

ROTORUA

Economic Development
Te Whanaketanga Ōhanga o Rotorua

Annual Report 2017 - 2018

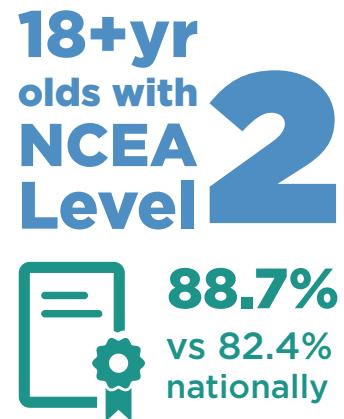
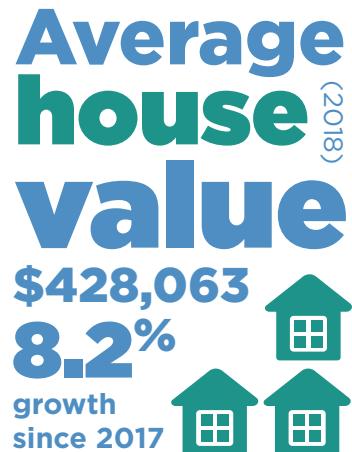
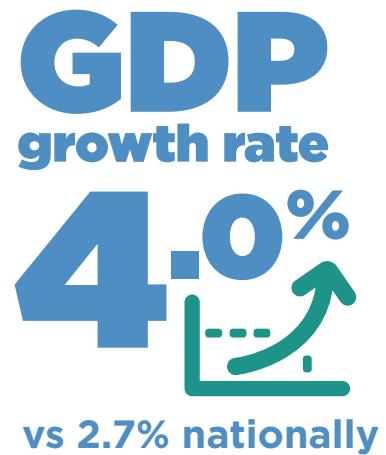
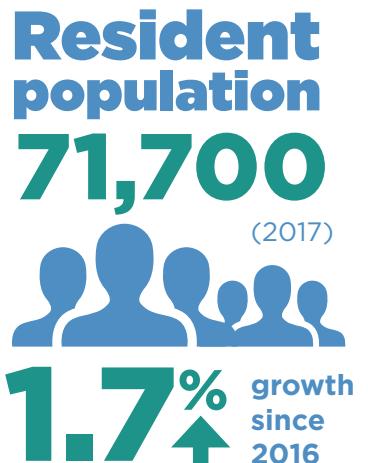




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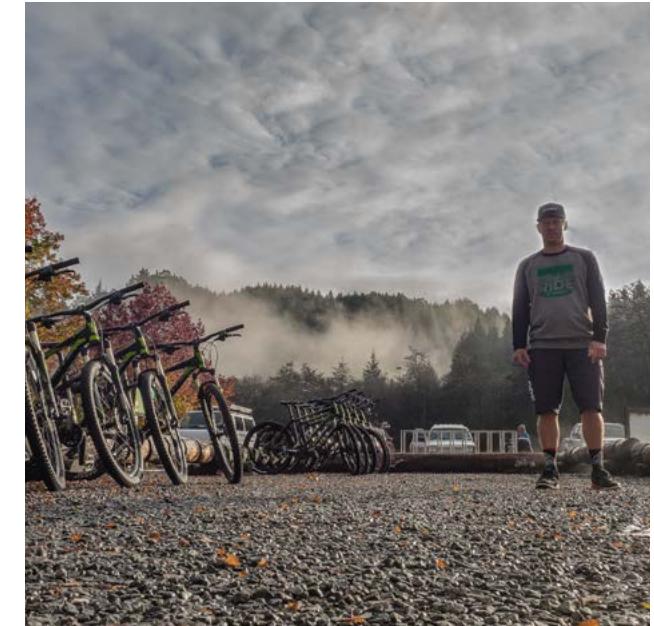
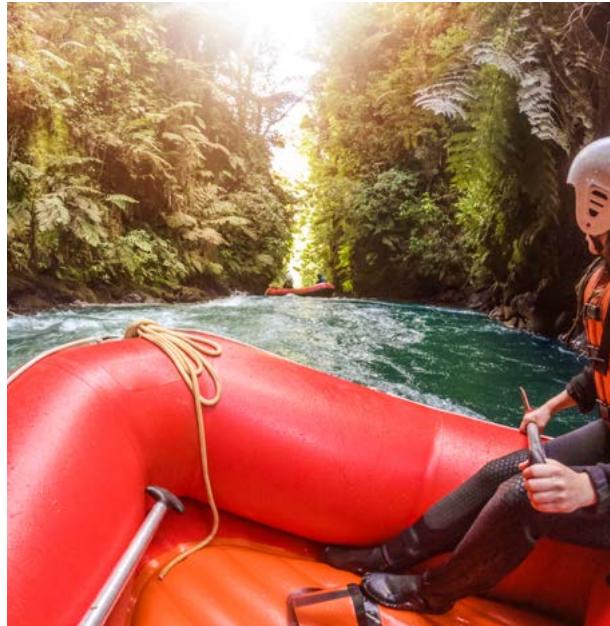
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Snapshot of our region



(Source: latest available figures from Ministry of Business, Innovation and Employment and Infometrics, Quarterly Economic Monitor)

What makes Rotorua great - our competitive advantage



Our people

Rotorua is the heart of Māori culture and expression. Whanau and community are a key part of what makes Rotorua thrive, and manaakitanga (kindness, hospitality, generosity and support) is in our blood. We embrace diversity, and whether you're a visitor, a resident, doing business or studying in Rotorua, we will make you feel at home.

Our place

Renowned for our geothermal activity, 18 stunning lakes and lush subtropical forest, Rotorua's natural environment is hard to beat. Centrally located in the North Island, we are close to beautiful beaches, ski fields, and within a 3-hour drive of 50% of New Zealand's population. Rotorua benefits from the great infrastructure of a larger city, yet is more affordable, without the traffic jams.

Our potential

Rotorua is experiencing significant growth, with GDP at 4% (vs 2.7% nationally). Our population has grown by 5% in the last four years as people seek a better lifestyle for their families, away from the hustle and bustle of overpopulated areas. Rotorua's Vision 2030 harnesses the strengths of our people and our place, being innovative and collaborative, creating diverse opportunities, and supporting a legacy of sustainability for our environment.



HE MIHI

Vision 2030 - the Rotorua Way

This is our home.

We are its people.

We're the **heart of Māori culture** and expression.

We're innovative and we share what we learn.

We're driving opportunity, enterprise and diversity.

We're supporting a **legacy of sustainability** for our environment.

Rotorua is **a place for everyone** Tatau, tatau - We together.

Koinei tō tātau kāinga.

Ko tātau ūna tāngata.

Nā tātau tonu i ora ai te ahurea Māori me ūna āhuatanga katoa.

He iwi auaha tātau e tuku nei i tā tātau e ako nei.

E kokiri nei tātau i te angitu, i te hihiri me ngā rerekētanga maha.

E kaha tautoko nei tātau i whakapūmautanga o te taiao.

Mō te katoa a Rotorua...Tatau tatau.

Rotorua Economic Development Limited (RED) is a Council Controlled Organisation (CCO), 100% owned by Rotorua Lakes Council (RLC or Council). RED was created 01 July 2016 following a review of economic development services. This resulted in the Council resolving to integrate the functions of the former economic development CCO Grow Rotorua and destination marketing business unit Destination Rotorua and Visitor Services (iSITE operations).

RED is the Economic Development Agency (EDA) and Regional Tourism Organisation (RTO) for the Rotorua district. RED's key trading activities and brands are Destination Rotorua, i-Site, rotoruanz.com and Famously Rotorua.

RLC is responsible for setting the economic development direction for Rotorua, with RED responsible for supporting the development of insights and an ecosystem that encourages business growth and destination development.

Our purpose: to help improve the Rotorua economy, its ability to create employment, wealth and wellbeing for all of our people.

We will do this by: growing our visitor economy, creating a vibrant investment ecosystem, developing international education and enabling positive business development.

RED is led by Chief Executive Michelle Templer, and governed by an independent board of directors.

The RED Directors are as follows:

Mr Peter Stubbs (Chairman)

Mr Chris Auld

Ms Mere George

Mr Andy Higgs

Mr James Fitzgerald

Ms Kiriwaitangi Rei (resigned May 2018)

You can find out more about RED by visiting

<http://www.rotoruanz.com/media/about-destination rotorua/>



Chair's Report



Rotorua Economic Development (RED) continued its work this year as a key partner in the economic development components of the Council's Rotorua 2030 Vision.

The company focused on helping with three of the Rotorua 2030 Vision's seven goals:

- Business innovation and prosperity ... Whakawhanake pākihi:
- Employment choices ... He huarahi hōu:
- Outstanding places to play...Papa whakatipu.

RED is making best use of the opportunities afforded by three of the City's four key strengths:

- Active environment - Toitū te whenua
- Diverse opportunities - Tupu ki roto, tupu ki waho
- Strong culture - Toitū te tangata

and supporting two of the City's Big Move Projects:

- Lakefront revitalisation
- Whakarewarewa Forest.

This year the company made good progress in building an economic development agency for the city from the two legacy organisations that existed up until 2016.

Our nation is built on a partnership and the Council has reflected this in its partnership with Te Arawa. The company too believes that RED's success will come from fully leveraging our relationships with partners to ensure maximum value for money from our activities for the people of Rotorua.

The Chief Executive will reflect on the highlights of the year in her report. From the board's perspective one of the highlights has been the performance of the Chief Executive herself. Michelle is engaging, informative and confident, has a real strength in international relations and has excellent central government relationships. These personality traits, Michelle's experience with NZ Trade and Enterprise and her networks are greatly helping both the company, the city and its ratepayers.

My thanks to Michelle and her team. My thanks also to my Board colleagues: Mere George, Andy Higgs, Chris Auld, James Fitzgerald, and to Kiriwaitangi Rei who resigned during the year to focus on other commitments. Each board member brings a different perspective and a range of experiences that add value to the company.

Looking ahead, there is still much more to do. Our priorities for the next three years are set out in our Statement of Intent for 2018-2021.

A handwritten signature in black ink, appearing to read "Peter Stubbs".

Peter Stubbs
Board Chair

Chief Executive's Report



Rotorua is a city of diverse opportunities and in this Annual Report we look back on another successful year of sharing it as a destination to visit, live, work, study and invest in.

This was our second year operating as Rotorua Economic Development Limited (RED), working in partnership with Rotorua Lakes Council (RLC), local businesses, our community and trade partners, local iwi and other stakeholders to encourage business growth and destination development. The work we do together directly supports the development of Rotorua's economy and provides employment, wealth and wellbeing for our community.

