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Executive summary

The Grow Rotorua board was fully appointed in August 2012 and the management team became operational from January 2013. Deliverables for the first year, set out in the Statement of Intent, focused on understanding the opportunities and barriers for economic growth in the forestry, agriculture, tourism and geothermal sectors. In addition Grow Rotorua was tasked to identify opportunities for Te Arawa investment, be a part of the Bay of Connections governance group, develop a communications strategy and progress other opportunities as they arose to drive economic growth in the Rotorua district.

Throughout the year Grow Rotorua had representation on the Bay of Connections Governance and Management Groups which met on a two to three-monthly cycle. This representation helped provide connections and relationships across sectors and to champion the position and opportunities for Rotorua.

The forestry sector is constantly being evaluated. Barriers to grow in this sector include supply chain ownership and control being fragmented, lack of scale, capital for investment, log prices to domestic customers rising due to global demand, short-term security of supply as well as foreign exchange rates affecting margins. Grow Rotorua has identified several opportunities for growth in this sector which include the conditions required to competitively process A&K grade logs onshore primarily for Asian markets, geothermal direct heat cost advantages, modular engineered buildings for residential and low-rise commercial buildings and a Centre for Applied Research.

Tourism barriers for growth were identified which include low accommodation yields affecting re-investment, short stay trend, accommodation quality (there are no five star properties of scale), infrastructure constraints to attract higher end conferences and the current hospitality offering. Several projects have been established to drive economic growth in the tourism sector. These include a range of spa, health and wellness facilities, a re-developed geothermal golf course, a five star hotel and a biking strategy. The goal of these projects is to redefine the attractiveness of Rotorua, attract high value visitors and get people staying in Rotorua longer and doing more.

Geothermal resources provide opportunities for growth for Rotorua. The current barriers include the high and risky cost of resource exploration and drilling, potential Resource Management Act restrictions on access and the unlikelihood of...
power station development in the short-term. The key opportunity for this sector is using geothermal direct heat for uses that do not need a geothermal power plant for the base load. Further opportunities include Iwi investment, new technologies that enable better resource utilisation and other renewable energy sources.

Agriculture is a significant contributor to the Rotorua economy. Barriers for growth include suitable land class availability, lack of irrigation, environmental regulations and low returns on most farming systems. Several opportunities have been identified for growth such as manuka plantations, closed loop dairy systems, dairy goats and understory crops such as ginseng.

Grow Rotorua is working with Te Arawa across the four sectors to develop sustainable investment opportunities. In addition over the last year Grow Rotorua provided input into both the National Maori Economic Development Strategy and the Bay of Connections Maori Strategy. A partnership was also formed with The ICEHOUSE to undertake research on the barriers for iwi businesses.

A Communications Strategy was developed to ensure stakeholders, investors, Iwi and the wider community are informed of the potential economic growth opportunities for the Rotorua District and the role that Grow Rotorua and other parties can play in achieving those outcomes. Grow Rotorua also sponsored the Maori Forestry Conference, the Bioenergy Association Conference and the Wood Expo 2013.

Grow Rotorua ensured that the necessary elements of an entrepreneurial community were put in place to encourage start-up business growth. This has been done in co-operation with Enterprise Angels, Taupo and Whakatane to create a bay wide approach.

An opportunity was identified by Grow Rotorua to establish a Centre of Freshwater Excellence to leverage off the considerable skills, knowledge and expertise built in working to clean up the Rotorua Te Arawa lakes.

Grow Rotorua supported Scion with its successful application for $2.5 million to the Bay of Plenty Regional Infrastructure Fund. The Innovation Centre will be home to a range of forestry-related businesses, both domestic and international, looking to leverage off the resources available at Scion and the benefits of clustering. The Centre is scheduled for completion in January 2015.

The Youth Enterprise Scheme helps secondary school children obtain real life business skills and develop budding entrepreneurs. Grow Rotorua supported the scheme this year in Rotorua. The programme involved schools from Rotorua, Tokoroa and Taupo. At the 2013 regional competition, student companies from Rotorua took out four of the top five awards.
Message from the Chair

Welcome to the first Annual Report for Grow Rotorua. Our first year has been an incredibly busy one and has laid a solid foundation for future economic growth for the Rotorua district and surrounding areas.

We have concentrated our efforts on gaining an understanding of the opportunities and barriers in each of the key sectors of forestry and wood processing, geothermal energy, tourism and agriculture. This has led to the identification so far of eighteen very promising opportunities. Excellent work is underway in each of these areas to understand their full potential and to identify who the possible investors are.

We know we will only be successful by working with local business leaders, business organisations, government departments, Iwi organisations, tertiary and training institutions and the council. Relationships, alliances and partnerships have been formed to deliver positive outcomes for economic growth.

We look forward to continue to work with you to deliver economic growth for our district.

John Green - Chairman

Message from the CEO

It is an absolute privilege to be part of the Grow Rotorua team and to get the opportunity to work with highly talented people across the business and wider community. There is general agreement that Rotorua has most of the resources necessary to create a new pathway forward for economic growth across the region.

While we have only been operational for a relatively short time, we have elected to focus on several projects that are showing early potential. We are always mindful that we have to maintain a tight focus on projects that will deliver economic scale and quality employment. Part of the selection criteria is understanding where Grow Rotorua can add the most value as either a project champion, strategic partner or by providing some level of support.

Along with specific projects, Grow Rotorua also seeks to develop and maintain a macro view of the sector and operating environment. This is particularly important to ensure that aspects such as Central Government policies and Ministerial support are aligned with the challenges and opportunities for economic growth across each sector and region.

As we embark towards our second year of operation I am sure the knowledge built, strategies developed and specific projects will continue to evolve.

Lastly I would like to take this opportunity to thank our colleagues across the Bay of Connections – Taupo, Tauranga, Whakatane and Kawerau, for the passion and commitment in wanting to grow the wider region through the spirit of cooperation.

Francis Pauwels - Chief Executive Officer
What is Grow Rotorua?

Grow Rotorua is a Council Controlled Organisation that was formed in June 2012. It is a separate independently governed and focussed entity created to lead the implementation of the Rotorua Sustainable Economic Growth Strategy.

Within each of the four main sectors Grow Rotorua has the task of:

- Developing logically robust investment value propositions
- Communicating and promoting new propositions to the investment community
- Facilitating private sector investment
- Identifying and proposing solutions to the barriers for creating investment
- Understanding and promoting to the local education sector the capabilities and skills required for economic growth
- Understanding the aspirations and opportunities for Iwi investment.

These activities will deliver the following outcomes for the Rotorua district:

1. Opportunities for Iwi investment, partnership and job creation
2. Greater infrastructure and institutional capacity
3. Higher levels of skills development, education and innovation
4. Identification of ways to improve regulatory efficiency
5. Enhanced leadership for industry and economic development
6. On-going sustainable economic growth
7. Rising entrepreneurship reflected by increased business start-ups and less industry churn
8. Attracting new capital investment into the district
Meet our team

Board of Directors

Grow Rotorua has a highly commercial and connected Board providing the governance, strategic direction and ideas for economic growth in the Rotorua district. The Chair and six Board members are highly pro-active and propel investment opportunities through idea generation, brokering situations and influencing key partners and stakeholders.

John Green – Chairman

John has had an extensive international career in finance and management consulting, mergers and acquisitions of companies and managing and directing company operations. He is currently a professional Director of commercial and investment organisations. John was a former Chair of the Wellington College Board of Trustees and the Wellington College Foundation. He is Chairman of the Lakes Water Quality Society in Rotorua.

