



ROTORUA

Economic Development
Te Whanaketanga Ōhanga o Rotorua

Annual Report 2018 - 2019

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 ōna tāngata.

Nā tātau tonu i ora ai te ahurea Māori me ōna āhuetanga 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

Cover image: Miles Holden

Inside image: Te Puia



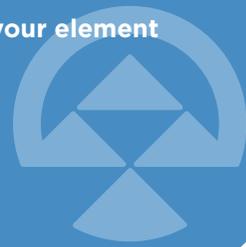
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SNAPSHOT OF OUR REGION

GDP 
growth rate **+2.3%**
vs **+2.5%** nationally

(YE June 19)

CONSUMER SPENDING 
growth rate **+4.3%**
vs **+4.0%** nationally

(YE June 19)

RESIDENTIAL CONSENTS 
growth rate **+10.0%**
vs **+5.8%** nationally

(YE June 19)

NON-RESIDENTIAL CONSENTS 
growth rate **+40.7%**
vs **+7.9%** nationally

(YE June 19)

AVERAGE HOUSE PRICE 
\$454,349
+11.6% growth vs **+1.4%** nationally

(YE June 19)

UNEMPLOYMENT 
4.6%
vs **4.1%** nationally

(YE June 19)

TOURISM SHARE OF GDP 
17.2%
vs **5.8%** nationally

(YE March 18)

TOURISM SHARE OF EMPLOYMENT 
23.4%
vs **8.7%** nationally

(YE March 18)

RESIDENT POPULATION 
+1.1%
72,500
vs **1.9%** nationally

(March 18)

Source: Infometrics Annual Profile and Infometrics Quarterly Economic Monitor

FIND YOUR ELEMENT

To feel the earth beneath our feet, the wind on our face, fire's warmth on our skin and water's calming nourishment... nature is where we go to feel refreshed, awaken our senses or simply relax.

In Rotorua, connecting to the natural world is second nature. It's a place where the elements come together in a powerful way, to create unique experiences full of wonder and adventure.



Earth/Whenua

Inspired by niho taniwha (teeth of the taniwha), this pattern represents the myths and legends of the Māori people. The tapatoru (triangles) symbolise strength and resilience, and mirror the shape of our mountains and forests.

Air/Hau

Four koru designs represent nga hau e wha (the four winds), which were thought to be controlled by tohunga (priests) to help their tribe. This symbol is representative of bringing people together.

Fire/Ahi

The kaokao pattern reflects the burning passion of Māori warriors – arms strong, standing united – as they perform the haka, a fierce display of pride and strength.

Water/Wai

Called the 'life giver of all things', this symbol represents wai giving energy to the koru as it unfurls. The three ripples relate to the lakes, rivers and geothermal waters, which each have their own mauri (life force).

THE YEAR'S HIGHLIGHTS

**High Performance
Institute established**

delivering the ACCELERATE business coaching programme to 8 businesses, with 18 local businesses in total receiving targeted support

70

local business leaders engaged in a range of business growth activities

\$8.8m

of business events bids won

**16 events
held at**

Rotorua Techweek, generating 8 pieces of media content focusing on Rotorua's tech offering, including a live cross to the AM Show.

**200 media
hosted**

through more than 80 famils generating 1400 travel stories with an equivalent advertising value of more than \$48m and a potential reach of more than 3.9b people.

**1500 hosted at
TRENZ**

involving international travel buyers, sellers and media

\$825.2m

of total annual visitor spend

RED is committed to developing and promoting Rotorua as a destination of choice to work, study, visit, invest and live in. We connect people, land, capital and ideas.

Our work directly supports the development of Rotorua's economy, unlocking opportunities for commercial investment and providing employment, wealth and wellbeing for all our people. RED works in partnership with iwi, the private sector, local government, community organisations and central government to support their growth aspirations and enhance Rotorua's identity and reputation. We operate as a neutral entity and a trusted advisor, balancing the needs of each group of stakeholders for the benefit of the destination.

RED is a Council Controlled Organisation (CCO), 100% owned by Rotorua Lakes Council (RLC). 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, Rotorua Find your element and Famously Rotorua and it also operates as Rotorua's Convention Bureau.

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

directors.

RED's Directors are:

Mr Peter Stubbs (Chairman)

Mr Chris Auld (Director)

Ms Mere George (Director)

Mr Andy Higgs (Director)

Mr James Fitzgerald (Director)



CHAIR'S REPORT



On behalf of the Board, I'm pleased to present this summary of the last financial year.

Our Annual Report is a chance to reflect on how much has been achieved in the past 12 months, while also acknowledging the challenges and opportunities that will shape the year ahead.

Rotorua Economic Development's purpose is to help improve the Rotorua economy and its ability to create employment, wealth and wellbeing for all of our people.

In this, our third year of operation, we've continued to evolve and strengthen our influence in the areas that have the most impact on economic growth. We do this by focusing on five key priorities that align to the outcomes set out for us in the Rotorua Lakes Council's annual letter of expectation:

- Destination development
- Business growth and investment attraction
- Skills, education and talent
- Sustainable business practices
- Growing the visitor economy.

The Chief Executive will reflect on the recent year's highlights in her report. However, I would like to acknowledge the strong partnerships that have made so much of the work we do possible – partnerships with central and local government, iwi, industry, education and community organisations who share our focus on economic growth.

I'm proud of the work the team has done to bring people, capital and ideas together to meet the district's opportunities and challenges head on. By forging relationships with like-minded organisations, we're helping to leverage skills, resources and knowledge for sustainable growth of the economy.

One interesting partnership example is the relationship we're forming with Scion to support their efforts as the centre of research and development for the circular bioeconomy.

RED has also contributed to the application process behind a number of development funding partnerships with central Government that will change the face of the city over the next few years through projects like the lakefront and forest development. These large-scale projects could help to attract more private sector investment, but we have to be bold and aligned as a city to leverage them.

I remain confident that RED's priorities for the future are the right ones, but there is still so much more we can do to attract people, businesses and investment to the district. I'm grateful for the support of my fellow Board members on this journey. Each offers a unique perspective and provides valuable direction to the organisation.

Finally, I'd like to thank the team at RED under the leadership of Michelle Templer for the work they are doing to support RLC's 2030 Vision and deliver economic benefit to the people of Rotorua.

Peter Stubbs

Board Chair

CHIEF EXECUTIVE'S REPORT



It's been a privilege to spend another year contributing to the growth of this vibrant city. The population continues to increase, reflecting the work opportunities that a strong pipeline of investment brings, as well as recognition of Rotorua's exceptional lifestyle.

Rotorua's economy enjoyed a solid start to 2019 supported by strong forestry and agricultural sectors and a buoyant housing market. Strength in the local economy also translated into jobs with the district's unemployment rate falling to 5.0% in the March 2019 year, the lowest it has been since 2009.

