# ChristchurchNZ Holdings Limited
# Annual Report
# for the year ended 30 June 2018

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|---|---|
| **Incorporated** | 4 May 2012 |
| **Reporting Entity** | ChristchurchNZ Holdings Ltd (CNZH), previously known as Canterbury Development Corporation Holdings Limited (CDCH), is the parent company of ChristchurchNZ Limited and CRIS Ltd.<br><br>ChristchurchNZ Holdings Limited is a Council Controlled Organisation (CCO) that works to optimise the economic and social opportunities that tourism, major events, city promotion and economic development can bring to Christchurch and Canterbury. |
| **Business location** | Christchurch |
| **Registered office** | Level 3, 101 Cashel Street<br>Christchurch |
| **Incorporation Number** | 3809976 |
| **Directors** | Dr Dona Therese Arseneau (Chair)<br>Mr Stephen John Barclay<br>Mr Paul Jonathon Bingham<br>Ms Kaila Colbin<br>Mr Roland Van Bommel<br>Cr Andrew Turner<br>Cr Timothy Scandrett |
| **Shareholders** | Christchurch City Council<br>100<br>Total ordinary shares issued<br>100 |
| **Independent Auditor** | Grant Thornton New Zealand Audit Partnership<br>on behalf of the Auditor General |
| **Solicitor** | Alexander Paull<br>Christchurch |
| **Banker** | Bank of New Zealand<br>Christchurch |

## Directors' responsibility statement

The Directors are responsible for the preparation, in accordance with New Zealand law and generally accepted accounting practice, of financial statements which present fairly the consolidated financial position of ChristchurchNZ Holdings Ltd (CNZH), which was previously Canterbury Development Corporation Holdings Limited, as at 30 June 2018 and the results of its operations and cash flows for the twelve months ended on that date.

The Directors consider that to the best of their knowledge and belief the financial statements have been prepared using accounting policies appropriate to CNZH's circumstances, consistently applied and supported by reasonable and prudent judgements and estimates.

The Directors believe that to the best of their knowledge and belief proper accounting records have been kept which enable, with reasonable accuracy, the determination of the consolidated financial position of CNZH and of its financial performance and cashflows and facilitate compliance of the financial statements with the Financial Reporting Act 2013.

The Directors have responsibility for the maintenance of a system of internal controls designed to provide reasonable assurance as to the integrity and reliability of financial reporting. The Directors consider that to the best of their knowledge and belief adequate steps have been taken to safeguard the assets of CNZH and to prevent and detect fraud and other irregularities.

The Directors are pleased to present the consolidated financial statements of the Company for the year ended 30 June 2018.

For and on behalf of the Directors.

Director

28 September 2018

Director

28 September 2018

# Independent Auditor's Report

**Audit**

**Grant Thornton New Zealand Audit Partnership**
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## To the readers of the ChristchurchNZ Holdings Limited's consolidated financial statements and statement of service performance for the year ended 30 June 2018

The Auditor-General is the auditor of ChristchurchNZ Holdings Limited ("the company"). The Auditor-General has appointed me, Michael Stewart, using the staff and resources of Grant Thornton New Zealand Audit Partnership, to carry out the audit of the consolidated financial statements and statement of service performance of the company on his behalf.

### Opinion

We have audited:

- The consolidated financial statements of the company on pages 8 to 37, that comprise the statement of financial position as at 30 June 2018, the statement of comprehensive revenues and expenses, 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 statement of service performance of the company on page 38.

In our opinion:

- the financial statements of the company on pages 8 to 37:
  - present fairly the company's:
    - financial position as at 30 June 2018; and
    - financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand; and
- the performance information of the company on page 38 presents fairly, in all material respects, the company's actual performance compared against the performance targets and other measures by which performance was judged in relation to the company's objectives for the year ended 30 June 2018

Our audit was completed on 28 September 2018. 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 explain our independence.

### Basis for opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Responsibilities of the Board of Directors for the financial statements and the statement of service performance

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

The Board of Directors is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the performance information, the Board of Directors is responsible on behalf of the company for assessing the company's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Board of Directors intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

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

### Responsibilities of the Auditor for the audit of the financial statements and the statement of service performance

Our objectives are to obtain reasonable assurance about whether the financial statements and the statement of service performance, 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 statement of service performance.

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

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

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

Our responsibilities arises from the Public Audit Act 2001.

**Other information**

The Board of Directors are responsible for the other information. The other information comprises the information included on pages 2 to 3 and pages 43 to 47, but does not include the financial statements and the statement of service performance, and our auditor's report thereon.

Our opinion on the financial statements and the statement of service performance 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 statement of service performance, 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 statement of service performance or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Independence**

We are independent of the company in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

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

Michael Stewart
Grant Thornton New Zealand Audit Partnership
On behalf of the Auditor-General
Christchurch, New Zealand

## Consolidated statement of comprehensive revenue and expenses

For the year ended 30 June 2018

| | Note | **2018 $'000** | 2017 $'000 |
|---|---|---|---|
| **Operating revenue** | | | |
| Christchurch City Council (CCC) funding | | **10,443** | 7,582 |
| Other funding | 8 | **2,911** | 2,361 |
| Other income | | **1,323** | 978 |
| Interest income | 6 | **148** | 180 |
| Other gains/(losses) | 7 | **(230)** | 1,346 |
| **Total operating revenue** | | **14,595** | 12,447 |
| **Operating expenditure** | | | |
| Project and service delivery costs | | **5,388** | 3,405 |
| Employee remuneration and contractor costs | | **7,116** | 5,812 |
| Overheads and administrative expenses | 10 | **1,835** | 1,668 |
| Premises rental and other leasing costs | | **577** | 308 |
| Depreciation and amortisation expense | 14,15 | **529** | 441 |
| Loss on investments | 25 | **3,135** | 2,960 |
| **Total operating expenditure** | | **18,580** | 14,594 |
| Share of associate's surplus/(deficit) | 5 | **388** | 54 |
| **(Deficit) before tax** | | **(3,597)** | (2,093) |
| Income tax expense | 21 | **5** | (25) |
| **(Deficit) after tax** | | **(3,602)** | (2,068) |
| **Other comprehensive revenue and expenses** | | | |
| Share of subsidiaries surplus/ (deficit) | | **-** | - |
| **Total comprehensive income/(loss)** | | **(3,602)** | (2,068) |
| **Total comprehensive income/(loss) attributable to:** | | | |
| Shareholder of ChristchurchNZ Holdings Limited | | **(3,602)** | (2,068) |
| | | **(3,602)** | (2,068) |

*The above consolidated statement of comprehensive revenue and expenses should be read in conjunction with the accompanying notes.*

## Consolidated statement of financial position

As at 30 June 2018

| | Note | 2018 $'000 | 2017 $'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 11 | **1,128** | 2,213 |
| Trade debtors and other receivables | 12 | **1,057** | 625 |
| Inventories | 13 | **80** | 77 |
| Current tax receivables | 21 | **67** | 58 |
| Short term deposits | | **3,729** | 4,346 |
| Prepayments | | **122** | 214 |
| **Total current assets** | | **6,183** | 7,533 |
| | | | |
| **Non-current assets** | | | |
| Investments in joint ventures | | **1,137** | 749 |
| Property, plant and equipment | 14 | **2,192** | 1,909 |
| Intangible assets | 15 | **293** | 34 |
| Deferred tax assets | | **23** | 25 |
| Shareholdings | 25 | **1,375** | 4,694 |
| Optional convertible notes | | **-** | 100 |
| **Total non-current assets** | | **5,020** | 7,511 |
| **Total assets** | | **11,203** | 15,044 |
| | | | |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Trade creditors and other payables | 16 | **1,346** | 1,831 |
| Employee benefits liabilities | 17 | **467** | 307 |
| Income in advance | 18 | **1,313** | 1,227 |
| **Total current liabilities** | | **3,126** | 3,365 |
| | | | |
| **Total liabilities** | | **3,126** | 3,365 |
| **Net assets** | | **8,077** | 11,679 |
| | | | |
| **Accumulated funds and other reserves** | | | |
| Retained earnings | 19 | **1,722** | 5,516 |
| Reserves | 20 | **6,355** | 6,163 |
| **Total accumulated funds and other reserves** | | **8,077** | 11,679 |

*The above consolidated statement of financial position should be read in conjunction with the accompanying notes.*

## Consolidated statement of changes in net assets

For the year ended 30 June 2018

| Group | Attributable to equity holders of the Group | | | |
|---|---|---|---|---|
| | Share Capital $'000 | Other reserves $'000 | Retained earnings $'000 | Total equity $'000 |
| **Balance as at 1 July 2016** | - | 1,983 | 11,763 | 13,747 |
| **Comprehensive income** | | | | |
| Deficit for the year | - | - | (2,068) | (2,068) |
| Other comprehensive income | - | - | - | - |
| **Total comprehensive income** | - | - | (2,068) | (2,068) |
| Transfer to reserves | - | - | (4,180) | (4,180) |
| Transfer from retained earnings | - | 4,180 | - | 4,180 |
| **Balance as at 30 June 2017** | - | 6,163 | 5,516 | 11,679 |
| **Comprehensive income** | | | | |
| Deficit for the year | - | - | (3,602) | (3,602) |
| Other comprehensive income | - | - | - | - |
| **Total comprehensive income** | - | - | (3,602) | (3,602) |
| Transfer to reserves | - | - | (192) | (192) |
| Transfer from retained earnings | - | 192 | - | 192 |
| **Balance as at 30 June 2018** | - | 6,355 | 1,722 | 8,077 |