Warren Parker

Warren is the Chief Executive Officer for Scion. He has a strong track record in science and technology leadership and substantial experience in building productive science-industry relationships. He has been the recipient of a number of academic awards and has served on science panels and advisory boards in both New Zealand and Australia and as a Director on a number of technology start-up firms.

Jane Nees

Jane is a regional councillor for the western Bay of Plenty constituency of the Bay of Plenty Regional Council, and is Deputy Chair of Council. Born and bred in Wellington Jane has qualifications in science, with post graduate diplomas in librarianship and information systems. Prior to election to the Regional Council, Jane worked in senior management positions in central and local government and as the CEO of the Tauranga Chamber of Commerce.

Michael Barnett

Michael is Chief Executive of the Auckland Regional Chamber of Commerce and a Director of both the Auckland Chamber and NZ Chambers of Commerce & Industry. He is Chairman of the Equal Employment Opportunities Trust and is committed to their objectives of diversity in the workplace and achieving greater work-life balance. Michael was recognised by the Queen in the 2011 New Year’s Honours with a NZ Order of Merit.

Tony Marks

Tony has been in sales and marketing all his business life, working in England, the USA, Venezuela and New Zealand, largely for multi-nationals such as Kraft Foods, Carter Holt Harvey, Air New Zealand, Zespri and Virgin Blue. He is now a professional independent Director and holds, or has held, directorships in a variety of food companies, airlines, tourism organisations, jetpack manufacturers and local bodies.

Hemi Rolleston

Hemi is the Chief Executive Officer of Te Awanui Hukapak Limited. He is deputy chair of Te Hononga, Ngai Te Rangi Iwi treaty settlement group, strategic iwi advisor for Tauranga Moana Treaty of Waitangi claims and a member of Rangatapu Te Arawa leadership forum. In 2012 he was the recipient of the Export New Zealand Bay of Plenty Export Achiever Award and the New Zealand Institute of Directors Bay of Plenty Aspiring Director Award.

Gina Rangi

Gina has extensive experience in corporate governance, primarily within Maori organisations investing in geothermal and agricultural industries. She trained as a lawyer, and was a ministerial appointment on the government’s Maori Economic Development Panel and a director of Tuaropaki Power Company Ltd. Gina also owns her own consulting company Koi Consulting Ltd and previously assisted Te Pumautanga o Te Arawa Trust on renegotiation of their Deed of Settlement and the Waikato river settlement.
How we work

In determining what opportunities to pursue Grow Rotorua evaluates the options against a range of criteria which include:

- Does the project fit with the Statement of Intent
- What role and influence could Grow Rotorua bring
- Is some other agency better or more appropriately placed to facilitate
- What is the potential for Iwi involvement
- What is the scale of the opportunity
- What is the GDP contribution
- What number and level of full time employment positions could be created
- What synergies exist across sectors
- What are the education opportunities
- What is the environmental impact or contribution?

This assessment criteria provides the assurance that the opportunities that will deliver the best outcomes are prioritised and progressed.

Collaboration

Over the last year Grow Rotorua has been very proactive in building relationships, partnerships and alliances with key people, organisations and businesses to help progress projects.

We have a Communications Strategy that includes regular contact with stakeholders both directly and through various media channels.

Mission

Grow Rotorua is a catalyst and driving force for sustainable growth and economic development in the Rotorua district.

How does Grow Rotorua add value?

Grow Rotorua develops the connections, knowledge and big picture thinking to identify, refine and facilitate investment opportunities for the Rotorua district and surrounding areas.

Staff

Grow Rotorua has a small highly performing team that leverages off the effective use of consultants and experts locally and from around the globe for key parts of our projects.

Mark Smith - Commercial Technology Manager

Mark has experience in operations, strategy, product development and launching start-up businesses. With a PhD in chemical engineering from University of Auckland, Mark’s early career was in the aluminium industry based in Europe and US. On his return to New Zealand Mark moved into the forest products sector working at Tasman Pulp and Paper and Carter Holt Harvey in wood products and packaging.

Francis Pauwels - Chief Executive Officer

Hailing originally from Canterbury Francis’s career has encompassed a diverse range of roles with organisations including Freightways, AgResearch, Halifax Tourism, Marlborough District Council and more recently Environment Canterbury. Francis has a Bachelor of Science in Biochemistry from Lincoln University and a MBA from University of Canterbury. His vast commercial experience covers horticulture, governance, property investment, manufacturing, export markets and tourism.

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We have a Communications Strategy that includes regular contact with stakeholders both directly and through various media channels.
Highlights for 2013

**Regional Infrastructure Fund success**
- Grow Rotorua supported the application to the Regional Infrastructure Fund for a new SCION’s Innovation Centre.
- The Scion Innovation Centre will be a hub for research and development firms in the forestry and wood sectors, creating clusters of like-minded businesses for collaboration and innovation.
- $2.5 million of funding was awarded towards the Innovation Centre’s construction and fit-out. The project is scheduled for completion in January 2015.
- The Centre could help create hundreds of direct jobs and increase export earnings.

**Identifying key projects**
- So far 18 projects have been identified to drive economic growth in the Rotorua district.
- The projects range from growing tourism through the spa and wellness sector, to increasing infrastructure and events for mountain biking, and using geothermal resources in direct heat applications.
- Each project has a scope and plan outlining next steps and timeframes.

**Communications**
- A communications and stakeholder engagement plan completed.
- Presentations to Chamber of Commerce, Youth Enterprise Scheme, Rotorua Energy Charitable Trust and various other forums and events.
- Stakeholder engagement with key organisations and individuals for each sector and project.
- Increased profile of Grow Rotorua with media coverage on plans and actions.
- Sponsorship of key events - Maori Forestry Forum, Wood Expo, BANZ Conference.

**Building alliances**
- Development of partnerships and alliances with organisations such as GNS, SCION, Te Puni Kokiri and Bay of Plenty Regional Council to progress individual projects.
- Working with organisations outside of the Rotorua district as businesses don’t operate under geographical boundaries.

**Developing an entrepreneurial ecosystem**
- Lead partner in the Youth Enterprise Scheme.
- Partnered with Enterprise Angels to run ‘Entrepreneur Bootcamps’ - intensive and rigorous sessions to provide market validation for start-ups and entrepreneurs.
- Started the process of creating a Rotorua chapter of investment angels.
Statement of Intent

The 2012/13 Statement of Intent (SOI) agreed between the Rotorua District Council and the Grow Rotorua Board sets out the expectations of Grow Rotorua.

The company’s framework for sustainable growth strategies, guiding principles for implementation thereof, and key performance indicators set for 2012/13 are included in the SOI.

The Rotorua Sustainable Economic Growth Strategy (RSEGS) outlines both generic and sector-specific strategies to achieve sustainable economic growth for the district.

At a generic level, the following specific outcomes should be achieved following Grow Rotorua Ltd’s establishment:

1. Adoption of new technologies and a path for research to be converted to commercial success.
2. Greater infrastructure and institutional capacity.
3. Higher levels of skills development, education and innovation.
4. Increased regulatory efficiency.
5. Enhanced leadership for industry and economic development.
6. On-going sustainable economic growth.
7. Rising entrepreneurship reflected by increased business start-ups and less industry churn.

