ChristchurchNZ Holdings Limited

Statement of Intent

1 July 2017 – 30 June 2020
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Directory

Address: ChristchurchNZ Holdings Limited (CHL)
PO Box 2962
Christchurch 8140

Registered Office: Level 1
99 Cashel St
Christchurch
From 31 July 2017:
Level 3
109 Cashel St
BNZ Centre (west)
Christchurch

Board: Dr Therese Arseneau (Chair)
Dr Grant Ryan
Ms Louise Edwards
Ms Raewyn Idoine
Mr David Hawkey
Ms Kaila Colbin
Deputy Mayor Andrew Turner
Cr Tim Scandrett

Chief Executive: Mr Tom Hooper
Auditors: Grant Thornton Audit Partnership (NZ) Limited
Contact: Telephone 03 379 5575
Document Purpose

This Statement of Intent (SOI) is approved by the ChristchurchNZ Holdings Limited Board and then reviewed by the Shareholder, Christchurch City Council (CCC), via an initial review by a CCC sub-committee charged with the monitoring and oversight of the entity; in accordance with Section 64(1) of the Local Government Act 2002.

The Statement of Intent defines for ChristchurchNZ Holdings Limited and its subsidiary entity ChristchurchNZ Limited, the objectives, nature and scope of activity, 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 ChristchurchNZ Holdings Board to define the CHL focus consistent with the Council’s Long Term Plan (LTP) process, with review of delivery objectives occurring in intermediate years.

For the purpose of this Statement of Intent, the objectives, nature and scope of activity for ChristchurchNZ Holdings can be considered the objectives nature and scope of ChristchurchNZ.

Strategic Context

ChristchurchNZ Holdings Limited is wholly owned by the Christchurch City Council and, as such, it and ChristchurchNZ are Council Controlled Organisations (CCOs).

The Christchurch City Council and ChristchurchNZ share a common vision;

‘Christchurch is a city of opportunity, a place that is open to new ideas, new people and ways of doing things – a place where anything is possible’

Christchurch City Council has the following priorities and community outcomes as its strategic focus.

Community Outcomes:

- Strong Communities
- Liveable city
- Prosperous economy
- Healthy environment

Strategic Priorities:

- Enabling active citizenship and connected communities
- Maximising opportunities to develop a vibrant, prosperous and sustainable 21st Century city
- Climate change leadership
- Informed and proactive approaches to natural hazard risks
- Increasing active, public and shared transport opportunities and use
- Safe and sustainable water supply and improved waterways
Role & Purpose

ChristchurchNZ exists to:

Support prosperity, opportunity and a great quality of life in Christchurch & Canterbury providing leadership and integration with the following priorities:

- Developing a strong positive city profile and promoting the city to residents, national and international audiences
- Attracting visitors, migrants, students, new business and investment through integrated marketing, major events & conferences
- Ensuring the business environment supports successful and sustainable enterprise and encourages creativity and innovation, and
- Successful establishment of ChristchurchNZ

Background

In 2015 following the Canterbury Earthquakes, the Christchurch City Council commissioned the development of a report to examine ways to boost the City’s visitor related economy.

The report identified the following opportunity:

A more joined up approach to tourism, events, economic development and city promotion would maximise the social, cultural and economic growth opportunities available to Christchurch.

The Visitor Strategy report identified the benefits of an integrated vehicle and how this vehicle could more effectively recapture Christchurch’s visitor economy market share.

In accordance with the recommendations of this report, in August 2016 Christchurch City Council made the decision to establish a single combined entity to consolidate tourism, events, international education & economic development. The three entities under the Council’s Prosperous Economy community outcome responsible for these activities were Christchurch & Canterbury Tourism, Council’s own Major Events team and city promotion functions and the Canterbury Development Corporation.

Having taken the decision to implement a single entity, CCC instructed the board of Canterbury Development Corporation Holdings Limited (CDCHL) via a letter of shareholder expectations (28/09/16) to undertake and lead a transition project to form the single entity.

Transition to a Single Entity

As a part of the transition process CDCHL was renamed Transition Holdings Ltd (THL) in December 2016. In conjunction with Christchurch City Holdings Limited, CCC identified and appointed a Board of Directors with a range of backgrounds and experience, suitable to establish and govern the entity with its new, broader mandate. The Board includes the appointment of four Council Directors and six Independent Directors, including an independent Chair.

THL received a further ‘supplemental clarifications to the letter of expectation’ from CCC on 16 December 2016 which provided incremental clarification for the board of THL.
On 30 June 2017, Canterbury Development Corporation (CDC) & Christchurch & Canterbury Marketing Limited (CCT) will amalgamate to become ChristchurchNZ Limited (CNZ) and Transition Holdings will be renamed ChristchurchNZ Holdings Limited. On 1 July, staff from the Christchurch City Council Major Events unit will join the amalgamated entity along with international education staff. During July, the new entity will be located in one corporate office in the CBD, fully operational as one agency will a new identity. The entity will retain its existing satellite delivery locations, (Christchurch Visitor Centre and GreenHouse).

The development of the functions within ChristchurchNZ will be necessarily iterative, the first priority being the creation of a stable foundation platform.

The focus of ChristchurchNZ in the period covered in this Statement of Intent is to continue to develop the merged functions, to identify synergies and opportunities arising as a result of the merger and to deliver operational interventions in keeping with the purpose detailed above.
Subsidiaries and Related Entities

Existing subsidiaries and related entities

CRIS Limited is a wholly owned subsidiary and holds a portfolio of investments and contractual commitments that support the delivery of innovation & commercialisation initiatives within the region. CRIS Ltd has its own Statement of Intent which is included as an appendix to this document.

Canterbury Regional Business Partners Limited is a joint venture with the Canterbury Employers Chamber of Commerce. This Joint Venture initiative is funded by Callaghan Innovation and the Ministry of Business, Innovation and Employment to co-ordinate business capability building and research and development related activities across the Canterbury region.

In addition to these ownership interests, ChristchurchNZ or Transition Holdings may facilitate the establishment and/or support the operation of, other entities that deliver targeted activity to drive growth in key sectors. Generally, such other entities would also attract funding from central government and support from private sources for their activity in the region.
Strategic Framework

The Strategic Framework identifies the environment in which ChristchurchNZ operates and the key drivers of its priorities and work programme. ChristchurchNZ is the vehicle that delivers Tourism, Major Events, Economic Development and International Education activity on behalf of the Christchurch City Council, and is particularly focused on enabling the CCC ‘Prosperous Economy’ Community outcome.