*The above consolidated statement of changes in net assets should be read in conjunction with the accompanying notes.*

## Consolidated statement of cash flows

For the year ended 30 June 2018

| | Note | 2018 $'000 | 2017 $'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| CCC funding | | **10,442** | 7,582 |
| Other funding | | **2,997** | 2,691 |
| Other revenue receipts | | **1,228** | 998 |
| Interest received | | **155** | 220 |
| Payments to suppliers and employees | | **(15,571)** | (10,821) |
| Income tax (paid)/refunded | | **(34)** | 16 |
| **Net cash from (used in) operating activities** | 29 | **(783)** | 686 |
| **Cash flows from investing activities** | | | |
| Net cash vested from CCT | 3 | - | 1,985 |
| Purchase of property, plant and equipment | 14 | **(1,078)** | (1,477) |
| Divestment in Shareholdings | | **157** | 5 |
| Investment in Loans | | - | 450 |
| Cash from/(to) term deposit | | **619** | (1,305) |
| **Net cash flow from investing activities** | | **(302)** | (342) |
| **Cash flows from financing activities** | | | |
| **Net cash from financing activities** | | - | - |
| **Net (decrease)/increase in cash & cash equivalents** | | **(1,085)** | 344 |
| Cash & cash equivalents at the beginning of the year | | **2,213** | 1,869 |
| **Cash, cash equivalents, and bank overdrafts at the end of the year** | 11 | **1,128** | 2,213 |

*The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.*

## 1 Statement of accounting policies for the year ended 30 June 2018

### 1.1 Reporting entity

ChristchurchNZ Holdings Ltd (CNZH) is a public benefit entity, incorporated and domiciled in New Zealand and registered under the Companies Act 1993.

CNZH is the holding company for ChristchurchNZ Limited and CRIS Limited. CNZH and its subsidiaries have been established to support its shareholder Christchurch City Council to deliver economic development, attraction and promotional activities to ensure Christchurch is an attractive destination for residents, business, investment, visitors and students.

Consolidated financial statements comprising CNZH and its subsidiaries (the "Group") are presented for the twelve months ended 30 June 2018.

These financial statements were authorised for issue by the Board of Directors on 28 September 2018.

## 2 Summary of significant accounting policies

### 2.1 Ultimate parent and controlling entity

The ultimate holder and controlling interest of CNZH is CCC.

**Group structure**

CNZH was established from 1 July 2012 as the holding company to receive the share capital of CDC being transferred from the Canterbury Development Corporation Trust (CDCT).

CNZH share capital is 100% owned by CCC and CNZH therefore is defined as a Council Controlled Organisation (CCO) as defined by the Local Government Act 2002.

The CNZH Group includes 100% of wholly owned entities, ChristchurchNZ Ltd and CRIS Ltd. On 30 June 2017 ChristchurchNZ Ltd (CNZ) was formed following the amalgamation of Canterbury Development Corporation Ltd and Christchurch & Canterbury Marketing Ltd.

CRIS Ltd was incorporated on 1 July 2012 to receive the vested assets of Canterbury Economic Development Fund Ltd (CEDF) following CEDF's loss of charitable status.

On 8 September 2017 CNZ transferred it's 100% shareholding in CRIS Ltd to CNZH.

### 2.2 Basis of preparation

**Measurement base**

The financial statements have been prepared on a historical cost basis, except for some assets and liabilities that have been measured at fair value.

The accrual basis of accounting has been used unless otherwise stated and the financial statements have been prepared on a going concern basis.

**Functional and presentation currency**

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars, unless otherwise stated. The functional currency of the CNZH and the Group is New Zealand dollars.

## 2 Summary of significant accounting policies (continued)

**Going concern**

The financial statements have been prepared on a going concern basis. This has been deemed appropriate as CNZH and Group continue to receive funding and support from the Christchurch City Council under long-term planning commitments. CNZH and Group also maintain a reserves policy to ensure sufficient funds are retained to support operational requirements. The current year loss is primarily the result of a decline in the market value of the CRIS held investment in Powerhouse Ventures Ltd.

**Statement of compliance**

These financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). The statements comply with Public Benefit Entity International Public Sector Accounting Standards (PBE IPSAS) Reduced Disclosure Regime and other applicable financial reporting standards issued by the New Zealand Accounting Standards Board. For the purposes of complying with NZ GAAP, CNZH and the Group are eligible to apply Tier 2 PBE IPSAS on the basis that they do not have public accountability and it is not defined as large.

The Group is deemed a public benefit entity for financial reporting purposes, as its primary objective is to provide services to the community for social benefit and has been established with a view to supporting that primary objective rather than a financial return.

The Board has elected to report in accordance with Tier 2 PBE Accounting Standards and in doing so has taken advantage of all applicable Reduced Disclosure Regime (RDR) disclosure concessions, except for PBE IPSAS 2 Cash Flow Statements.

**Use of estimates and judgements**

The preparation of financial statements in conformity with PBE IPSAS 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. Where material, information on significant judgements, estimates and assumptions is provided in the relevant accounting policy or note disclosure. The Directors of CNZH have exercised judgement in determining the carrying value of investments in early stage companies.

The estimates and underlying assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances. Estimates are subject to on-going review and actual results may differ from these estimates. Revisions to accounting estimates are recognised in the reporting period in which the estimate is revised and in any future years affected.

During the 2017 financial year CNZH & the Group's management had to make a significant judgement regarding its ability to exercise significant influence over the CRIS Ltd held investment in Powerhouse Ventures Ltd. It was determined that as a result of the successful listing of Powerhouse Ventures Ltd on the Australian Stock Exchange (ASX), and other related factors, that CNZ & the Group no longer had the ability to exercise significant influence over Powerhouse Ventures Ltd and therefore Powerhouse should not be treated as an associate for accounting and reporting purposes (for further detail please see note 25).

During the 2018-year CNZH and the Groups' management reviewed their prior year judgement of the loss of significant influence over Powerhouse Ventures Ltd and determined that this assessment and associated accounting treatment remains appropriate for the current year. CNZH and the Groups' management has exercised judgment to impair the book value of the investment in PVL to reflect the ASX market price at 30 June 2018.

**Comparatives**

The comparative financial period presented is twelve months, as reported in the 30 June 2017 Annual Report.

### 2.3 Basis of consolidation

The Group financial statements consolidate the financial statements of CNZH and all entities over which CNZH has the power to govern the financial and operating policies so as to obtain benefits from their activities (defined as 'subsidiaries'). The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

All subsidiaries have a 30 June reporting date and their financial statements have been prepared to 30 June 2018 with consistent accounting policies applied.

## 2 Summary of significant accounting policies (continued)

The consolidation of CNZH and subsidiary entities involves adding together like terms of assets, liabilities, revenues and expenses on a line-by-line basis. All significant intra-group balances are eliminated on consolidation of Group financial position, performance and cash flows.

### 2.4 Business combinations

The consideration transferred by CNZH and the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Any acquisition costs are expensed in the surplus or deficit as incurred.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts generally are recognised in the reported surplus or deficit.

The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

If the business combination is achieved in stages, the acquisition date fair value of the Group's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date through the reported surplus or deficit.

If the business combination is considered to be an amalgamation the modified pooling of interests method of accounting is used with no goodwill arising on amalgamation.

Any gains on bargain purchases are recognised in the Statement of Comprehensive Revenue and Expenses.

### 2.5 Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less, which are subject to an insignificant risk of changes in value.

### 2.6 Debtors and other receivables

Trade debtors and other receivables are measured at their cost less any impairment losses.

An allowance for impairment is established where there is objective evidence the company will not be able to collect all amounts due according to the original terms of the receivable.

Receivables with a short duration are not discounted.

### 2.7 Creditors and other payables

Creditors and other payables are stated at amortised cost.

### 2.8 Investments

*Short Term Deposits*

Investments in bank deposits are initially measured at fair value plus transaction costs.

After initial recognition investments in bank deposits are measured at amortised cost using the effective interest method, less any provision for impairment.

For bank deposits, impairment is established when there is objective evidence that CNZH and the Group will not be able to collect amounts due according to the original terms of the deposit. Significant financial difficulties of the bank, probability that the bank will enter into receivership or liquidation and default in payments are considered indicators that the deposit is impaired.

## 2 Summary of significant accounting policies (continued)

*Equity Investments*

The early stage nature of a number of the equity investments held means that a limited active market exists for re-sale and realisation of profits could be several years away. Inherent uncertainty exists in the valuation of early stage investments therefore CRIS values these at cost less impairment.

The investment in Powerhouse Ventures Ltd has been treated as an equity investment since CRIS's loss of significant influence.

*Loans*

Loans are stated at amortised cost plus accrued interest, less any allowance for impairment.

*Convertible Notes*

Convertible notes are stated at cost less any allowance for impairment.

### 2.9 Investments in associates & joint ventures

Associates are those entities over which the Group is able to exert significant influence but which are not subsidiaries. A joint venture is a binding arrangement whereby two or more parties are committed to undertake an activity that is subject to joint control.

Investments in associates and joint ventures are initially recognised at cost and subsequently accounted for using the equity method.

Any goodwill or fair value adjustment attributable to the Group's share in the associate is not recognised separately and is included in the amount recognised as investment.

The carrying amount of the investments in associates and joint ventures is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the associate, adjusted where necessary to ensure consistency with the accounting policies of the Group.

Unrealised gains and losses on transactions between the Group and its associates are eliminated to the extent of the Group's interest in those entities. Where unrealised losses are eliminated, the underlying asset is also tested for impairment.

CNZH does not involve itself in the operating and management decisions of its associates or joint ventures.