Statement of service performance

The company’s service performance is indicated as key performance indicators in the statement of intent. Our actual performance for the year against our key performance indicators is as follows:

<table>
<thead>
<tr>
<th>Key Performance Indicator</th>
<th>Status</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appoint CEO</td>
<td>Achieved</td>
<td></td>
</tr>
<tr>
<td>3 month update presentation to Rotorua District Council, including a presentation of the</td>
<td>Achieved</td>
<td>Combined with 6 month presentation</td>
</tr>
<tr>
<td>Grow Rotorua Ltd Business Plan 2012/13:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ensure the business plan has alignment with activities of Rotorua District Council,</td>
<td>Achieved</td>
<td></td>
</tr>
<tr>
<td>Rotorua Chamber of Commerce and Bay of Connections, as identified in Rotorua Sustainable</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Economic Growth Strategy.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6 month update including financials</td>
<td>Achieved</td>
<td></td>
</tr>
<tr>
<td>Present 2013 -15 draft SOI to Rotorua District Council</td>
<td>Achieved</td>
<td></td>
</tr>
<tr>
<td>9 month update presentation to Rotorua District Council</td>
<td>Achieved</td>
<td>Combined with SOI presentation</td>
</tr>
<tr>
<td>Annual report presentation to Rotorua District Council and key stakeholders, including:</td>
<td>Achieved</td>
<td></td>
</tr>
<tr>
<td>A report-card on the current position and how actions and activities of Grow Rotorua Ltd</td>
<td></td>
<td></td>
</tr>
<tr>
<td>are contributing to RSEGS objectives and the performance measures identified in Appendix</td>
<td></td>
<td></td>
</tr>
<tr>
<td>One of the document.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Representation on the Bay of Connections Governance Group and where appropriate the</td>
<td>Achieved</td>
<td>Members of Governance and Management Groups.</td>
</tr>
<tr>
<td>forestry and wood processing, energy, freight and logistics, IT and any other relevant</td>
<td></td>
<td></td>
</tr>
<tr>
<td>strategy management groups.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Continued over >
<table>
<thead>
<tr>
<th>Key Performance Indicator</th>
<th>Status</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Approve a Rotorua supply chain analysis to identify gaps and opportunities and recommend a strategy with early actions for attraction of investment in the forest industry, based on a defendable competitive advantage business case.</td>
<td>Achieved</td>
<td>Studies completed on Engineered Wood, Competitive Log Supply. Supported Innovation Centre Regional Infrastructure Fund.</td>
</tr>
<tr>
<td>Approve a position paper on Rotorua tourism investment positioning to identify gaps and opportunities and recommend a strategy with early actions for the attraction of investment in the sector based on a defendable competitive advantage business case, in consultation with the Rotorua Tourism Committee and Destination Rotorua Marketing.</td>
<td>Achieved</td>
<td>Three key projects underway in consultation with Rotorua Tourism Committee and Destination Rotorua Marketing of Spa and wellness, Biking and Golf Course.</td>
</tr>
<tr>
<td>Approve a position paper on Rotorua renewable energy positioning (in particular, geothermal and biomass) to identify gaps and opportunities and recommend a strategy with early actions for the attraction of investment in the sector based on a defendable competitive advantage business case, in consultation with the Bay of Connections Energy Strategy Group and other key stakeholders.</td>
<td>Achieved</td>
<td>Studies provided by GNS and East Harbour Energy on geothermal resources and application opportunities.</td>
</tr>
<tr>
<td>Approve a position paper on Rotorua agriculture positioning to identify gaps and opportunities and recommend a strategy with early actions for the attraction of investment in the sector, based on a defendable competitive advantage business case and taking into account the Lake Rotorua water quality environment, in consultation with key stakeholders.</td>
<td>Achieved</td>
<td>Engaged with Lake Water Quality Society, Lake Rotorua Stakeholder Advisory Group. Manuka opportunity. Rotorua Land Innovation Challenge.</td>
</tr>
<tr>
<td>Demonstrate how Grow Rotorua Ltd has worked with key Te Arawa business entities to develop a clear understanding of Te Arawa investment positioning and the potential role(s) and implementation actions Grow Rotorua Ltd should own with the aim of stimulating additional Te Arawa investment in the region.</td>
<td>Achieved</td>
<td>Iwi engagement in eight specific projects. Engaged The Icehouse to undertake study on barriers to Maori business.</td>
</tr>
<tr>
<td>Demonstration of a targeted dialogue and business engagement plan with the key stakeholders including industry sector groups and businesses in the district. (Communications strategy).</td>
<td>Achieved</td>
<td>Communications Plan underway.</td>
</tr>
</tbody>
</table>

### Representation on the Bay of Connections

The Bay of Connections is the economic development strategy for the wider Bay of Plenty region. It includes industries and sectors from Tauranga and the Western Bay of Plenty through to Rotorua, the Eastern Bay of Plenty and Taupo. Bay of Connections comprises a Regional Governance Group and a Regional Management Group.

Grow Rotorua Ltd is a member on both the Governance and Management Groups which meet on a two to three-monthly cycle.

Membership on these groups has helped build connections and relationships across sectors and to champion the position and opportunities for Rotorua.
Forestry is New Zealand’s third largest export earner and contributes 10% of New Zealand’s exports. The forestry and wood processing sector was the second largest employer in Rotorua in 2012 and generated 15% of the district’s local economy.

The forestry industry is firmly established in Rotorua and has extensive transportation infrastructure and support services required to gain sustainable competitive advantage.

The challenge is that a large proportion of trees harvested annually in the Bay of Plenty region are exported as whole logs without any local processing.

Research and analysis over the last year has identified the opportunities and barriers for growth. This has included the need for further understanding of the market opportunities and trade policies in China, comparative supply and processing costs and Engineered Wood Products potential.

**FORESTRY VISION**

Rotorua is the centre of NZ research, manufacturing and export of innovative wood fibre products.

**OPPORTUNITIES**

- Value chain opportunities to joint venture with the China market
- Geothermal direct heat opportunities for processing
- Design and manufacture of modular housing
- Centre of Applied Research located in Rotorua

**BARRIERS**

- Lack of supply chain integration
- Scale and capital for investment
- Log prices, certainty and foreign exchange rates
- Lack of market and policy knowledge
Residential multi-storey construction utilising engineered wood products
**Focus**

**China market**

The China market has been identified as a key area for growth in the forestry sector. Work undertaken by Grow Rotorua has highlighted the lack of knowledge and understanding of the log to customer supply chain for wood products in China. This makes it extremely difficult to prepare investment proposals to attract domestic and foreign investment. Grow Rotorua will undertake this analysis in the next year to better understand the investment opportunities and how to deliver the outcomes in the forestry sector.

**Industry Strategic pathway**

A further focus is to be part of the development of a strategic pathway forward combining existing and required industry and market data. For the industry to proceed there needs to be coordination across the four key areas:

1. Government internal and trade policy, core infrastructure, revolving seed capital
2. Export market development (particularly for new technology products)
3. Innovation cross sector and cross technology (e.g. geothermal access and applications for manufacturing)
4. Industry Support

**Opportunity for growth - Engineered wood products**

Grow Rotorua are undertaking projects with SCION, Waiairiki Institute of Technology and key stakeholders to explore opportunities for an applied engineered wood research centre and the fabrication of panelised buildings.