ChristchurchNZ is one of several agencies in the city working towards a prosperous economy. ChristchurchNZ will work in partnership with these related agencies and with acknowledgement of the priorities of other key partners that complement the Christchurch priorities.

The priorities of ChristchurchNZ are guided by the strategic priorities of Council and its economic development plan; in particular, having a vibrant, prosperous and sustainable central city; being a city of opportunity, innovation and creativity, demonstrating leadership on climate change; and having a safe and sustainable water supply, and improved waterways.

ChristchurchNZ is inheriting several strategic work programmes which align to these priorities that are illustrated in the diagram below.

ChristchurchNZ is also accountable for delivery of existing Contracts for Service and Levels of Service commitments, including those across tourism, economic development, major events & international education, as part of its immediate work programme.

During the transition period currently underway and in the first year of operation, integration opportunities will be identified and actioned. This process will see the full alignment of the work programme to strategic priorities over the 2017/2018 establishment year.
## Intervention Logic

The interventions of ChristchurchNZ are motivated by the public good. ChristchurchNZ will intervene where it can catalyse actions and connections which would not otherwise happen to the scale, at the speed or at all, without its involvement.

These interventions are required to provide more benefit to the region than they cost to deliver. ChristchurchNZ will work in partnership with others to deliver projects, increase capability, disseminate relevant knowledge and make things happen. ChristchurchNZ will adhere to principles of non-duplication in all of its activity.

### STRATEGIC PRIORITIES 2017 – 2020

<table>
<thead>
<tr>
<th>Strategic Priorities</th>
<th>Outcomes</th>
</tr>
</thead>
</table>
| **1. Establish and develop the combined entity** | 1. Christchurch has a single agency that is the recognised leader of activity in Tourism, Major Events, International Education and Economic Development  
2. The combined entity is a respected partner locally, regionally, nationally and internationally; leveraging and developing existing relationships to source incremental funds and deliver optimal results |
| **2. Develop a strong & positive city profile and promote the city to local, national and global audiences** | 5. Christchurch has a strong profile and reputation aligned with the Christchurch story  
6. Residents, local business and stakeholders understand and support what Christchurch and Canterbury have to offer and have confidence about the city’s economy and progress  
7. Christchurch is recognised as a major gateway to South Island and Antarctica |
| **3. Attract visitors, migrants, students, new business and investment through integrated marketing, major events & conferences** | 8. More visitors, migrants, students, new business and investment are attracted to Christchurch and have an excellent experience  
9. Visitor spend in the traditional shoulder and off-season is increased  
10. Christchurch has a major event portfolio which attracts visitors and engages residents |
| **4. Ensure the business environment enables successful and sustainable enterprise and encourages creativity and innovation** | 11. Consensus and demonstrated commitment to work together exists among key organisations to achieve a shared vision for an economic future for Christchurch  
12. Christchurch is viewed as a good place to do business  
13. The innovation ecosystem has infrastructure and connections that support creativity and commercial outcomes for the City  
14. Opportunities for economic and industry growth are identified and a plan is in place to address |
## Active and Performance Measures