Under the overarching umbrella of "destination development", RED has two core areas of activity - business development and investment attraction.

Our focus on establishing business models to support growth has seen the continuation this year of the Accelerate programme, and the pilot of Fresh Thinking Workshops, stage one of the High Performance Institute. These programmes offer professional mentoring and practical support for local businesses at different growth phases.

As part of our investment attraction strategy, we've created detailed market and opportunity analysis reports for six key investment areas and have written pre-commercial business cases for two of these. We're also collaborating with RLC, iwi and community partners to leverage the opportunities offered by the government's Provincial Growth Fund.

This year we undertook a comprehensive review of luxury opportunities as part of our visitor strategy that focuses on "value over volume". This is about encouraging a higher spend per visitor rather than just seeking more visitors. The results will inform further work on investment and reinvestment into those authentic experiences that are valued by visitors.

Rotorua's visitor economy has continued its positive growth trajectory with strong performance this year from both international and domestic markets. We continue to encourage this growth through our domestic and international trade marketing programmes, supported by media and PR.

At a national level, we were proud to relaunch our "Famously Rotorua" brand campaign in July 2017 to modernise the look and feel of the brand and the stories we tell. The initial results have been positive and we're looking forward to launching our new international brand at the end of 2018 in time for TRENZ, New Zealand's biggest annual business-to-business travel and trade event which will be held in Rotorua next year.

We continue to attract some of the largest business events held in New Zealand. We've focused on growing the Auckland corporate market, as well as bringing large international events to New Zealand. We've secured a number of significant international conferences during the past 12 months and some examples of these can be found on page 25.

RED recently published its Statement of Intent for 2018-2021 which sets out the strategic framework, activities and performance measures to deliver on our objectives and contribute to RLC's targets and priorities. The content of the SOI reflects the continued evolution of RED's role and focus from one weighted towards visitor services to one that provides a more balanced portfolio of growth and investment attraction aligned with destination development.

I remain grateful for the support provided by the Board, local and central government, iwi, business and residential ratepayers and all of our industry partners. I look forward to continuing our work together to develop this vibrant city through sustainable growth.

A handwritten signature in black ink.

Michelle Templer

Chief Executive

Focus for 2017 / 2018

RED continued to work as a key partner in the economic development components of RLC's Vision 2030, with particular focus on supporting:

Active environment

Toitú te whenua



- Developing innovative land uses to enhance the productive value

Diverse opportunities

Tupu ki roto, tupu ki waho



- Developing infrastructure, land and people to support a diverse and sustainably growing community
- Growing the value of tourism to Rotorua
- Becoming a globally recognised centre of excellence for forestry science and innovation
- Activating waterfront development opportunities

Strong culture

Toitú te tangata



- Supporting growth aspirations of Te Arawa partnership
- Establishing the district as a centre of Māori story telling
- Supporting events and festivals that enhance the district's identity and reputation

During 2017/18, we undertook a range of projects in the collaborative spirit of *kotahitanga* with our broad range of partners, including other Council Controlled Organisations, central government, iwi, industry organisations, education and training providers, private businesses and not for profit groups.

Our focus is on fully leveraging our relationships with partners to ensure maximum value for money from our activities for the people of Rotorua.

We are committed to focusing on significant interventions that will leave a lasting legacy for Rotorua and New Zealand.

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Enabling Rotorua to prosper

RED's 2017 / 2018 priority: Develop our economic base by increasing the visitor economy, growing existing businesses, and attracting new businesses and investment to our region.

RED also acknowledges the Rotorua Lakes Council's formal partnership model with Te Arawa and the intention of establishing an enduring partnership which creates a future that benefits the whole community by:

- Contributing to economic development and growth of the film industry in the Rotorua region by working alongside and supporting Bay of Plenty Film.
- Working with the Bay of Connections and regional Ministry of Business Innovation and Employment officials to promote Rotorua priorities in key sectors and strategies.
- Supporting Rotorua Reorua (Bilingual Rotorua) alongside Te Tatau O Te Arawa, and other key stakeholders. This includes engaging in phase two of the proposed business plan for Rotorua Reorua, and identifying ways in which RED can support the implementation of Rotorua Reorua across our operations and the community.

RED cannot spark economic development on our own; there are a number of critical contributors in both the public and private sector who all need to perform if Rotorua is to achieve its Vision 2030 aspirations.

RED has identified six key strategic objectives that collectively articulate our role in contributing to the delivery of Vision 2030. These are:

- Facilitate business development
- Enable investment
- Attract talent and students
- Grow the visitor economy
- Deliver destination management
- Tell our Rotorua story

These objectives connect to the wider Strategic Framework of Vision 2030 The Rotorua Way. The framework provides RED with focus on those areas of our role that will make a difference to Rotorua. Each core strategic objective will be supported by a service delivery model and work plan.

Destination development

Under the overarching umbrella of “destination development”, RED has two core areas of activity - business development and investment attraction.

Business development covers both generic and specific sector programmes, designed to help existing businesses to grow and develop. Growing existing businesses is an effective way to improve the economy, so the focus is on creating the right environment for that to occur through, for example, talent attraction, Accelerate courses and marketing.

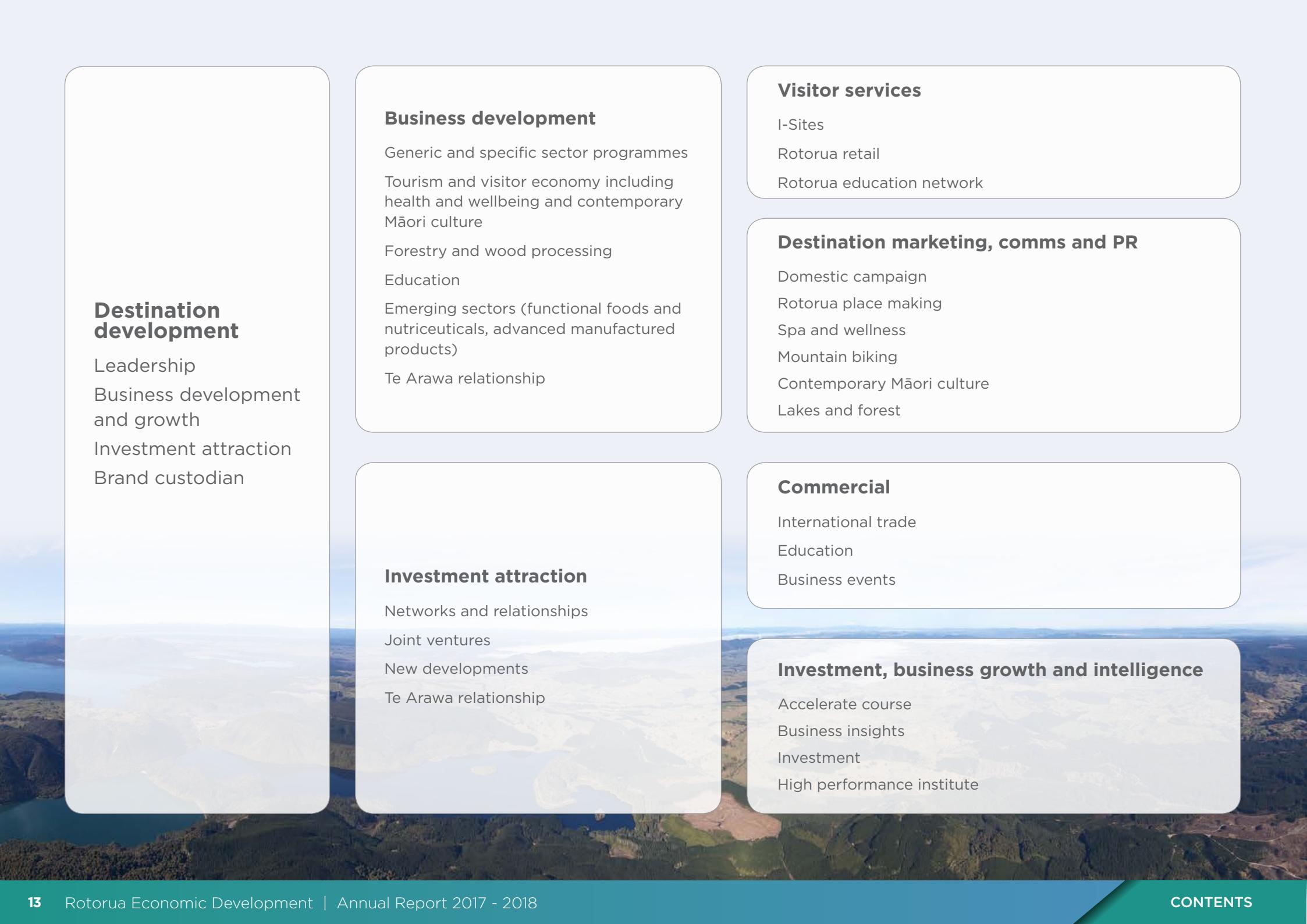
Investment attraction involves fostering networks, relationships and joint ventures, developing and attracting new developments and investment, and working with Te Arawa to support its commercial objectives. At the same time, there is a focus on positioning Rotorua

as a unified, reliable, growing and robust district that can confidently deliver on the opportunities available.

These two core areas of activity cover all key business sectors, including tourism, forestry and wood processing, education, agriculture and emerging sectors/land use and the Māori economy. They also include “enabling” activities, designed to support the district’s businesses and their objectives, such as addressing housing growth through liaison with developers and creating career pathways via industry centres of excellence.

RED continues to undertake its traditional RTO visitor activities, including managing the I-Sites, international trade promotion and liaison, the domestic Famously Rotorua campaign and supporting activities and providing leadership to position Rotorua at the forefront of the industry.





Destination development

Leadership
Business development and growth
Investment attraction
Brand custodian

Business development

Generic and specific sector programmes
Tourism and visitor economy including health and wellbeing and contemporary Māori culture
Forestry and wood processing
Education
Emerging sectors (functional foods and nutraceuticals, advanced manufactured products)
Te Arawa relationship

Visitor services

I-Sites
Rotorua retail
Rotorua education network

Destination marketing, comms and PR

Domestic campaign
Rotorua place making
Spa and wellness
Mountain biking
Contemporary Māori culture
Lakes and forest

Investment attraction

Networks and relationships
Joint ventures
New developments
Te Arawa relationship

Commercial

International trade
Education
Business events

Investment, business growth and intelligence

Accelerate course
Business insights
Investment
High performance institute

Famously Rotorua

Strong branding is imperative for RED to bring people (and businesses) to visit, live, work and study in the region. It defines Rotorua's essence, focus, and identifies what makes Rotorua unique. It excites and reassures new and returning visitors about the quality of the Rotorua experience, and directly supports business, conferences and investment into the region.