However, there are some clouds on the horizon, with international political and economic uncertainty affecting business confidence. As our largest employer, tourism is a key economic driver and our international visitor forecasts are challenging. RED is not being complacent about the importance of the visitor economy to Rotorua and will continue to work in partnership with Tourism New Zealand, Auckland International Airport and our local industry through the RTIP partnership to ensure tourism continues to enrich Rotorua and its people. We are fortunate as a destination that we attract a balance of domestic and international visitors.

Some of our recent successes have helped to strengthen that position. Hosting TRENZ,

New Zealand's biggest tourism trade event, provided the opportunity to showcase the array of attractions and activities on offer here to 1500 tourism buyers, sellers and media from 30 international markets.

In April, Rotorua was host to the International Union for Health Promotion and Education (IUHPE), which was the largest international conference that the city has ever secured. More than 1200 delegates from around the world came together over five days to discuss best practice in health promotion, research and theory.

The eyes of the world were also on Rotorua at the end of 2018 as the Duke and Duchess of Sussex completed their tour of New Zealand with a packed Rotorua itinerary. The visit was a wonderful opportunity to showcase Rotorua on an international stage as the media coverage of the Royal couple's activities helped to convey the beauty of Rotorua to audiences around the world.

Rotorua's technology credentials were highlighted through the inaugural Rotorua Techweek in May 2019. The Techweek programme featured 16 events to showcase local tech talent, support collaboration and facilitate engagement in tech by members of the Rotorua community.

We've also continued our support of the local business community, establishing the High Performance Institute to provide coaching, market intelligence, networking opportunities and funding application assistance to increase resilience and support business growth.

RED's strong relationship with the regional team from the Provincial Development Unit has driven collaboration and two-way business

referrals relating to the Provincial Growth Fund. The relationship resulted in a business relocation referral at the start of 2019. We've continued our work to connect people and promote Rotorua to a large international organisation considering this as a location for a business hub employing 200-500 people.

I'm proud that we've brought sustainability to the fore in our list of organisational priorities, in recognition that economic growth in isolation doesn't guarantee benefits for the environment and the community. We are aligning the structure of our organisation to reflect our five areas of focus and will have a full executive leadership team in place by the end of 2019 to lead that change.

The year's successes are a result of strong collaboration and we are fortunate to work in partnership with so many committed and inspirational people. I extend my thanks to our Board, industry partners, local and central government, iwi organisations and all of the other entities who share our commitment to building a strong, sustainable local economy.

Looking ahead to 2020, RED's focus will be on destination management and continuing to diversify our portfolio of economic development projects to ensure that Rotorua remains a place that people want to live, work, study, visit and invest in.

Michelle Templer

Chief Executive

OUR FOCUS

As the combined EDA and RTO for the Rotorua district, our work focuses on the economic development of the district, encompassing business and investment attraction, business growth, talent attraction and skills development, as well as the sustainable growth of the visitor economy. According to Infometrics, tourism GDP makes up 17.2% of Rotorua's GDP so growth in this sector will contribute to the overall economic growth of the city. The more vibrant and attractive the city is to visitors, the more people will want to live, work, study and invest here.

The work we do helps to:

- lift economic performance across the Rotorua district, with a particular focus on tourism, forestry and wood processing, natural hot springs and wellness, film/TV/creative technology, alternative land use opportunities, and Te Arawa investments
- attract, retain and grow investment, talent and business across the district
- ensure the impact of change achieves a balance between social, environmental, economic and wellness benefits for the people of Rotorua
- create unforgettable memories for all our visitors, including business event delegates
- support RLC's partnership with Te Arawa to help iwi realise their aspirations.

We do this by focusing on five key priorities that RLC set out for us in their annual letter of expectation:

- Destination development
- Business growth and investment attraction
- Skills, education and talent
- Sustainable business practices
- Growing the visitor economy.

Image: Adrian Hodge

RED Purpose

To improve the Rotorua economy and its ability to create employment, wealth and wellbeing for all of our people

What we do

Lift economic performance

Grow investment, talent and business and help Te Arawa realise their aspirations

Balance social, environmental, economic and wellness benefits

Create unforgettable memories for visitors

How we do it

Destination development

Business growth and investment attraction

Skills, education and talent

Sustainable business

Growing the visitor economy

Priority projects

- Champion food provenance and establish an indigenous food hub
- Attract businesses to provide bespoke wellness experiences
- Showcase innovation that supports development of a circular economy
- Continue to build an investor eco-system to drive new business

DESTINATION DEVELOPMENT

Destination development encompasses a wide range of functions that affect the experience of people living in Rotorua and those coming to the destination - particularly the impact of visitors on the local environment and community. Our aim is to support a city that is aligned to recognise and leverage opportunities for economic development, working in partnership for the benefit of all.

RED has been working with the local business community to help business owners get the most out of a range of Google business tools. We hosted a number of free webinars and workshops offering step-by-step instructions and top tips to help local businesses boost their online profiles at zero cost. Invitations were extended to a wide range of businesses through RED and Chamber of Commerce channels.

We've developed a series of videos to support business relocation programmes, investment attraction and destination marketing. The series sets out to show the unique aspects of daily life in Rotorua, recognising that this helps to attract investors and businesses to the region as much as people moving or visiting here. The videos were directed by Daniel Nikolaison from Landfall TV, who is a documentary cinematographer, now based in London (although originally from New Zealand). He worked closely with Rotorua talent including musician and composer Michael Barker and Inia Maxwell as cultural advisor. The other talent was a mix of locals and visitors, all captured in a way that represents their connection to Rotorua.



ROYAL VISIT

RED worked with Tourism New Zealand to provide Rotorua content to visiting media to help shape their coverage of the Duke and Duchess of Sussex's visit on 31 October 2018. The Royal couple completed their New Zealand tour with a day in Rotorua, experiencing an official powhiri at Ōhinemutu, a visit to Rainbow Springs, a meet and greet with public at the Government Gardens and a walk on Redwoods Treewalk. Chief Executive of Rotorua Economic Development, Michelle Templer said: "The visit was a wonderful opportunity to showcase Rotorua on an international stage as the media coverage of the couple's activities will help to convey the beauty of Rotorua to audiences around the world." Tourism New Zealand has since reported that the international media generated over 800 stories featuring Rotorua, with an equivalent advertising value estimated to be in excess of \$14m.

Image: Mark Tantrum



BUSINESS GROWTH AND INVESTMENT ATTRACTION

We are working to support growth and investment in Rotorua's businesses, while attracting new investment that will contribute to the local economy. Our role is to identify ways of bringing people, resources, infrastructure and ideas together to create diverse investment and development opportunities for the district.

Supporting business growth

RED's focus on supporting growth and resilience in the local business community has been strengthened by the development of the High Performance Institute. The Institute operates within three pillars to support local organisations at different phases of their development and enable knowledge sharing within the Rotorua business community. This year, its work has encompassed:

- Continuation of RED's support of the ACCELERATE business coaching programme, with another eight businesses completing the training delivered via our partnership with Firestation
- Targeted support of another ten local businesses via fresh thinking workshops or other external support. This is designed to complement and provide aftercare for businesses who have completed the ACCELERATE program

- General support of other local businesses via coaching, PGF assistance, access to regional intelligence and market analysis.