<table>
<thead>
<tr>
<th>Strategic Priority</th>
<th>Outcome</th>
<th>Activity Programme 2017/18</th>
<th>2018/19</th>
<th>2019/20</th>
</tr>
</thead>
<tbody>
<tr>
<td>Establish ChristchurchNZ (the City has a single agency for the delivery of Tourism, International Education, Major Events &amp; Economic Development Activity)</td>
<td>ChristchurchNZ is established and fully operational. Develop a culture and ways of working that support productivity and delivery of the ChristchurchNZ strategic objectives.</td>
<td>Fully operational</td>
<td>Fully operational</td>
<td></td>
</tr>
<tr>
<td></td>
<td>ChristchurchNZ is a credible partner for agencies &amp; individuals contributing to the promotion and economic growth of Christchurch</td>
<td>Develop Communications and Engagement Strategy. Develop and roll-out strong ChristchurchNZ brand.</td>
<td>Partners consider ChristchurchNZ an effective partner 3 joint projects undertaken</td>
<td>Partners consider Christchurch NZ an effective partner 3 joint projects undertaken</td>
</tr>
<tr>
<td>Develop a strong positive city profile and promote the city to residents, national and international audiences</td>
<td>Christchurch has a strong profile and reputation aligned with the Christchurch story</td>
<td>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. Develop Narrative “Toolkit” (images, video, text and other resources) and promote to partners and key stakeholders.</td>
<td>“Christchurch Story” is incorporated into all activities and collateral</td>
<td>“Christchurch Story” is incorporated into all activities and collateral</td>
</tr>
<tr>
<td></td>
<td>Residents and visitors understand what Christchurch and Canterbury have to offer</td>
<td>Deliver coordinated campaigns for residents, and domestic and international visitors, aligned to the Christchurch Narrative and in support of the Christchurch airport. The i-Site provides high quality customer service to visitors. Deliver city promotions work programme to residents and visitors.</td>
<td>Digital platforms with targeted social engagement, print collateral. Visitor marketing campaigns delivered</td>
<td>Digital platforms with targeted social engagement, print collateral. Visitor marketing campaigns delivered</td>
</tr>
<tr>
<td></td>
<td>Christchurch is recognised as a major gateway to South Island and Antarctica</td>
<td>Work with partners to implement the Christchurch Antarctic Gateway Strategy.</td>
<td>Implementation plan achieved.</td>
<td>Implementation plan achieved.</td>
</tr>
<tr>
<td>Strategic Priority</td>
<td>Outcome</td>
<td>Activity Programme 2017/18</td>
<td>2018/19</td>
<td>2019/20</td>
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<tr>
<td>-------------------</td>
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</tr>
<tr>
<td>Attract visitors, migrants, new business and investment through integrated marketing, major events &amp; conferences</td>
<td>More visitors, migrants, new business entrepreneurs and investors are attracted to Christchurch</td>
<td>Deliver tourism marketing programme.</td>
<td>Plans developed and implemented 4 campaigns 4 offshore trade activities Satisfaction surveys of tourism operators and visitors</td>
<td>Plans developed and implemented 4 campaigns 4 offshore trade activities Satisfaction surveys of tourism operators and visitors</td>
</tr>
<tr>
<td>Expand the business and investment enquiry and response framework in partnership with DCL and others. Work with partners to identify and progress new investment and business opportunities. Greenhouse action plan is implemented and support is provided for Innovation Precinct. FoodSouth food product testing facility provides services to South Island food producers</td>
<td></td>
<td>4 investor steering group meetings per year External funding contract deliverables achieved Operating plan implemented for GreenHouse</td>
<td>4 investor steering group meetings per year External funding contract deliverables achieved Operating plan implemented for GreenHouse</td>
<td></td>
</tr>
<tr>
<td>Implement the Christchurch Visitor Strategy</td>
<td></td>
<td>Strategy implemented</td>
<td>Strategy implemented</td>
<td></td>
</tr>
<tr>
<td>Provide high quality core services to the visitor industry including data and research, digital platforms, i-SITE Visitor Information Centre</td>
<td></td>
<td>Local visitor industry is satisfied</td>
<td>Local visitor industry is satisfied</td>
<td></td>
</tr>
<tr>
<td>Visitor spend in the traditional shoulder and off-season is increased</td>
<td>Complete research and develop a plan with interventions that can reduce seasonality.</td>
<td>Seasonality plan implemented</td>
<td>Seasonality plan implemented 4 campaigns 4 offshore trade activities</td>
<td></td>
</tr>
<tr>
<td>Christchurch has a major event portfolio which increases Christchurch's profile, attracts visitors &amp; engages residents</td>
<td>Deliver scheduled programme of major events on behalf of CCC, and work with Tourism Marketing to identify and capitalise on synergies. Develop Major Events Strategy for sign-off by CCC. Domestic delegate days to be within the range of 7-10% market share.</td>
<td>Strategy implemented Maintain market share pending opening of new conference venues</td>
<td>Strategy implemented Maintain market share pending opening of new conference venues</td>
<td></td>
</tr>
<tr>
<td>Statement of Intent</td>
<td>Ensure a business environment supports successful and sustainable enterprise and encourages creativity and innovation</td>
<td>Consensus and demonstrated commitment to work together exists among key organisations to achieve a shared vision for an economic future for Christchurch</td>
<td>Develop plan for implementation of Visitor Strategy. Review and update CEDS following development of strategy for ChristchurchNZ Deliver projects that improve prosperity. Establish CEDS Economic Leadership Group.</td>
<td>Strategies endorsed Implementation monitored Economic development projects delivered Leadership Group meets</td>
</tr>
<tr>
<td>---------------------</td>
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<td>----------------------------------------------------------------------------------------------------------</td>
<td>---------------------------------------------------------------------------------</td>
<td>---------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Enterprises have access to services tailored to specific business needs</td>
<td>Provide business support services to 600 local businesses. Investigate the needs of tourism, events and international education sectors to determine whether new programmes should be developed. Support collaborative organisations aimed at increasing industry leadership, collaboration and growth</td>
<td>600 businesses are provided support 4 organisations supported</td>
<td>600 businesses are provided support 4 organisations supported</td>
<td>600 businesses are provided support 4 organisations supported</td>
</tr>
<tr>
<td>Support collaborative organisations aimed at increasing industry leadership, collaboration and growth</td>
<td>Deliver economic knowledge and insights regularly to stakeholders, via website, publications and update events, at minimum quarterly. Review and deliver a research programme that is aligned with scope of ChristchurchNZ’s activities. Review information products and channels to ensure audiences receive the right information through the most effective channels.</td>
<td>4 quarterly economic updates 12 monthly reports 3 economic research papers</td>
<td>4 quarterly economic updates 12 monthly reports 3 economic research papers</td>
<td>4 quarterly economic updates 12 monthly reports 3 economic research papers</td>
</tr>
</tbody>
</table>
## Financial Performance Targets

### Financial Objectives

<table>
<thead>
<tr>
<th>Objective</th>
<th>Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Financial Performance meets shareholder expectations (budget).</td>
<td>THL meets or exceeds budgeted key performance measures.</td>
</tr>
<tr>
<td></td>
<td>2018</td>
</tr>
<tr>
<td></td>
<td>$000</td>
</tr>
<tr>
<td>CCC Funding</td>
<td>10,276</td>
</tr>
<tr>
<td>Other Funding</td>
<td>3,407</td>
</tr>
<tr>
<td>Shareholders' Funds/Total Assets</td>
<td>80%</td>
</tr>
<tr>
<td>2. THL's capital structure and funding model is appropriate for the nature of its business.</td>
<td>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. The THL Group maintains an adequate level of reserves to meet on-going commitments (circa six months of operations).</td>
</tr>
<tr>
<td>3. Treasury management policies and practices are consistent with best practice.</td>
<td>THL to review its Treasury Policy biennially.</td>
</tr>
<tr>
<td>4. THL Accounting Policy is consistent with shareholder requirements and complies with IPSAS.</td>
<td>Annual external audit reviews do not highlight any material issues.</td>
</tr>
</tbody>
</table>

### Group Financial Objectives

<table>
<thead>
<tr>
<th>Objective</th>
<th>Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Subsidiary performance is in line with expectations.</td>
<td>Subsidiaries achieve budget and objectives set out in their Annual Operating Plans.</td>
</tr>
<tr>
<td>2. The capital structure and funding model of T HL subsidiaries are appropriate for the nature of the business.</td>
<td>CRIS provides a source of capital to fund visitor attraction and economic development initiatives. Subsidiary governance arrangements are reviewed and rationalised as appropriate</td>
</tr>
<tr>
<td>3. The Accounting Policies of T HL Subsidiaries are consistent with shareholder requirements and comply with IPSAS.</td>
<td>Annual external audit reports are completed and do not highlight any material issues.</td>
</tr>
</tbody>
</table>
Corporate Governance

ChristchurchNZ is monitored by the Finance & Performance sub-committee of CCC on behalf of the shareholder. The Board of Directors is appointed by the Shareholder on advice from Christchurch City Holdings Limited in accordance with the CCC Director appointments and remuneration policy and a memorandum of understanding (MOU) between the three entities.

Public Benefit Entity

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

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 its 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 and will act in accordance with any letter of Shareholder expectation received.