The "Famously Rotorua" consumer campaign has been used successfully in the domestic market for the past four years, and was re-launched in July 2017 with media partner NZME. "Famously" has strong brand equity and great awareness, and the previous brand positioning still rang true. However executional elements were showing signs of wear-out - the nostalgic, "Kiwiana" tone was starting to feel a bit dated, and was potentially a barrier for audiences. Therefore the decision was made to keep "Famously", but to contemporise the look and feel of the brand and the stories we tell with a Māori culture element, from the master brand through to tactical executions.

While the Famously Rotorua campaign is targeted at domestic visitors, it also influences those that are thinking about meeting, living, studying, investing and doing business in Rotorua. RED is committed to partnering with RLC in their ongoing brand development, to ensure alignment and cohesion with current and future RED branding.

Part of the Famously refresh was the development of brand DNA:

THE ICON SHAPE IS SUGGESTIVE OF A CALDERA, A FORMATION THAT DOMINATES THE ROTORUA LANDSCAPE.



THE GREEN ON THE LEFT HALF OF THE ICON REPRESENTS THE REGION'S LUSH FORESTS.

THE SPIRALLING OF THE KORU ALLUDGES TO BOILING WATER AND BUBBLING MUD TYPICAL OF THE REGION'S GEOTHERMAL ATTRACTIONS.



THE KORU AT ITS HEART REPRESENTS MĀORI CULTURE SYNONYMOUS WITH ROTORUA. IT ALSO RECOGNISES THE REGION'S STANDING AS THE BIRTHPLACE OF NEW ZEALAND TOURISM.

THE BLUE ON THE RIGHT HALF OF THE ICON REPRESENTS THE REGION'S LAKES AND RIVERS.

THE MEETING OF THE KORU IN THE CENTRE POINTS TO THE SPIRIT OF MANAAKITANGA, THE COMING TOGETHER OF PEOPLE IN A WELCOMING GREETING.

Destination management

Destination management encompasses a wide range of functions that affect the visitor experience, and its impact on the local environment and community. RED is committed to enhancing the visitor experience in Rotorua, whilst delivering strong economic, social and environmental outcomes.

As such, a number of destination management projects were undertaken by RED, with support from RLC across tourism growth, business development and investment attraction:

Major events leverage & legacy. Events are a major contributor to the economic growth of Rotorua and the refreshed vibrancy of the destination. This project involved developing a robust framework for leveraging major events in Rotorua, including a detailed guide to key roles, activation, protocols and promotion.

Manaaki Rotorua hospitality frontline training programme. Developed and launched a set of unique online training modules for frontline staff made for and by Rotorua, focused on improving service understanding, destination confidence and delivery.

Wayfinding, entrance way & signage architecture. A comprehensive analysis of Rotorua's current signage landscape, identifying views, issues and gaps, and global best practice in order to develop a cohesive approach to signage and wayfinding.

Instagram trail map of Rotorua. Foldable, printed maps of Rotorua showing Instagram-worthy places of interest. Enticing visitors and locals to move around Rotorua to see more of the area's outstanding beauty, along with building a community of #RotoruaNZ ambassadors.

Relocation activation - live/study/work. Continuation of a talent attraction campaign to Rotorua, targeting entrepreneurs, light commercial and employers to move to Rotorua. Series of vox pops across multiple digital channels showcasing professionals who have recently moved to Rotorua.

Luxury travellers. Situation analysis and recommendations for Rotorua to capitalise on the growing luxury travel segment.

Digital dashboard. Online data dashboard created to provide insights into doing business and investing in Rotorua, and information on live/work/study in Rotorua including housing, employment and education.

Supporting local business growth

RED's focus on establishing business models to support growth has seen the continuation of the Accelerate programme, and the pilot of Fresh Thinking Workshops, stage one of the High Performance Institute. These programmes offer professional mentoring and practical support for local businesses at different growth phases.



Accelerate

This year, RED supported ten participants from eight organisations through the Accelerate programme, now in its third year. Participants receive group capability training on topics such as leadership, governance, finance, strategic marketing, as well as three one-on-one business coaching sessions. Participants present a three-year growth plan at the final group session.



High Performance Institute

Working in partnership with New Zealand Trade & Enterprise, RED piloted "Fresh Thinking" workshops with three Rotorua businesses. Participants were selected on their growth potential, recognised entrepreneurial success and international scalability. The workshops focused on helping companies identify their core strategic direction and leave with a number of priority actions. RED will continue to partner with businesses to obtain support to deliver on these actions.



There are some exciting examples in Rotorua of how central government, local government, iwi and private investors working together can unlock economic opportunities for local businesses. Our role at RED is to continue to attract that investment and help businesses nurture and develop the talent they need to support that growth.

Michelle Templer, RED Chief Executive

Investment Attraction

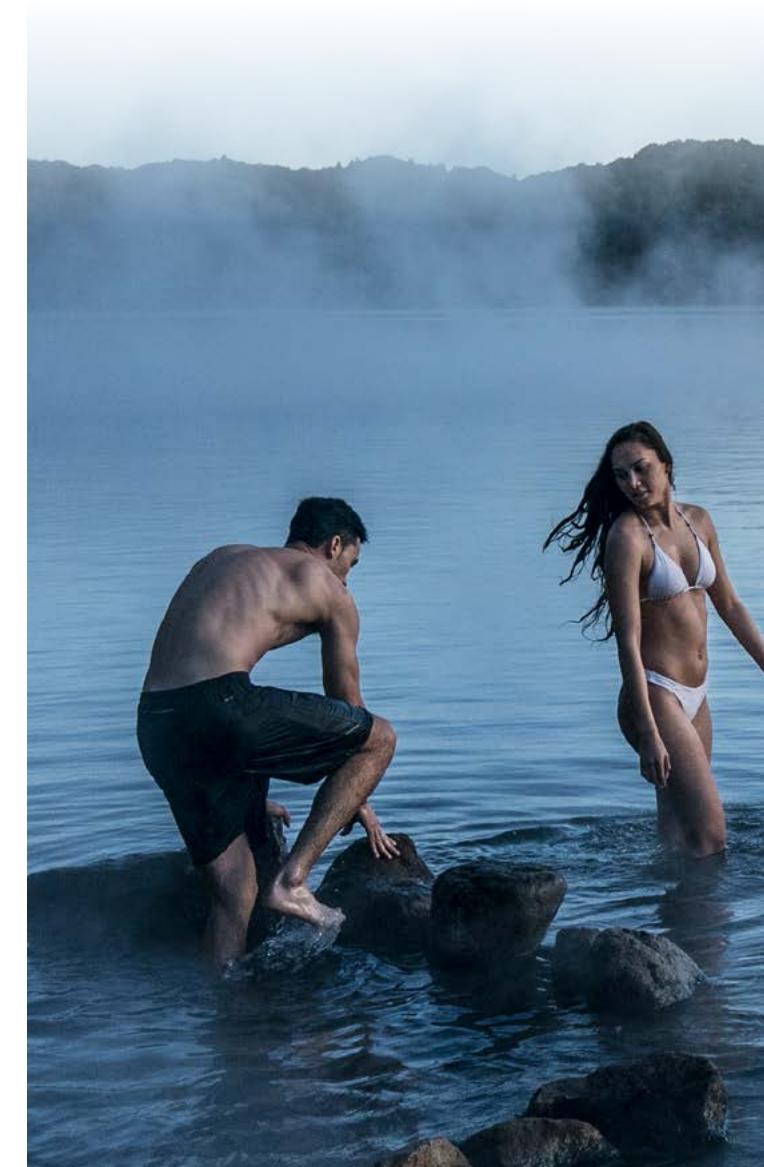
Rotorua's location, land, infrastructure, and people (tangata whenua) come together to create diverse opportunities within an active environment. RED's priority is to support and encourage investment by local companies and organisations, and to attract new investment in Rotorua's areas of focus to enhance our competitive advantage.

As part of our commitment to growing investment in the region, RED provides regular market updates (e.g. emails, forums, meetings etc) to potential investors, influencers, local businesses and interested parties on various opportunities. Our quality market intelligence helps to enhance confidence in Rotorua as a business destination with prospective businesses, investors and influencers and we work in partnership to ensure that there is a coordinated and strong business investment support service network in place.

RED has identified six priority areas for investment:

- Tourism sector
- Natural hot springs and wellness
- Forest & wood processing
- Sustainable alternative land use
- Investments to complement the Te Arawa asset base and future aspirations
- Business start ups

Spa and wellness and luxury accommodation are opportunities ripe for development in Rotorua. As such, pre-commercial business cases have been written up for sharing with potential investors.



To help stimulate discussion about investment in the region, RED has conducted detailed market analysis to create a series of reports that summarise the opportunities that are available here. These reports are easily accessed and downloaded on the RotoruaNZ.com website and will be updated regularly.



Business relocation



Indigenous food



Thermal and mineral springs development



Luxury accommodation



Industrial business attraction



Business start-ups

Our wider network

RED works closely with other organisations who share our focus on economic growth for a prosperous Rotorua.

Bay of Connections

Bay of Connections provides a regional growth framework for the wider Bay of Plenty, with a vision for creating a prosperous region, supported by sustainable sectors. RED is working with the Bay of Connections on their Bay of Plenty Regional Growth Study, which focuses on nine key areas of development. Key actions this year included the delivery of a Regional Visitor Economy Strategy and adoption of the Rotorua Visitor strategy.



Bay of Plenty Film

RED is working with Bay of Plenty Film to attract international and national film projects to the region and develop the local film industry. Our role includes identifying film locations and supporting film crews working here, while bringing industry, investors and local businesses together to discuss future opportunities.

Rotorua Lakes Council's Big Moves projects

RED has provided investment acumen and advice, including supporting the REOI (request for expressions of interest) process to leverage the opportunities offered by the Government's Provincial Growth Fund. In particular, we've played a key role in finalising the business cases for developing and enhancing Rotorua's Lakefront and Whakarewarewa Forest.

Te Uru Rākau - Forestry New Zealand

Rotorua sits at the heart of the forestry industry, so the Government's announcement in May 2018 that Te Uru Rākau will have its head office in Rotorua was a logical move. RED delivered insights and advice as part of the local partnership that supported the Government in making this decision.

