



ROT@RUA

Economic Development
Te Whanaketanga Ōhanga o Rotorua

Annual Report 2019 - 2020

CONTENTS

1. Who we are.....	3
2. Introduction from the Chair	4
3. Our focus.....	6
4. Our story	8
Build back better: Leading our city's recovery	9
Destination development: Making Rotorua a destination of choice	10
Business growth and investment attraction: Turning opportunities into action.....	12
Skills, education and talent: Supporting better education outcomes.....	14
Sustainable business: Creating a sustainable future	15
Growing the visitor economy: The home of manaakitanga.....	16
2020 Key Performance Measures	18
2019 Key Performance Measures, not reported in 2020.....	21
Financial Statements.....	24
Independent Auditor's Report	47

1. Who we are

Rotorua Economic Development (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 the Rotorua economy, unlocking opportunities for commercial investment and providing employment, wealth and wellbeing for all of 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 the city'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 Rotorua In Our Element. RED also operates as the city's Convention Bureau.

RED is led by Interim Chief Executive Andrew Wilson and governed by an independent board of directors:

Mr John McRae (Chair) – appointed 14 April 2020

Mr Chris Auld (Director) – appointed 27 July 2016

Dr Ganesh Nana (Director) – appointed 22 August 2019

Mr Tim Cossar (Director) – appointed 9 June 2020

Mr Mana Newton (Director) – appointed 14 April 2020

Mr Aaron Donnelly (Director) – appointed 1 July 2020

Ms Anna Grayling (Board Observer)

The following directors ended their tenure during 2020

Mr Peter Stubbs (1 April 2020)

Ms Mere George (1 April 2020)

Mr Andy Higgs (30 June 2020)

Mr James Fitzgerald (30 June 2020)



2. Introduction from the Chair

On behalf of the RED Board, I am pleased to present this summary of the 2019-20 financial year.

Rotorua Economic Development has continued to play a key role in the city's economic development during a very challenging 12 months.

While both RED and the Rotorua economy were in a strong position at the end of 2019, the closing of international borders in early 2020 and the eventual lockdown as a result of the COVID-19 pandemic changed the year's outcomes considerably.

2020 began with the Bay of Plenty recording the highest level of optimism of any New Zealand region in the quarterly Westpac-McDermott Miller Regional Economic Confidence survey. A lot of this positive sentiment in Rotorua was driven by visible signs of infrastructure investment, with the opening of the 5-star Pullman Hotel, stage one of the Whakarewarewa Forest development completed, development of the Lakefront started, and a number of other big commercial projects well underway.

Photo: Mark Smith

In March 2020, the Government indicated further confidence in the long term future of Rotorua by announcing that it would invest another \$17m into the city for a purpose-built new facility for QE Health and to help Pukeroa Oruawhata Group develop Wai Ariki Hot Springs and Spa.

RED's position at the time was just as positive. Based on projections at the start of 2020, the organisation was on track to meet the majority of its key performance measures [refer to table on page 18].

However, the onset of the COVID-19 pandemic from January quickly affected local businesses with the impact hardest felt in our tourism, hospitality, forestry and manufacturing sectors.

In response, RED has prioritised seeking out resources to support businesses through this challenging period and helping the city plan and prepare for the recovery to follow. We played a critical role in helping businesses navigate support structures, keeping the tourism industry informed, liaising with government departments and amplifying local businesses' concerns to government to ensure that Rotorua was heard.

Central to the recovery was the establishment of the Rotorua Inc. Whakahouhia te Whare Ōhanga (Build Back Better) Steering Group and four sector groups, which we stood up

at Rotorua Lakes Council's request to help support the city's COVID-19 response, recovery and reinvigoration strategy.

I'm proud of the role that the organisation has played, and will continue to play in the city's rebuild process. The RED team is firmly embedded in the future of the city and I'd like to thank each of them for their commitment to the work they are doing.

I'd also like to acknowledge the support of my fellow Board members, each of whom brings a valuable perspective to the organisation. My thanks also to James Fitzgerald, Andy Higgs and Mere George, who finished their tenure during 2020, as well as former Board Chair Peter Stubbs. They have handed over a strong organisation with a clear focus on delivering quality outcomes for the city of Rotorua.