The Board draws on relevant corporate governance best practice principles to assist and contribute to the performance of THL. The functions of the Board include:

1. Seeking advice from CCC on matters of policy and strategic direction, agreeing intervention logic with CCC as shareholder and key funder.
2. Providing strategic direction for, and approving, the company’s and any directly controlled subsidiaries, business strategies and objectives;
3. Reviewing and approving the company’s budgets and business plans and monitoring the management of the company’s capital, including the progress of any major capital expenditure, acquisitions or divestitures;
4. Providing leadership of the company within a framework of prudent and effective controls which enables risk to be assessed and managed;
5. Assessing and agreeing the risk profile of Company, identifying the principal risks faced by the company and taking reasonable steps designed to ensure that appropriate internal controls and monitoring systems are in place to manage and, to the extent possible, reduce the impact of these risks;
6. Monitoring the operational and financial position and performance and health & safety practices of the company;
7. Requiring that financial and other reporting mechanisms are put in place by the Chief Executive which result in adequate, accurate and timely information being provided to the Board and the company’s shareholder and the financial market as a whole being fully informed of all material developments relating to the company;
8. Appointing and, where appropriate, removing the Chief Executive, approving other key executive appointments, planning for executive succession and monitoring the performance of the Chief Executive and other senior executives, having regard to the company’s strategic direction and goals;
9. Reviewing and approving the company’s remuneration policies;
10. Establishing procedures to ensure that financial results are appropriately and accurately reported on a timely basis in accordance with all legal and regulatory requirements;

11. Adopting appropriate procedures to ensure compliance with all laws, governmental regulations and accounting standards;

12. Approving and regularly reviewing the company's internal decision making and compliance policies and procedures, including any codes of conduct, this Charter and the charters of the Board's Committees;

13. Ensuring that the company's internal decision making and compliance policies and procedures are adhered to, to ensure that the business of the company is conducted in an open and ethical manner; and;

14. Appointing board members or representatives for the subsidiary entities in conjunction with CCHL and CCC where appropriate.

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. The Board generally meets at monthly intervals and at other times as required.

Board Committees

The Board may, from time to time, establish committees to assist it in carrying out its responsibilities. For each committee the Board adopts a formal charter that sets out the delegated functions and responsibilities for, and the composition and any administrative matters relating to, that committee.

An Audit and Risk Committee and a Remuneration Committee have been established in addition to the Transition Project Committee. The Board committee structure will be reviewed in the first year considered by this Statement of Intent.

The Board is responsible for the oversight of its committees. This oversight includes, in relation to each committee, determining and reviewing its composition and structure and regularly reviewing its performance against its charter.

Delegation of Responsibilities to Management

The Board has delegated management of the day-to-day affairs and management responsibilities of the company to the executive team to deliver the strategic direction and goals determined by the Board.

The Board has also developed a statement of their 'Reserved Powers'.

Directors and Board committees have the right, in connection with their duties and responsibilities, to seek independent, professional advice at THL’s expense, subject to Board approval.

Board Composition and Fees

The composition of the Board of Directors is determined by CCHL under the CCC policy on Council Controlled Organisations (CCO) board appointments. Directors’ fees are reviewed periodically as part of the CCHL process. The Board comprises independent and council directors with an independent Chair.

Established practice is for a donation to be paid to the Mayoral Welfare Fund in lieu of payment of Directors Fees to Councillor Directors.

Subsidiary Board Members

All directors of subsidiary companies are selected for their commercial expertise and aptitude.
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It is established practice for representatives of the subsidiary board and management to meet with THL at least twice a year, to discuss the company’s strategic direction and any significant issues that arise. The CHL Board also receives such other reports as are necessary to perform its monitoring function; however, CHL does not involve itself in the management of subsidiary companies.

Reporting and monitoring

THL reports quarterly to CCC management against its levels of service and expects to meet with and report quarterly to the CCC sub-committee.

Accounting Policies

CHL has defined itself as a Public Benefit Entity (PBE) for the purposes of financial reporting. The financial statements are prepared in accordance with the PBE Standards Reduced Disclosure Regime for a Tier 2 entity.

The company’s current accounting policies are consistent with New Zealand International Public Sector Accounting Standards, generally accepted accounting practice and in accordance with the Companies Act 1993 and the Financial Reporting Act 1993 and any amendments thereto.

Distributions

Company not carried on for Private Pecuniary Profit

None of the capital or income of the company shall be paid or transferred directly or indirectly by way of dividend, distribution or otherwise for the private pecuniary profit of any individual. This does not prevent the payment in good faith of reasonable remuneration to any directors or employees of the company, to any other person for services rendered to the company or to subsidiary entities in the furtherance of the objectives of the company.

Acquisition/Divestment Procedures

The subscription or acquisition of securities in any company or organisation, or a divestment of part of the parent will only be considered where it is consistent with the long term objectives of the shareholder.

When the subscription, acquisition or divestment is considered by directors to be significant to the company’s business operations, it will be subject to consultation with the shareholder (CCC). Major transactions as defined in the Companies Act 1993, s 129(2) will be subject to shareholders’ approval by special resolution.

In respect of the subsidiary entity CRIS Limited, which is an investment vehicle, acquisitions and divestments are subject to the CRIS Limited Constitution, consistent with the long term objectives of the CRIS Limited board and shareholder.

Information to be provided to Shareholders

CHL will provide information requested by the shareholder in accordance with the requirements of the Local Government Act 2002. THL will disclose as much information on its operations as is practical and consistent with commercial and confidentiality considerations under the covenants of its SOI with CCC and third party contractual obligations.

CHL will operate on a “no surprises” basis in respect of significant shareholder related matters, to the extent possible in the context of commercial sensitivity and confidentiality obligations.
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As a minimum, shareholder reporting will involve:

14.1 Annual report and audited financial statements within 90 days of balance date
14.2 Annual Report against performance indicators
14.3 Contribution to CCC Annual and Long Term Plan preparation and reporting processes
14.4 A quarterly report including a financial and activity update and information on the health and safety practices and performance of the organisation.
14.5 Half year GAAP compliance financial statements

Compensation from Local Authority

The group expects to receive funding from CCC of $103m for the year ended 30 June 2018. This is currently allocated as $328.500 to CRIS Limited, with the balance allocated to the single entity. It is expected that following the completion of the Major Events Strategy, further funding will be sought from CCC to enable delivery. This additional funding will be sought from the 2019 financial year and is expected to be leveraged through the increased support of sponsors and other funders for the strategic events programme.