We've also been working with Kai Rotorua to help them develop a strategy to become a sustainable social enterprise. Kai Rotorua has been an incorporated society for a year and has plans to develop a community kai hub. The organisation promotes food and gardening knowledge and already grows kumara commercially. Their ethos is one which fits with RED's plan to promote food provenance and indigenous foods.



TECHWEEK 2019

The burgeoning local tech community was on display as part of the RED-curated Rotorua Techweek 2019, a week-long festival of innovation in the tech and IT industry. As well as aligning with RED's goal of fostering connectivity and collaboration locally, Techweek focussed on:

- Supporting local businesses to connect with new technology and innovators to encourage growth in efficiencies and productivity.
- Showcasing Rotorua's thriving business sectors and investment ecosystem to investors and talent based outside the region.
- Engaging all members of the Rotorua community to increase interest in technology and showcase its availability.

With 16 different events offering content from local, national and international talent and generating considerable media interest, the event was a success for the region. Further outcomes from the event have been significantly increased engagement between RED and the local tech community, and enhanced collaboration between local companies in this sector.

Investment attraction

Our quality market intelligence helps to enhance confidence in Rotorua as a business destination with prospective businesses, investors and influencers. Building on RED's suite of market analysis documents, we've drafted a new market analysis report for film and TV development and commissioned a wood processing market analysis report. These insights support quality decision making, helping industry investors understand the current landscape, networks and infrastructure.

In addition to these new reports our existing set of market analysis documents are regularly being used to initiate investment discussions on topics including wellbeing and luxury retreats, digital and indigenous food provenance.

RED has identified the area of food provenance as a focal point for future investment opportunities. The Rotorua Lakes catchment and wider district is exploring economic development opportunities from land management that reduces negative environmental impacts (especially nitrogen leaching) and leverages the consumption opportunities generated by the visitor economy. At the start of 2019, RED engaged Envirostrat Consulting to conduct research into food provenance in the Rotorua district. The research has now been completed, with the report covering:

- estimated levels of food consumption and production in the district
- consumer expectations (local, domestic and international visitors) regarding food sourcing, its attributes and credentials
- the market potential for locally produced food, taking into account environmental and sustainability considerations and the existing interest in indigenous food.

The next step will be to work with industry to develop a local food strategy and plan that connects opportunity with demand.

RED has also worked closely with the regional team from the Provincial Development Unit to drive collaboration and two-way business referrals relating to the Provincial Growth Fund. We are currently working with several organisations to guide their applications, which, if successful, will deliver significant financial, environmental, social, and community well-being outcomes for the district. Our experience with the application process and our successful track record is proving useful as the focus of the PGF turns to more commercial and private sector projects.

BUSINESS RELOCATION

Our strong relationship with the Provincial Development Unit also resulted in a business relocation referral at the start of 2019 and we've continued our work to connect people and promote Rotorua to a large international organisation considering this as a location for a hub employing 200-500 people. In May, we hosted the organisation's Executive Team and connected them with representatives from local government, iwi groups, land owners, work brokers and education agents to help answer their questions about the availability of suitable talent and property. The organisation's feedback was that the process undertaken so far has significantly improved their confidence in Rotorua as a place to operate, which puts us in a strong position to replay this process for similar relocation opportunities in the future.



SKILLS, EDUCATION AND TALENT

RED aims to support skills development and attract the talent needed to grow businesses and create employment, wealth and wellbeing for all residents. We work to identify local needs and agree on regional actions that contribute to better labour market outcomes for our people.



Customer Service Certificate – Kuaka Programme

Rotorua’s i-SITE has designed an initiative to provide practical work experience to local rangatahi (young people) studying tourism. In partnership with local education providers; Toi Ohomai, Te Whare Wananga o Aotearoa, and New Zealand School of Tourism, we will provide a pathway for students to transition from study to work, by way of a three day ‘on-the-job’ training practicum. Students who successfully complete the programme receive a certificate of completion in recognition of their achievement. The first group will enter the programme in September 2019.



Manaaki Rotorua

RED was a key sponsor of the development of Manaaki Rotorua, an online customer service and destination training programme that leads people through a range of topic blocks, or modules, to improve their understanding of manaakitanga, Te Reo Māori and local insights. It involves story-telling, quizzes, and training tips and suggestions from some of our very best and awarded business leaders and frontline staff. It’s a way for employers to invest in the people who live and work here to ensure they are supported and developed in their careers. Manaaki Rotorua was launched on 31 October led by Oscar Nathan and Maori in Tourism Rotorua and supported by the NZ Hospitality Training Trust and NZ Māori Tourism.



International Education

RED has assisted Rotorua’s international education providers to develop an Education Rotorua Strategy that aligns with the national strategy and also to re-engage with Education New Zealand as a group. Education New Zealand provides assistance in accessing overseas markets and agents so is a highly strategic alignment since the annual value of international students to the Rotorua economy is in excess of \$70m. RED has created new collateral to help Rotorua’s international education providers promote Rotorua to international students as a study destination of choice.



Image: Canopy Tours

SUSTAINABLE BUSINESS

RED is working to position Rotorua as a leader in sustainable business practices that support the wellbeing of the district and advance knowledge in the circular economy. Iwi and community initiatives will be able to access funding and develop the capability and capacity needed for sustainable futures. Our work connects people, land, capital and ideas that together will help bring about positive change.

In April, we supported the hosting of the Ōhanga Āmiomio: Ellen MacArthur Foundation Circular Economy Pacific Summit. The Summit focused on three themes of mātauranga (when contemporary economics meets indigenous world views), materials (experience and inspiration from the Pacific to design a better system in which plastics never become waste) and manifestos (uniting a geographically dispersed and culturally diverse network).

RED has participated in industry engagement with Scion and Te Ōhanga, led conversations on commercialisation of bio circular solutions, connected businesses with initiatives and facilitated a sustainable event case study at Crankworx.

GROWING THE VISITOR ECONOMY

Rotorua benefits from \$825m in tourism expenditure per year. RED supports the sustainable growth of the tourism sector through marketing campaigns, event promotions, travel and trade activity, visitor services, domestic and international media campaigns and business event attraction.

\$825.2m
total visitor expenditure +0.8% YOY

2.28m
commercial guest nights -3.3% YOY

1.64m
private accommodation nights +1.8% YOY

3.5m
attraction & activity visits +1.8% YOY

TRENZ 2019

Rotorua hosted New Zealand's largest tourism trade event from 13-16 May, when 1500 delegates from 30 different markets around the world descended on Rotorua. The four-day event generated millions of dollars of direct revenue, with many more millions of dollars of additional business expected over the next 12 months. As host region, RED was responsible for managing the stand for local operators to run meetings with international buyers; coordinating the media activity afternoon; and hosting media, event sponsors and key stakeholders at a VIP function at the Blue Baths. Pre and post famils also helped reinforce the delegates' experience of Rotorua, which centred around the cultural strength of the city and our connection to the natural elements of fire, water, air and earth.

