the auditor of Development Christchurch Limited Group (the Group). 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 the performance information of the Group, on his behalf.

Opinion

We have audited:

- the financial statements of the Group on pages 10 to 29 and 36 to 38 that comprise the statement of financial position as at 30 June 2019, the statement of comprehensive income, 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 Group on pages 30 to 35.

In our opinion:

- the financial statements of the Group on pages 10 to 29 and 36 to 38:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2019; 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; and
- the performance information of the Group on pages 30 to 35, presents fairly, in all material respects, the Group's actual performance compared against the performance targets and other measures by which performance was judged in relation to the Group's objectives for the year ended 30 June 2019.

Our audit was completed on 21 November 2019. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. 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.

Basis for our 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 Group 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 Group.

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 Group for assessing the Group'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 Group 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 Group'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 Group'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 Group'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 Group 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 obtain sufficient appropriate audit evidence regarding the financial statements and the performance information of the entities or business activities within the Group to express an opinion on the consolidated financial statements and the consolidated performance information. We are responsible solely for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 in 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 3 to 8 and 39 to 42, 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 the fact. We have nothing to report in this regard.

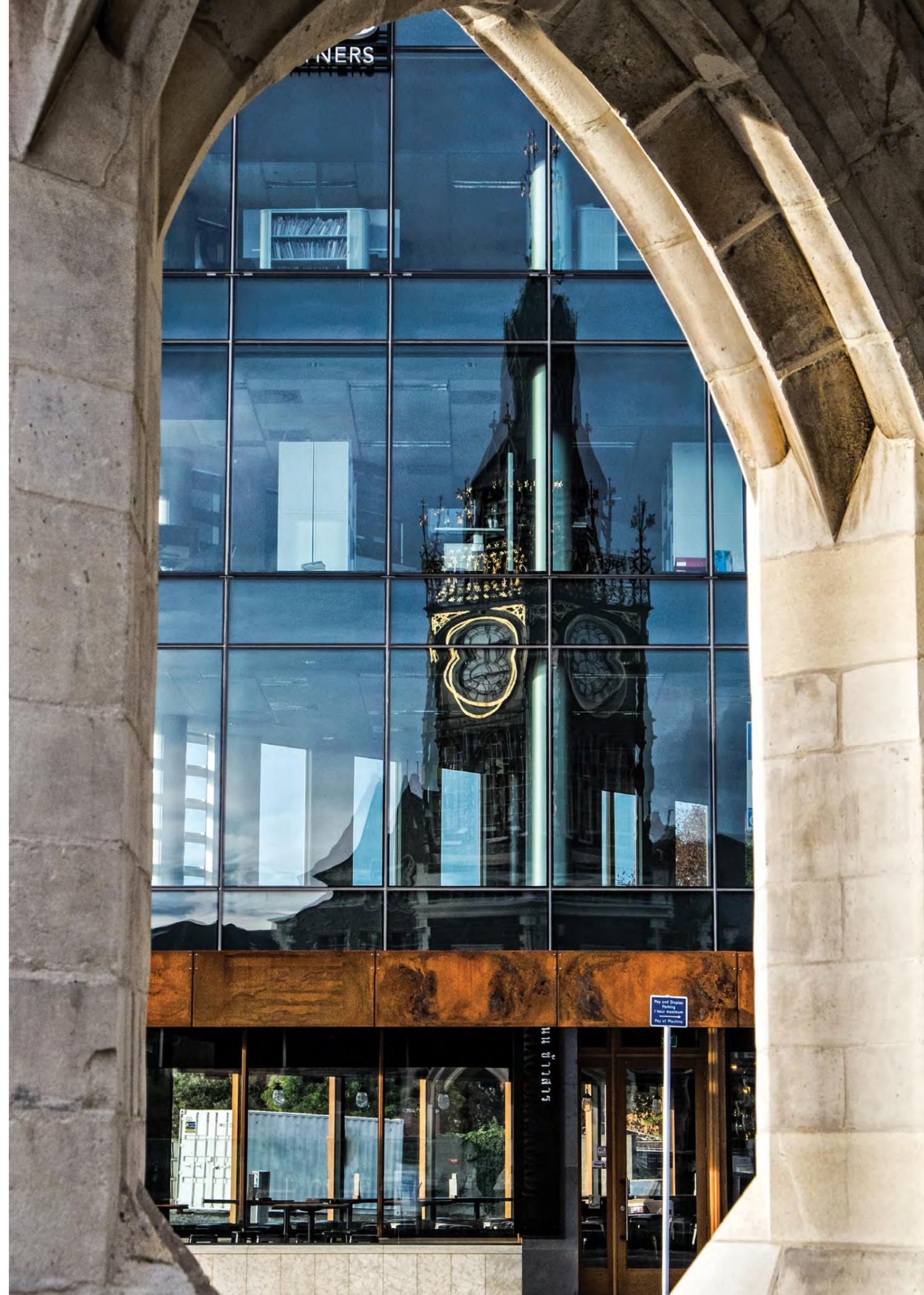
Independence

We are independent of the Group 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 New Zealand Auditing and Assurance Standards Board.

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



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





DCL

Development Christchurch Ltd.

dcl.org.nz