The activity undertaken in exchange for the compensation is set out in the CCC three-year plan and is expected to be substantially reviewed during the course of the CCC Three Year Plan for the period commencing 1 July 2018.

Value of Shareholders’ Investment

The CHL directors estimate that the value of the shareholder investment in the group is at least that which is stated as “shareholders’ equity” in the latest available audited financial statements. This value is reassessed annually as part of the preparation of the audited financial statements.

Role in the CCC Group and Regional Economy

Commercial relationships within the CCC Group

Wherever possible, ChristchurchNZ will work with other group companies to benefit the CCC Group and the Canterbury region.

Role in the regional economy

As part of its role for the City, CNZ will work proactively with other regional EDAs and RTO’s; and the CCC Group to drive regional economic growth. CEDS establishes a direct correlation between the region’s agricultural hinterland and the economic strength of the City.

Other Matters Requiring the Approval of the Shareholder

CHL will bring to the attention of the shareholders;

- Any matters of critical concern, or significant public interest
- Major transactions as defined in the Companies Act

ATTESTATION

Chairperson
Signed for and on behalf of the Board of Directors
CHRIS Limited

Statement of Intent

For the year ending 30 June 2018
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DIRECTORY

Address
PO Box 2962
Christchurch 8140

Registered office
Level 1
99 Cashel Street
Christchurch

Board
Tom Hooper (Managing Director)

Telephone no.
03 379 5575

INTRODUCTION

This Statement of Intent (“SOI”) is submitted to the Transition Holdings Limited Board as the Ultimate CRIS Limited Shareholder and forms part of the wider Transition Holdings Ltd Statement of Intent and subsequently submitted to the Christchurch City Council (CCC) as ultimate Shareholder of Transition Holdings. This SOI is prepared in accordance with Section 64(1) of the Local Government Act 2002.

The SOI specifies the objectives, the nature and scope of the activities to be undertaken, and the performance targets and other measures by which the performance of the company may be judged in relation to its objectives, amongst other requirements. The CRIS Ltd SOI covers the activities of CRIS and its partially owned subsidiary entity New Zealand Food Innovation (South Island) Limited (FoodSouth).

The process of negotiation and determination of an acceptable SOI is a public and legally-required expression of the accountability relationship between the company and its ultimate Shareholder (CCC). The SOI will be reviewed annually with the Shareholder and covers a three-year period. Both CRIS Ltd and FoodSouth are council-controlled organisations (‘CCO’s’) for the purposes of the Local Government Act 2002.

PURPOSE

CRIS Ltd is a vehicle which receives funding to support the development of Canterbury’s regional innovation system and holds assets and reserves that enable it to enter into long term commitments to support economic development initiatives in the region on behalf of its shareholder.

CRIS Ltd holds a portfolio of investments and contractual commitments with Central Government that enable the delivery of economic development and commercialisation initiatives within the region.
OWNERSHIP & GROUP STRUCTURE

Background to CRIS Ltd

CRIS Limited was incorporated by the Canterbury Development Corporation (CDC) in April 2012 for the purpose of receiving the assets and commitments of the Canterbury Economic Development Trust Fund (CEDF). CEDF was settled by the Christchurch City Council in 2003 with the Canterbury Development Corporation appointed as the establishment trustee. The purpose of the CEDF was also to support economic growth in the region.

OPERATING MODEL

Funding

The Ministry of Business, Innovation & Employment (MBIE), have invested in a range of soft infrastructure in the region to support entrepreneurship and commercialisation of intellectual property and to help ensure the best outcomes from this investment, CRIS Limited has partnered with MBIE and its subsidiary agencies on these initiatives as co-funder and expert in the local economic environment.

Significant contracts and assets currently held include the following:

- Commercialisation Partner Network membership and funding contract
- Powerhouse Ventures Limited – Technology Incubator – passive shareholding
- FoodSouth shareholding and funding agreement

Operational delivery of these contracts and monitoring oversight is undertaken by CDC on behalf of CRIS Limited under the terms of agreed sub-contracts, maintaining a low overhead for the entity while providing effective monitoring oversight of Subsidiary entity FoodSouth and key contracts.

Annual funding received by CRIS Limited from Christchurch City Council (CCC) and release of retained earnings enables CRIS to meet its contractual obligations for regional funding components of these key contracts.
STRATEGIC CONTEXT 2017 - 2020

Regional Innovation System Focus

A priority to support intellectual property commercialisation start up activity in the region has been complemented over recent years with the development of the CRIS Limited role in coordinating the regional innovation system, supported by the funding received as a member of the national Commercialisation Partner Network.

Utilising the strategic platform provided by the Christchurch Economic Development Strategy (CEDS), the focus of CRIS Ltd’s investment in this ‘soft infrastructure’ has evolved to avoid crowding out of other initiatives, whilst ensuring a continuum of support so that good ideas are neither shelved due to lack of resources, or fall through the cracks due to lack of skill and experience or implementation of a cohesive strategy.

CRIS Limited underpins the activity of its parent entity by providing balance sheet strength and resources that enable it to catalyse initiatives that may otherwise be unable to gain a foothold in the region.

Powerhouse Ventures

Powerhouse Ventures is a Christchurch based technology incubator. Powerhouse receives funding from Callaghan Innovation to source and commercialise intellectual property from New Zealand research institutions and provides a source of capital to sustain the growth of its portfolio of high growth potential companies.

Commercialisation Partner Network Contract

CRIS Ltd’s Commercialisation Partner Network $4.1M contract with MBIE supports the delivery of CDC’s innovation strategy. The contract has five key delivery areas as follows:

1. Increased commercialisation via existing business through provision of soft infrastructure
2. A coordinated Canterbury regional innovation system
3. Increased commercialisation from Canterbury based PROs (UC, LU, CDHB and CRIs)
4. Growth in the scale and capability of the high value manufacturing and services in Canterbury through provision of services and initiatives which support business innovation
5. Increased private sector engagement with Public Research Organisations (PROs)

New Zealand Food Innovation (South Island) Limited (FoodSouth) Contract

CRIS Ltd is contracted to provide operational funding to Food South for the first two years of the SoI period and works proactively alongside the entity to ensure this significant regional asset is utilised by local business.