Our marketing approach

We promote Rotorua through an annual schedule of visitor attraction campaigns, supported by our own digital and social channels that use stories and images to showcase the visitor experience.

RotoruaNZ.com is our primary online destination presence. It provides useful information for people researching Rotorua as a place to live, study, visit, do business or invest in.

While we've maintained a steady audience level over the past two years, we've recognised that the design, structure and user experience of the current site no longer meets the needs of the range of users, so we will be delivering a new website in the next financial year. The new site will be easier to navigate with succinct content and more imagery and video in line with best practice for destination websites today.

Over the past 12 months, we've significantly increased our Instagram following by working with well-respected influencers, bringing them to Rotorua so they can share their experience with their loyal followers while creating compelling new content for our feed.

In order to future proof the visitor economy, RED's marketing strategy aims to provide a balanced portfolio of consumers to ensure we aren't over reliant on either the domestic or international markets.

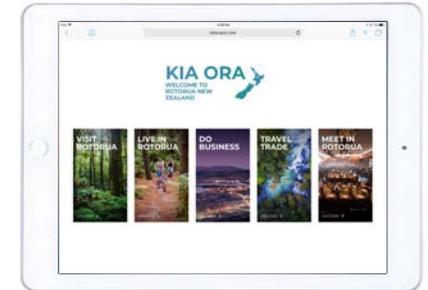
We continue to focus our marketing efforts on the shoulder and low seasons. From a domestic marketing perspective over 80% of domestic visitor spend comes from consumers between Auckland and Wellington and so in the coming year that's where we will focus our campaigns.

From an international perspective we continue to explore opportunities to go direct to consumers to raise awareness of Rotorua as a destination. This year, we focused on building brand awareness in the US market, using flight booking data to reach families travelling to New Zealand in Spring 2019, and linking them to an online hub of carefully curated Rotorua stories. We intend to take the same approach in Australia later in 2019.

Sessions to RotoruaNZ.com

998,229

(-0.41% YOY)



Facebook followers

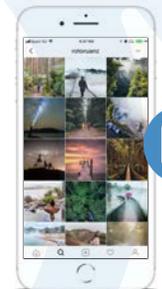
226,461

(+5% YOY)

Instagram followers

14,043

(+57% YOY)



Rotorua Magazine

220,000

distributed to AKL, WGTN, CHCH, ROT

Domestic spend by visitor origin - top 5

1. **\$142.3m**
Auckland

2. **\$94.4m**
Waikato

3. **\$91m**
BOP

4. **\$32.5m**
Wellington

5. **\$24.7m**
Manawatu

81% of domestic visitor spend in Rotorua comes from Auckland, Waikato, BOP, Wellington and Manawatu.



Find your element



Rotorua, Find your element was launched to the Rotorua visitor industry in October as the new campaign brand and messaging to encourage people to choose Rotorua as their holiday destination. This campaign is a way for us to incorporate a rich storytelling element by emphasising Rotorua's unique connection to the natural elements. Find your element creates a narrative of our people, our place, our past and our present. Simply put, there is nowhere else in the world where earth, air, fire and water combine in such a potent way to create unforgettable experiences and lasting memories.

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.

We continue to work in partnership with Tourism New Zealand and Auckland International Airport to leverage their campaigns and trade missions. Our focus this year has been on our largest visitor market, Australia, and priority markets of China, North America, UK/Europe and India.

International spend by visitor origin - top 5

1. **\$72.7m**
Australia

2. **\$52.1m**
US

3. **\$38.3m**
China

4. **\$34.5m**
UK

5. **\$24.0m**
Germany

This year we've brought 30 Rotorua operators to tradeshows across the US, Australia and India to increase their exposure to the people who are responsible for selling New Zealand to potential visitors. The objective of these visits is to show the range and number of activity options available to visitors in Rotorua, thereby encouraging people to come here and stay longer.

MBIE stats for the year ending 2018 show that, while the number of overnight arrivals is slightly down on 2017 (-1.5%), the number of visitor nights increased by 18.9%. This shows that our strategy of focusing on independent travellers and encouraging them to stay longer and do more is working.

AUSTRALIA ROAD SHOW

The Trade team took 18 Rotorua tourism operators to Australia in August 2018 to meet with travel agents in Sydney, Brisbane, Gold Coast and Melbourne.

The operators met with more than 350 travel agents who are responsible for selling New Zealand to potential Australian visitors, providing a great opportunity to introduce new operators, promote new developments and reconnect established operators with the industry.

Tim Barrow, Chief Pilot and Director Volcanic Air Rotorua said: "We met an extremely engaged and enthusiastic community of travel agents, so this was a prime opportunity for us to reinforce the uniqueness of Rotorua and the surrounding district as a destination."



Image: Craig Mayne

Business Events

12.3%

growth in number of multi-day conferences in Rotorua

16.7%

growth in delegate days from multi-day conferences in Rotorua

32%

growth in one-day seminars

The Business Events team helps to position Rotorua as a recognised destination for multi-day conferences and events, attracting organisers from domestic and international markets.

Conferences and business events bring around \$50m into the Rotorua economy each year and, since the busiest time for business events is typically April to November, the industry provides a good source of visitors to Rotorua in the low tourism season.

In April 2019, Rotorua hosted the International Union for Health Promotion and Education (IUHPE) conference, which was the largest international conference that the city has ever secured. More than 1200 delegates from around the world came to Rotorua for five days to discuss best practice in health promotion, research and theory.

While Rotorua's share of the overall conference market declined slightly since last year, we actually hosted more conferences and more delegates which increased the economic impact for the city by \$5.3million YOY.

In promoting Rotorua to conference 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 this year, including securing among many others:

- **Green Pavlova 2020** - Incorporating World Urban Parks Asia-Pacific Congress (350 people for four days)
- **Physiotherapy New Zealand 2020** (500 people for three days)
- **NZ Society for the Study of Diabetes Conference in 2022** (350 people for five days)

IN ROTORUA APP

The Business Events team has developed the In Rotorua App, which is a centralised information platform that provides details on conferences and events happening in Rotorua. *In Rotorua* highlights conference start and finish dates, timings of social functions, free nights and the number of delegates in Rotorua. The intent is to ensure that the Rotorua community is ready and prepared to showcase our manaakitanga to our manuhiri (guests), which will help provide a quality experience for delegates.

Katrina Aro from the Conference Company used *In Rotorua* for the IUHPE conference in April. She said: “[*In Rotorua*] allowed the hospitality industry to be aware of our delegates’ movements including free nights and evening completion times so they could allocate suitable resourcing and it gave taxis great knowledge of our programme times so they were always ready and waiting. Information provided in the app ensured that our delegates had a seamless experience of the manaakitanga that Rotorua is so well known for. Destination Rotorua is leading the way in setting up this industry communication app, demonstrating great value for delegates and industry alike, and I would love to see other Convention Bureaus offering a similar tool.”