Visitor economy

Rotorua benefits from \$2.2 million per day of tourism expenditure, a total of \$820 million per annum. RED supports the sustainable growth of the tourism sector through marketing campaigns, event promotions, travel and trade activity, visitor services, domestic and international media programmes and business event attraction.

Rotorua's visitor economy has continued its positive growth trajectory over the last 12 months, with strong performance from both international and domestic markets. Our commercial accommodation sector has been growing at a higher than national rate (+6.6% vs +2.4%). Our annual occupancy rate (excluding holiday parks) was 56%, +5.8% on the previous year.

RED has a strong commitment to the visitor economy, focusing on domestic and international destination marketing, and promotional activity to ensure Rotorua remains a destination of choice well into the future.

**\$820
million
visitor
expenditure**

(+ 5.3% YOY)

**2.35
million
commercial
guest nights**

(+ 6.6% YOY)

**1.61
million
private
accommodation
nights**

(+2.9% YOY)

**3.3
million
attraction
& activity
visits**

(+1% YOY)

Domestic marketing

The visitor economy is an important driver of economic growth in Rotorua, so continuing to increase our domestic visitor market is a key priority for the region. The domestic marketing campaign, Famously Rotorua, continues to deliver strong growth to the visitor economy.

The Famously Rotorua campaign is tasked with positively changing visitor perceptions and positioning Rotorua as an exciting, vibrant, high quality destination for New Zealanders to visit more often. In recent years the campaign has focused on the Auckland and Christchurch markets. Over the next 12 months, Wellington will also be added into the mix.

RED's strategy has been to highlight and promote both the natural assets of the region, and the commercial activities, attractions and accommodation options through multiple channels – radio, publications, social media, print ads, video, editorial, digital ads, PR, RotoruaNZ.com, and major events – supporting in an aspirational, creative and innovative way.

80% of our marketing spend is in the shoulder and low seasons. The aim is to provide the industry with a more balanced flow of consumers, which also has a positive impact on our investment attraction and business development opportunities. From a domestic marketing perspective, we are not resting on our laurels as we realise the importance of remaining relevant, fresh and top of mind amongst our consumers.

Domestic visitor stats:

\$451 million

domestic visitor expenditure

4.9% increase

in domestic visitor expenditure YoY

1.2 million

Commercial accommodation nights

11.2% increase

Commercial accommodation nights YoY

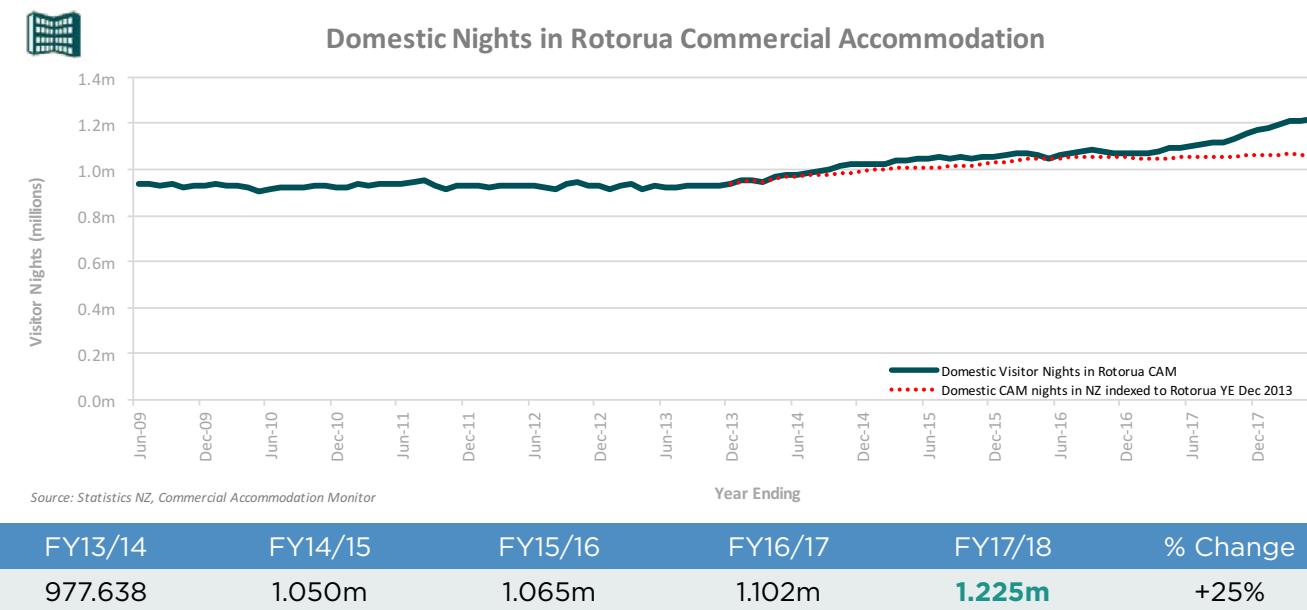
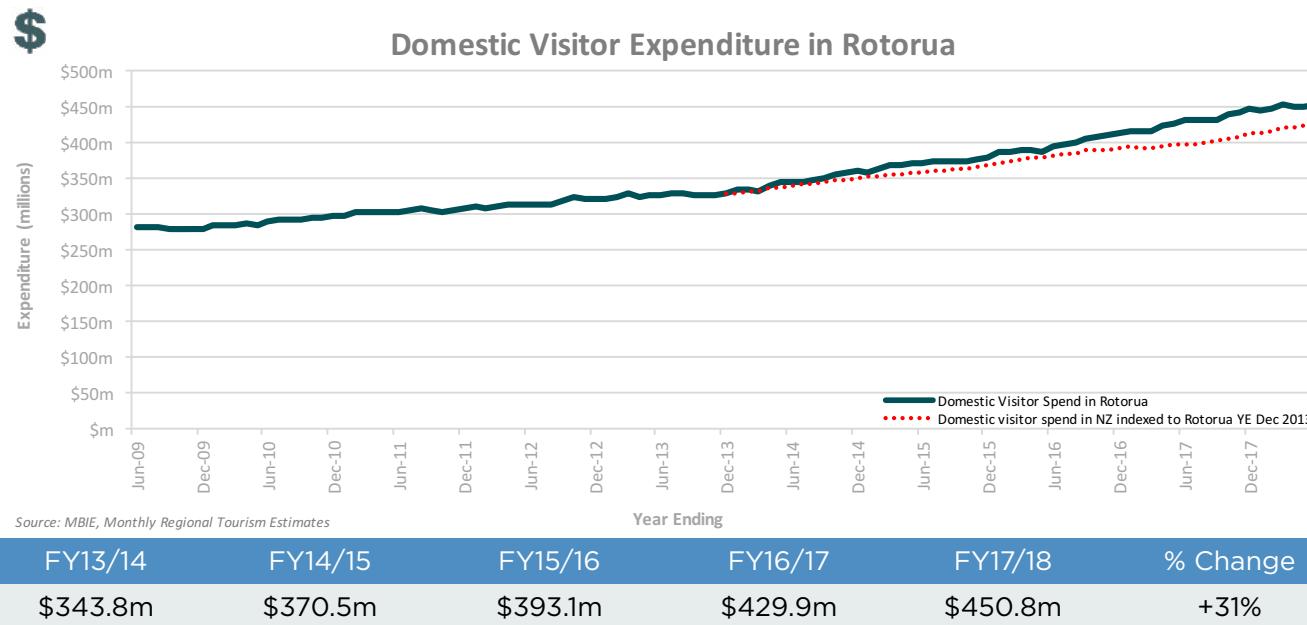
1 million

attractions & activities visits to monitor sites

1% decrease

in attractions & activities visits to monitor sites

Impact of Famously campaign



International trade marketing

The international travel trade plays a key role in promoting Rotorua to overseas visitors. We meet with and train frontline travel sellers, agents and inbound tour operators to help raise awareness, educate, and sell our destination through their channels.

This year we have continued to focus on our largest visitor market, Australia, and priority long-haul markets of China, North America, UK/Europe, India and Singapore. This strategy is yielding good results with Rotorua increasing its market share of overnight arrival numbers.

We work closely with Tourism New Zealand and Auckland International Airport (AIAL) to leverage many of their campaigns, offshore

trade missions and hosting representatives from key accounts. A key success in 2017 was our Australian roadshow, which attracted the largest ever group of Rotorua tourism operators to meet hundreds of Australian agents and travel decision makers over the course of a week.

In March 2018, AIAL supported our biggest ever China roadshow to train trade product managers, key decision makers and owners to

increase Rotorua focused packages through trade channels as well as airline channels. All China-based airlines flying to New Zealand now have Rotorua content on their e-commerce packages and Hong Kong Airlines is now featuring Rotorua in its onboard video.

We also took nine local operators on an India roadshow to develop relationships and promote our products to wholesale and retail travel sellers.

International visitor stats:

\$369 million

international visitor expenditure

5.9% increase

in international visitor expenditure YoY

1.1 million

Commercial accommodation nights

2.1% increase

in commercial accommodation nights YoY

2.3 million

attractions & activities visits to monitor sites

1.8% increase

in attractions & activities visits to monitor sites

Business events

The Business Events (BE) team helps to position Rotorua as a recognised destination for multi-day conferences and events, in both domestic and international markets.

The BE team provides event organisers with impartial and bespoke venue, accommodation and activity recommendations, so that the client can make an informed decision about how well Rotorua can cater to their needs, regardless of the size of the event.

In promoting Rotorua to international organisers, the team prioritises conferences with a natural link to the region with topics such as forestry, earth sciences and geology, volcanology, and indigenous culture. We had a number of successful ‘wins’ in these areas this year, securing, among many others, the meeting of:

- the 2018 World Indigenous Business Forum in 2018 (1,000 delegates for four days)
- the 2021 International Association of Volcanology and Chemistry of the Earth’s Interior (IAVCEI) Conference (1,000 delegates for four days)
- the 2021 biennial conference of the Society for Geology Applied to Mineral Deposits (SGA) (650 delegates for four days).

Business events are responsible for injecting millions of dollars into the local economy, and often contribute in other ways to the community. For example, this year around

500 Laser Plumbing & Electrical tradespeople converged in Rotorua for the trans-Tasman LaserCon 2018 conference. As part of the event, they and their families spent a day at St Chads Charitable Trust fixing plumbing and electrical issues, as well as carrying out general maintenance.

The busiest time for business events is typically April to November, providing a good source of visitors to Rotorua during the tourism industry’s quieter months. With 9% of New Zealand’s multi-day conference market share (by delegate days), Rotorua is 3rd only to Auckland and Wellington.