### 2.10 Financial instruments

Financial instruments comprise trade debtors and other receivables, cash and cash equivalents, short term deposits, investments, other financial assets, trade creditors and other payables, borrowings and other financial liabilities.

Financial assets and financial liabilities are recognised initially at fair value plus transaction costs, except for those carried at fair value through surplus or deficit, which are measured at fair value.

**Recognition and de-recognition of financial assets and liabilities**
Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

## 2 Summary of significant accounting policies (continued)

**Subsequent measurement of financial assets**

The subsequent measurement of financial assets depends on their classification, which is primarily determined by the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition and re-evaluates this designation at each reporting date.

CNZH and Group currently only classify financial assets within two categories:

*(i)* **Loans and receivables**

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortised cost using the effective interest method, less an allowance for impairment. Discounting is omitted where the effect of discounting is immaterial.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to shared credit risk characteristics. The impairment loss estimate is based on recent historical counterparty default rates for each identified group.

*(ii)* **Financial assets at fair value through surplus or deficit**

Financial assets at fair value through surplus or deficit (FVTSD) include financial assets that are either classified as held for trading or that meet certain conditions and are designated at fair value through surplus or deficit upon initial recognition.

Assets in this category are measured at fair value with gains or losses recognised in the reported surplus or deficit. The fair values are determined by reference to active market transactions or using a valuation technique where no active market exists.

Equity investments are measured at cost less any impairment charges, where the fair value cannot currently be estimated reliably.

**Subsequent measurement of financial liabilities**

Trade payables and other borrowings are subsequently measured at amortised cost using the effective interest method.

### 2.11 Property, plant and equipment

Items of property, plant and equipment are measured at cost, less accumulated depreciation and any impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

**Additions**
In most instances, an item of property, plant and equipment is recognised at its cost. Cost includes expenditure that is directly attributable to the acquisition of the asset. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value at the acquisition date.

The cost of replacing part of an item of property, plant and equipment and on-going costs is recognised as an asset if, and only if, it is probable that future economic benefits or service potential will flow to the Group and the cost of the item can be measured reliably.

All repairs and maintenance expenditure is charged to the reported surplus or deficit in the reporting period in which the expense is incurred.

**Disposals**
When an item of property, plant or equipment is disposed of, the gain or loss recognised in the reported surplus or deficit is calculated as the difference between the net proceeds from disposal and the carrying amount of the asset.

## 2 Summary of significant accounting policies (continued)

**Depreciation**
Depreciation is charged on a straight line (SL) basis on all property, plant and equipment over the estimated useful life of the asset. The following depreciation rates have been applied to each class of property, plant and equipment:

| Class of PP&E | Depreciation rates |
|---|---|
| Office furniture and fittings | 8.5% - 21% |
| Office and computer equipment | 10% - 50% |
| Leasehold improvements | Term of lease |
| Motor vehicles | 14% - 21% |

The residual value and useful life of property, plant and equipment is reassessed annually.

### 2.12 Intangible assets

Intangible assets are initially recorded at cost. Where acquired in a business combination, the cost is the fair value at the date of acquisition. The cost of an internally generated intangible asset represents expenditure incurred in the development phase.

Subsequent to initial recognition intangible assets with finite useful lives are recorded at cost, less any amortisation and impairment losses, and are reviewed annually for impairment losses. Assets with indefinite useful lives are not amortised but are tested, at least annually, for impairment and are carried at cost less accumulated impairment losses.

**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 period is recognised in the surplus or deficit.

The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows:

| Class of intangible asset | Amortisation rates |
|---|---|
| Software | 33% |

**Disposals**
Realised gains and losses from the disposal of intangible assets are recognised in the consolidated statement of comprehensive revenue and expenses.

### 2.13 Leases

**Operating leases**
An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

### 2.14 Impairment of financial assets

**Financial assets**
All financial assets are subject to review for impairment at least once each reporting date. Accounts receivable are reviewed for impairment when accounts are past due or when other objective evidence is received that a specific counterparty will default.

**Non-financial assets**
At each reporting date, the carrying amounts of tangible and intangible assets are reviewed to determine whether there is any indication of impairment. If any such indication exists for an asset the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

**Impairment losses**

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses directly reduce the carrying amount of assets and are recognised in the reported surplus or deficit.

## 2 Summary of significant accounting policies (continued)

The estimated recoverable amount of an asset is the greater of their fair value less costs to sell and value in use. Value in use is determined by estimating future cash flows from the use and ultimate disposal of the asset and discounting to their present value using a pre-tax discount rate that reflects current market rates and risks specific to the asset. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Impairment losses are reversed when there is a change in the estimates used to determine the recoverable amount. An impairment loss on property carried at fair value is reversed through the relevant reserve. All other impairment losses are reversed through the reported surplus or deficit.

### 2.15 Inventory

Inventories are recorded at the lower of cost (using the first-in-first-out method ('FIFO')) and net realisable value.

### 2.16 Employee entitlements

Employee benefits that the Group expects to be settled are accrued and measured based on accrued entitlements at current rate of pay. These include salaries and wages accrued up to the reporting date and annual leave earned, but not yet taken at reporting date.

The Group recognises a liability and an expense for bonuses where they are contractually obliged or where there is a past practice that has created a constructive obligation.

**Termination benefits**

Termination benefits are recognised as an expense when the Group is committed without realistic possibility of withdrawal, to terminate employment, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than twelve months after the reporting date, then they are discounted to their present value.

### 2.17 Provisions

A provision is recognised for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that an outflow of future economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense and is included in "finance costs".

### 2.18 Revenue

Revenue is recognised to the extent that it is probable that the economic benefit will flow to the Group and revenue can be reliably measured. Revenue is measured at the fair value of consideration received. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as the principal or agent in a revenue transaction. In an agency relationship only the portion of revenue earned by the Group is recognised as gross revenue in the Statement of Comprehensive Revenue and Expenses.

The following specific recognition criteria must be met before revenue is recognised:

***(i) Rendering of services***

Contract and fee revenue is measured at the fair value of the consideration received or receivable and represent amounts received for goods and services provided in the normal course of business, net of discounts and sale related taxes. Where conditions of contracts have not been met this revenue is recognised as being received in advance until conditions of contracts have been satisfied.

## 2 Summary of significant accounting policies (continued)

***(ii) Donations and grants***

Donations and grant income is recognised as revenue when received and all associated obligations have been met. Where grants have been given for a specific purpose and with return of funds conditions attached revenue is not recognised until agreed upon services and conditions have been satisfied. Government grants relating to income are recognised as income over the periods necessary to match them with the related services when performed. Grants received for which the requirements and services have not been met are treated as 'income in advance' under current liabilities only where the contract includes a return of funds condition.

Donated assets are recognised at their fair value at the date of the donation.

***(iii) Revenue received in advance***

Project funding or grants received before agreed upon services have been provided or completed is treated as income in advance and income is deferred as a liability in the Statement of Financial Position.

***(iv) Interest income***

Interest income is recognised as it accrues, using the effective interest method.

***(v) Dividend income***

Dividend income is recognised on the date that CNZH and the Group's rights to receive payments are established.

***(vi) Agency revenue***

CNZH and Group recognise revenue from transactions where they are acting as an agent on a net revenue basis in the Statement of Comprehensive Revenue and Expenses. Amounts collected on behalf of the principal are not revenue however any commission or margin received or recoverable for the handling of the inflows is recognised when it is probable that the economic benefit associated with the transaction will flow to CNZH and Group.

### 2.19 Income tax

The income tax expensed reported against the surplus or deficit for the reporting period is the estimated income tax payable in relation to the current year's activities, adjusted for any difference between the estimated and actual income tax payable in prior years.

Deferred tax is recognised using the Balance Sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences; the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

In principle, deferred tax liabilities are recognised from taxable temporary timing differences. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

### 2.20 Goods and services tax (GST)

All amounts in these financial statements are shown exclusive of GST, except for receivables and payables that are stated inclusive of GST.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the Statement of Financial Position.

## 2 Summary of significant accounting policies (continued)

### 2.21 Standards, amendments and interpretations to existing standards that are now effective

No new standards were applied in the current year.

### 2.22 Changes in accounting standards

There have been no significant changes in accounting policies during the current reporting period. Accounting policies have been applied on a basis consistent with the prior reporting period.

## 3 Business combinations

### (a) Christchurch & Canterbury Marketing Limited

On 1 July 2016 the Group acquired 100% of the issued share capital of Christchurch & Canterbury Marketing Limited (CCT).

The acquired business contributed revenues of $4,071,768 and net deficit of $257,099 to the Group for the period from 1 July 2016 to 30 June 2017.

Details of the fair value of the assets and liabilities acquired are as follows:

| | 2017 $'000 |
|---|---|
| **Total consideration transferred** | **-** |
| **Recognised amounts of identifiable assets acquired and liabilities assumed at 1 July 2016** | |
| Cash and cash equivalents | **1,985** |
| Property, plant and equipment | **302** |
| Inventories | **88** |
| Prepayments | **42** |
| Trade and other receivables | **201** |
| Trade and other payables | **(667)** |
| Income received in advance | **(263)** |
| Employee benefits | **(113)** |
| Deferred tax liability | **-** |
| **Total identifiable net assets** | **1,574** |



Marked for identification purposes

## 4 Investments in subsidiaries

### i) Basis for consolidation/proportionate consolidation of equity interests

| | | **2018** | 2017 |
|---|---|---|---|
| CRIS Limited (CRIS) | Share capital held by CNZH (2017: CNZ) | **100%** | 100% |

**CRIS Ltd**

The share capital of CRIS, prior to 8 September 2017, was 100% owned by ChristchurchNZ who had the full capacity to control the operating decisions of the Company. On 8 September 2017 CNZ, a subsidiary of CNZH, transferred 100% of its shareholding in CRIS to CNZH and the control of CRIS's operating decisions transferred to CNZH. CRIS Ltd has been consolidated into the Group financial statements.