MAKING NEWS

New Zealand media results

41 hosted visits

50 pieces of domestic travel content

6.9m potential reach

\$2.3m estimated PR value

International media results

43 hosted visits

1352 stories

3.9b potential reach

\$46.1m
estimated equivalent advertising value

Our PR and media programme helps to support our consumer marketing and trade activity by bringing to life the Rotorua experience through the stories shared by writers and influencers. We invite writers, photographers and social media influencers to spend time in Rotorua on familiarisation visits so that they can share their experiences with their followers and audiences.

This year, we generated more than 1400 pieces of international and domestic travel content with an estimated equivalent advertising/PR value of more than \$48m and a potential reach of more than 3.9b people.

HELPING NATIONAL GEOGRAPHIC DISCOVER MANAAKITANGA

RED worked with National Geographic and Tourism New Zealand in a campaign to explain the meaning of manaakitanga to international audiences through National Geographic's channels. A section of content was filmed in Rotorua featuring interviews with Te Tatau o Te Arawa chair, Te Taru White, and Kirimatao West and James Rickard from Te Puia. This was the first global tourism campaign of its kind for New Zealand, helping to showcase Rotorua to a potential global audience of 330 million people.



Image: Miles Holden

i-SITEs

25%

increase in trading revenue
over the previous year

+94

satisfaction on Customer Radar
Net Promoter Score

Over 1.4m visitors have walked through the doors of Rotorua's two i-SITEs this year - a 17% increase on the previous year. At the same time, we also managed to improve our customer satisfaction rating by two points from the previous year.

As well as our focus on good customer service, the customer experience was further enhanced by the completed refurbishment of the central i-SITE to improve the visitor flow and our ability to promote more attractions and activities in the space. We also saw the opening of a new Department of Conservation (DOC) visitor information hub in Rotorua's central i-SITE to help visitors to Rotorua enjoy our great outdoors in a safe and respectful way. DOC and Destination Rotorua work together to promote responsible tourism in support of New Zealand's Tiaki Promise and this new space is a visible sign of our shared commitment.





Image: Adrian Hodge

I-SITE 'CARE FOR NEW ZEALAND' INITIATIVE

Rotorua's central i-SITE was one of 10 sites around the country that took part in a Tourism New Zealand summer campaign to encourage people to plan their journeys, use the facilities that have been provided and leave no trace. It built on the Tiaki - Care for New Zealand initiative by informing Kiwis and international visitors how to act in a way that respects these principles while camping.

As part of the campaign, the Rotorua i-SITE provided free Wi-Fi that is only accessible to visitors after they watch an educational video. In addition to talking to visitors to help them understand their role in caring for NZ, the i-SITE team also provided recyclable 'ketes of camping knowledge' and key tags with responsible camping messages.

STATEMENT OF SERVICES PROVIDED

The table below provides a list of Key Performance Measures (KPMs), the results and commentary on RED's business performance for the year ended 30 June 2019. 81% of the KPMs were successfully achieved.

Key to Action Status:		
Off Track		3
Achieved		13
No data available		0

Measure	YE Actual Jun 2018	YE Target Jun 2019	YE Actual Jun 2019	Status	Comments
1. i-SITE - % increase in trading revenue over previous year	+11% (New measure)	>= +2%	+25%	Achieved	Gross IBIS voucher sales is the measure used to indicate trading revenue. This increase is the result of expanded retail space, more high value products on offer and increased foot traffic in the Redwoods.
2. i-SITE - % increase in commission received over previous year	0% (New measure)	>= +2%	+13%	Achieved	This is a measurement of the commission earned from IBIS voucher sales of accommodation, activities and attractions through the Rotorua i-SITEs, largely due to an increase in activities and attractions sales by the team this year.
3. i-SITE - Customer Radar Net Promoter Score	+92	>= +90	+94	Achieved	The Customer Radar Net Promoter Score is a recognised measure of satisfaction. We received the highest number of customer responses out of any i-SITE in the country and still managed to improve our satisfaction rating.
4. Business Events - Value of bids won by RED	\$16.6m (New measure)	>= \$5.0m	\$8.8m	Achieved	This value is based on room nights tentatively held as a result of bids won by RED and MBIE's Business Events Delegate Survey 2017 calculation of \$385 avg delegate spend per night. During FY17/18, Rotorua Lakes Council established a separate sales team for the Energy Events Centre. While the 2018 value includes all EEC business events in addition to the RED Convention Bureau business events, the 2019 value only includes the result of bids won by the RED team.

Measure	YE Actual Jun 2018	YE Target Jun 2019	YE Actual Jun 2019	Status	Comments
5. Business Events - Market share of BEAS multi-day conference delegate days	9%	>= 9.6%	8.3%*	Not achieved	Measured via MBIE's Business Events Activity Survey. Rotorua had strong benchmark-beating growth in the most recent quarter, lifting its market share to 8.3% but still falling short of the target and of the 2018 result. The Wellington region had exceptionally strong growth in most quarters of the June 2019 year, resulting in a large increase in market share at the expense of most other regions. However, despite the loss in market share Rotorua's delegate days increased from 69000 to 82699, generating an additional \$5.3m for the local economy.
6. Trade - Direct tourism impact - MBIE's Monthly Regional Tourism Estimates of international visitor expenditure in Rotorua on accommodation, recreational services and dining	\$201m (New measure)	>= \$225m	\$195m	Not achieved	Not achieved due to slowing and declining growth in international visitor arrivals to New Zealand in 5 of the 7 largest markets.
7. Trade - Strategic partner direct investment invoiced by RED	\$223,355 (New measure)	>= \$0.2m	\$297,495	Achieved	This value includes a number of joint ventures to support activity such as TRENZ, the Australia Roadshow and the Explore Tradeshow, in addition to a joint venture with an international airline to coincide with their new daily connection with Auckland.
8. Consumer - Impact - MBIE's Monthly Regional Tourism Estimates of total domestic visitor expenditure in Rotorua	\$455m (New measure)	>= \$470m	\$476m	Achieved	MBIE's estimation of the total domestic visitor expenditure in Rotorua for year ending June 2019 was above target, which reflects RED's strategic focus on increasing the value that domestic visitors bring to the economy by encouraging them to stay longer and spend more while they are here.
9. Support delivery of RLC Big Moves and projects through providing investment acumen and advice including RFP management and engagement with relevant networks including central government investment	Not measured	>= 1	1	Achieved	Supporting land owners with Whakarewarewa Forest commercial opportunities and working with Rotorua Lakes Council and external stakeholders to facilitate and support commercial sector investment.