The efforts of the BE team were recognised at Meetings 2018 (national business events trade show), where they won the regional stand of the year. The judges were impressed by how welcoming the stand was, as well as representatives’ warmth and passion for the destination in educating buyers.

A change in RLC’s organisational structure this year resulted in the formation of a new Arts & Culture team. This team now manages all Council assets and venues (e.g. Energy Events Centre).

Business events stats:

69,000

multi-day conference delegate days in Rotorua

9%

market share of New Zealand multi-day conventions

98

Business events clients hosted on “familis”

41
\$17.7

convention and incentive events booked, with an economic impact of \$17.7 million to Rotorua



Business events are responsible for injecting millions of dollars into the local economy, and often contribute in other ways to the community

Media and PR

Our PR and media programme helps to support our consumer marketing and trade activity in telling the Rotorua story. We are able to achieve wide-reaching results utilising a combination of media and influencer familiarisation tours and PR. Key partners include Tourism New Zealand for international media, and NZME and Village PR for domestic.

New Zealand media results:



25

hosted visits

5.5 million

potential reach

\$2 million

estimated PR value

We've achieved features in stuff.co.nz, Kia Ora magazine and Star Media Style magazine in Christchurch. TV coverage included Breakfast TV One, Married at First Sight, Summer Seafood Festival on Māori TV, and coverage of Crankworx on TV One Sports News.

International media results:



70

international media visits

3.4 billion

potential reach

\$48.1 million

estimated equivalent advertising value

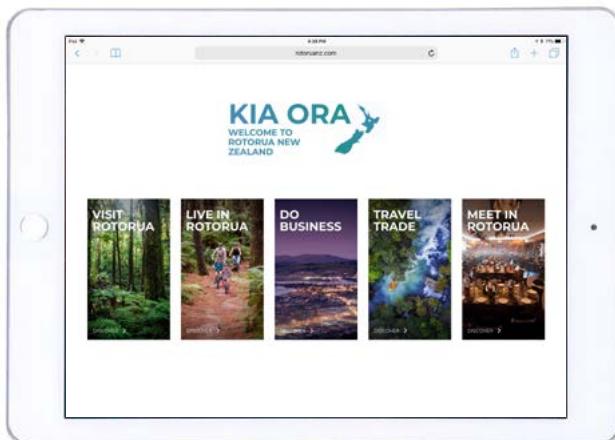
We've featured on a variety of media outlets such as Entertainment Tonight, Yahoo, Mumbai News Network, Vogue.

Digital

RotoruaNZ.com is the region's primary online destination presence. It caters to those looking to visit, live, work, study, do business and invest in Rotorua.

RotoruaNZ.com is used by potential visitors from all over the world who are planning their trip to the region. It is also a valuable resource to locals, due to its comprehensive list of events, restaurants and retail businesses. We've continued to build our website traffic with over a million website sessions to RotoruaNZ.com in 2017/18, made by over 760,000 unique users.

The majority of visitors to RotoruaNZ.com were from New Zealand, followed by Australia, the United States and the United Kingdom. Auckland accounted for the largest number of domestic sessions, followed by Rotorua and Wellington - more than double that of last year. Two thirds of visitors are new to the website. Over half of users accessed RotoruaNZ.com from their mobile phone.



RotoruaNZ.com sessions:
1,002,303
(increase but less than 1%)

RotoruaNZ.com users:
762,867
(1% increase)

Social media

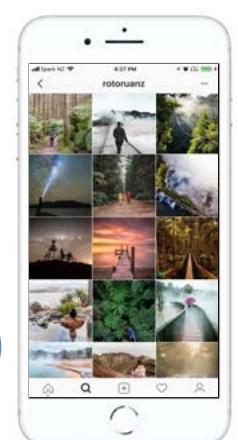
Social media plays a key role in our promotional tool kit. Facebook remains our biggest social channel, providing useful information and sharing the Rotorua story with a global audience. Facebook fans have a similar profile to RotoruaNZ.com, with the majority from New Zealand, followed by Australia, USA and the UK.

Instagram continues its strong growth trajectory, as we get closer to 10,000 followers of @RotoruaNZ. Sharing powerful images from the region and our operators is driving this growth, and our posts generate strong engagement. Our Instagram trail is designed not just to give visitors an Instagram guided tour of the region, but also to generate followers and engagement with @RotoruaNZ.



Facebook Likes:
215,598
(increase of 8%)

Instagram Followers:
8,959
(increase of 32%)



I-Sites

Almost 1.2 million visitors have walked through the doors of Rotorua's two i-Site locations this year. The i-Site is a place to welcome both international and domestic visitors to the destination and help them find the best things to experience, places to stay and ways to get there.

Our i-Site centres are a key distribution channel for our tourism business. With one in the heart of the city, and the other in the iconic Redwoods, both locations are easily accessible by car, bus, bike or foot.

This year saw the complete refurbishment of the Fenton Street i-Site, to make the building fit for purpose and improve the visitor experience with the introduction of free wi-fi, device charging stations and a big screen. The centre refurbishment has improved the layout and visitor flow, and increased the number of access points to the building. Alipay and WePay are also available to help Chinese customers with their bookings. The area has been further enhanced by the development of Jean Batten Square and the opening of the new library next to the i-Site.

Developing the Rotorua Education Network (REN) has been a focus for the i-Site team this year, with sales to schools and groups up 12% on last year. REN is an important segment, as often they visit the destination mid-week and low season.



Statement of services provided

The table below provides a list of Key Performance Measures (KPM), how achievement will be measured, the results and commentary on RED's business performance for the year ended 30 June. 87% of the KPMs were successfully achieved.

Business development

Key Performance Measure	YE Target June 2018	Result	Comments
Support alignment of Rotorua brand identity and architecture	Complete	ACHIEVED	Engaging with Rotorua Lakes Council for development of Rotorua Brand and alignment with Famously and Elements branding. Attended Council led brand workshops, and briefed Council on our campaign brand activities.
Stakeholder relationship management	Complete	ACHIEVED	Customer Relationship Management (CRM) business rules documented and shared, all relevant staff trained on system – target 100% of key staff.
Service delivery model	Complete	NOT ACHIEVED	3 out of 4 KPM actions achieved: - Business development clients Net Promotor Score (satisfaction measure) + 90 against target of +60 - Developed action plan on key constraints to business growth - High Performance Business Institute: 3 Fresh Thinking pilot workshops complete - 9 participants in Accelerate growth services (target = 10), another 8 businesses enrolled.
Destination management projects	>=6	ACHIEVED	7 projects delivered: - Manaaki online hospitality training modules - Instagram trail map - Wayfinding analysis - Events leverage and legacy framework - Live, work, study in Rotorua video clips - High net worth and luxury visitor situation analysis - Digital dashboard of key Rotorua information available 24/7 providing relevant information to businesses, investors, talent interested in Rotorua.
Board internships – providing governance experience to young business owners	Complete	ACHIEVED	Programme developed and approved by Board, internship advertised and first intern appointed (Board observer)

Investment attraction

Key Performance Measure	YE Target June 2018	Result	Comments
Market analysis reports completed through the new service delivery model and published to DR website with quarterly updates.	>=6	NOT ACHIEVED	<p>6 Reports completed for:</p> <ul style="list-style-type: none"> - Luxury accommodation - Indigenous food - Business relocation - Industrial opportunities - Spa development - Start-ups. <p>Reports completed however due to technical issues they were not published to DR website.</p>
Pre-commercial business cases	>=2	ACHIEVED	2 Pre-commercial business plans completed for: Medical spa and wellness opportunities Luxury lodge development
Provide market intelligence	Complete	ACHIEVED	22 key influencers received information against a target of 20. Shared through mail outs in December 2017 and June 2018, plus individual meetings throughout the year.



Tourism growth

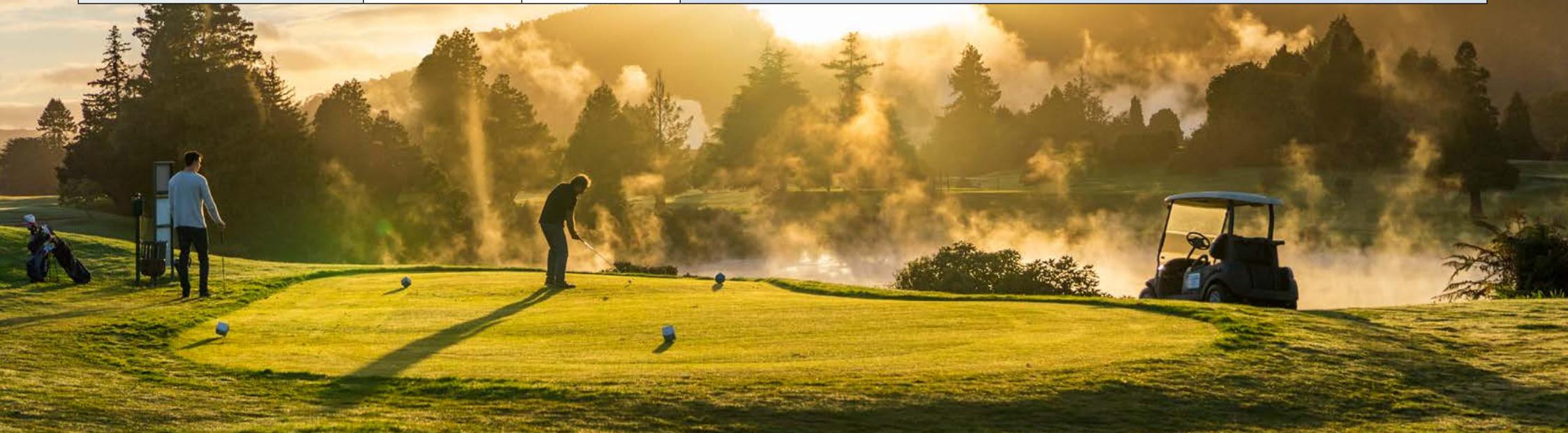
Key Performance Measure	YE Target June 2018	Result	Comments
Achieved highly satisfied i-Site customers – Net Promoter Score	>=80%	ACHIEVED +92	The Net Promotor Score is a recognised measure of satisfaction. A score of 92 was achieved by the Rotorua i-Site and visitor centres, which are amongst the best performers in the national i-Site customer radar programme.
Market share of NZ multi-day conference delegate days	>=9%	ACHIEVED =9%	Regional multi day conference activity market share of 9.0% for the year ended June 2018.
Contribute to satisfaction with Rotorua Tourism Investment Partnership (RTIP) Programme.	>=60%	ACHIEVED 80%	80% of programme partners agree that RTIP programme has resulted in positive change
Domestic marketing campaign – shift perceptions in target destinations of Auckland and Christchurch. Famously campaign equivalent advertising value greater than cost	>=4% improvement in “Loyalists” >=\$1:\$1.50 EAV	ACHIEVED	Both Auckland and Christchurch loyalists increased by more than 4% according to annual Delve Research survey (Sept 2017) Famously campaign Equivalent Advertising Value (EAV) of campaign activity achieving \$1:\$2.30 against target of \$1:\$1.50
Trade marketing external contribution to key campaign activity in priority markets.	>=30%	44%	Funding contribution from external sources for key campaign activity based on business unit Profit and Loss statement showed high level of industry support in trade and international joint ventures.