### ii) Equity holdings greater than 20% but less than 50%

PBE IPSAS generally considers that equity holdings of 20% or more, but less than 50%, are associated entities. The Group considers for various reasons that it does not have the ability to significantly influence the operating or financial decisions of the companies in which it holds over 20% of the shares; and accordingly, has accounted for these entities on the same basis as other investment holdings, rather than using the equity accounting method for associates.

| | | **CNZH group ownership interest** | |
|---|---|---|---|
| | | **2018** | 2017 |
| Powerhouse Ventures Limited | Share capital held by CRIS | **21.7%** | 22.5% |
| 2 C Holdings Limited | Share capital held by CRIS | **20.0%** | 20.0% |
| New Zealand Food Innovation Network Ltd | Share capital held by FoodSouth | **- %** | 25.0% |
| Canterbury Regional Business Partners Limited | Share capital held by CNZ | **49.2%** | 49.2% |
| Canterbury Business Recovery Group Limited | Share capital held by CNZ | **49.0%** | 49.0% |

**2C Holdings Ltd**

2C Holdings Limited acts as the holding company for the shares in 2C Light Company Limited. Management of the investment in 2C has effectively been transferred to PVL via a Fund Management Agreement therefore the Group has no significant influence on this entity and has not accounted for 2C as an associate.

**Canterbury Regional Business Partners Ltd (CRBPL)**

ChristchurchNZ maintains a 49% interest in CRBPL, a joint venture with the Canterbury Employers Chamber of Commerce (CECC). CRBPL is a vehicle incorporated for the purpose of receiving funding contracts for economic development activity in the Canterbury Region. 100% of funding revenues received by CRBPL are assigned to ChristchurchNZ, CECC and other sub-contracted entities. As minimal earnings are retained by CRBPL and nil net assets are recognised, the equity interest in CRBPL is not included as an associate in the group financial statements of ChristchurchNZ.

**Canterbury Business Recovery Group Ltd (CBRGL)**

Following the earthquake of February 2011, CDC formed the charitable company CBRGL in partnership with CECC. CBRGL is governed by an independent board and its operations are limited to charitable activities, therefore the equity interest in CBRGL is not included as an associate in the group financial statements. CBRGL was inactive at both reporting dates.

## 5 Investments in associates & joint ventures

### Investments in associates

| | **2018 $'000** | 2017 $'000 |
|---|---|---|
| **Powerhouse Ventures Limited (PVL)** | | |
| Balance at 1 July | - | 7,448 |
| Reclassification to shareholding investments (note 25) | - | (7,448) |
| Share in associates | - | - |

**Powerhouse Ventures Limited**

Prior to the 2017 financial year, CRIS used the equity method to account for its share of the earnings of Powerhouse at the appropriate ownership percentage applicable to the period. From the 2017 financial year CRIS has elected not to equity account for its share of earnings in Powerhouse due to loss of significant influence, for more details refer to note 25.

### Investments in joint ventures

| | **2018 $'000** | 2017 $'000 |
|---|---|---|
| **NZ Food Innovation (SI) Limited (FoodSouth)** | | |
| Balance at 1 July | **749** | 695 |
| Share of total recognised revenue and expenses | **388** | 54 |
| Balance at 30 June | **1,137** | 749 |

**NZ Food Innovation (SI) Limited (FoodSouth)**

On the 26 March 2015 49.9% of the shares of FoodSouth were transferred from CRIS to Callaghan Innovation Ltd under a Shareholders Agreement. As a result of this transaction FoodSouth ceased to be a wholly owned subsidiary and became a jointly controlled entity. CRIS has elected to use the equity method to account for its share of the results from 26 March 2015.

The $388,028 reflects CRIS's share of the FoodSouth results, including its 25% share of FoodSouth associate NZ Food Innovation Network Ltd for the year ended 30 June 2018 (2017: $54,417). In the 2018-year NZ Food Innovation Network Ltd was wound up and is to be removed from the Companies Register.

The investments in associates and joint ventures are held by 100% owned subsidiary CRIS.

## 6 Finance income and finance costs

| | **2018 $'000** | 2017 $'000 |
|---|---|---|
| **Finance income** | | |
| Interest income | **148** | 180 |
| **Total finance income** | **148** | 180 |

## 7 Other gains/(losses)

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| Net Assets vested by CCT (note 3) | - | 1,574 |
| Sale of investments | (224) | 5 |
| Assets written off | (6) | (233) |
| | (230) | 1,346 |

## 8 Other funding

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| Education New Zealand | 224 | 350 |
| Ministry of Business, Innovation & Employment | 1,014 | 1,492 |
| Canterbury Regional Business Partners | 564 | - |
| Callaghan Innovation | 70 | 99 |
| ARA | 145 | 85 |
| Mackenzie District Council | 230 | 237 |
| District Councils | 50 | 50 |
| Environment Canterbury | 84 | - |
| Other | 530 | 48 |
| | 2,911 | 2,361 |

## 9 Revenue from exchange and non-exchange transactions

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| **Exchange** | | |
| Christchurch City Council (CCC) funding | 3,180 | - |
| Other income | 1,091 | - |
| Other funding | 1,540 | 766 |
| Other gains/(losses) | (230) | - |
| Christchurch City Council (CCC) Major Events funding | - | 95 |
| Interest income | 148 | 180 |
| **Total exchange** | 5,729 | 1,041 |
| Christchurch City Council (CCC) funding | 7,263 | 7,487 |
| Other income | 232 | 212 |
| Other funding | 1,371 | 2,361 |
| Other gains/(losses) | - | 1,346 |
| **Total non-exchange** | 8,866 | 11,406 |
| **Total exchange and non-exchange** | 14,595 | 12,447 |

## 9 Revenue from exchange and non-exchange transactions (continued)

Exchange transactions are transactions in which one entity receives assets or services or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services or use of assets) to another entity in exchange. In CNZH exchange revenue is derived from accounting services and the provision of serviced offices.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an entity either received value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

The Group considers that the nature of the transaction between itself and CCC is 'non exchange' in nature as the service value that ChristchurchNZ returns to CCC as 'economic development' is not always directly provided to CCC as funder, but rather to the broader business community on behalf of CCC. CNZH and Group considers that the Major Events funding received from CCC is exchange funding as CNZH and Group is extinguishing CCC's obligations to deliver the specified events.

Similarly other funding revenue has been classed as non-exchange revenue as the services are generally provided to the community rather than the funder.

## 10 Overheads and administrative expenses

| | **2018 $'000** | 2017 $'000 |
|---|---|---|
| *Overheads and administrative expenses* | | |
| Auditors remuneration | **72** | 62 |
| Directors fees | **222** | 272 |
| *Auditors remuneration* | | |
| Fees charged by Grant Thornton: | | |
| Financial statement audit | **72** | 62 |
| | **72** | 62 |

## 11 Cash and cash equivalents

| | **2018 $'000** | 2017 $'000 |
|---|---|---|
| Cash at bank and in hand | **814** | 1,559 |
| Savings and call accounts | **-** | 654 |
| Short term deposits maturing within 3 months | **314** | - |
| **Total cash and cash equivalents** | **1,128** | 2,213 |

The carrying amount for cash and cash equivalents approximates fair value.

Cash at bank earns interest at floating rates on daily deposit balances.

## 12 Trade debtors and other receivables

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| **Exchange** | | |
| Trade debtors | **376** | 407 |
| Other receivables | **-** | 23 |
| Accrued revenue | **22** | 7 |
| GST receivable | **-** | 27 |
| **Total debtors and other receivables from exchange transactions** | **398** | 464 |
| **Non-exchange** | | |
| Trade debtors | **659** | 161 |
| Other receivables | **-** | - |
| **Total debtors and other receivables from non-exchange transactions** | **659** | 161 |
| **Total debtors and other receivables** | **1,057** | 625 |

Trade debtors and other receivables are non-interest bearing and receipt is normally on 30 days terms. Therefore, the carrying value of trade debtors and other receivables approximates its fair value.

## 13 Inventories

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| *Merchandise* | | |
| Merchandise at cost | **80** | 77 |
| | **80** | 77 |

## 14 Property, plant and equipment

| Group | Capital work in progress $'000 | Buildings $'000 | Office equipment $'000 | Furniture and fittings $'000 | Motor vehicles $'000 | Leasehold improvements $'000 | Computer equipment $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | |
| Balance at 1 July 2016 | 58 | - | 53 | 299 | 16 | 993 | 354 | 1,773 |
| Acquisition of subsidiary (note 3) | - | 212 | 8 | 88 | 56 | 129 | 94 | 587 |
| Additions | 813 | - | 6 | 47 | - | 538 | 179 | 1,584 |
| Disposals | (97) | (212) | (21) | (78) | - | (721) | (295) | (1,423) |
| **Balance at 30 June 2017** | **775** | **-** | **46** | **356** | **72** | **940** | **333** | **2,521** |
| Reclassification | - | - | 4 | - | - | - | (169) | (165) |
| Additions | - | - | 7 | 174 | - | 1,283 | 97 | 1,561 |
| Disposals | (775) | - | - | (3) | - | - | (30) | (807) |
| **Balance at 30 June 2018** | **-** | **-** | **57** | **528** | **72** | **2,223** | **232** | **3,110** |
| **Accumulated depreciation** | | | | | | | | |
| Balance at 1 July 2016 | - | - | 29 | 85 | 1 | 537 | 283 | 935 |
| Acquisition of subsidiary (note 3) | - | 133 | 3 | 65 | 22 | - | 62 | 284 |
| Depreciation charge | - | - | 5 | 29 | 12 | 282 | 112 | 440 |
| Elimination on disposal | - | (133) | (18) | (58) | (1) | (562) | (276) | (1,048) |
| **Balance at 30 June 2017** | **-** | **-** | **19** | **121** | **34** | **257** | **181** | **611** |
| Reclassification | - | - | 4 | - | 1 | - | (100) | (96) |
| Depreciation charge | - | - | 14 | 56 | 8 | 271 | 53 | 403 |
| Elimination on disposal | - | - | - | - | - | - | - | - |
| **Balance at 30 June 2018** | **-** | **-** | **36** | **177** | **43** | **528** | **134** | **918** |
| **At 30 June 2017** | **775** | **-** | **27** | **234** | **38** | **683** | **152** | **1,909** |
| **At 30 June 2018** | **-** | **-** | **21** | **350** | **28** | **1,694** | **99** | **2,192** |

All property plant and equipment is held at the Group level.