Measure	YE Actual Jun 2018	YE Target Jun 2019	YE Actual Jun 2019	Status	Comments
10. Provide relevant destination insights in target sectors to support investment and reinvestment decision making by business. RED works with partners to develop strategies critical to deliver on RLC Big Moves				Achieved	Bespoke information provided to investor or business enquiries. These include:
	<i>Deliver regional insights AND</i>	<i>Not measured</i>	<i>>= 2</i>	<i>3</i>	- regional labour market planning workshop, OPEN hotel investor prospectus, food provenance report
	<i>Deliver insights to industry sectors</i>	<i>Not measured</i>	<i>>= 4</i>	<i>4</i>	- film and creative, mountain biking ecosystem, visitor economy insights, call centre
11. Maintain key influencer database to develop Rotorua investor ecosystem to accelerate opportunity identification and conversion				Achieved	Active use of the Customer Relationship Management (CRM) tool by:
	<i>Maintain key influencers in CRM</i>	<i>22</i>	<i>>= 40</i>	<i>70</i>	- adding 70 key influencers to CRM
	<i>Host events to identify key influencer/investors</i>	<i>Not measured</i>	<i>>= 2</i>	<i>19</i>	- holding 19 events to engage with key influencers/ investors
12. High Performance Institute coaching/aftercare beyond ACCELERATE program	9	>= 5	5	Achieved	Includes strategy workshops, aftercare of businesses including support with scale, technology transfer, capital raising and relocation, social enterprise.
13. Emerging local businesses receive targeted support	Not measured	>= 10	13	Achieved	13 businesses received targeted support, including strategy workshops, part funded ACCELERATE programme, provincial growth fund application support, access to local, and regional or sector insights and intelligence.

Measure	YE Actual Jun 2018	YE Target Jun 2019	YE Actual Jun 2019	Status	Comments
14. Famously campaign - Ratio of campaign expenditure to EAV	\$1: \$2.30	>= \$1: \$1.70	\$1: \$2.00	Achieved	The Famously campaign achieved an Equivalent Advertising Value (EAV) of \$1:\$2.00 against a target of \$1:\$1.70. This means that for each dollar that RED spent on consumer campaign activity, it would have cost us \$2.00 to purchase an equivalent amount of advertising.
15. Domestic consumer perception - % "intend to visit" (Delve loyalists + considerers) Rotorua from Auckland market AND one target market				Achieved	Two of the three markets (including the Auckland market) had a result +/- margin of error at 95% confidence level of achieving their respective targets.
% Auckland market "intend to visit" Rotorua AND	53%	>= 54%	51.5% +/- 3.5pts MOE		At 95% confidence level 51.5% (+/-3.5 percentage points) of the Auckland market sample had an intention to visit Rotorua.
% Christchurch market "intend to visit" Rotorua OR	25%	>= 26%	25.3% +/- 3.5pts MOE		At 95% confidence level 25.3% (+/-3.5 percentage points) of the Christchurch market sample had an intention to visit Rotorua.
% Wellington market "intend to visit" Rotorua	52% (New measure)	>= 53%	42.7% +/- 3.9pts MOE		At 95% confidence level 42.7% (+/-3.9 percentage points) of the Wellington market sample had an intention to visit Rotorua.
16. RotoruaNZ.com sessions	1,002,303 (New measure)	>= 1,100,000	998,229	Not achieved	Above average growth put this KPM On Track as at Oct 2019. However the i-SITE free wifi landing page was temporarily routed to the NZ Responsible Camping website over the summer months to support Tourism New Zealand's sustainability focus, which meant the KPM was not achieved.

ROTORUA

Economic Development
Te Whanaketanga Ōhanga o Rotorua

Financial Statements
Rotorua Economic Development Limited
2018/19



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ROTORUA ECONOMIC DEVELOPMENT LIMITED

STATEMENT OF RESPONSIBILITY

FOR THE YEAR ENDED 30 JUNE 2019

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 statement of service performance, 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 and statement of service performance;
- 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 and statement of service performance fairly reflect the financial position of the Company as at 30 June 2019 and its operations for the year ended on that date.



Chair

26 September 2019

ROTORUA ECONOMIC DEVELOPMENT LIMITED

ENTITY INFORMATION

FOR THE YEAR ENDED 30 JUNE 2019

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 and its ability to create employment, wealth and wellbeing for all Rotorua people.

Business Location

Level 3, 1172 Haupapa St, Rotorua, 3010

Registered Office

1061 Haupapa Street, Rotorua

Directors

Peter Stubbs – Chair

Andy Higgs

Christopher Auld

Mere George

James Fitzgerald

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 2019

	Notes	Actual 2019 \$000	Budget 2019 \$000	Actual 2018 \$000
Revenue				
Council funding	2	4,300	4,320	4,023
Other income	3	2,965	2,637	2,812
Interest received	4	23	10	22
Total Revenue		7,289	6,966	6,858
Expenses				
Advertising, marketing and communications	5	1,853	1,349	1,617
Depreciation	12	62	21	30
Personnel costs	6	2,699	3,060	2,524
Other expenses	7	2,652	2,536	2,318
Total Expenses		7,266	6,966	6,489
Surplus/deficit before tax				
		23		369
Income tax expense	8			
Surplus/deficit after tax		23		369

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

ROTORUA ECONOMIC
DEVELOPMENT LIMITED

**STATEMENT OF FINANCIAL
POSITION**

AS AT 30 JUNE 2019

The Board of Directors of Rotorua Economic Development Limited authorise these financial statements for issue on 26 September 2019.



	Notes	Actual 2019 \$000	Actual 2018 \$000
Assets			
Current Assets			
Cash and cash equivalents	9	767	1,139
Receivables	10	366	507
Other current assets	11	185	144
Total current assets		1,318	1,790
Non-current assets			
Property, plant and equipment	12	106	98
Intangible assets	13	39	
Total non-current assets		145	98
Total assets		1,462	1,888
Liabilities			
Current liabilities			
Payables and accrued expenses	14	560	1,036
Employee entitlements	15	284	256
Total current liabilities		844	1,292
Total liabilities		844	1,292
Net assets		619	595
Equity			
Retained earnings	16	386	363
Share capital	16	232	232
Total equity		619	595

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

ROTORUA ECONOMIC
DEVELOPMENT LIMITED

**STATEMENT OF CHANGES IN
EQUITY**

FOR THE YEAR ENDED 30 JUNE 2019

	Notes	Actual 2019 \$000	Actual 2018 \$000
Balance at 1 July		595	227
Surplus/(deficit)		23	369
Balance at 30 June	16	619	595

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

ROTORUA ECONOMIC
DEVELOPMENT LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2019

	Notes	Actual 2019 \$000	Actual 2018 \$000
Cash flows from operating activities			
Interest received		23	22
Receipts from grants and other income		7,238	6,963
Payments to suppliers and employees		(7,524)	(6,800)
Directors remuneration paid		(73)	(77)
Goods and services tax (net)		77	51
Resident withholding tax paid IRD		(5)	(6)
Net cashflows from operating activities	22	(263)	153
Cash flows from investing activities			
Purchase of property, plant and equipment		(109)	(90)
Net cashflows from investing activities		(109)	(90)
Net increase / (decrease) in bank accounts and cash		(373)	63
Cash and cash equivalents at the beginning of the year		1,140	1,077
Cash and cash equivalents at the end of the year		767	1,140

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

ROTORUA ECONOMIC DEVELOPMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

1. STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2019

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 2019. The financial statements were authorised for issue by the directors on 26 September 2019.