Financially stable organisation

Key Performance Measure	YE Target June 2018	Result	Comments
Deliver a balanced budget	<=\$4.2m	ACHIEVED	Surplus achieved of \$369,000
Deliver a clean audit - Auditors provide an unqualified opinion	Complete	ACHIEVED	That the financial statements present fairly in all material respects the financial position and performance for the year ended 2018 and comply with generally accepted accounting practice. In addition obtained reasonable assurance that the statement of service performance is free from material misstatement whether due to fraud or error.

High performance organisation

Key Performance Measure	YE Target June 2018	Result	Comments
Engaged and aligned team, with improved staff engagement and culture benchmarked against private sector	48.1%	ACHIEVED	Culture survey distributed in May, overall engagement increased to 51.9% against previous target of 48.1%. Benchmarked against CEB Pulse survey Australia and Oceania regions.



Statement of Services Performance

FOR THE YEAR ENDED 30 JUNE 2017

As a comparison to our 2017/2018 service performance, here's how we did in the previous year

Business development

Project management measures	YE Target June 2017	Progress	Comments
Support alignment of Rotorua brand architecture and identity	Complete	ACHIEVED	Worked with Rotorua Lakes Council on Brand Architecture workshops and scope of work and a member of the working panel
Deliver talent attraction marketing campaign	Complete	ACHIEVED	Delivered the Love Life / Live Rotorua campaign in AKL region and online activation to address research on negative perceptions regarding relocating to Rotorua
Implement Stakeholder Relationship Management framework	Complete	NOT ACHIEVED	A Stakeholder Relationship Management framework was developed but as part of the Business Development measure requirements comprehensive engagement plans were required but are a work in progress for individual stakeholders
Implement Service Delivery model	Complete	ACHIEVED	Developed the High Performance Institute framework including Accelerate and pilot programmes focused on improving business decision making and profitability
Approved implementation plan for the Business Development & Investment Hub	Complete	ACHIEVED	A comprehensive business case was provided to the RED board for consideration of relocation to a co-location space the proposed "Business Development and Investment Hub", the option was comprehensively considered and a decision to not proceed made and to investigate sole occupancy
Present plan for 2017/18	Complete	ACHIEVED	Plan for Business Development services prepared

Investment attraction

Service delivery measures	YE Target June 2017	Progress	Comments
Market analyses completed via new service delivery model	2	ACHIEVED	A new service delivery model has been developed with priority sector areas and two market analysis reports completed. A separate pre-commercial business case in the wood products sector has been completed
Pre-Commercial business cases completed via new service delivery model	1	ACHIEVED	

Project management measures	YE Target June 2017	Progress	Comments
Implement Stakeholder Relationship Management Framework	Complete	ACHIEVED	
Pre-Commercial business cases completed via new service delivery model	Complete	ACHIEVED	The investment service delivery model and plan has highlighted key areas of focus including deal channels, sectors, investment ecosystem, activities in scope, investor services and identified the role we play in facilitation and enablement of investment. These form the guiding principles of the Plan of activities for 2017/18
Present Plan for 2017/18	Complete	ACHIEVED	

Tourism growth

Service delivery measures	2016 Actual	YE Target June 2017	2017 Actual	Progress	Comments
Achieve highly satisfied i-SITE customers - Net Promoter Score	+77	+85	+92	ACHIEVED	The Net Promotor Score is a recognised measure of customer satisfaction. While pleasing we will continue to look at more in depth feedback options related to performance to provide opportunities for continuous improvement
Market share of NZ multi-day conference delegate days	9.30%	9.0%	10.20%	ACHIEVED	This measure is an aggregate of Rotorua Destination wide conference venues reported by the Nationally monitored Conference Activity Survey

Project management measures	2017 Target	Progress	Comments
Recommend changes to the Rotorua Tourism Investment Partnership Programme (RTIPP)	Complete	ACHIEVED	We are looking forward to working in partnership with the Rotorua Tourism Investment Partnership Programme (RTIPP) incorporated society
Deliver new domestic marketing campaign activity	Complete	ACHIEVED	Revised “Famously Rotorua” Campaign agreed with RTIPP
Recommend destination management activity plan	Complete	ACHIEVED	Destination Management activity plan prepared noting insights from other Regions and clear definition of Destination Management and 4 key projects have been initiated

Financially stable organisation

Project Management Measures	YE Target June 2017	Progress	Comments
Deliver a balanced 2016/17 budget on investment of \$4.235 million	Complete	NOT ACHIEVED	Net loss of \$1,420 or 0.03% of total budget
Deliver a clean 2016/17 audit	Complete	ACHIEVED	We received an unmodified opinion



ROTORUA

Economic Development
Te Whanaketanga Ōhangā o Rotorua

Financial Statements
Rotorua Economic Development Limited
2017/18



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ROTORUA ECONOMIC DEVELOPMENT LIMITED

STATEMENT OF RESPONSIBILITY FOR THE YEAR ENDED 30 JUNE 2018

The Directors of Rotorua Economic Development Limited accept responsibility for:

- the preparation of the Company's financial statements, and statements of expenses and capital expenditure, and for the judgements expressed in them;
- having in place a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting;
- The accuracy of any end-of-year performance information prepared by the Company, whether or not that information is included in the annual report.

In the Directors' opinion:

- The financial statements fairly reflect the financial position of the Company as at 30 June 2018 and its operations for the year ended on that date.



Peter Stubbs
Chairman
20 September 2018

ROTORUA ECONOMIC DEVELOPMENT LIMITED

ENTITY INFORMATION FOR THE YEAR ENDED 30 JUNE 2018

Date of Incorporation

11 April 2012

Company Number

3776876

IRD Number

108-936-868

Nature of Business

RED is the Economic Development Agency and Regional Tourism Organisation for the Rotorua district. The organisation works as a key partner in the delivery of the economic development components of Rotorua Lakes Council's Vision 2030. RED's purpose is to improve the Rotorua economy to create employment, wealth and wellbeing for all Rotorua people. It achieves this through business development, investment attraction and tourism growth.

Business Location

Level 3, 1172 Haupapa St, Rotorua, 3010

Registered Office

1061 Haupapa Street, Rotorua

Directors

Peter Stubbs – Chairperson

Andy Higgs

Christopher Auld

Mere George

James Fitzgerald

Kiriwaitangi Rei

Auditor

Audit New Zealand, on behalf of the Auditor-General

Banker

BNZ Bank, Rotorua

Shareholder

Rotorua District Council

100% shareholder

100 Ordinary Shares

**ROTORUA ECONOMIC
DEVELOPMENT LIMITED**

**STATEMENT OF
COMPREHENSIVE REVENUE
AND EXPENSE**
FOR THE YEAR ENDED 30 JUNE 2018

	Notes	Actual 2018 \$000	Budget 2018 \$000	Actual 2017 \$000
Revenue				
Council funding	2	4,023	4,235	4,235
Other grants and income	3	2,810	3,227	3,212
Interest received	4	22	-	18
Total Revenue		6,856	7,462	7,464
Expenses				
Advertising, marketing and communication	5	274	516	745
Depreciation	14	30	14	7
Director fee remuneration	6	77	70	86
Personnel costs	7	2,524	3,035	2,928
Projects	8	248	392	136
Other expenses	9	3,334	3,408	3,564
Total Expenses		6,487	7,435	7,466
Surplus/deficit before tax		369	27	(1)
Income tax expense	10	-	-	-
Surplus/deficit after tax		369	27	(1)

NOTE: The accompanying notes form an integrated part of these financial statements

ROTORUA ECONOMIC DEVELOPMENT LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2018

NOTE: The accompanying notes form an integrated part of these financial statements



The Board of Directors of Rotorua Economic Development Limited authorise these financial statements for issue on 20 September 2018.

	Notes	Actual 2018 \$000	Actual 2017 \$000
Assets			
Current Assets			
Cash and cash equivalents	11	1,139	1,077
Receivables	12	507	772
Other current assets	13	144	79
Total current assets		1,790	1,928
Non-current assets			
Property, plant and equipment	14	98	37
Total non-current assets		98	37
Total assets		1,888	1,965
Liabilities			
Current liabilities			
Payables and accrued expenses	15	1,036	1,424
Provisions	16	256	314
Total current liabilities		1,292	1,738
Non-current liabilities			
Total non-current liabilities		-	-
Total Liabilities		1,292	1,738
Net Assets		595	227
Equity			
Retained earnings	17	363	(6)
Share capital	17	232	232
Total equity		595	227

**ROTORUA ECONOMIC
DEVELOPMENT LIMITED**

**STATEMENT OF CHANGES IN
EQUITY**
FOR THE YEAR ENDED 30 JUNE 2018

	Notes	Actual 2018 \$000	Actual 2017 \$000
Balance at 1 July		227	(4)
Surplus/(deficit)		369	(1)
Share capital issued		-	232
Balance at 30 June		595	227

NOTE: The accompanying notes form an integrated part of these financial statements

**ROTORUA ECONOMIC
DEVELOPMENT LIMITED**

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2018

NOTE: The accompanying notes form an integrated part of these financial statements

	Notes	Actual 2018 \$000	Actual 2017 \$000
Cash flows from operating activities			
Interest received	22	18	
Receipts from grants and sponsorship	6,963	6,843	
Realised currency gains	-	1	
Payments to suppliers and employees	(6,800)	(5,993)	
Directors remuneration paid	(77)	(86)	
Goods and services tax (net)	51	(106)	
Resident withholding tax paid IRD	(6)	0	
<i>Net cash flow from operating activities</i>	24	153	676
Cash flows from investing activities			
Receipts from sale of property, plant and equipment	-	23	
Payments to acquire property, plant and equipment	(90)	(42)	
<i>Net cash flow from investing activities</i>		(90)	(19)
Cash flows from financing activities			
Tax paid	-	0	
Proceeds from shareholder	-	355	
<i>Net cash flow from financing activities</i>		-	356
Net (decrease)/increase in bank accounts and cash		63	1,013
Cash and cash equivalents at the beginning of the year	1,077	63	
Cash and cash equivalents at the end of the year	11	1,139	1,077

ROTORUA ECONOMIC DEVELOPMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

1. STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2018

Reporting Entity

Rotorua Economic Development Limited ('the Company') is a limited liability company incorporated in New Zealand under the Companies Act 1993 and is domiciled in New Zealand. The Company is fully owned by the Rotorua Lakes Council and is a Council Controlled Organisation as defined under section 6 of the Local Government Act 2002.