Looking to the future, RED's role will continue to evolve to make a positive difference for Rotorua. There are many challenges ahead but the COVID-19 pandemic has been a catalyst to bring together the capabilities within Council, iwi, private sector and other CCOs to achieve positive change.

RED's Board and management team have the right skills to tackle these challenges and ensure Rotorua is well positioned for future growth.



A handwritten signature in black ink, consisting of a large, stylized 'J' followed by 'McRae' in a cursive script.

John McRae
Board Chair



3. 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 made up 17.2% of the district's GDP in 2019 so our work to support 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.

Photo: Graeme Murray

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 ecosystem to drive new business

4. Our story



Photo: Mark Smith

Build back better:

Leading our city's recovery

Like any other community and local economy around the world, Rotorua was significantly disrupted and impacted by the COVID-19 pandemic.

As the economic impact of the travel restrictions became apparent, RED, Rotorua Lakes Council, Te Arawa and private business leaders came together to agree on a recovery plan for the city. However the objective was not simply to build back what we had, but rather, to build back better – whakahouhia te whare ōhanga.

In April 2020, RED stood up the Rotorua Inc. Whakahouhia te Whare Ōhanga (Build Back Better) Steering Group to help support the city's COVID-19 response, recovery and reinvigoration strategy.

The Steering Group's discussion was initially led by a presentation from Dr Ganesh Nana from BERL and RED Director, who encouraged the group to be led by their kaupapa to ensure long term sustainability, in addition to short term cashflow. He urged the group to build a safety net to ensure people are looked after and community connections are maintained throughout the recovery process.

The group developed an initial kaupapa/values framework to ensure that any decisions made link to an aspirational purpose: *In Rotorua, we all live exceptional lives*. This is supported by a commitment to authenticity, putting our people first, innovation and sustainability.

Four sector groups were established to focus on areas that will be essential to Rotorua's recovery – Forestry and Wood Processing, Inner City Development, Emerging Industries, and Sustainable Visitor Economy.

The groups created a list of innovative and sustainable business and sector development ideas and are now building out more detailed plans to include actions, accountabilities and resources for proposed projects including:

- Establishing Rotorua as a centre of excellence for wood by showcasing local wood projects and by setting up a collaborative building enterprise to manufacture social housing
- Creating a CBD spatial plan that enhances connections between the lake, the museum, Kuirau Park and the central mall, and focuses future development on sustainability and effective pedestrian flow
- Establishing a film studio campus and using technology more effectively to showcase local businesses
- Developing a source of real-time data to support decision making in the visitor and hospitality sectors and creating memorable marketing campaigns to attract more visitors to Rotorua
- Developing a locally responsive training, talent and development strategy to support all sectors of the economy.

Destination development:

Making Rotorua a destination of choice

Rotorua retains gold-level mountain biking status

RED's application to the International Mountain Biking Association (IMBA) successfully reconfirmed the city's status as one of the world's best mountain biking destinations. In August 2019, IMBA renewed our gold-level Ride Centre™ status for another four years. There are currently only seven gold-level IMBA Ride Centres in the world.

IMBA's Ride Centre designation recognises progressive trail communities that value mountain biking and have a trail-forward approach that serves their community members alongside recreational tourism. In their assessment of Rotorua, they noted:

Many of the trails that cover Whakarewarewa National Forest were built by mountain bikers and capture the riding experience mountain bikers crave, with twists and turns that are fun to ride at any speed. Rotorua offers rides for every level of mountain biker - from family fun to expert level - as well as details like excellent trail maps, central accommodation and a plethora of bike rental options.

Mountain biking plays an important role in the reputation of Rotorua as a great place to live and visit. People come here from all over the world to bike our trails and that reputation has been enhanced by the success of events like Crankworx and the Enduro World Series. The mountain biking industry is also an important contributor to the Rotorua economy, attracting businesses and investment, as well as visitor spend.

Photo: Graeme Murray

New Zealand's first i-SITE camping ambassadors

The Rotorua i-SITEs were the first in the country to assign staff members as responsible camping ambassadors at free camping sites around the district.

The ambassadors were part of a national summer programme helping to educate travellers about New Zealand's commitment to a tidy, clean and safe environment. In teams of two, they visited popular free camping sites in and around Rotorua every evening during the 2019/20 summer season. Besides assisting campers, they checked the facilities and reported back to Rotorua Lakes Council if any repairs or cleaning were needed.