The Wood Council of New Zealand identified four strategies that could potentially deliver an additional $6 billion nationally in export earnings by 2022:

<table>
<thead>
<tr>
<th>No.</th>
<th>Strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Processing more logs on-shore and adding value in New Zealand</td>
</tr>
<tr>
<td>2.</td>
<td>Improving sawmill conversion efficiencies</td>
</tr>
<tr>
<td>3.</td>
<td>Changing the current wood product mix so more higher-value engineered wood products (EWPs) are being produced</td>
</tr>
<tr>
<td>4.</td>
<td>Investigating in bio refinery type opportunities resulting in wood-derived biofuels and biomaterials that substitute for current oil-based options.</td>
</tr>
</tbody>
</table>

Grow Rotorua undertook work to identify opportunities for Engineered Wood Products (EWP) in the Rotorua District. This work looked at international trends whereby the EWP sector for multi storey, medium density residential and low rise commercial buildings is growing at 25% per annum in Europe. This is largely being driven by the rising costs of buildings, heightened emphasis on earthquake resilience and speed of construction, modern manufacturing techniques (CAD/CAM) as well as the design and aesthetic potential for timber buildings.

Between SCION, Waiairiki Institute of Technology and other local organisations in conjunction with Auckland and Canterbury Universities, Rotorua has access to extensive research and technical skills in the EWP area.

The opportunity exists for Rotorua to lead New Zealand in two areas - applied EWP research and fabrication of panelised buildings.

**Outcomes targeted**

- An Engineered Wood Product Centre of Applied Research
- A prefabrication operation established in Rotorua
- Export market opportunity for timber panelised construction
- Potential joint venture partners, investors and strategic tier 1 customers.
Tourism is one of New Zealand’s largest foreign exchange earners and Rotorua is one of the leading international tourism destinations in New Zealand. Rotorua’s tourism sector contributed 11% to the district’s economy in the year ended March 2011. This sector grew by 4.8% in 2011 compared with growth of 0.6% in the national economy.

The tourism industry is Rotorua’s largest employer with contributors including accommodation, bars, restaurants, leisure activities, conferences, events and the retail sector.

Over the last year Grow Rotorua has investigated the barriers and opportunities for tourism growth in Rotorua. The goal is to obtain a bigger yield per visit and attract high value visitors to the district. To do this Rotorua must have world class facilities.

**VISION**

Rotorua is the leading destination in the Southern Hemisphere for the spa and wellness tourism sector. Rotorua is locally and internationally recognised and sought after for the benefits and experiences of its biking facilities and culture.

**OPPORTUNITIES**

- Growth in spa and wellness sector
- Biking
- 5 star hotel development
- Geothermal golf course
- Strategic air link alliances

**BARRIERS**

- Package tour dominated - low yield
- Short stay trend
- Current hospitality offering, no 5 star hotel
- Difficult to invest capital due to low yields
- Domestic connections and airfares
Focus

Work undertaken in the past year has enabled Grow Rotorua to develop project plans for several opportunities in the tourism sector.

Grow Rotorua is exploring these opportunities in conjunction with Destination Rotorua Marketing, the Airport and key stakeholders to identify investments that will help redefine the attractiveness of Rotorua. This includes progressing actions to ensure we have world class facilities in the district.

Opportunity for growth - Spa and wellness

Grow Rotorua is undertaking a major project to identify successful spa complexes around the world to translate these into investment opportunities for Rotorua.

Health and wellness has long been a strong driver for visitors to the region particularly to engage in geothermal water treatments for rehabilitation, treatment and relaxation.

The health and wellness industry is estimated at US$1.9 trillion and with global mega-trends such as ageing population, changing demographics and exponential health costs this industry will continue to grow. The opportunity exists to develop specialist facilities particularly with strong cultural influences, to target wider market segments and establish Rotorua as a globally-recognised destination for health and wellness for local, New Zealand and international visitors.

The opportunities for Iwi are considerable through land ownership, resource access, capital investment, business ownership and job creations.

Outcomes targeted:

- Successful models of a range of complexes from different countries and cultures
- Understand the aspirations of local landowners, businesses and investors
- Establish the geothermal resource availability and any Resource Management Act implications
- Develop a range of investment cases
- Assist implementation of new investment where appropriate.
Opportunity for growth - Biking strategy

Grow Rotorua is undertaking a project with local and regional stakeholders to develop a vision and strategic pathway for biking in Rotorua.

Rotorua has a very well established and internationally recognised network of cycle trails and is the home of the New Zealand Mountain Biking Centre of Excellence. Rotorua is centrally located with easy access from the Bay of Plenty, Waikato, Auckland and Australia. Cycling is a catalyst for a number of other economic drivers such as the spa and wellness sector, business attraction, and corporate incentives.

International trends:

• Cycling aligns to the ‘Green Tourism’ trend
• The estimated European Union value is in excess of Euro 44 billion per annum
• Many countries now have a cycle strategy with some experts expecting a three to four fold increase in cycle tourism over the next decade.

Aligned with worldwide trends, cycling has the potential to treble in value over the next five to 10 years. Significant opportunities exist for a wide range of differentiated facilities and services. In a recent Red Bull competition, Rotorua ranked number eight in the world as a mountain biking destination.

Outcomes targeted

• Comprehensive investor and information pack covering 10 year cycle tourism vision and strategy that will include:
  o Existing track network, new route potential and support facilities
  o Promotion and marketing
  o Iwi investment opportunities
  o Funding and necessary investments for achieving the vision
  o Management and governance structures necessary to achieve the vision
  o Events and key businesses to attract
• Economic impact models
• Spatial concept plan
• Market validation.
Opportunity for growth - Golf course

Grow Rotorua is facilitating conceptual studies with the landowners, Golf Club and Greg Turner Golf to explore how Arikikapakapa can become an international class destination and strong catalyst for tourism growth in the district.

The Arikikapakapa Golf Course has the potential to be a significant destination asset. Ownership decisions, the vision of Grow Rotorua and the moves of Tourism NZ to develop New Zealand’s international golf tourism market are aligned.

Golf related international tourism contributes around $190 million per annum to the national economy and the potential is to double that impact over the next few years. 80% of this value falls outside the golf spending arena in tourism associated businesses such as airlines, accommodation, car rentals, food and beverage and other attractions. Golf visitors also tend to stay longer and deliver over twice the average tourist yield.

The process is well advanced in developing distinctive “NZ golf trails” and the significant private investments in the central North Island guarantee that the overall region will be a part of this, most specifically around the likes of Kinloch, Wairakei and Cape Kidnappers. Arikikapakapa has the potential to feature alongside these marquee courses and for Rotorua to significantly benefit from this initiative. The natural geothermal features of the site are its most distinctive attribute.

The journey around the property needs to link the sporting endeavour with the site’s distinctive physical attributes and its Maori history. The opportunity exists to create a New Zealand golf course that unites, harmonises and celebrates these values.

Maori golf and culture has been exported to the world by champions like Michael Campbell and Phillip Tataurangi. This course could bring the golfing world to the Maori culture.

Outcomes targeted

- Fully engaged and involved landowners, club and wider community
- Concept designs and costing established
- Funding options explored
- Integration with wider tourism initiatives and strategic neighbours (e.g. Te Puia, Waiariki).
Our close proximity to the geothermal fields provides exciting opportunities for the district. Geothermal can increase our tourism through the spa and wellness segment, provide heating for the aged care and specialist living sectors and in agricultural uses for example in glasshouses. Geothermal energy can have a major impact on the viability and value add potential from the timber processing sector.