## 15 Intangible assets

| | Intangibles $'000 | Total $'000 |
|---|---|---|
| **Year ended 30 June 2017** | | |
| Opening net book amount | - | - |
| Intangibles received on acquisition | 34 | 34 |
| Closing net book amount | 34 | 34 |
| | | |
| **At 30 June 2017** | | |
| Cost | 35 | 35 |
| Accumulated amortisation and impairment | (1) | (1) |
| Net book amount | 34 | 34 |
| | | |
| **Year ended 30 June 2018** | | |
| Opening net book amount | 34 | 34 |
| Reclassification from property, plant and equipment (note 14) | 68 | 68 |
| Additions | 317 | 317 |
| Amortisation charge | (126) | (126) |
| Closing net book amount | 293 | 293 |
| | | |
| **At 30 June 2018** | | |
| Cost | 516 | 516 |
| Accumulated amortisation and impairment | (223) | (223) |
| Net book amount | 293 | 293 |

During the current financial year some capitalised software development costs, being non-monetary assets without physical substance, were transferred from Property, Plant and Equipment to Intangible Assets. These assets are expected to provide future economic benefits and service potential to CNZ and Group and are amortised over their expected useful life.

## 16 Trade creditors and other payables

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| Trade payables | **838** | 1,488 |
| Non- trade payables and accrued expenses | **357** | 268 |
| GST payable | **151** | 75 |
| **Total creditors and other payables** | **1,346** | 1,831 |

Trade creditors and other payables are non-interest bearing and are normally settled on 30-day terms. Therefore, the carrying value of creditors and other payables approximates their fair value.

## 17 Employee entitlements

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| Holiday pay | **324** | 262 |
| Other employee entitlements | **143** | 45 |
| **Total employee entitlements** | **467** | 307 |

## 18 Income in advance

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| Ministry of Business, Innovation & Employment | **100** | 263 |
| Business partner fees from industry operators | **357** | 285 |
| Christchurch City Council | **240** | 596 |
| Callaghan Innovation | **-** | 70 |
| ECAN | **106** | - |
| Other | **510** | 13 |
| | **1,313** | 1,227 |

The Group receives project funding and grants for the delivery of services for public benefit. Unexpended grants where agreed upon services or conditions have not been fully completed at balance date are recognised as income in advance.

The Group has been provided with funding from the Crown (New Zealand Government) for specific purposes. There was no unfulfilled conditions or contingencies attached to the government funding at year-end, except for the completion of pre-determined services. When these services are completed unexpended government grants will be recognised as revenue.

At the end of the 2017 financial year MBIE extended an existing funding contract for the operation of a co-working innovation hub (Greenhouse) for a further $450k over three years to August 2019. At June 2018 $100k of this revenue had been received as revenue in advance pending the completion of milestones.

Business Partner Operators pay in advance for services provided over the course of a calendar year.

During the 2018-year CNZ entered into a four-year contract for services with ECAN for delivery of services relating to Job Productivity for the Canterbury Regional Economic Development Strategy (CREDS). The first instalment of this contract was invoiced in June 2018 with the first progress report due in September 2018.

During the 2018-year CCC passed funding to CNZ for the delivery of CCC scheduled Major Events. At 30 June 2018 obligations around the delivery of some CCC scheduled events remained such that $240k of revenue was retained as income in advance (2017: $596k).

## 19 Share capital

100 ordinary shares have been issued with no par value (2017: 100).

All shares are held by the parent entity, Christchurch City Council.

## 20 Reserves

The following Board approved reserves existed at balance date:

| | **2018 $'000** | 2017 $'000 |
|---|---|---|
| Canterbury Economic Development Strategy (CEDS) Reserve | **224** | 213 |
| Greenhouse Operations Reserve | **66** | 100 |
| CNZ Reserve | **-** | 800 |
| FoodSouth Operations Reserve | **200** | 400 |
| FoodSouth Net Asset Reserve | **1,137** | 756 |
| CNZ Operating Reserve | **4,728** | 3,894 |
| **Total Reserves** | **6,355** | 6,163 |

In the 2015 financial year the CDC Board approved the creation of a $550k reserve to contribute to the ongoing project costs associated with the delivery of the Canterbury Economic Development Strategy (CEDS). The opening balance of this reserve at 30 June 2017 was $213k. During the year $189k of this reserve was released following the completion of existing CEDS Projects. An additional $200k reserve (relating to delivery of the City Narrative Project) was approved by the Board at the end of the current financial year.

The Greenhouse Operations Reserve was reduced by $34k in the current financial year.

In the previous year the Board approved the creation of an $800k Reserve towards the 'one off' costs associated with the amalgamation of CDC and CCT. The Reserve was not reflected in the June 2017 accounts in error. The Reserve balance at June 2017 has been restated to reflect this balance. During the 2018 year the reserve was released following the recognition of amalgamation and office fitout costs.

The Reserve created in 2015 for funding commitments associated with the operation of the FoodSouth Pilot Plant was reduced by a further $200k during the 2018 year and there is now a $200k reserve balance remaining (June 2017: $400k).

The FoodSouth Net Asset Backing Reserve was created in previous years to reflect FoodSouths' requirement to return any capital asset disposal funds to Callaghan Innovation. During the 2018-year the CRIS share of the net asset backing of FoodSouth increased by $381k such that the closing reserve balance is now $1.1m (June 2017: $756k).

The CNZH Board have previously approved the creation of an Operating Reserve, to reflect six months of operating costs.

## 21 Income tax

| | | |
|---|---|---|
| **Components of tax expense** | | |
| Current tax | **3** | - |
| Deferred tax | **2** | (25) |
| **Tax expense** | **5** | (25) |
| | | |
| **Relationship between tax expense and accounting profit** | | |
| Surplus/(deficit) before tax | **(3,597)** | (2,093) |
| Tax at 28% | **(1,007)** | (586) |
| Plus/(less) tax effect of: | | |
| Non-assessable income | **(3,171)** | (3,240) |
| Non-deductible expenses | **4,165** | 3,807 |
| Tax effect of subvention payments | **15** | - |
| Other adjustments | **-** | - |
| Movement in timing differences | **-** | - |
| Under/(over) provided tax | **3** | (6) |
| **Tax expense** | **5** | (25) |
| | | |
| **Income tax receivable/ (payable)** | | |
| Opening balance | **58** | 74 |
| Settlement of prior year (note 22) | **(3)** | (10) |
| Current year tax expense | **-** | - |
| Subvention payment | **(30)** | - |
| RWT refunded | **-** | (65) |
| RWT paid/accrued | **43** | 58 |
| | **67** | 58 |

## 22 Deferred tax assets

| | **2018 $'000** | 2017 $'000 |
|---|---|---|
| **The balance comprises temporary differences attributable to:** | | |
| Tax losses | **-** | 15 |
| Employee benefits | **23** | 10 |
| | **23** | 25 |
| | | |
| At 1 July | **25** | - |
| Charge to tax expense | **(2)** | 25 |
| At 30 June | **23** | 25 |

## 23 Financial instruments

### (a) Financial instruments

**Classification of financial instruments**

All financial liabilities held by the Parent and Group are carried at amortised cost using the effective interest rate method.

**Classification of financial assets**

The carrying amounts presented in the Statement of Financial Position related to the following categories of financial assets and liabilities.

| | **2018 $'000** | 2017 $'000 |
|---|---|---|
| **Fair value through surplus or deficit (FVTSD)** | | |
| Investments (note 25) | **1,375** | 4,795 |
| **Total** | **1,375** | 4,795 |
| | | |
| **Loans and receivables (amortised cost)** | | |
| Cash and cash equivalents | **1,128** | 2,213 |
| Debtors and other receivables | **1,057** | 598 |
| Short-term deposits | **3,729** | 4,346 |
| **Total** | **5,914** | 7,157 |

### (b) Strategy in using financial instruments

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

### (c) Credit risk

The Group takes on exposure to credit risk, which is the risk that a third party will default on its obligations to the Company causing CNZH and Group to incur a loss.

There are no significant concentrations of credit risk as the Group only invest funds with registered banks which have a high Standard and Poor's credit rating.

The Group did not have any credit facilities at the reporting date.

### (d) Market risk

Market risk is the combined underlying risk of any investment by the Group including currency risk, market price risk and interest rate risk.

**Currency risk**
The Group is not exposed to significant foreign exchange risk as a result of transactions denominated in foreign currencies arising from normal operating activities.