The Company has designated itself as a public benefit entity (PBE) for financial reporting purposes.

The financial statements of the Company are for the year ended 30 June 2018. The financial statements were authorised for issue by the directors on 20 September 2018.

BASIS OF PREPARATION

The financial statements have been prepared on the going concern basis, and the accounting policies have been applied consistently throughout the year.

Statement of compliance

The Company is a reporting entity for the purposes of the Financial Reporting Act 2013. These financial statements comply with the Financial Reporting Act 2013, the Companies Act 1993, and Section 69 of the Local Government Act 2002, which include the requirement to comply with generally accepted accounting practice in New Zealand (NZ GAAP)

These financial statements have been prepared in accordance with Tier 2 PBE accounting standards.

The entity is eligible and has elected to report in accordance with Tier 2 PBE Standards RDR on the basis that the entity has no public accountability and has expenses >\$2m and <\$30m.

These financial statements comply with PBE standards.

Measurement base

The financial statements have been prepared on a historical cost basis.

Functional and presentation currency

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest dollar. The functional currency of the Company is New Zealand dollars.

SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies which materially affect the measurement of financial results and financial position have been adopted in the preparation of the financial statements.

Revenue

Revenue is measured at the fair value of the consideration received or receivable.

Grants

Council grants are recognised as revenue when the funding is received unless there is an obligation to return the funds if conditions of the grant are not met ("use or return

condition"). If there is such an obligation, the grant is initially recorded as a liability and recognised as revenue when conditions of the grant are satisfied.

Interest

Interest income is recognised as it is earned during the year.

Trade debtors and other receivables

Trade debtors and other receivables are recognised at their face value less any provision for doubtful debts. Collectability of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off.

Trade creditors and other payables

Trade creditors and other payables are stated at their face value. Creditors and accrued expenses are measured at the amount owed.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and call deposits.

Employee entitlements

Liabilities for accumulating short-term entitlements are measured at nominal value based on unused entitlement accumulated at current rate of pay at balance date.

Goods & Services Tax

All items in the financial statements are stated exclusive of GST, except for receivables and payables, which are stated on a GST inclusive basis. Where GST is not recoverable as input tax then it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department is included as part of receivables or payables in the statement of financial position. The net GST paid to, or received from the Inland Revenue Department, including GST relating to the investing and financing activities, is classified as an operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

Income tax

Income tax expense includes components relating to both current tax and deferred tax.

Current tax is the amount of income tax payable based on the taxable profit for the current year, plus any adjustments to income tax payable in respect of prior years. Current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted by balance date. Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses.

Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax is measured at the tax rates that are expected to apply when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at balance date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the entity expects to recover or settle the carrying amount of its assets and liabilities.

Deferred tax liabilities are generally recognised for all taxable temporary differences.

Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised.

Current and deferred tax is recognised against the surplus or deficit for the period, except to the extent that it relates to a business combination, or to transactions recognised in other comprehensive revenue and expense or directly in equity.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, the sacrifice of economic benefits is probable and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at balance date, taking into account the risks and uncertainties surrounding the obligation.

Property, plant & equipment

Property plant and equipment consists of:

Operational assets

These assets include motor vehicles and various plant and equipment.

Additions

The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Company and the cost of the item can be measured reliably.

Disposal

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are recognised in the statement of

comprehensive revenue and expense.

When revalued assets are sold, the amount included in revaluation reserve in respect to those assets is transferred to retained earnings.

Depreciation

Depreciation is provided on a diminishing value basis on all property, plant and equipment at rates that will write-off the cost of the assets over their useful lives.

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

Operational assets

Motor vehicles 30%

Plant and equipment 50%

Critical accounting estimates and assumptions

In preparing these financial statements the company has made estimates and assumptions concerning the future. These estimates and assumptions may differ from subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Any estimates and assumptions that have a significant risk of causing material adjustments

to the carrying amounts of assets and liabilities will be specified in the note disclosures.

Other changes in accounting policies

There have been no other changes in accounting policies.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Lease

The Company leases buildings in the normal course of its business. The majority of these leases have terms between 12 and 72 months which are cancellable on certain conditions. Leases can be renewed at the Company's option, with rents set by reference to current market rates for items of equivalent age and condition. There are no restrictions placed on the company by any of the leasing arrangements.

2. COUNCIL FUNDING

	Actual 2018 \$000	Actual 2017 \$000
Non-exchange revenue		
Rotorua Lakes Council	4,023	4,235
Total council funding	4,023	4,235

3. OTHER GRANTS AND INCOME

	Actual 2018 \$000	Actual 2017 \$000
Exchange:		
Commission received	855	896
Trading revenue	1,156	1,273
Sundry income	86	83
Rotorua Tourism Investment Program Inc.	352	500
Promotion income	201	140
Events and roadshows	160	320
Total other grants and income	2,810	3,212

4. INTEREST RECEIVED

	Actual 2018 \$000	Actual 2017 \$000
Exchange:		
Interest received	22	18
Total interest received	22	18

5. ADVERTISING, MARKETING AND COMMUNICATIONS

	Actual 2018 \$000	Actual 2017 \$000
Advertising, marketing and communications	274	745
Total advertising, marketing and communications	274	745

6. DIRECTOR'S REMUNERATION

Director's remuneration was paid as follows:

No other benefits have been provided by the Company to a Director or in any other capacity. No loans have been made by the Company to a Director nor has the Company guaranteed any debts incurred by a Director.

	Actual 2018 \$000	Actual 2017 \$000
Bruce Thomasen (Retired – 30 Jun 17)	-	10
Kiri Atkinson-Crean (Retired – 30 Jun 17)	-	10
Peter Stubbs (Chairperson appointed – 11 May 16)	22	26
Quinten Hall (Retired – 30 Jun 17)	-	10
Mere George (Appointed – 1 Aug 16)	10	9
Christopher Auld (Appointed – 1 Aug 16)	10	9
James Fitzgerald (Appointed – 1 Jul 17)	10	-
Kiriwaitangi Rei (Appointed – 1 Jul 17)	10	-
Andy Higgs (Appointed – 1 Jul 17)	13	-
Board Observer	1	-
Total director's remuneration	77	86

7. PERSONNEL COSTS

Wages, salaries and annual leave are recorded as an expense as staff provide services and become entitled to wages, salaries and leave entitlements.

Performance payments are recorded when the employee is notified that the payment has been granted.

Superannuation contributions are recorded as an expense as staff provide services.

	Actual 2018 \$000	Actual 2017 \$000
Salaries and wages	2,524	2,928
Total personnel costs	2,524	2,928

8. PROJECT COSTS

	Actual 2018 \$000	Actual 2017 \$000
Consultancy and projects	248	136
Total project costs	248	136

9. OTHER EXPENSES

	Actual 2018 \$000	Actual 2017 \$000
Accident Compensation Levy	(12)	26
Conference expenses	3	3
Contractors and consultants	127	139
Cost of goods sold	546	523
Fees to Audit NZ for audit disbursements	2	1
Fees to Audit NZ for financial statement audit	24	20
Lease	203	187
Motor vehicle expenses	9	6
Other expenses	1,363	1,223
Overheads	641	670
Printing and stationery	24	34
Publications	157	321
Roadshows	180	311
Travel and accommodation	66	90
Total other expenses	3,334	3,564

10. INCOME TAX

	Actual 2018 \$000	Actual 2017 \$000
Components of tax expense		
Current tax	-	-
Deferred tax	-	-
Tax expense	-	-
Relationship between income tax expense and accounting surplus		
Surplus/(Deficit) for the year	369	(1)
Tax at 28%	103	-
Plus / (less) tax effects of:		
Non-taxable income	-	-
Non-deductible expenditure	2	-
Deferred Tax	(7)	-
Tax losses utilised	(75)	-
Group loss offset	(23)	-
Tax expense	-	-

A deferred tax asset has not been recognised in relation to temporary differences of \$9,817 (2017:\$3,010). The company's tax liability in relation to 2018 was reduced by tax losses of \$84,783 transferred from Infracore Ltd by means of a group tax loss offset.

11. CASH AND CASH EQUIVALENTS

	Actual 2018 \$000	Actual 2017 \$000
Cheque account	772	131
RTIP bank account	446	
Tourism bank account	354	488
Cash on hand	12	12
Total cash and cash equivalents	1,139	1,077

12. RECEIVABLES

	Actual 2018 \$000	Actual 2017 \$000
Receivables from exchange transactions		
Trade receivables (gross)	444	659
Less provision for impairment	-	-
Net trade receivables	444	659
Total receivables from exchange transactions	444	659
 Receivables from non-exchange transactions		
GST receivable	63	113
Total receivables from non- exchange transactions	63	113
Total receivables	507	772

13. OTHER CURRENT ASSETS

There is no write down of inventory during the year. (2017: Nil)

No inventory is pledged as security for liabilities in 2018. (2017: Nil)

	Actual 2018 \$000	Actual 2017 \$000
Inventory	142	79
Pre-payments	1	-
Less: provision for impairment	-	-
Shareholder current account - RLC	-	-
Total other current assets	144	79

14. PROPERTY, PLANT, AND EQUIPMENT

Movements for each class of property, plant and equipment are as follows:

	Equipment \$000	Motor Vehicle \$000	Total \$000
Opening cost 1 July 2016	2	64	66
Accumulated depreciation opening	2	46	48
Opening carrying amount	-	18	18
Additions	3	38	42
Disposals (net of accumulated depreciation)	-	15	15
Depreciation expense	-	7	7
Closing cost	3	38	42
Accumulated depreciation closing	-	5	5
Carrying amount at 30 June 2017	3	34	37

	Equipment \$000	Motor Vehicle \$000	Total \$000
Opening cost 1 July 2017	3	38	42
Accumulated depreciation opening	-	5	5
Opening carrying amount	3	34	37
Additions	90	-	90
Disposals (net of accumulated depreciation)	-	-	-
Depreciation expense	18	12	30
Closing cost	94	38	132
Accumulated depreciation closing	18	17	34
Carrying amount at 30 June 2018	76	22	98

No property, plant or equipment has restricted title or has been pledged as security.