A total of 21 geothermal areas have been identified in this area, with about half offering the potential for resource utilisation.

There is growing realisation globally of the real potential of geothermal energy. Rotorua has this natural resource in abundance, with policies in place to manage the resource sustainably and safely.

Grow Rotorua is identifying the alternative uses and values of geothermal resources.

**VISION**

Rotorua will lead the way globally on the sustainable use of direct heat geothermal resources to drive economic growth and prosperity
Focus

Grow Rotorua will develop a strategy on the opportunities for utilising geothermal in direct heat applications, for example in the spa and wellness sector, timber drying, engineered wood products and glasshouses.

Opportunity for growth - Geothermal direct heat

Many of the identified geothermal areas are protected because of their tourist value, for example Whakarewarewa, Whakarewarewa, Waiotapu and Waimangu. However a number have been identified as available for further development including Taheke, Tikitere, Horohoro and Ohaaki. Most of the available resources are under Iwi ownership and there are strong aspirations to sustainably utilise the resources to generate wealth and employment for current and future generations.

Historically, major industrial development has centred on geothermal power plants with downstream users making use of what is effectively “waste” heat. Well-known examples are the Huka Prawn Park at Wairakei and Ohaaki drying kilns. Grow Rotorua believes there are many more opportunities to utilise our geothermal resources by identifying direct heat uses that do not need a geothermal power plant for the base load. The diagram below shows an example of some of the sorts of opportunities that could be explored.

![Diagram showing direct heat applications and temperature ranges](image)

Outcomes targeted

- Mutual, strong relationship with land owners
- Understand resource availability including economics, costs to access resources and Resource Management Act implications
- Understand market opportunities and undertake market research on identified possibilities, for example glasshouse crops and industrial processing
- Complete business plans on the most attractive options with land owner involvement
- Identify potential investors (locally and internationally) and facilitate investment.
Dairy, dry stock and deer are just some of the examples of agricultural land use in the district. In 2012 agriculture contributed 5.7% to the local economy.

Growth in the agriculture sector needs to take into consideration the impact on fresh water bodies. The lakes of the Rotorua District are a prime tourist attraction and to protect the water quality the Bay of Plenty Regional Council has set a limit for nutrients entering the Rotorua Te Arawa lakes from agricultural activities.

Grow Rotorua has partnered with the Rotorua Te Arawa Lakes Programme to identify innovative land-use options that will provide for a thriving agricultural sector and meet nutrient management objectives. A Rotorua Land Innovation Challenge will be held in 2013-2014.

### VISION

Innovative technologies and new land-uses create products that leverage off the sustainable use of our natural resources.

### OPPORTUNITIES

- Identification of alternative land uses
- Manuka honey
- Closed Loop Dairy systems and dairy goats

### BARRIERS

- Constraints of land class, soil type, fertility and irrigation
- Low returns on most farming systems
- Nutrient management and tighter environmental regulations
Opportunity for growth - Manuka plantations

Grow Rotorua is exploring how land in the region could be developed for manuka honey and other manuka products.

Manuka honey has become a highly valued export and domestic product particularly through demand from Asia and Europe. Exports are now around $120m with tremendous prospects for future growth.

While supply has primarily been from naturally occurring manuka stands in the past, there is significant interest in establishing manuka plantations.

The potential includes a range of activities from tree breeding, propagation of seedlings, establishing manuka plantations and products such as honey and oils. There are also strategic links to the spa and wellness strategy as well as the education opportunities across the whole value chain - scientists, foresters, apiarists and health sector specialists.

Iwi with ownership of large tracts of land in the district have significant opportunities to engage right across the value chain and related sectors including developing their own brands and channels to markets.

Outcomes targeted

- Iwi involvement along the value chain
- Integrated, economically viable land use change
- Demonstration sites established in 2014
- Supply chain developed to establish 1000 hectares of plantation manuka
- Investment opportunities identified along delivery and value chains.
IWI

Te Arawa seek long-term partnerships that provide sustainable use of resources – land, people and natural resources - as well as providing a mutually beneficial financial return. Grow Rotorua is working with Iwi on several of the previous projects to develop viable opportunities that provide sustainable investment for their hapu and whanau.

Over the last year Grow Rotorua has provided input into both the National Maori Economic Development Strategy as well as the Bay of Connections Maori Strategy. In addition a partnership was formed with The ICEHOUSE to undertake research on the barriers for Iwi businesses.

Opportunity for growth - Iwi land development

Grow Rotorua is exploring the establishment of an overarching support group for Maori land interests in Rotorua that brings together a single point of focus for the wide range of opportunities available.

The Bay of Connections Maori asset base for 2010 was estimated at $8.6 billion, accounting for 23% of the total Maori assets in New Zealand.

Several opportunities exist for underutilised Maori land (estimated 1.2 million hectares nationally) to be developed for a range of uses including kauri trees (50 year rotations), pines (25 years), manuka, ginseng and other under-story crops.

Outcomes targeted

• Establishment of a unified support group including representatives from Grow Rotorua, Te Puni Kokiri, Te Tumu Paeroa, Te Arawa and Federation of Maori Authorities to assist Maori land owners in developing their land
• Understand articulated aspirations
• Integrate with National (He kai kei aku ringa) and Bay of Connection (He Mauri Ohooho) strategies
• Develop an Action Plan with identified initiatives
• Seek funding for the identified initiatives, as required.
In addition to the four key sectors Grow Rotorua has undertaken work on various other projects.

**Entrepreneurial ecosystem**

Grow Rotorua’s role has been to identify, facilitate and then hand-over programs for the entrepreneurs and investors in our community to run.

Cities need to ensure the right environment is available for start-up businesses to flourish. Those that succeed become the SMEs of tomorrow and then the corporates of the future. Experience has shown that successful start-ups need to grow within an “entrepreneurial community” that can provide the support, encouragement and resources needed to grow these fledgling businesses.

Grow Rotorua has spent considerable effort in recent months ensuring that the necessary elements of an entrepreneurial community are put in place to encourage start-up business growth. This has been done in co-operation with Enterprise Angels (based in Tauranga) and like-minded people in Taupo and Whakatane to create a bay wide approach to start-up business support and development.

Those key elements we have put in place include:

- A place for new and existing entrepreneurs to get together on a regular but informal basis to discuss start-up issues
- A structured process for developing ideas into a detailed business plan that can be used to seek investment. The first part of this process is known as Entrepreneur Bootcamps and involves validating the market potential of business ideas. A trial course has been run with Te Puni Kokiri involving nine entrepreneurs looking to bring their ideas to market.
- A Rotorua based chapter of Enterprise Angels – so-called “angel investors” who are prepared to invest in start-up businesses.
Freshwater Science Centre of Excellence

Grow Rotorua is carrying out a feasibility study on establishing a Freshwater Centre of Excellence in Rotorua

Over the last 13 years the community has engaged in a $200 million programme to improve or maintain the water quality of our lakes. The programme has been managed by the Rotorua Te Arawa Lakes Strategy Group consisting of the Bay of Plenty Regional Council, Te Arawa Lakes Trust, Rotorua District Council and the Ministry for the Environment. This group is strongly supported by the Chair of Lakes Management and Restoration, Professor David Hamilton, at the University of Waikato and the freshwater science fraternity. The outcomes achieved have been internationally recognised.

The opportunity exists to establish a centre of freshwater excellence which can leverage off the considerable skills, knowledge and expertise built during the last 13 years.