Subsidiary and associated entities

New Zealand Food Innovation (South Island) Limited (FoodSouth)

CRIS holds 50.1% of the shares in New Zealand Food Innovation (South Island) Limited (FoodSouth). FoodSouth was incorporated by CDC in 2010 for the purpose of entering into a funding agreement with the then Ministry of Economic Development (now part of the Ministry of Business Innovation and Employment). FoodSouth is a member of the national Food Innovation Network and holds 25% of the
shares in the network company and provides resources under the terms of a contractual agreement with the network for the delivery of some network services.

The purpose of FoodSouth is to increase exports of Food & Beverage products from New Zealand via the provision of a South Island food processing pilot plant and a complementary suite of services.

Powerhouse Ventures Limited (Powerhouse)

CDC was an establishment shareholder of Powerhouse when the company was formed in 2008 to meet an identified market failure at that time, to provide a source of capital for intellectual property based, early-stage ventures. CRIS Ltd now maintains a minority interest in the entity on CDC’s behalf.

CRIS Ltd has previously supported the activity of Powerhouse by investing in the early stage technology companies identified by Powerhouse. CRIS Ltd investment has been leveraged via this model on at least a 4:1 basis, with the CRIS investment attracting investment dollars to the region, including the Callaghan repayable grants, along with funds from both the national Seed Co-Investment Fund (SCIF) and private sector investors. Powerhouse are now in a position to continue this activity without further direct investment support from CRIS Ltd.

CRIS Ltd has now transferred its portfolio of investment interests into the restructured Powerhouse investment vehicle. CRIS Ltd has retained its shareholding in Powerhouse to support the company through to the achievement of its listing on the Australian Stock Exchange in October 2016. CRIS Ltd.’s percentage shareholding will decrease over time through both further capital raises by Powerhouse and phased liquidation of shareholding as appropriate and feasible.

Whilst the Powerhouse IPO ultimately increases the opportunity for CRIS Ltd to eventually realise its investment into cash the publically traded nature of the asset now means it is subject to on-going valuation volatility, potentially a significant impact to the total group balance sheet. It will be necessary to determine a structure that best insulates the rest of group operations from this variability.
KEY PERFORMANCE INDICATORS

Operational targets are compiled from a combination of activities required to deliver the outcomes identified in the three-year plan and to meet the requirements of external funding contracts.

<table>
<thead>
<tr>
<th>Strategic Priority</th>
<th>Activity</th>
<th>2017/18</th>
<th>2018/19</th>
<th>2019/20</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maintain sufficient capital to provide capability to catalyse and invest in economic development initiatives</td>
<td>Maintain investment in Powerhouse Ventures without further investment</td>
<td>Passive role, no further investment</td>
<td>Passive role, no further investment</td>
<td>Seek managed recovery of capital</td>
</tr>
<tr>
<td>Operational delivery of CRIS funding contracts is monitored by CDC</td>
<td>CPN contract performance obligation is delivered by CDC</td>
<td>Sub-contract in place</td>
<td>Sub-contract in place</td>
<td>n/a</td>
</tr>
<tr>
<td>Food South financial position is monitored by CDC executive</td>
<td>Monitor</td>
<td>Monitor</td>
<td>Monitor</td>
<td>Monitor</td>
</tr>
</tbody>
</table>

**FoodSouth**

<table>
<thead>
<tr>
<th>FoodSouth is effectively governed</th>
<th>CRIS Board representation in accordance with Shareholders Agreement</th>
<th>CRIS Board representation in place</th>
<th>CRIS Board representation in place</th>
<th>CRIS Board representation in place</th>
</tr>
</thead>
<tbody>
<tr>
<td>National Food Innovation Network Company is transitioned to National Ownership</td>
<td>Coordinate longer term strategy with Callaghan Innovation</td>
<td>Transition FIN Co. to CI run structure</td>
<td>Maintain operating relationship with FIN</td>
<td>Maintain operating relationship with FIN</td>
</tr>
<tr>
<td>Support is available for South Island food and beverage businesses</td>
<td>South Island Food Processing Pilot Plant is being utilised by businesses in Christchurch &amp; Canterbury</td>
<td>20 businesses using facility</td>
<td>30 businesses using facility</td>
<td>50 businesses using facility</td>
</tr>
<tr>
<td></td>
<td>A suite of services is delivered to businesses</td>
<td>Deliver</td>
<td>Deliver</td>
<td>Deliver</td>
</tr>
</tbody>
</table>

Statement of Intent
## Financial Performance Targets

### CRIS Financial Objectives

<table>
<thead>
<tr>
<th>Objective</th>
<th>Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. CRIS Financial Performance meets shareholder expectations (budget).</td>
<td>CRIS meets or exceeds budgeted key performance measures.</td>
</tr>
<tr>
<td></td>
<td>2018 2019 2020</td>
</tr>
<tr>
<td></td>
<td>$000 $000 $000</td>
</tr>
<tr>
<td></td>
<td>Council Funding $330 $330 $330</td>
</tr>
<tr>
<td></td>
<td>Other Funding $1,000 $200</td>
</tr>
<tr>
<td></td>
<td>Shareholders Funds/</td>
</tr>
<tr>
<td></td>
<td>Total Assets 80% 79% 78%</td>
</tr>
<tr>
<td></td>
<td>Cash Balances – maintain sufficient funds to meet contractual commitments over the course of a five-year period.</td>
</tr>
<tr>
<td>2. CRIS’s capital structure and funding model is appropriate for the nature of its business.</td>
<td>CRIS maintains overhead costs to minimum level</td>
</tr>
<tr>
<td>3. CRIS’s treasury management policies and practices are consistent with best practice.</td>
<td>CRIS to review its Treasury Policy biennially.</td>
</tr>
<tr>
<td>4. CRIS’s Accounting Policy is consistent with shareholder requirements and complies with IPSAS.</td>
<td>Annual external audit reviews do not highlight any material issues.</td>
</tr>
</tbody>
</table>

### FOODSOUTH Financial Objectives

<table>
<thead>
<tr>
<th>Objective</th>
<th>Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. FoodSouth’s performance is in line with expectations.</td>
<td>FoodSouth achieves budget and objectives set out in their Annual Operating Plans.</td>
</tr>
<tr>
<td>2. FoodSouth develops a financial strategy that enables it to accumulate retained earnings to support operations beyond the term of its funding contract.</td>
<td>A policy is agreed by the Board</td>
</tr>
<tr>
<td>3. The Accounting Policies of CRIS Subsidiaries are consistent with shareholder requirements and comply with IPSAS.</td>
<td>Annual external audit reports are completed and do not highlight any material issues.</td>
</tr>
</tbody>
</table>

## REPORTING & MONITORING

CRIS reports Quarterly to the shareholder on operational and financial results and the activity of FoodSouth.