**Market price risk**
The Group has previously invested into unlisted early-stage companies. Unlisted investments are generally not publicly traded. As there may be no open market to establish an independent value for certain unlisted investments, there can be no assurance as to the value of the investment or that there will be a market for the unlisted investment. The Group has sought to minimise the market risk by valuing these investments at cost.

The Group's investment in PVL is subject to market price risk due to the volatility of PVL's share price. Subsequent to reporting date PVL's share price continued to fall. The Group has chosen to manage the price risk on these shares by recognising losses through surplus or deficit.

## 23 Financial instruments (continued)

### (d) Market risk (continued)

**Interest rate risk**
The Group is subject to cash flow interest rate risk due to fluctuations in the prevailing levels of market interest rates. The Group's risk is limited to its cash and cash equivalents which are held in short term, floating interest rate accounts.

### (e) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty raising liquid funds to meet commitments as they fall due. The Group manages this risk by maintaining sufficient cash and cash equivalents to meet liabilities when due.

## 24 Capital management

CNZH and the Group's capital is its equity, being the net assets represented by retained earnings and other equity reserves. The primary objectives of the CNZH and Group's capital management policy is to ensure healthy capital ratios are maintained in order to support its activities. CNZH and the Group manages its capital structure, making adjustments in light of changes to funding contracts and commitments. To maintain or adjust the capital structure, budgetary discretionary expenditure is reduced to avoid the need for borrowing.

An appropriate level of reserves is considered and agreed regularly by the Board and based on professional advice as required.

## 25 Investments

The Group has previously made equity investments in and/or loan advances to entities via the operations of CRIS Ltd. These investments consist of a combination of shares and optional convertible notes. Each investment category is valued in aggregate in the Statement of Financial Position.

CRIS Ltd has previously invested in entities in the early stages of commercialisation. The valuation of these investments will have elements of uncertainty with benefits to be dictated by future economic performance.

### (a) Loans

The loans held by the Group are reflected at cost plus accrued interest (where applicable). Due to uncertainties over the timing of loan repayments, the Group has adopted a prudent and conservative position to make provisions for the non-recovery of certain of these loans.

| | **2018 $'000** | 2017 $'000 |
|---|---|---|
| **Loans** | | |
| Opening Balance | - | 450 |
| Additions | - | 50 |
| Repayment | - | (500) |
| **Net book amount** | - | - |

## 25 Investments (continued)

### (b) Shareholding investments

The Group's holdings in shareholding investments (via CRIS Ltd) includes entities where the ownership held by CRIS Ltd is 20% or greater. These entities are not considered as associates because CRIS Ltd does not have the capacity to exercise significant influence. Shareholdings held by the Group are accounted for at cost less impairment.

**Powerhouse Ventures Ltd (Powerhouse)**

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| **Shareholding investments classified at FVTSD** | | |
| Opening balance | **4,556** | - |
| Reclassification from investments in associates (note 5) | - | 7,448 |
| Sale of shares | **(60)** | - |
| Loss on sale | **(225)** | - |
| Fair value adjustment of shareholding investment | **(3,035)** | (2,892) |
| **Net book amount** | **1,236** | 4,556 |

Powerhouse was established as a public private partnership by CDC, Orion, the three regional tertiary institutes and private investors in 2008, for the purpose of providing early stage investment funding. CDC transferred its 25% shareholding in Powerhouse to CRIS on 1 July 2012.

At 1 July 2016 CRIS held 36.65% of the shares in Powerhouse Ventures Limited. In October 2016, Powerhouse Ventures completed a successful listing on the Australian Stock Exchange (ASX). This capital raising event diluted the CRIS Limited shareholding proportion to 22.54%.

Following the ASX listing the CRIS Board determined that they did not have significant influence over Powerhouse as they did not have the ability to participate in any decisions regarding the financial or operational decisions of Powerhouse. As a result of the determination of loss of significant influence in the 2017 financial year the Group elected not to equity account its share of the earnings of Powerhouse but to reclassify the shares held as an investment asset. In the 2018 financial year the Group determined that this accounting treatment remained appropriate and the classification of the shares held in Powerhouse as an investment asset marked to the ASX price was consistently applied.

At 30 June 2018, CRIS held 6,282,975 shares in PVL (June 2017: 6,532,975) which were valued on the ASX at AU$0.18 per share (2017: AU$0.67). The impairment of the shares to the market price resulted in a charge to the Statement of Comprehensive Revenue and Expenditure of $3m in 2018 (2017: $2.9m).

During the year, CRIS sold 250,000 shares in Powerhouse recognising a $225k loss on the sale of these shares.

**Other shareholding investments**

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| **Shareholding investments classified as FVTSD** | | |
| Opening balance | **139** | 139 |
| **Net book amount** | **139** | 139 |

CRIS holds several small legacy investments following the completion of the accelerator program and other innovation initiatives.

## 25 Investments (continued)

### (c) Optional Convertible Notes

CRIS Limited holds $100,000 of optional convertible notes in Solar Bright. During the 2018 year, CRIS had elected to impair this investment to nil, as the optional convertible note is not expected to be recoverable.

| | **2018 $'000** | 2017 $'000 |
|---|---|---|
| **Optional Convertible Notes** | | |
| Opening Balance | **100** | 100 |
| Provision for impairment | **(100)** | - |
| **Net book amount** | **-** | 100 |

## 26 Related party transactions

Related party transactions arise when an entity or person(s) has the ability to significantly influence the financial and operating policies of CNZH and the Group or are under common control.

The CNZH and Group have related party relationships with subsidiaries and other key management personnel.

All related party transactions that CNZH and Group entered into during the year occurred within a normal client/supplier relationship and under terms equivalent to those that prevail in arm's length transactions in similar circumstances.

Some Directors of the company are or have been during the year directors of other companies or organisations with whom CNZH and Group may transact. Such transactions are carried out on an arms-length basis and are conducted on normal commercial terms.

The Parent and Group have a related party relationship with key management personnel. Management personnel has been defined to include the Chief Executive Office and the Company's managers who directly report to the Chief Executive Officer.

Key management personnel did not receive any remuneration or compensations other than in their capacity as key management personnel.

**Related party debtor/(creditor) balances**

| | | **Revenue from related parties** | **Purchases from related parties** | **Amount owed by related parties** | **Amounts owed to related parties** |
|---|---|---|---|---|---|
| | | **Group** | **Group** | **Group** | **Group** |
| **Transactions with related entities** | | | | | |
| Christchurch City Council | 2018 | 10,443 | 199 | 43 | 19 |
| | 2017 | - | - | 44 | - |
| Canterbury Regional Business Partners | 2018 | 564 | - | - | - |
| | 2017 | - | - | 56 | - |
| NZ Food Innovation South Island | 2018 | 226 | - | - | - |
| | 2017 | - | - | - | - |
| CRIS Ltd | 2018 | 1,168 | 1,135 | 240 | - |
| | 2017 | - | - | - | - |
| VBASE Ltd | 2018 | 64 | 28 | - | - |
| | 2017 | - | - | - | - |
| Christchurch International Airport (CIAL) | 2018 | 132 | 11 | 29 | - |
| | 2017 | - | - | - | - |
| Red Bus Limited | 2018 | 4 | 6 | - | - |
| | 2017 | - | - | - | - |

## 26 Related party transactions (continued)

| | | Revenue from related parties | Purchases from related parties | Amount owed by related parties | Amounts owed to related parties |
|---|---|---|---|---|---|
| | | Group | Group | Group | Group |
| **Non shareholder related party transactions** | | | | | |
| Ministry of Awesome | 2018 | - | 65 | - | - |
| | 2017 | - | - | - | - |
| Black Cat Group 2007 Ltd | 2018 | 7 | - | - | - |
| | 2017 | - | - | - | - |
| The Christchurch Foundation | 2018 | 6 | - | - | - |
| | 2017 | - | - | - | - |
| ARA | 2018 | 145 | 1 | - | - |
| | 2017 | - | - | - | - |
| Ngai Tahu Tourism Ltd | 2018 | 6 | - | - | - |
| | 2017 | - | - | - | - |
| Missing Link Consultants Ltd | 2018 | - | 18 | - | - |
| | 2017 | - | - | - | - |
| Peacock Consulting Ltd | 2018 | - | 10 | - | - |
| | 2017 | - | - | - | - |

During the 2018 financial year CNZ assisted its parent entity CCC with the completion of prior delivery obligations relating to several international cricket events. This activity resulted in CNZ having an agency relationship with CCC, VBASE and NZ Cricket such that the revenue received from NZ Cricket and passed on to VBASE and others for event delivery was treated as agency revenue and netted off in the Statement of Comprehensive Revenue and Expenditure in accordance with CNZ accounting policy.

CNZ worked with CIAL during the year on a number of tourism and promotion activities for which CNZ received revenue from CIAL.

## 27 Contingencies

As at 30 June 2018 CNZH and the Group had no contingent liabilities or assets (2017: $Nil).

## 28 Capital commitments

**Capital commitments**
CNZH and Group had no capital commitments at 30 June 2018.

As at 30 June 2018 CRIS had committed funding of $200,000 to FoodSouth in accordance with the terms of the funding agreement between CRIS, FoodSouth and Callaghan Innovation (2017: $400,000). CNZH and Group had no other capital commitments at 30 June 2017. The Group has no other capital commitments at 30 June 2017.