Outcomes targeted

- Strong international consultancy income from worldwide fresh water assignments
- Strong growth in secondary, tertiary and post graduate education programmes
- Intellectual property commercialisation
- Development of state of the art diagnostic techniques and tools.
Innovation Centre

Grow Rotorua supported Scion with its successful application for $2.5 million to the Bay of Plenty Regional Infrastructure Fund. The Innovation Centre will be home to a range of forestry-related businesses, both domestic and international, looking to leverage off the resources available at Scion and the benefits of clustering in a work environment with other like-minded businesses.

This could be the first of four such institutions that can be housed in Rotorua and attract highly qualified experts in their fields to the region. The other three opportunities identified to date include:

- Geothermal – direct heat
- Engineered Wood Products / Prefabrication / Modularisation
- Freshwater Science.

There are a number of crossover synergies with these technologies that will establish Rotorua as a major centre in New Zealand for advanced research and technology development.

Outcomes targeted

- Thriving, internationally-respected forestry and wood processing innovation campus
- Co-located Centres of Excellence in Freshwater, Geothermal and Applied Engineered Wood Product Research
- Strong synergies and value-add created between the centres
- Manufacturing clusters developing around the Centres activity and IP.

Youth Enterprise Scheme

The Lion Foundation Youth Enterprise Trust is dedicated to growing a more prosperous New Zealand with the aim that all New Zealand students participate in experimental enterprise education and financial literacy programs. The flagship program is the Young Enterprise Scheme (YES) for senior secondary school students. Students set up a company, create actual products or services and make real profit or loss giving them the opportunity for “hands-on learning” about the business world.

During the year the students, with their teachers and with help from local business mentors, learn about leadership, business planning, production, marketing and finance. Teamwork and community spirit are other components for this great ‘real life’ business experience. NCEA achievement credits can be achieved through school, and a genuine (long term) business opportunity can be created.

Grow Rotorua has supported the scheme this year in Rotorua by engaging a local coordinator to facilitate schools participation, YES grants and corporate sponsorship. The programme involved schools from Rotorua, Tokoroa and Taupo.

At the 2013 regional competition, student companies from Rotorua took out four of the top five awards.
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Independent Auditor’s Report

To the readers of Grow Rotorua Limited’s financial statements and statement of service performance for the year ended 30 June 2013

The Auditor-General is the auditor of Grow Rotorua 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 statement of service performance of the company on her behalf.

We have audited:

• the financial statements of the company on pages 37 to 46, that comprise the statement of financial position as at 30 June 2013, the statement of comprehensive income and statement of movements in equity for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and

• the statement of service performance of the company on pages 10 to 11.

Opinion

Financial statements and statement of service performance

In our opinion:

• the financial statements of the company on pages 37 to 46:
  o comply with generally accepted accounting practice in New Zealand;
  o give a true and fair view of the company’s:
    - financial position as at 30 June 2013; and
    - financial performance and cash flows for the year ended on that date.

• the statement of service performance of the company on pages 10 to 11:
  o complies with generally accepted accounting practice in New Zealand; and
  o gives a true and fair view of the company’s service performance achievements measured against the performance targets adopted for the year ended 30 June 2013.

Other legal requirements

In accordance with the Financial Reporting Act 1993 we report that, in our opinion, proper accounting records have been kept by the company as far as appears from an examination of those records.

Our audit was completed on 18 September 2013. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities, and explain our independence.

Basis of opinion

We carried out our audit in accordance with the Auditor-General’s Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements and statement of service performance are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence readers’ overall understanding of the financial statements and statement of service performance. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements and statement of service performance. The procedures selected depend on our judgement, including our
assessment of risks of material misstatement of the financial statements and statement of service performance whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the company’s financial statements and statement of service performance that give a true and fair view of the matters to which they relate. We consider internal control 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.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Board of Directors;
- the adequacy of all disclosures in the financial statements and statement of service performance; and
- the overall presentation of the financial statements and statement of service performance.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and statement of service performance.

In accordance with the Financial Reporting Act 1993, we report that we have obtained all the information and explanations we have required. We believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of the Board of Directors

The Board of Directors is responsible for preparing financial statements and a statement of service performance that:

- comply with generally accepted accounting practice in New Zealand;
- give a true and fair view of the company’s financial position, financial performance and cash flows; and
- give a true and fair view of its service performance.

The Board of Directors is also responsible for such internal control as it determines is necessary to enable the preparation of financial statements and a statement of service performance that are free from material misstatement, whether due to fraud or error. The Board of Directors is also responsible for the publication of the financial statements and statement of service performance, whether in printed or electronic form.


Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and statement of service performance and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001 and section 69 of the Local Government Act 2002.

Independence

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting 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
Company Information

1. Incorporation Date
   11 April 2012

2. Nature of Business
   The facilitate economic growth in the Rotorua District in the Forestry/Wood processing, Tourism, Geothermal and Agricultural sectors.

3. Company Number
   3776876

4. Directors
   Michael Barnett
   John Morris Green
   Anthony Marks
   Jane Nees
   Warren James Parker
   Gina Alice Rangi
   James Francis Rolleston

5. IRD Number
   108-936-868

6. Registered Office
   RDC Finance Department
   1061 Haupapa Street
   Rotorua 3010

7. Auditors
   Audit New Zealand Limited on behalf of the Auditor General

8. Shareholder
   Rotorua District Council 100 Ordinary shares

9. Bank
   Bank of New Zealand
   Amohau Street
   Rotorua

10. Accountants
    Absolute Accounting Solutions Limited
    PO Box 610
    Rotorua 3040
Directors Declaration

Grow Rotorua Limited was incorporated on 11 April 2012 however the Board of Directors were not fully appointed until August 2012. Management became fully operational from January 2013.

Grow Rotorua Limited Statement of Intent was prepared in accordance with the Local Government Act 2002 and covers matters on prudent financial management and risk management. Grow Rotorua Limited has achieved the objectives set out in the Statement of Intent.

The performance of Grow Rotorua Limited in undertaking its economic development functions will be assessed with respect to:
- The quality of financial and other analysis
- The robustness and accuracy of the information relied upon in providing advice
- The clarity, timeliness and materiality of advice
- Compliance with the shareholders expectation that there should be “no surprises” arising from the company
- Compliance with the shareholders expectation for prudent financial performance from the company

Achievements

During the year the Rotorua District Council has been fully informed by the Directors of the company as to the performance of Grow Rotorua Limited. The performance has met the shareholders expectations as defined in the company’s Statement of Intent.

The Directors are pleased to present the financial statements of Grow Rotorua Limited for the year ended 30 June 2013.

Directors Disclosures

There were no entries recorded in the Registrar of Interests.
No Directors acquired or disposed of any interest in shares in the company.
The Board of Directors received no notices from Directors wishing to use company information received in their capacity as Directors which would have ordinarily been available.

Statement of Management Responsibility

The Directors of Grow Rotorua Limited accept responsibility for the preparation of the annual financial statements and the judgments used in these statements.

The Directors accept responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of the company’s financial and non-financial reporting.

In the opinion of the Directors, the annual financial statements for the financial year fairly reflect the financial position and operations of the company.

For and on behalf of the Board of Directors

Director [Signature]  Director [Signature]
The Directors hereby present their Annual Report including Financial Statements of the company for the 30 June 2013.

Section 211 of the Companies Act 1993 requires the following disclosures:

**Principal Activities:**
The business of the company is to facilitate economic growth in the Rotorua District in the Forestry/Wood processing, Tourism, Geothermal and Agricultural sectors.