FoodSouth reports Quarterly to CRIS Ltd & Callaghan Innovation against its contractual deliverables and Quarterly to Callaghan Innovation and the CRIS Limited board regarding progress against its business plan.
Statement of Intent

Corporate Governance

The CRIS Board of Directors is currently comprised of the Managing Director, appointed as part of their role as CEO of the parent entity and two independent directors.

The FoodSouth board composition is determined by the terms of a Shareholders Agreement between CRIS Ltd & Callaghan Innovation. CRIS Ltd holds the right to appointment a majority of board members with Callaghan and Lincoln University each holding the right to appointment a board member.

CRIS Ltd will ensure that the board representation on FoodSouth, appointed on its behalf has an appropriate level of food industry and commercialisation experience, while retaining an alignment between the objectives of FoodSouth and CRIS Ltd.

Public Benefit Entity

CRIS Ltd and FoodSouth are not for profit entities that act for the public good. FoodSouth exists for the purpose of providing targeted support for the SI high-tech food and beverage sector. CRIS Ltd and FoodSouth consider the community and environment in all of their activities.

Role of the Board of Directors (this section relates to both the governance activity of CRIS Ltd and FoodSouth)

The Board is ultimately responsible for setting the strategic direction of the company, oversight of the management of the company and direction of its business strategy; with the ultimate aim being to make a significant contribution to 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 CRIS Ltd and FoodSouth. The functions of the Board include:

1. Seeking advice from shareholders on matters of policy and strategic direction;
2. Providing strategic direction for, and approving, the company’s business strategies and objectives;
3. Reviewing and approving the company’s budgets and business plans and monitoring the management of the company’s capital, including the progress of any major capital expenditure, acquisitions or divestitures;
4. Providing leadership of the company within a framework of prudent and effective controls which enables risk to be assessed and managed;
5. Identifying the principal risks faced by the company and taking reasonable steps designed to ensure that appropriate internal controls and monitoring systems are in place to manage and, to the extent possible, reduce the impact of these risks;
6. Monitoring the operational and financial position and performance of the company;
7. Requiring that financial and other reporting mechanisms are put in place by the Chief Executive which result in adequate, accurate and timely information being provided to the Board and the company’s shareholder and the financial market as a whole being fully informed of all material developments relating to the company;
8. Appointing and, where appropriate, removing the Chief Executive, approving other key executive appointments, planning for executive succession and monitoring the performance of the Chief Executive and other senior executives, having regard to the company’s strategic direction and goals;
9. Reviewing and approving the company’s remuneration policies;
10. Establishing procedures to ensure that financial results are appropriately and accurately reported on a timely basis in accordance with all legal and regulatory requirements;
11. Adopting appropriate procedures to ensure compliance with all laws, governmental regulations and accounting standards;

12. Approving and regularly reviewing the company’s internal decision making and compliance policies and procedures, including any codes of conduct, this Charter and the charters of the Board’s Committees;

13. Ensuring that the company’s internal decision making and compliance policies and procedures are adhered to, to ensure that the business of the company is conducted in an open and ethical manner; and;

14. Appointing board members or representatives for the subsidiary entities.

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. The Board generally meets at regular intervals as set out in the Annual Board Work Plan and at other times as required.

Board Committees
The Board may, from time to time, establish committees to assist it in carrying out its responsibilities. For each committee the Board adopts a formal charter that sets out the delegated functions and responsibilities for, and the composition and any administrative matters relating to, that committee.

Board Composition and Fees
The composition of the Board of Directors is determined by the shareholder, in the case of CRIS Limited and in accordance with the Shareholders Agreement in the case of FoodSouth.

Directors’ fees are set by the Board with approval from the Shareholder and consider advice from CCHL. Board fees are not payable to Executive Directors and in the case of FoodSouth, require Shareholder approval.

Subsidiary Board Members
All directors of subsidiary companies are selected for their commercial expertise and aptitude.

It is established practice for representatives of the subsidiary board and management to meet with the Shareholder at least twice a year, to discuss the company’s strategic direction and any significant issues that arise. The Shareholder Board also receives such other reports as are necessary to perform its monitoring function; however, the Shareholder does not involve itself in the management of subsidiary companies.

Accounting Policies
CRIS Ltd has defined itself as a Public Benefit Entity (PBE) for the purposes of financial reporting.

The company’s current accounting policies are attached to this Statement of Intent as Appendix One.

Distributions
Company not carried on for Private Pecuniary Profit

None of the capital or income of the company shall be paid or transferred directly or indirectly by way of dividend, distribution or otherwise for the private pecuniary profit of any individual. This does not prevent the payment in good faith of reasonable remuneration to any directors or employees of the company, to any other person for services rendered to the company or to subsidiary entities in the furtherance of the objectives of the company.
Acquisition/Divestment Procedures

Part of the role of CRIS Limited is that of an investment vehicle. Acquisitions and divestments will happen regularly and unless significant will not be a matter for shareholder consultation. Acquisition and divestments are subject to the CRIS Limited Constitution and must be consistent with the long term objectives of the CRIS Limited board and shareholder.

When the subscription, acquisition or divestment is considered by directors to be significant to the company's business operations, it will be subject to consultation with the ultimate shareholder (THL). Major transactions as defined in the Companies Act 1993, s 129(2) will be subject to shareholders' approval by special resolution and THL will act in accordance with its own obligations to CCC as the ultimate controlling entity in this regard, ensuring that the no surprises policy is adhered to.

Information to be Provided to Shareholders

CRIS will provide information requested by the shareholder in accordance with the requirements of the Local Government Act 2002. CRIS will disclose as much information on its operations as is practical and consistent with commercial and confidentiality considerations under the covenants of its SOI with CCC and other third party contractual obligations.

CRIS will operate on a “no surprises” basis in respect of significant shareholder related matter, to the extent possible in the context of commercial sensitivity and confidentiality obligations.