## 28 Capital commitments (continued)

**Operating lease commitments**

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| Within one year | **881** | 867 |
| Later than one year and not later than five years | **2,870** | 217 |
| Later than five years | **2,206** | 5,031 |
| **Total non-cancellable operating leases** | **5,957** | 6,115 |

*Net of landlord contribution ($550k over 9 years)*

ChristchurchNZ have entered into commercial property leases on premises occupied by the business. The property lease commitment figures are net of a landlord contribution received in the 2018 financial year. CNZ also has operating leases for motor vehicles and items of office equipment.

## 29 Reconciliation of net surplus/(deficit) after tax to net cash flow from operating activities

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| **Surplus/(deficit) after tax** | **(3,602)** | (2,068) |
| **Add/(less) non-cash items** | | |
| Share of associate's surplus | **(388)** | (54) |
| Depreciation and impairment | **529** | 441 |
| Impairment on investments | **3,135** | 2,891 |
| Tax expense | **5** | (25) |
| Gain on CCT vesting | **-** | (1,574) |
| Other (gains)/losses | **133** | 228 |
| | **3,414** | 1,907 |
| **Add/(less) movements in working capital items** | | |
| (Increase)/Decrease in debtors and other receivables | **(461)** | (144) |
| (Increase)/Decrease in prepayments | **93** | (146) |
| (Increase)/Decrease in Inventories | **(3)** | 12 |
| (Increase)/Decrease in interest receivable | **7** | 40 |
| Increase/(Decrease) in creditors and other payables | **(440)** | 666 |
| Increase/(Decrease) in income tax payable | **(37)** | 16 |
| Increase/(Decrease) in income in advance | **86** | 462 |
| Increase/(Decrease) in employee entitlements | **160** | (61) |
| | **(595)** | 847 |
| **Net cash inflow/(outflow) from operating activities** | **(783)** | 686 |

## 30 Events occurring after the reporting date

Powerhouse's share price has fallen subsequent to balance date. At 28th September 2018 the share price had decreased to AU $0.16 (June AU$0.18). The impact of this decrease in share price would result in a further impairment of the investment asset and hence a reduction of the net assets of the Company of approximately $140k.

There were no other significant events subsequent to the reporting date which require adjustment to or disclosure in the financial statements.

## 31 Performance against Statement of Intent Targets

The performance targets for the 2018 year reflected in the Statement of Intent are derived from the Annual Levels of Service CNZH agrees with CCC as part of the Council's long-term planning process.

CNZH is a not for profit entity focused on the public good. CNZH operated primarily on funding received from CCC under the three-year plan with additional funding received from Government agencies and other sources, including the private sector. Operational targets are compiled from a combination of activities required to deliver the outcomes identified in the CCC three-year plan and to meet the requirements of other funding contracts.

**Operational Performance Targets**

| | Strategic Priority | Outcome | Target | Status |
|---|---|---|---|---|
| 1 | Establish ChristchurchNZ (the City has a single agency for the delivery of Tourism, International Education, Major Events & Economic Development Activity) | ChristchurchNZ is established and fully operational | Develop medium-term organisational strategy. | Achieved |
| | | | Develop a culture and ways of working that support productivity and delivery of the ChristchurchNZ strategic objectives | Achieved |
| | | ChristchurchNZ is a credible partner for agencies & individuals contributing to the promotion and economic growth of Christchurch | Develop Communications and Engagement Strategy. | Not Achieved Communications Strategy delayed until new senior leadership team on board |
| | | | Develop and roll-out strong ChristchurchNZ brand. | Achieved |

## 31 Performance against Statement of Intent Targets (continued)

| | | | | |
|---|---|---|---|---|
| 2 | Develop a strong positive city profile and promote the city to residents, national and international audiences | Christchurch has a strong profile and reputation aligned with the Christchurch story | Lead Christchurch Narrative Steering Group in further refining and promoting Narrative as a key tool in city promotion and attraction of visitors, students, businesses and investment | Achieved |
| | | | Develop Narrative "Toolkit" (images, video, text and other resources) and promote to partners and key stakeholders | Achieved |
| | | Residents and visitors understand what Christchurch and Canterbury have to offer | Deliver coordinated campaigns for residents, and domestic and international visitors, aligned to the Christchurch Narrative and in support of the Christchurch airport | Achieved |
| | | | The i-Site provides high quality customer service to visitors | Achieved |
| | | | Deliver city promotions work programme to residents and visitors | Achieved |
| | | Christchurch is recognised as a major gateway to South Island and Antarctica | Work with partners to implement the Christchurch Antarctic Gateway Strategy | Achieved |

## 31 Performance against Statement of Intent Targets (continued)

| | | | | |
|---|---|---|---|---|
| 3 | Attract visitors, migrants, new business and investment through integrated marketing, major events & conferences | More visitors, migrants, new business entrepreneurs and investors are attracted to Christchurch | Deliver tourism marketing programme | Achieved |
| | | | Expand the business and investment enquiry and response framework in partnership with DCL and others | Achieved |
| | | | Work with partners to identify and progress new investment and business opportunities | Achieved |
| | | | Greenhouse action plan is implemented and support is provided for Innovation Precinct | Achieved |
| | | | FoodSouth food product testing facility provides services to South Island food producers | Achieved |
| | | | Implement the Canterbury International Education Strategy | Achieved |
| | | | Review funding for 2018/19 onward | Achieved |
| | | | Implement the Christchurch Visitor Strategy | Achieved |
| | | | Provide high quality core services to the visitor industry including data and research, digital platforms, i-SITE Visitor Information Centre | Achieved |
| | | Visitor spend in the traditional shoulder and off-season is increased | Complete research and develop a plan with interventions that can reduce seasonality | Achieved |
| | | Christchurch has a major event portfolio which increases Christchurch's profile, attracts visitors & engages residents | Deliver scheduled programme of major events on behalf of CCC. Work with Tourism Marketing to identify and capitalise on synergies | Achieved |
| | | | Develop Major Events Strategy for sign-off by CCC | Achieved |
| | | | Domestic delegate days to be within the range of 7-10% market share. | Achieved |

## 31 Performance against Statement of Intent Targets (continued)

| | | | | |
|---|---|---|---|---|
| 4 | Ensure a business environment supports successful and sustainable enterprise and encourages creativity and innovation | Consensus and demonstrated commitment to work together exists among key organisations to achieve a shared vision for an economic future for Christchurch | Develop plan for implementation of Visitor Strategy | Achieved |
| | | | Review and update CEDS following development of strategy for ChristchurchNZ | Achieved Ongoing |
| | | | Deliver projects that improve prosperity | Achieved |
| | | | Establish CEDS Economic Leadership Group | Not Achieved |
| | | Enterprises have access to services tailored to specific business needs | Provide business support services to 600 local businesses | Achieved |
| | | | Investigate the needs of tourism, events and international education sectors to determine whether new programmes should be developed | Achieved |
| | | | Support collaborative organisations aimed at increasing industry leadership, collaboration and growth | Achieved |
| | | The business and government community have a good understanding of economic conditions, trends and growth drivers for the city and region | Deliver economic knowledge and insights regularly to stakeholders, via website, publications and update events, at minimum quarterly | Achieved |
| | | | Review and deliver a research programme that is aligned with scope of ChristchurchNZ's activities | Achieved |
| | | | Review information products and channels to ensure audiences receive the right information through the most effective channels | Achieved |

## 31 Performance against Statement of Intent Targets (continued)

**Financial Objectives**

| Objective | Performance | Status |
|---|---|---|
| Subsidiary performance is in line with expectations | Subsidiaries achieve budget and objectives set out in their Annual Operating Plans. | Achieved |
| The capital structure and funding model of CNZH subsidiaries are appropriate for the nature of the business | CRIS provides a source of capital to fund visitor attraction and economic development initiatives | Achieved |
| | Subsidiary governance arrangements are reviewed and rationalised as appropriate | Achieved |
| The Accounting Policies of CNZH Subsidiaries are consistent with shareholder requirements and comply with IPSAS | Annual external audit reports are completed and do not highlight any material issues | Achieved |
| Financial Performance meets shareholder expectations (budget) | CNZH meets or exceeds budgeted key performance measures<br>2018<br>$'000 | |
| | CCC Funding 10,276 | Achieved |
| | Other Funding 3,407 | Not Achieved |
| | Shareholders' Funds/Total Assets 80% | Not Achieved |
| CNZH's capital structure and funding model is appropriate for the nature of its business. | ChristchurchNZ will utilise CCC funding for the objectives as set out in the LTP and secure additional funding from appropriate sources to complete specific projects as required, utilising capital reserves retained by CRIS Ltd as available and required to leverage other funding sources | Achieved |
| | The CNZH Group maintains an adequate level of reserves to meet on-going commitments (circa six months of operations) | Achieved |
| Treasury management policies and practices are consistent with best practice | CNZH to review its Treasury Policy biennially | Achieved |
| CNZH Accounting Policy is consistent with shareholder requirements and complies with IPSAS | Annual external audit reviews do not highlight any material issues | Achieved |

## Corporate Governance Statement

### Ownership

Shares in the company are held by the Christchurch City Council (CCC).

A Memorandum of Understanding between CCC, CNZH and Christchurch City Holdings Limited (CCHL, as shareholder representative) has been agreed that sets out the monitoring role and reporting lines between the three entities.

### Public Benefit Entity

CNZH is a non-profit entity and acts for the public good. CNZH considers the environment and the community in all of its activities.

### Nature of Operations

CNZH is the non-operating parent of ChristchurchNZ. ChristchurchNZ is the economic development agency for the Christchurch City Council. ChristchurchNZ's role is to drive prosperity in Christchurch through sustainable economic growth and innovation.