**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.

Provision for audit fees for the 2012/13 year is $5,535.00 excl GST
Provision for audit fees for the 2011/12 year is $1,500.00 excl GST

**Directors Holding Office During the Year:**
The following Directors held office as at 30 June 2013:
- Michael Barnett - appointed 9 July 2012
- John Morris Green - appointed 9 July 2012
- Anthony Marks - appointed 9 July 2012
- Jane Nees - appointed 9 July 2012
- Warren James Parker - appointed 9 July 2012
- Gina Alice Rangi - appointed 3 August 2012
- James Francis Rolleston - appointed 3 August 2012

**Directors Remuneration:**
Directors’ remuneration paid was as follows excl GST:

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>$</td>
</tr>
<tr>
<td>John Green</td>
<td>20,000</td>
</tr>
<tr>
<td>Michael Barnett</td>
<td>10,000</td>
</tr>
<tr>
<td>Jane Nees</td>
<td>10,000</td>
</tr>
<tr>
<td>Warren Parker</td>
<td>10,000</td>
</tr>
<tr>
<td>Gina Rangi</td>
<td>10,000</td>
</tr>
<tr>
<td>Tony Marks</td>
<td>10,000</td>
</tr>
<tr>
<td>Hemi Rolleston</td>
<td>10,000</td>
</tr>
<tr>
<td><strong>Total remuneration</strong></td>
<td><strong>80,000</strong></td>
</tr>
</tbody>
</table>

No other benefits have been provided by the Company to a Director for services as 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 the Director.

**Employee Remuneration**
The following numbers of employees, who were not directors, received remuneration and benefits which exceeded $100,000 in value for the 2013 financial year:

- $100,000 to $199,000
  - 0

**Donations**
No donations were made by the company during the year.

For and on behalf of the Board of Directors
### Statement of Comprehensive Income

**30 Jun 2013**

**Revenue**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consultation</td>
<td>$4,600</td>
</tr>
<tr>
<td>Grant Received RDC</td>
<td>$850,000</td>
</tr>
<tr>
<td>Main Street Taupo</td>
<td>$217</td>
</tr>
<tr>
<td>Sponsorship</td>
<td>$800</td>
</tr>
<tr>
<td>Young Enterprise Scheme</td>
<td>$9,391</td>
</tr>
<tr>
<td><strong>Total Revenue</strong></td>
<td><strong>$865,009</strong></td>
</tr>
</tbody>
</table>

**Expenditure**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accountancy Fees</td>
<td>$2,500</td>
</tr>
<tr>
<td>Advertising &amp; Marketing</td>
<td>$3,060</td>
</tr>
<tr>
<td>Audit Fees</td>
<td>$5,535</td>
</tr>
<tr>
<td>Audit Fees 2012</td>
<td>$1,500</td>
</tr>
<tr>
<td>Audit Fees Disbursements 2013</td>
<td>$750</td>
</tr>
<tr>
<td>Bank Charges</td>
<td>$59</td>
</tr>
<tr>
<td>Conference Expenses</td>
<td>$4,940</td>
</tr>
<tr>
<td>Consultancy</td>
<td>$167,096</td>
</tr>
<tr>
<td>Depreciation</td>
<td>$12,397</td>
</tr>
<tr>
<td>Directors’ Fees</td>
<td>$80,000</td>
</tr>
<tr>
<td>Entertainment</td>
<td>$3,122</td>
</tr>
<tr>
<td>Fringe Benefit Tax</td>
<td>$5,048</td>
</tr>
<tr>
<td>Grants &amp; Incentives Paid</td>
<td>$600</td>
</tr>
<tr>
<td>Management Fees-RDC</td>
<td>$10,000</td>
</tr>
<tr>
<td>Motor Vehicle Expenses</td>
<td>$6,859</td>
</tr>
<tr>
<td>Operating Lease Payments</td>
<td>$113</td>
</tr>
<tr>
<td>Plant &amp; Equipment Hire</td>
<td>$292</td>
</tr>
<tr>
<td>Printing &amp; Stationery</td>
<td>$1,272</td>
</tr>
<tr>
<td>Recruitment Cost</td>
<td>$19,058</td>
</tr>
<tr>
<td>Subcontractors</td>
<td>$6,650</td>
</tr>
<tr>
<td>Subscriptions</td>
<td>$4,793</td>
</tr>
<tr>
<td>Telephone, Tolls &amp; Internet</td>
<td>$1,253</td>
</tr>
<tr>
<td>Travel and accommodation</td>
<td>$14,337</td>
</tr>
<tr>
<td>Wages &amp; Salaries</td>
<td>$183,505</td>
</tr>
<tr>
<td><strong>Total Expenditure</strong></td>
<td><strong>$534,739</strong></td>
</tr>
</tbody>
</table>

**Other Comprehensive Income**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest Received</td>
<td>$5,339</td>
</tr>
<tr>
<td><strong>Total Other Comprehensive Income</strong></td>
<td><strong>$5,339</strong></td>
</tr>
</tbody>
</table>

**Net Surplus (Deficit) for the year**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income tax expense</td>
<td>$5,698</td>
</tr>
<tr>
<td><strong>Total Adjustments and Taxation for the Year</strong></td>
<td><strong>$5,698</strong></td>
</tr>
<tr>
<td><strong>Total Comprehensive Income</strong></td>
<td><strong>$329,911</strong></td>
</tr>
</tbody>
</table>

### Statement of Movements in Equity

**30 Jun 2013**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening Balance</td>
<td>-</td>
</tr>
<tr>
<td><strong>Current year earnings</strong></td>
<td><strong>$329,911</strong></td>
</tr>
<tr>
<td>Share capital</td>
<td>$100</td>
</tr>
<tr>
<td><strong>Total Equity</strong></td>
<td><strong>$330,011</strong></td>
</tr>
</tbody>
</table>

The accompanying notes form part of these financial statements.
Statement of Financial Position

30 Jun 2013

Assets

Current Assets
Amount $  
Accounts Receivable 13,898  
Accrued Interest 3,844  
Cash and cash equivalents BNZ 317,374  
GST 46,238  
Prepayments 835  
RWT Paid 1,495  
Shareholder Current Account RDC 100  
Total Current Assets 383,784  

Non Current Assets
Amount $  
Fixed Assets as per Schedule 53,124  
Total Non Current Assets 53,124  
Total Assets 436,909  

Liabilities

Current Liabilities
Amount $  
Accounts Payable 76,907  
PAYE Payable 9,546  
Provisions 14,747  
Taxation 5,698  
Total Current Liabilities 106,897  
Total Liabilities 106,897  
Net Assets 330,011  

Equity

Amount $  
Share capital 100  
Retained Earnings 329,911  
Total Equity 330,011  

The Board of Directors of Grow Rotorua Limited authorised these financial statements for issue on 18 September 2013.