As a minimum this will involve:

- Annual report and audited financial statements within 90 days of balance date
- Annual report against performance indicators
- A quarterly update report including a financial and activity update

Compensation from Local Authority

The CRIS Ltd group currently receives funding from CCC of $328,500 annually. Services performed in exchange for this compensation are set out in the CCC three-year plan and are included in the operating objectives set out in this document. CRIS Limited is currently passing this funding through to CDC to meet the matched funding requirements of contracts that CDC is delivering on behalf of CRIS. It is proposed that this funding will be passed through to ChristchurchNZ in future years to support operational delivery of initiatives that will support the innovation eco-system.

Value of Shareholders' Investment

The CRIS directors estimate that the value of the shareholder investment in the group is at least that which is stated as “shareholders' equity” in the latest available audited financial statements. This value is reassessed annually as part of the preparation of the audited financial statements.

Role in the CCC/CCHL Group and Regional Economy

Commercial relationships within the CCC/CCHL Group

Wherever possible, CRIS and FoodSouth will work with other group companies to benefit the CCC and CCHL Group and the Canterbury region.

Role in the growth of the regional economy
CRIS and FoodSouth will work proactively with other organisations, business and the CCC Group to drive regional economic growth.

Other Matters Requiring the Approval of the Shareholder
CRIS will bring to the attention of Shareholders:

- Any matters of critical concern
- Major transactions as defined in the Companies Act

ATTESTATION

__________________________
Chairperson (Tom Hooper)
Signed for and on behalf of the Board of Directors
APPENDIX ONE

1. Reporting Entity

The primary objective of CRIS is to provide services for the community benefit rather than making a financial return. Accordingly, CRIS has designated itself as public benefit entity for the purposes of New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2. Summary of significant accounting policies

2.1 Ultimate parent and controlling entity

Canterbury Development Corporation is the controlling shareholder of CRIS Limited. On 30 June 2017, ChristchurchNZ will become the controlling shareholder. The ultimate controlling shareholder is Christchurch City Council (CCC).

CRIS Limited is a non-profit orientated entity, incorporated and domiciled in New Zealand and registered under the Companies Act 1993. CRIS is a Council Controlled Entity (CCO) as defined by the Local Government Act 2002.

2.2 Basis of preparation

Measurement Base

The financial statements of CRIS Limited are prepared on an historical cost basis, except for assets and liabilities that are measured at fair value.

The accruals basis of accounting is used unless otherwise stated and the financial statements are 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 dollar, unless otherwise stated. The functional currency of CRIS is New Zealand dollars.

Statement of compliance

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 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 year in which the estimate is revised and in any future years affected.

Comparatives

The comparative financial period presented is twelve months, as reported in the 30 June 2015 Annual Report.

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
Statement of Intent

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 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 year in which the estimate is revised and in any future years affected.

Comparatives

The comparative financial period presented is twelve months, as reported in the 30 June 2015 Annual Report. The financial statements include the financial results of CRIS and its share of associated entities and joint venture's results.

2.3 Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

2.4 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.

2.5 Creditors and other payables

Creditors and other payables are stated at cost.

2.6 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 CRIS 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.

The CRIS term deposits represent monies set aside for committed and uncommitted future activities. Current commitments and potential commitments include funding for the FoodSouth Food Pilot Plant, the regional funding component of the Commercialisation Partner Network contract and investment in health technology opportunities under the terms of a Memorandum of Understanding with the Canterbury District Health Board.

*Equity investments*

The early stage nature 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 unless a clear and active market exists for these investments.

The CRIS shares in Powerhouse Ventures are valued at the market price.

*Loans*

Loans are stated at cost plus accrued interest, less any impairment provisions.

*Convertible notes*

Convertible notes are stated at cost less any impairment provisions.
Statement of Intent

*Investment in associates*

CRIS has used the equity method to account for its investment in associate Powerhouse Ventures Ltd but expects to discontinue this following the listing of this entity on the Australian Stock Exchange and resulting dilution of the CRIS holding.

*Investment in joint ventures*

CRIS has used the equity method to account for its investment in joint venture FoodSouth.

2.7 Financial instruments

Financial instruments are comprised of trade debtors and other receivables, cash and cash equivalents, other financial assets, investments, 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 profit or loss, which are measured at fair value.

Recognition and de-recognition of financial assets and liabilities

Financial assets and financial liabilities are recognised when CRIS 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 CRIS 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.

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.

CRIS classifies 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 provision for impairment. Discounting is omitted where the effect of discounting is immaterial. CRIS’s cash, short term deposits and cash equivalents, trade debtors and most other receivables fall into this category of financial instruments.

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 profit or loss

Financial assets at fair value through profit or loss include financial assets that are either classified as held for trading or that meet certain conditions and are designated at fair value through profit or loss 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.
2.8 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.

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.

2.9 Provisions

A provision is recognised for a liability when the settlement amount or timing is uncertain; when there is a present legal or constructive obligation as a result of a past event; it is probable that expenditures will be required to settle the obligation; and a reliable estimate of the potential settlement can be made. Provisions are not recognised for future operating losses.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Provisions are discounted to their present values, where the time value of money is material. The unwinding of the discount is recognised as a finance cost.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

2.10 Revenue

Revenue is recognised to the extent that it is probable that the economic benefit will flow to CRIS and revenue can be reliably measured. Revenue is measured at the fair value of consideration received. CRIS 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 on CRIS’s own account is recognised as gross revenue in the Statement of Comprehensive Income.

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.

(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, or with conditions attached, income 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 is treated as ‘income in advance’ under current liabilities.

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.

Income tax

The income tax expense reported against the surplus or deficit for the year 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.

The income tax effects of deferred tax on temporary difference and any unused tax losses are not recognised.

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.

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

No new standards were applied in the current year.

Changes in accounting policy

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

Revenue is recognised to the extent that it is probable that the economic benefit will flow to CRIS and revenue can be reliably measured. Revenue is measured at the fair value of consideration received. CRIS 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 on CRIS’s own account is recognised as gross revenue in the Statement of Comprehensive Income.

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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, or with conditions attached, income 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 is treated as ‘income in advance’ under current liabilities.

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

(iii) Revenue received in advance

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Statement of Intent

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.

Income tax

The income tax expense reported against the surplus or deficit for the year 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.

The income tax effects of deferred tax on temporary difference and any unused tax losses are not recognised.

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.

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

No new standards are anticipated as being applied in the current year.

Changes in accounting policy

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