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.

Sale of goods

Revenue from the sale of goods is recognised when the goods are sold to the customer.

Sale of services

Revenue from the sale of services is recognised when the service is provided.

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 or 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.

Intangible assets

Software acquisition and development

Computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs that are directly attributable to the development of software for internal use are recognised as an intangible asset. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

Staff training costs are recognised in the surplus or deficit when incurred.

Costs associated with maintaining computer software are recognised as an expense when incurred.

Costs associated with development and maintenance of the website are recognised as an expense when incurred.

Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised.

The amortisation charge for each financial year is recognised in the surplus or deficit.

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

Intangible assets

Computer software	33.3%
-------------------	-------

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 60 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 conditions. There are no restrictions placed on the company by way of the leasing arrangements.

2. COUNCIL FUNDING

	Actual 2019 \$000	Actual 2018 \$000
Rotorua Lakes Council	4,300	4,023
Total council funding	4,300	4,023

3. OTHER INCOME

	Actual 2019 \$000	Actual 2018 \$000
Commission received	889	848
Events and roadshows	281	160
Promotion income	203	201
Rotorua Tourism Investment Program Inc.	270	352
Sundry income	54	86
Trading revenue	1,268	1,165
Total other income	2,965	2,812

4. INTEREST RECEIVED

	Actual 2019 \$000	Actual 2018 \$000
Interest received	23	22
Total interest received	23	22

5. ADVERTISING, MARKETING AND COMMUNICATIONS

	Actual 2019 \$000	Actual 2018 \$000
Advertising, marketing and communications	1,853	1,617
Total advertising, marketing and communications	1,853	1,617

6. 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.

Severance payments

For the year ended 30 June 2019 the Company did not make any severance payments. (2018:\$4,000)

	Actual 2019 \$000	Actual 2018 \$000
Salaries and wages	2,699	2,524
Total personnel costs	2,699	2,524
Employees remuneration exceeding \$100,000:		
\$100,000 - \$119,999	1	1
\$120,000 - \$139,999	1	1
\$140,000 - \$159,999	1	1
\$160,000 - \$179,999	-	-
\$180,000 - \$199,999	-	-
>\$200,000	1	1
Total employees	4	4

7. OTHER EXPENSES

	Actual 2019 \$000	Actual 2018 \$000
Accident Compensation Levy	8	(12)
Contractors and consultants	337	375
Cost of goods sold	617	546
Directors expenses	73	77
Fees to Audit NZ for financial statement audit	24	24
Fees to Audit NZ for audit disbursements	2	2
Lease	250	203
Other expenses	1,154	972
Travel and accommodation	109	75
Utilities	77	56
Total other expenses	2,652	2,318

8. INCOME TAX

A deferred tax asset has not been recognised in relation to temporary differences of \$6,797 (2018:\$9,817). The company's tax liability in relation to 2019 was reduced by tax losses of \$36,810 (2018:\$84,783) transferred from Infracore Ltd by means of a group tax loss offset.

	Actual 2019 \$000	Actual 2018 \$000
Components of tax expense		
Current tax	-	-
Deferred tax	-	-
Tax expense	-	-
Relationship between income tax expense and accounting surplus		
Surplus/(Deficit) for the year	23	369
Tax at 28%	6	103
Plus / (less) tax effects of:		
Non-taxable income	-	
Non-deductible expenditure	1	2
Deferred tax	3	(7)
Tax losses utilised	-	(75)
Tax losses received from related parties	(10)	(23)
Tax expense	-	-

9. CASH AND CASH EQUIVALENTS

	Actual 2019 \$000	Actual 2018 \$000
Cheque account	434	772
Tourism bank account	321	354
Cash on hand	12	12
Total cash and cash equivalents	767	1,139
Net cash and cash equivalents for the purposes of the statement of cash flows	767	1,139

10. RECEIVABLES

	Actual 2019 \$000	Actual 2018 \$000
Receivables from exchange transactions		
Trade receivables (gross)	369	444
Less provision for impairment	3	-
Net trade receivables	366	444
Total receivables from exchange transactions	366	444
Receivables from non-exchange transactions		
GST receivable	-	63
Total receivables from non-exchange transactions	-	63
Total receivables	366	507

11. OTHER CURRENT ASSETS

	Actual 2019 \$000	Actual 2018 \$000
Inventory	105	143
Pre-payments	79	1
Shareholder current account - RLC	-	-
Total other current assets	185	144

There is no write down of inventory during the year. (2018: Nil)

No inventory is pledged as security for liabilities in 2019. (2018: Nil)

12. 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 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

	Equipment \$000	Motor Vehicle \$000	Total \$000
Opening cost 1 July 2018	94	38	132
Accumulated depreciation opening	18	17	34
Opening carrying amount	76	22	98
Additions	70	-	70
Disposals (net of accumulated depreciation)	2	-	2
Depreciation expense	53	8	60
Closing cost	162	38	200
Accumulated depreciation closing	70	24	95
Carrying amount at 30 June 2019	92	14	106

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

13. INTANGIBLE ASSETS

Movements for each class of intangible assets are as follows:

	Computer Software \$000	Website Development \$000	Total \$000
Opening cost 1 July 2018	-	-	-
Accumulated depreciation opening	-	-	-
Opening carrying amount	-	-	-
Additions	11	30	41
Disposals (net of accumulated depreciation)	-	-	-
Depreciation expense	2	-	2
Closing cost	11	30	41
Accumulated depreciation closing	2	-	2
Carrying amount at 30 June 2019	9	30	39

14. PAYABLES AND ACCRUED EXPENSES

	Actual 2019 \$000	Actual 2018 \$000
Payables from exchange transactions		
Creditors	503	957
Revenue in advance	44	60
Total payables from exchange transactions	548	1,017
Payables from non-exchange transactions		
Taxes payable	12	19
Total payables from non-exchange transactions	12	19
Total payables and accrued expenses	560	1,036

15. EMPLOYEE ENTITLEMENTS

	Actual 2019 \$000	Actual 2018 \$000
Current portion		
Annual leave	284	256
Total employee entitlements	284	256

16. 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

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.

(a) Share Capital	Actual 2019 \$000	Actual 2018 \$000
Balance at 1 July	232	232
Total share capital	232	232

(b) Retained Earnings	Actual 2019 \$000	Actual 2018 \$000
Balance at 1 July	363	(6)
Surplus/(deficit)	23	369
Total retained earnings at 30 June	386	363
Total equity	619	595

16. EQUITY (continued)

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.