Depreciation Schedule

<table>
<thead>
<tr>
<th>Name</th>
<th>Type</th>
<th>Cost</th>
<th>Rate</th>
<th>Purchased</th>
<th>Purchases</th>
<th>Depreciation</th>
<th>Disposals</th>
<th>Accumulated Depreciation</th>
<th>30 June 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Motor Vehicles</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2012 Mazda 6 FA-0002</td>
<td>Motor Vehicle</td>
<td>31,870</td>
<td>30% D</td>
<td>22 Nov 12</td>
<td>31,870</td>
<td>6,374</td>
<td>0</td>
<td>6,374</td>
<td>25,496</td>
</tr>
<tr>
<td>2012 Mazda 6 FA-0001</td>
<td>Motor Vehicle</td>
<td>31,870</td>
<td>30% D</td>
<td>24 Nov 12</td>
<td>31,870</td>
<td>5,577</td>
<td>0</td>
<td>5,577</td>
<td>26,292</td>
</tr>
<tr>
<td>Total Vehicles</td>
<td></td>
<td>63,739</td>
<td></td>
<td></td>
<td></td>
<td>11,951</td>
<td>0</td>
<td>11,951</td>
<td>51,788</td>
</tr>
<tr>
<td>Office Equipment</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>HP Elitebook FA-0003</td>
<td>Computer</td>
<td>1,782</td>
<td>50% D</td>
<td>18 Jan 13</td>
<td>1,782</td>
<td>445</td>
<td>0</td>
<td>445</td>
<td>1,336</td>
</tr>
<tr>
<td>Total Office Equipment</td>
<td></td>
<td>1,782</td>
<td></td>
<td></td>
<td></td>
<td>445</td>
<td>0</td>
<td>445</td>
<td>1,336</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td>65,521</td>
<td></td>
<td></td>
<td></td>
<td>12,397</td>
<td>0</td>
<td>12,397</td>
<td>53,124</td>
</tr>
</tbody>
</table>

The accompanying notes form part of these financial statements.
Notes to the Financial Statements

1. REPORTING ENTITY

Grow Rotorua 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 Rotorua District Council and is a Council Controlled Organisation as defined under Section 6 of the Local Government Act 2002.

The Company is based in Rotorua and facilitates economic growth in the Rotorua District in the Forestry/Wood processing, Tourism, Geothermal and Agricultural sectors. Accordingly the Company has designated itself as a public benefit entity for the purposes of the New Zealand Equivalents to International Financial Reporting Standards.

The financial statements of the Company are for the year ended 30 June 2013. The financial statements were authorised for issue by the directors on 18 September 2013.

This is the first year of operations therefore there are no comparatives.

2. BASIS OF PREPARATION

Statement of Compliance

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand, applying the Framework for Differential Reporting for entities adopting the New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), and it’s interpretations as appropriate for public benefit entities that qualify for and apply differential reporting concessions.


Differential Reporting

The Company qualifies for Differential Reporting exemptions as it has no public accountability and it is not large. The Company has taken advantage of the differential reporting exemptions under the Framework of Differential Reporting.

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.

3. SIGNIFICANT ACCOUNTANT 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.

a) Revenue

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

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

Revenue from services is recognised when the service is provided.

Interest income is recognised using the effective interest method.

Grant income is received from Rotorua District Council. The grant is recognised when payment of the grant is received.

b) Borrowing Costs

Borrowing costs are recognised as an expense in the period in which they are incurred.
c) Trade debtors and other receivables

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

d) Trade Creditors and other payables

Trade creditors and other payables are stated at cost which is the fair value of the consideration to be paid in the future for goods or services received, whether or not billed.

e) Cash and Cash Equivalents

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

f) Employee Entitlements

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

g) Good & 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 the receivables or payables in the statement of financial position.

h) Income Tax

Tax expense is calculated using the taxes payable method. As a result, no allowance is made for deterred tax. Tax expense includes the current tax liability and adjustments to prior year tax liabilities.

Grant income is not taxable and the related expenditure is not deductible.

The Directors have followed the tax treatment recommended by their tax advisors. The Directors expect to spend the unspent portion of the RDC grant on current and anticipated projects by 30 June 2014.

i) 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 that present obligation at balance date, taking into account the risks and uncertainties surrounding the obligation.

j) Property, Plant & Equipment

Property, plant & equipment is shown at cost, less accumulated depreciation and impairment losses.

Additions

The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probably 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 income.

Subsequent costs

Costs incurred subsequent to initial recognition are capitalised only when it is probably 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.

Depreciation

Depreciation is provided on a straight-line basis on all property, plant and equipment at rates that will write-off the cost...
of the assets to their estimated residual values over their useful lives. The depreciation rates of major classes of assets have been estimated as follows:

- Motor Vehicles 30% DV
- Office Equipment 50% DV

4. **RELATED PARTIES**

The controlling party of the Company is Rotorua District Council. The following transactions are the disclosures of transactions between the Company and its shareholder and directors.

- The Company paid a Management Fee to RDC per Service Level Agreement $10,000 excl GST
- The Company received a Grant from RDC of $850,000 excl GST
- The total value of Directors Remuneration was $80,000 excl GST
- Accounts payable to RDC $2,537 excl GST

5. **AUDIT**

These financial statements have been audited by Audit New Zealand Limited on behalf of Auditor General. Please refer to the Auditors Report.

6. **CONTINGENT LIABILITIES**

At balance date contingent liabilities have been estimated at Nil.

7. **COMMITMENTS**

Expenditure on projects committed as at balance date but not yet incurred is:

<table>
<thead>
<tr>
<th>Projects</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spa and Wellness</td>
<td>107,745</td>
</tr>
<tr>
<td>Biking Strategy</td>
<td>46,530</td>
</tr>
<tr>
<td>Lakes Competition</td>
<td>10,000</td>
</tr>
<tr>
<td>Total Projects</td>
<td>164,275</td>
</tr>
</tbody>
</table>

8. **BREACH OF LOCAL GOVERNMENT ACT 2002**

Part 5, Section 64 and clause 3 of the schedule 8 of the Local Government Act 2002 stipulates the timeframes for the Company to prepare the Statement of Intents (SOIs) for 2012/13. In terms of this statutory requirement, the Board are required to consider and approve the SOI each year before the commencement of a new financial year.

The SOI for 2012/2013 was approved on the 7th of August 2012 when the deadline was before 1 July 2012. The Board of Directors was not fully appointed until August 2012. The first task was to complete the SOI which was approved on the 7th of August 2012.

The Company will ensure all relevant legislative requirements will be met in future.

9. **REMUNERATION**

Directors received the following remuneration during the year:

<table>
<thead>
<tr>
<th>2013</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>John Green</td>
<td>20,000</td>
</tr>
<tr>
<td>Michael Barnett</td>
<td>10,000</td>
</tr>
<tr>
<td>Jane Nees</td>
<td>10,000</td>
</tr>
<tr>
<td>Warren Parker</td>
<td>10,000</td>
</tr>
<tr>
<td>Gina Rangi</td>
<td>10,000</td>
</tr>
<tr>
<td>Tony Marks</td>
<td>10,000</td>
</tr>
<tr>
<td>Hemi Rolleston</td>
<td>10,000</td>
</tr>
<tr>
<td>Total Remuneration (excl GST)</td>
<td>80,000</td>
</tr>
</tbody>
</table>
10. INCOME TAX

a) Income recognised in profit or loss

Tax expense (income) comprises
Current tax expense 5,698
Under/(over) provision in previous years 0
Total tax Expense 5,698

b) Relationship between tax expense and net surplus

Net surplus for the year 335,609
Income tax on the surplus for the year at 28% 93,971
Plus (less)
Non taxable grant income (238,000)
Non deductible grant expenditure 149,727
Tax Expense total 5,698

c) Imputation credit account balances

Balance at the beginning of the year 0
Balance at the end of the year 0

11. EVENTS AFTER BALANCE DATE

There were no significant events after the balance date.