15. PAYABLES AND ACCRUED EXPENSES

	Actual 2018 \$000	Actual 2017 \$000
Payables from exchange transactions		
Creditors	957	934
RTIP creditors	-	447
Revenue in advance	60	13
Total payables and accrued expenses	1,017	1,394
Payables from non-exchange transactions		
Taxes payable	19	30
Total payables from non-exchange transactions	19	30
Total payables	1,036	1,424

16. PROVISIONS

	Actual 2018 \$000	Actual 2017 \$000
Current portion		
Annual leave	256	314
Total provisions	256	314

17. EQUITY

Equity is the shareholder's investment in the Company and is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified as share capital and retained earnings.

(a) Share Capital	Actual 2018 \$000	Actual 2017 \$000
Balance at 1 July	232	-
Share Capital Issued - Number of shares (100)	-	232
Total closing share capital	232	232
(b) Retained Earnings	Actual 2018 \$000	Actual 2017 \$000
Balance at 1 July	(6)	(4)
Adjustment to opening balance		(1)
Surplus/(deficit)	369	(1)
Balance at 30 June	363	(6)
Total retained earnings	363	(6)

Fully paid ordinary shares carry one vote per share and carry the right to dividends. No ready market for these shares therefore recognised at cost.

100 ordinary shares at \$1 per share are fully paid out and carry the right to dividends per share.

The company is not forecasting to generate any dividend for the shareholder over the next 3 years. Should a situation arise where distributions to the shareholder could be considered the Board will take into account the following elements in any distribution it may consider:

- The company's working capital requirements
- The retention of an appropriate level of earning for reinvestment in the business.

18. RELATED PARTY TRANSACTIONS

Related party disclosures have not been made for transactions with related parties that are within a normal supplier or client/recipient relationship on terms and conditions no more or less favourable than those that it is reasonable to expect the Company would have adopted in dealing with the party at arm's length in the same circumstances.

Further, transactions with other government agencies (for example, government departments and Crown entities) are not disclosed as related party transactions when they are consistent with the normal operating arrangements between government agencies and undertaken on the normal terms and conditions of such transactions.

19. TRANSACTIONS WITH PARENT

The Company entered into transactions with:

	Actual 2018 \$'000	Actual 2017 \$'000
Received a grant from Rotorua Lakes Council (excl. GST)	4,023	4,235
Received a re-imbursement from Rotorua Lakes Council for Kuirau Park Project (excl. GST)	-	18
Accounts payable to Rotorua Lakes Council	250	62
Accounts receivable from Rotorua Lakes Council	82	109
Rent paid to Rotorua Lakes Council for I-Site (excl. GST)	127	146
Paid to Rotorua Lakes Council for Service Level Agreement (excl. GST)	521	521
Total	5,003	5,091

20. KEY MANAGEMENT PERSONNEL

Transactions with key management personnel:

	Actual 2018 \$'000	Actual 2017 \$'000
Senior management team including chief executive		
Full time equivalent members	6	7
Remuneration	813	888
Directors		
Full time equivalent members	6	7
Remuneration	77	86
Total full time equivalent personnel	12	14
Total key management personnel remuneration	890	974

**21. EMPLOYEES REMUNERATION
EXCEEDING \$100,000**

\$100,000 - \$109,999	1
\$110,000 - \$119,999	0
\$120,000 - \$129,999	1
\$130,000 - \$139,999	0
\$140,000 - \$149,999	0
\$150,000 - \$159,999	1
\$160,000 - \$169,999	0
\$170,000 - \$179,999	0
\$180,000 - \$189,999	0
\$190,000 - \$199,999	0
>\$200,000	1

22. SEVERANCE PAYMENTS

For the year ended 30 June 2018 the Company made one severance payment of \$4,000. (2017: Nil)

23. INTEREST REGISTER

The Company is required to maintain an interest register in which the particulars of certain transactions and matters involving the Directors must be recorded. The interest register is available for inspection at the registered office.

INFORMATION USED BY DIRECTORS

During the financial year, there were no notices received from directors of Rotorua Economic Development Limited as, or any subsidiary, requesting to use information received in their capacity as a director which would not otherwise have been available to them.

**INDEMNIFICATION AND INSURANCE OF
DIRECTORS AND OFFICERS**

The Company has not arranged policies of the Directors' and Officers' Liability Insurance and separate Director's and Officers' defence costs insurance.

24. RECONCILIATION OF SURPLUS TO NET CASH FLOW FROM OPERATING ACTIVITIES

	Actual 2018 \$000	Actual 2017 \$000
Net surplus/(deficit)	369	(1)
Add/(less) non-cash items:		
Depreciation	30	7
Total non-cash items	30	7
 Add/(less) movements in statement of financial position		
(Increase) / decrease in receivables	265	(675)
(Increase) / decrease in other current assets	(65)	(77)
Increase / (decrease) in payables and accrued expenses	(446)	1,422
Total net movement in working capital items	(246)	670
Net cash flow from operating activities	153	676

25. CATEGORIES OF FINANCIAL INSTRUMENTS

The carrying amount of financial instruments in each of the financial instrument categories are:

	Actual 2018 \$000	Actual 2017 \$000
Financial assets		
Cash and cash equivalents	1,139	1,077
Receivables (excluding tax receivable)	400	659
Total financial assets	1,539	1,736
 Financial liabilities		
Payables (excluding taxes payable)	1,035	1,394
Total financial liabilities	1,035	1,394

Rotorua Economic Development Ltd complies with Rotorua Lakes Council policies to manage the risk associated with financial instruments and is risk averse and seeks to minimise exposure from its financial instruments. The Council has established liability management and investment policies. These policies do not allow any transactions that are speculative in nature to be entered into.

26. REPORT AGAINST STATEMENT OF INTENT

	Actual 2018 \$000	SOI 2018 \$000	Variance 2018 \$000
Council funding	4,023	4,235	212
I-Site commission received	855	990	135
Trading revenue	1,156	1,330	174
Other revenue	721	1,183	462
Interest received	22	-	(22)
Total Revenue	6,777	7,738	961
Expenses			
Personnel costs	2,524	2,967	443
Admin & office expenses	280	370	90
Finance costs and charges	72	94	22
Council service charges	521	575	54
Repairs & maintenance	46	65	19
Operating expenses	2,952	3,612	660
Utilities	56	55	(1)
Total Expenses	6,452	7,738	1,287
Surplus/deficit before tax	327	-	(327)

Commentary:

Council funding was reduced to meet a RLC request for a 5% efficiency saving across the organisation, which was a commitment made at the establishment of the CCO.

The i-SITE was under refurbishment during the financial year, which impacted sales targets and resulted in commission and trade revenue performing below budget expectations. However costs were managed and scaled accordingly.

Personnel costs were below budget due to ongoing vacancies, which are currently being advertised.

Advertising costs were lower than budget due to our decision to reduce campaigns over the summer to focus on shoulder and low season activity. In addition campaign expenditure has been reviewed against benchmarks to ensure that value is extracted from spend. For example, we've stopped television advertising in favour of digital video across online platforms.

27. AUDITORS

The Auditor General is appointed under Section 15 of the Public Audit Act 2001. Audit New Zealand has been appointed to provide these services on his behalf. Provision for audit fee including disbursements for the year was \$24,040 excl. GST (2017 \$19,811 excl. GST).

28. DONATIONS

No donations were made by the company during the year (2017: Nil).

29. CONTINGENT LIABILITIES

At balance date contingent liabilities have been estimated at nil (2017: Nil).

30. COMMITMENTS

Commitment Type	Actual 2018 \$000	Actual 2017 \$000
Commitment to lease I-Site	150	146
Commitment to lease level 3, 1172 Haupapa Street, Rotorua	12	45
Not later than one year	120	74
Later than one year and not later than five years	280	-
Later than five years	65	-

31. EVENTS AFTER BALANCE DATE

There have been no significant events after the balance date.

32. CAPITAL MANAGEMENT

The Company's capital is its equity, which comprise shareholders' funds. Equity is represented by net assets.

The objective of managing the Company's equity is to ensure that the Company effectively achieves its goals and objectives for which it has been established while remaining a going concern.

The company is reliant for a large part of its revenue from its 100% parent Rotorua Lakes Council.

The Council has accepted the Company's Statement of Intent, which includes funding up to 30 June 2018.

The funding agreement indicates that support will be provided until 30 June 2018. The support provided to Rotorua Economic Development Limited shall include: \$4.235 mil excl. GST to support the necessary budgeted operating activities in a timely manner (and all obligations and liabilities incidental to such activities).

Independent Auditor's Report

To the readers of Rotorua Economic Development Limited's financial statements and performance information for the year ended 30 June 2018

The Auditor-General is the auditor of Rotorua Economic Development Limited (the company). The Auditor-General has appointed me, Clarence Susan, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and performance information of the company on his behalf.

Opinion

We have audited:

- the financial statements of the company on pages 42 to 55 and pages 57 to 60, that comprise the statement of financial position as at 30 June 2018, the statement of comprehensive revenue and expense, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of the company on pages 30 to 37.

In our opinion:

- the financial statements of the company on pages 42 to 55 and 57 to 60:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2018; and
 - its financial performance and cash flows for the year then ended; and
 - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Standards Reduced Disclosure Regime; and
- the performance information of the company on pages 30 to 37 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 20 September 2018. This is the date at which our opinion is expressed.

AUDIT NEW ZEALAND

Mana Arotake Aotearoa

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements and the performance information, we comment on other information, and we explain our independence.

Basis for our opinion

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

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

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

Responsibilities of the Board of Directors for the financial statements and the performance information

The Board of Directors is responsible on behalf of the 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 performance information

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of these financial statements and the performance information.

For the budget information reported in the financial statements and the performance information, our procedures were limited to checking that the information agreed to the company's statement of intent.

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

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that

achieves fair presentation.

We 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 arise from the Public Audit Act 2001.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 4 to 29, 38 to 41 and page 56, but does not include the financial statements and the performance information, and our auditor's report thereon.

Our opinion on the financial statements and the performance information does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements and the performance information, our responsibility is to read the other information. In doing so, we consider whether the other information is materially

inconsistent with the financial statements and the performance information or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report 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.



Clarence Susan
Audit New Zealand
On behalf of the Auditor-General
Tauranga, New Zealand

ROTORUA

Economic Development
Te Whanaketanga Ōhangā o Rotorua