

**DEVELOPMENT CHRISTCHURCH LIMITED
STATEMENT OF INTENT
FOR THE YEAR ENDING 30 JUNE 2022**

DCL STATEMENT OF INTENT FY-2021/2022

Directory

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Introduction

This Statement of Intent (Sol) is prepared in accordance with Section 64(1) of the Local Government Act 2002.

The Sol specifies for Development Christchurch Limited (DCL or Company), the purpose statement, strategic objectives, nature and scope of the activities to be undertaken and the measures by which the performance of DCL may be judged against its objectives and the achievement of Community Outcomes outlined by the Christchurch City Council's Long Term Plan (LTP). This Sol also covers our jointly-owned subsidiary Leisure Investments NZ Limited Partnership (Christchurch Adventure Park or CAP).

The process of negotiation and determination of an acceptable Sol is a public and legally required expression of the accountability relationship between the Company and its shareholder, Christchurch City Holdings Ltd (CCHL).

The Sol is reviewed annually with Christchurch City Council (the Council) and covers the period through to 30th June 2022.

DCL is a Council Controlled Trading Organisation (CCTO) for the purposes of the Local Government Act 2002.

Nature and Scope of Activities

DCL was established by Council in 2015, with its purpose being to accelerate development activities in Christchurch's built environment to achieve positive social outcomes that lead to a prosperous local economy.

On 1st May 2019, DCL completed the increase in its investment in the Christchurch Adventure Park, taking its shareholding to 54.73% and establishing it as a Council Controlled Organisation and subsidiary of DCL. CAP's vision is to be "New Zealand's leading active outdoor leisure park and Canterbury's No 1 attraction". CAP's focus is on active wellness, incorporating:

- Hard to replicate social outdoor exercise and leisure experiences; and
- Support for national and local government objectives around tourism and having active healthy communities.
- CAP's offerings are structured to align with global consumer trends of clean living, a preference for consumer experiences over products and mindful consumption.

CAP seeks to use the Park's amazing natural features and environment, buildings and infrastructure to provide an experience to users that delivers a high-quality customer experience end to end.

In addition to these core objectives CAP will also:

- Ensure that the organisation performs to a high standard, with key policies, processes, systems and people in place.
- Ensure that best practice governance, assurance, financial, and health and safety practices are applied to its operations, relevant to the size and scope of those operations.

In mid-2020 Council requested DCL to prepare a plan to transition all its ongoing projects and functions to local agencies given the changing economic drivers in the city both post COVID-19 lockdown and as it nears a decade since the first Canterbury earthquake.

DCL will retain ownership of its assets, but Christchurch City Council has determined that the operations and functions of DCL will be transitioned to CNZ with CNZ then providing services in relation to the assets that remain in DCL ownership. It is intended that the Services be provided by CNZ to DCL in the interim while Council, CNZ and other stakeholders consider the establishment of a new urban development function within CNZ.

This transfer happened in October 2020 with DCL and CNZ entering into a services level agreement. DCL continues to hold land assets, and holds the equity investment in Christchurch Adventure Park on behalf of the Council.

Due to the nature of the transitional process described above, the Sol period relates only to the financial year ended 30 June 2022, and this Sol may be updated during this period if remaining functions of DCL as an asset owner change.

DCL Performance Targets and Measures

The DCL Board will use the following measures to assess its performance over the 2021/22 financial year:

	Objective	Performance Targets for 2021-2022
1.	DCL's will work closely with CNZ to continue to dispose of land held for resale on commercial terms.	Confirmed sale and purchase agreements on all property held for resale which achieve appropriate outcomes for the city
2.	Monitor the investment of Christchurch Adventure Park	Monitor investment and establish appropriate ownership model for Council's stake in the Christchurch Adventure Park

CAP Performance Targets and Measures

The CAP Board will use the following measures to assess its performance over the 2021/22 financial year:

Governance

	Objective	Performance Targets for 2021-2022
1.	CAP keeps its limited partners informed of all significant matters relating to CAP.	CAP will meet and provide updates to DCL and CCHL on key work programmes quarterly. CAP will provide a quarterly report to DCL and CCHL noting progress against Sol targets. CAP will advise any major matters of urgency to its owners at the earliest opportunity.
2.	Corporate governance procedures are appropriate, documented and reflect best practice.	The Board will implement and maintain an appropriate and comprehensive suite of corporate governance policies and procedures, which will be regularly reviewed.

Key Initiatives

	Objective	Performance Targets for 2021-2022
1.	Port Hills Fire Litigation Support the Appeal of the recent judgement, and work with all key stakeholders to meet any residual obligations arising from the Court of Appeal process and decision.	CAP will work with its insurer and legal team to best support a positive outcome from the appeal of Gendall J's judgment at the Court of Appeal in relation to the Port Hills fires. At the same time it will proactively engage with all key stakeholders around the funding and settlement of the possible outcomes from the Court of Appeal.
2.	Financial Prudence Evolve operations to develop a financially sustainable business.	CAP will continue to adapt and restructure its business model and operations in order to create a financially sustainable business.
3.	Strategic Development Strategically invest in further attractions that complement the existing attractions and natural features in keeping with the overall vision and mission of CAP.	Given the significance of the outcome of Court of Appeal in connection with the judgment delivered by Gendall J in relation to the Port Hills Fire on the 31st of March 2021 and the uncertainty presented by the appeal, all further strategic development has been put on hold.