### Role of the Board of Directors

The Board is ultimately responsible for setting the strategic direction of the company, oversight of the management of the company and direction of the business strategy, with the ultimate aim being achievement of the shareholder's vision and wishes for the economic development of Christchurch city and the city's surrounding area of interest. The Board is accountable to the shareholder for the performance of the company.

The Board draws on relevant corporate governance best practice principles to assist and contribute to the performance of CNZH. The functions of the Board are outlined in the Board Charter and include areas of stewardship such as:

- Identifying and agreeing matters of policy, strategic direction and intervention logic with shareholder
- Approving Business Plans/Strategies and Budgets
- Monitoring management of the Company's capital
- Providing leadership and a framework of controls to enable the assessment and management of risk
- Ensuring appropriate internal controls, monitoring and reporting systems are in place
- Monitoring operational and financial position and performance of the Company
- Appointment of Chief Executive Officer
- Ensuring appropriate procedures are in place to ensure compliance with laws, government regulations and regulatory requirements
- Approving and reviewing internal decision making and compliance policies and procedures
- Appointing Board members or representatives for subsidiary entities

### Statement of Intent

In accordance with Section 64(1) of the Local Government Act 2002 a Statement of Intent (SOI) is submitted by the Board of Directors of ChristchurchNZ Holdings Limited (CNZH) to its shareholder, Christchurch City Council (CCC) in March of each year. The Statement of Intent defines for CNZH and its subsidiary entities, Canterbury Development Corporation Ltd (CDC) and Christchurch and Canterbury Marketing Ltd (CCT), its objectives, the nature and scope of its activities, and the performance targets and other measures by which the organisation may be judged in relation to its objectives over the next three years. The SOI provides an opportunity for CCC and the CNZH Board to define CNZH's focus every three years consistent with the Council's Long-Term Plan (LTP) process, with fine tuning of delivery objectives occurring in intermediate years.

### Board Membership

Directors of the Board are appointed by CNZH on behalf of the shareholder CCC. Board appointees will include Council Directors and Independent Directors. The Directors will elect and appoint an Independent Director as Chair after consultation with the shareholder. All Directors are required to comply with a formal Code of Conduct which is based on the New Zealand Institute of Directors' Code of Proper Practice for Directors.

## Corporate Governance Statement (continued)

**Directors holding office during the year were:**

Dona Therese Arseneau (appointed 21 September 2016)
Grant James Ryan (retired 31 May 2018)
Louise Edwards (retired 31 May 2018)
Andrew Turner
Raewyn Idoine (retired 8 August 2017)
David John Hawkey (retired 31 May 2018)
Kaila Colbin
Timothy Scandrett
Paul Jonathon Bingham (appointed 1 June 2018)
Roland Van Bommel (appointed 1 June 2018)
Stephen John Barclay (appointed 1 June 2018)

### Director's remuneration

The total remuneration received by the Directors of CNZH & Group during the period was as follows:

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| **Director's fees** | | |
| G A Carnaby (Chair) | - | 17 |
| D T Arseneau (Chair) | 70 | 57 |
| G J Ryan | 35 | 31 |
| K Colbin | 35 | 20 |
| D Hawkey | 35 | 37 |
| L Edwards | 35 | 31 |
| R Idoine | 4 | 26 |
| S Mackenzie | - | 7 |
| S Barclay | 3 | - |
| P Bingham | 3 | - |
| R Van Bommel | 3 | - |
| J Walley (CRIS Limited) | - | 9 |
| I Hay (CCT) | - | 10 |
| G Abbot (CCT) | - | 10 |
| A Jones (CCT) | - | 8 |
| J Chen (CCT) | - | 8 |
| | **222** | 271 |

Directors fees are reviewed periodically by CCHL on behalf of the shareholder.

At balance date a provision of $70k existed in relation to Councillor Director fees. In prior years a donation to the Mayoral Welfare Fund has been made in lieu of Councillor Director Fees (2017: $97k).

### Employee remuneration

As part of its remuneration policy CNZH utilises externally provided market data to annually assess its position in the market and ensure that pay rates are fair and sufficiently competitive to enable it to retain and attract appropriately qualified talent.

The number of employees who received remuneration and benefits during the period above $100,000 are listed below with bands specified.

| | 2018 | 2017 |
|---|---|---|
| **$000's** | | |
| 100 - 109 | 5 | 4 |
| 110 - 119 | - | 1 |
| 120 - 129 | 2 | 3 |
| 130 - 139 | 2 | 1 |
| 150 - 159 | 1 | - |
| 170 - 179 | - | 1 |
| 180 - 189 | 1 | 1 |
| 230 - 240 | 1 | - |
| 360 - 369 | - | 1 |

## Corporate Governance Statement (continued)

### Board Operation

The operation of the Board is governed by the Company's constitution and the Boards' Code of Conduct. The Board meets monthly and follows an annual work program. Formal agendas and regular reports are distributed to the Board, generally a week before meetings. The Board may delegate some responsibilities and tasks to sub-committees. An Audit and Risk Committee and a Remuneration Committee have been established for this purpose.

The Company maintains Directors and Officers Insurance consistent with the requirements of the Companies Act and the Company's Constitution.

The Board maintains a formal directors' interests register and this register is reviewed for any necessary updates at the start of all Board Meetings.

## Corporate Governance Statement (continued)

**Directors' Interests**
The following entries were recorded in the interests register during the year ended 30 June 2018:

| | Company | Interest |
|---|---|---|
| Dr D T Arseneau | J. Ballantyne & Co Limited | Director |
| | Therese Arseneau Consulting Ltd | Director |
| | Christchurch Symphony Orchestra Trust | Chair |
| | ChristchurchNZ Limited | Chair |
| | The Family Help Trust | Deputy Chair |
| | New Zealand Electoral Commission | Advisor |
| Ms L Edwards | Wrattwards Trust | Trustee |
| | Peacock Consulting Ltd | Director and Shareholder |
| | NZCU South | Director |
| | Rata Foundation | Chief Executive |
| | Canterbury Business Recovery Trust | Trustee |
| | Business Recovery Grants Program Independent Panel | Member |
| Mrs R Idoine | Tourism NZ | Director |
| | MoH Health Research Ethics Committee | Chair |
| Mr D J Hawkey | Ngai Tahu Tourism Ltd | Director |
| | UBS Canterbury | Director |
| | Christchurch & Canterbury Marketing Ltd | Director |
| | University of Canterbury Student Association Inc | Chief Executive |
| Dr G J Ryan | ProjectGarlic Ltd (Yike Bike) | Director |
| | Mini Farthing Ltd | Director |
| | SLI-Systems Inc | Shareholder |
| | PurePodz Ltd | Director |
| | That Cool Company Ltd | Director |
| | Grant James Ryan Family Trust | Trustee |
| | JW and IM Ryan Family Trust | Trustee |
| | The Cacophony Project | Founder Trustee |
| | Banks Peninsula Wild Side | Supporter Group |
| Ms K Colbin | Ministry of Awesome | Co-founder & Chair |
| | Missing Link Consultants Ltd | Managing Director |
| | CORE Education | Deputy Chair |
| | Natural Gourmet Institute | Chair |
| Mr S Barclay | Cycling NZ | Director |
| | Kiwibuild | CE |
| | Mt Difficulty Wines Ltd | Shareholder |
| | Longbush Partnership Ltd | Shareholder |
| Mr P Bingham | Akaroa Harbour Cruises Ltd | Director |
| | Dolphin Experience Ltd | Director |
| | Lyttelton Harbour Cruises Ltd | Director |
| | Shuttlerock PTY Limited (Australia) | Director |
| | Ngai Tahu Tourism Limited | Director |
| | Black Cat Group 2007 Ltd | Chair |
| | Shuttlerock Limited (New Zealand) | Chair |
| | Pajo Trust | Trustee |
| | The Christchurch Foundation | Trustee |
| | Banks Peninsula Conservation Trust | Trustee |
| Mr R Van Bommel | Asahi Holdings Australia | Director |
| | Whistle Pig LLC | Chair |
| | Giesen Group | Advisor |
| | Stuart Alexander PTY Ltd | Advisor |

## Corporate Governance Statement (continued)

| | | |
|---|---|---|
| Cr A Turner | Christchurch City Council | Deputy Mayor & Councillor |
| | Christchurch City Holdings Ltd | Director |
| | Otautahi Community Housing Development GP Ltd | Director |
| | Otautahi Community Housing Trust | Trustee |
| | Harbour Wind Ltd | Director/Shareholder |
| | Harbour Co-op | Shareholder |
| | Purple Cow Ltd | Shareholder |
| | Rod Donald Banks Peninsular Trust | Trustee |
| | Lyttelton Harbour Information Centre | Trustee |
| | Lyttleton Returned Services Association Trust | Trustee |
| | Banks Peninsula War Memorial Society | Trustee |
| | Destination Christchurch Trust | Trustee |
| | Okains Bay Maori & Colonial Museum | Trustee |
| Cr T Scandrett | TPS Consulting Ltd | Director |
| | Civic Building Ltd | Director |
| | VBL One Ltd | Director |
| | Vbase Limited | Chair |
| | Christchurch City Council | Councillor |
| | Innovation and Sustainability Committee | Deputy Chair |
| Mr T Hooper (CRIS Ltd) | CRIS Ltd | Director |
| | Canterbury Economic Development Co Ltd | Director |
| | Canterbury Business Recovery Group | Director |
| | Canterbury Development Corporation Ltd | Chief Executive |
| | Commerialize Ltd | Director |
| | NZ Food Innovation Network | Director |
| | NZ Food Innovation South Island | Director |
| | Antarctic Office | Advisory Board Member |
| | Innovation Precinct Steering Group | Member |
| | Actionworks Trust | Trustee |