17. 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 2019 \$000	Actual 2018 \$000
Received a grant from Rotorua Lakes Council (excl.GST)	4,304	4,023
Accounts payable to Rotorua Lakes Council	31	250
Accounts receivable from Rotorua Lakes Council	2	82
Payable to Rotorua Lakes Council for Service Level Agreement (excl.GST)	521	521
Rent paid to Rotorua Lakes Council for I-Site (excl. GST)	174	127
	5,032	5,003

19. KEY MANAGEMENT REMUNERATION

Transactions with key management personnel:

	Actual 2019 \$000	Actual 2018 \$000
Senior management team including chief executive		
Full time equivalent members	7	6
Remuneration	905	813
Directors		
Full time equivalent members	5	6
Remuneration	60	70
Total full time equivalent personnel	12	12
Total key management personnel remuneration	965	883

20. DIRECTORS' REMUNERATION

Directors' remuneration was paid as the following:

In addition to remuneration an amount of \$5,025 relating to insurance was paid for Director liability. 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 2019 \$000	Actual 2019 \$000	Actual 2018 \$000	Actual 2018 \$000
	Fees	Travel	Fees	Travel
Peter Stubbs (Chairperson appointed 11 May 16)	20	4	20	2
Mere George (Appointed effective 1 August 16)	10	-	10	-
Christopher Auld (Appointed effective 1 August 16)	10	-	10	-
James Fitzgerald (Appointed 1 July 17)	10	-	10	-
Kiriwaitangi Rei (Retired effective 30 June 2018)	-	-	10	-
Andy Higgs (Appointed 1 July 17)	10	3	10	3
Board Observer fees	-	-	1	-
Total directors' remuneration	60	7	71	5

21. 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, 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 Directors' and Officers' defence costs insurance.

22. RECONCILIATION OF NET SURPLUS/ (DEFICIT) TO NET CASH FLOW FROM OPERATING ACTIVITIES

	Actual 2019 \$000	Actual 2018 \$000
Net surplus/(deficit)	23	369
Add/(less) non-cash items:		
Depreciation	62	30
Total non-cash items	62	30
Add/(less) movements in statement of financial position items		
(Increase)/decrease in receivables	141	265
(Increase)/decrease in other current assets	(41)	(65)
Increase/(decrease) in payables and accrued expenses	(448)	(446)
Total net movement in working capital items	(348)	(246)
Net cash flow from operating activities	(263)	153

23. FINANCIAL INSTRUMENTS

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

	Actual 2019 \$000	Actual 2018 \$000
Financial assets		
Cash and cash equivalents	767	1,139
Receivables (excluding tax receivable)	342	444
<i>Total loans and receivables</i>	1,109	1,583
Financial liabilities at amortised cost		
Payables (excluding taxes payable)	548	1,017
<i>Total non-current portion</i>	548	1,017

23. FINANCIAL INSTRUMENTS (continued)

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.

Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices. At present the company is not exposed to any equity securities price risk as the company holds no listed equity instruments.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Credit risk

Credit risk is the risk that a third party will default on its obligation to Rotorua Economic Development Ltd causing the company to incur a loss. Financial instruments which potentially subject the company to credit risk consist of bank balances and receivables.

The company places its cash with high credit quality financial institutions. Accordingly the company does not require any collateral or security to support these financial instruments with institutions or organisations it deals with.

Liquidity risk

Liquidity risk is the risk that Rotorua Economic Development Ltd will encounter difficulty raising liquid funds to meet commitments as they fall due. Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Rotorua Economic Development Ltd mostly manages liquidity risk by continuously monitoring forecast and actual cash flow requirements.

24. REPORT AGAINST STATEMENT OF INTENT

Commentary:

Trading revenue from i-SITE is higher than budget which is driven by increased retail sales as a result of additional floor space being allocated for products.

Other revenue largely comprises i-SITE promotional revenue which has increased as additional advertising opportunities have been identified and realised.

Personnel costs were below budget due to ongoing vacancies, which have been filled for the new financial year.

Operating costs were higher than budget due to a number of factors: some projects were deferred from the previous year as a result of staff vacancies. We were also able to take advantage of a number of strategic partnership opportunities that were offered to us during the year.

	SOI 2019 \$000	Actual 2019 \$000	Variance 2019 \$000
Council Funding	4,320	4,300	(20)
i-SITE commission received	990	916	(74)
Trading revenue	1,100	1,225	125
Other revenue	557	502	(54)
Interest Received		23	23
Total Revenue	6,966	6,967	1
Expenses			
Personnel costs	3,060	2,675	385
Admin & office expenses	372	321	50
Finance costs and charges	95	126	(31)
Council service charges	575	521	54
Repairs & Maintenance	46	60	(14)
Operating expenses	2,764	3,165	(401)
Utilities	55	77	(22)
Total expenses	6,966	6,944	22
Net surplus		23	23

25. 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 \$24,056 excl. GST (2018 \$24,040 excl. GST).

26. DONATIONS

No donations were made by the company during the year (2018: Nil).

27. CONTINGENT LIABILITIES

At balance date contingent liabilities have been estimated at nil (2018: Nil).

28. OPERATING LEASES

	Actual 2019 \$000	Actual 2018 \$000
Commitment Type		
Not later than one year	70	120
Later than one year and not later than five years	268	280
Later than five years	-	65

Operating leases relate to:
i-SITE premises
Level 3, Haupapa Street

Included in the previous year's annual report we disclosed lease payments of \$162,000 relating to the i-SITE and Haupapa Street premises. Lease costs are disclosed under note 7.

29. EVENTS AFTER BALANCE DATE

There have been no significant events after the balance date.

30. CAPITAL MANAGEMENT

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

The objective of managing the Company's equity is to ensure that the Company effectively achieves the 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 2019.

The funding agreement indicates that support will be provided until 30 June 2020. The support provided to Rotorua Economic Development Limited shall include: \$4.4m 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 2019

AUDIT NEW ZEALAND

Mana Arotake Aotearoa

The Auditor General is the auditor of Rotorua Economic Development Limited (the Company). The Auditor General has appointed me, Leon Pieterse, 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 34 to 51, that comprise the statement of financial position as at 30 June 2019, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of the Company on pages 26 to 29

In our opinion:

- the financial statements of the Company on pages 34 to 51:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2019; and
 - its financial performance and cash flows for the year then ended; and
 - comply with generally accepted accounting practice in New Zealand in accordance with Tier 2 Public Benefit Entity Accounting Standards; and
- the performance information of the Company on pages 26 to 29 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 2019.

Our audit was completed on 26 September 2019. This is the date at which our opinion is expressed.

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

Basis for our opinion

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

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

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

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

The Board of Directors is responsible on behalf of the 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 1 to 33, 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.



Leon Pieterse
Audit New Zealand
On behalf of the Auditor-General
Tauranga, New Zealand