Financial & Operational Objectives

	Objective	Performance Targets for 2021-2022
1.	CAP is financially sustainable	CAP's principal near-term financial goal is to fund any residual liability arising from the Court of Appeal in connection with the judgment delivered by Gendall J in relation to the Port Hills fires, and operationally for CAP to be a cashflow positive business.
2.	Operational excellence	CAP is committed to maintaining rigorous policies and processes in accordance with accepted industry standards CAP will:

		<ul style="list-style-type: none"> • Maintain a culture that is proactive, and outcomes focused. • Operate Health and Safety systems and practices that are appropriate for its business activities for the benefit of employees and customers. • Implement a Diversity and Inclusion Policy designed to recognise the value of diverse and skilled director and employee groups. • Maintain an inclusive and collaborative boardroom and workplace culture. • Utilise an effective prioritisation framework and work programme in ensuring optimal allocation and flexibility of resources. • Maintain a strict 'no-surprises' policy in its relationship with DCL, CCHL and Council as appropriate. • Promote sustainable environmental practices and reflect these through a Sustainability Policy.
3.	Operational performance	CAP is committed to encouraging Christchurch residents to utilise the park, and to increasing the patronage at the park over the coming 12 months, both through further diversification of product offerings and promotion. As part of that CAP will regularly report to its shareholders on the number of users using its key products.

Group Financial Forecasts

The following projections are group financials for the 2021/22 financial year:

	2022	2023	2024
	\$'000s	\$'000s	\$'000s
Net Profit/(loss) after tax	-658	-10	171
Total Assets	31,538	31,686	32,058
Equity	27,023	27,171	27,543
Ratio of Equity to Total assets	86%	86%	86%

Distributions

DCL consider the payment of dividends to the shareholder after taking into account the company's financial position, profitability, working capital requirements and future investment requirements. The dividends payable to the shareholder will be determined by the board after consideration of the company's funding requirements and the requirement to meet the solvency test under the provisions of the Companies Act 1993.

Accounting Policies

DCL will adopt accounting policies that are consistent with New Zealand International Financial Reporting Standards, generally accepted accounting practices and the policies adopted by the CCHL/Christchurch City Council group.

Corporate Governance

DCL's constitution allows the DCL Board to make decisions that are in the best interests of the shareholder, notwithstanding that they may not necessarily be in the best interest of the company. Accordingly, the DCL Board has agreed with the CCHL Board that any significant decisions impacting on DCL will be referred to the CCHL Board for final approval. Accordingly, the DCL corporate governance practices and processes adopted or followed by the DCL Board will be aligned with those adopted by CCHL.

Board Composition

The directors of DCL are appointed by the shareholder (CCHL). The DCL Board currently consists of the CCHL CEO only.

Role of the Board of Directors

The Board is responsible for the proper direction and control of the Company's activities. The Board guides and monitors the business and affairs of DCL on behalf of the shareholder. All directors are required to comply with a formal Code of Conduct, which is based on the New Zealand Institute of Directors' Principles of Best Practice.

The Board of DCL have been appointed by CCHL to undertake the management and monitoring of the service level agreement with CNZ. Any material decision making including the disposal of land and assets will be made by the CCHL Board following input by the DCL Director.

Responsibility to Shareholder

Information Flows

The Board aims to ensure that CCHL is informed of all major developments affecting the Company's state of affairs, while at the same time recognising that commercial sensitivity may preclude certain information from being made public.

Statutory Information Requirements:

Statement of Intent:

Under the Local Government Act 2002, the Company submits a draft Statement of Intent (Sol) for the coming financial year for consideration by CCHL and the Council. This Sol sets out the Company's overall objectives, intentions and financial and performance targets. Having considered any comments on the Sol by CCHL and Council, the Company issues the Sol in final form.

Annual Report:

DCL will submit an annual report to its shareholder which will be available for Council and the public. The annual report will include audited financial statements and such other details as are necessary to permit an informed assessment of the Company's performance and financial position during the reporting period and to comply with the requirements of the Companies Act and Financial Reporting Act.

Health and Safety

DCL take a risk-based approach to health and safety. DCL maintains a fit-for-purpose health and safety management process encompassing the following:

- Board and management reporting;
- Incident investigation, applying any lessons learnt;
- Proactive identification and management of hazards and risks;
- A culture of continuous improvement;
- Compliance with legislation.

Sustainability and Our Environment

DCL will operate in a way that is supportive of the Council's aim of becoming carbon neutral by 2030.

Activities for which Compensation is sought from Any Local Authority

This Statement of Intent contains no specific requirements for compensation by CCHL or Council. It is noted that there may be a need to obtain funding from CCHL for the delivery of specific additional work or reinvestment that is identified. This will be formally agreed and contracted between CCHL and DCL.

Acquisition/Divestment Policy

The subscription or acquisition of securities in any company or organisation, or a divestment of part of the existing business (other than land held as inventory), will only be considered where it is requested by CCHL or Council.

Major transactions as defined in the Companies Act 1993, s129 (2), will be subject to shareholder approval by special resolution.

Estimate of commercial value of shareholder's investment

The board estimate that the commercial value of our shareholder's investment is at least that which is stated as shareholders' equity, in the audited financial statements.