Visitor feedback was extremely positive as they appreciated the personal greeting, access to responsible camping advice and guidance on some of the great things to do and see in Rotorua.

Encouraging Rotorua to ‘Support Local’

As a direct response to the COVID-19 pandemic, RED executed the first phase of a Rotorua place brand through the *In Our Element* campaign.

The campaign initially focused on the concept of *Support Local*, *Buy Local*, encouraging locals to support businesses and keep the economy as active as possible. The campaign provided information for Rotorua residents to help navigate who was open and new ways of working with contactless transactions and delivery options. Inclusion in the campaign was free for all businesses in Rotorua.

The campaign’s second phase, *Explore Local*, went live at Alert Level 2, when we began promoting deals to entice residents to get out and experience our tourism activities. We urged them to explore their backyard, highlighting what makes this an exceptional place to live, work and play. The campaign was executed through a radio competition to win a dream ‘staycation’, TVNZ-on-demand video, outdoor advertising (bus backs and a billboard) and a range of digital and social channels.

Rotorua joins Neat Places

Neat Places is an independent content creation company specialising in the hospitality, arts and retail sectors across New Zealand. We worked with them to create a series of business listings for the Neat Places website and social media pages, as well as 20,000 pocket guides for distribution around the country.

Neat Places offers an opportunity to position the city as a cool, vibrant destination with a range of interesting restaurants, bars and cafes. This supports our domestic marketing strategy as visitors from Auckland and Wellington in particular consider restaurant options an important part of their travel experience. The Neat Places guide is one tool to help New Zealanders navigate the city and also provides local businesses with content to help promote their own business.

Sharing market insights

This year, RED’s Investment Attraction, Business Growth and Intelligence team provided comprehensive data and insights for 25 businesses to support investment and reinvestment decision making in Rotorua.

Data and insights include business cases for property, people, council consenting and education. Information included support for visitor market insights; feasibility reports; mountain bike economic impact data and multiplier effects; hotel occupancy; traffic flows; general economic overviews; support for Provisional Growth Fund applications; population, employment and visitor projections; luxury accommodation and spa market information; forestry and wood processing and regional profiles.

Business growth and investment attraction:

Turning opportunities into action



Lights, camera, action – developing a film industry

We are collaborating with Film BOP, Steambox Film Collective and other partners to secure funding for Waiariki Studio, a dedicated sound stage facility development in Rotorua. RED funded the detailed project plan which will create a clear pathway for the project. We also supported the successful PGF funding application to build a mid-sized studio facility with two sound stages, an attached backlot and space for vocational skills training, an industry hub, and onsite storage.

RED is also cofunding a Project Manager/CEO to help realise the Film Studio Project.

Rotorua has so much potential as a centre for New Zealand's film industry with our access to strong local talent, a heritage of cultural story-telling and a plentiful supply of striking landscapes. This new project is a great example of what's possible here as we continue our work to build a resilient film sector that contributes significantly to the local economy.

Photo: Mark Smith

Encouraging growth: forestry and food

RED has completed a market analysis report, available on RotoruaNZ.com, to support those looking to invest in or understand the forestry industry better.

The forest industry is New Zealand's third largest export sector and the wider sector contributes 1.6% of New Zealand's GDP. Wood is also attracting new interest from governments and individuals as a renewable carbon store. Rotorua is recognised as the centre of forestry in New Zealand and has the organisations and capabilities to be the centre long into the future.

RED also commissioned a Food Provenance report to guide the development of a food strategy to catalyse community, address barriers to entry and see stakeholder alignment and commitment. A recommendation from the report is to establish a local food hub as a conduit between growers/producers and consumers/buyers. The report also recommends the development of a marketing plan in support of the local food strategy.

Job creation in Rotorua

The nurturing of both new and existing businesses plays an equally important role in the Rotorua economy – that's according to a 2019 report by economist Benje Patterson commissioned by RED.

While new businesses have generated a steady stream of jobs in Rotorua over the last 15 years, the report shows that those economic gains can be eroded if existing businesses are shrinking at the same time. Since 2005, there have been four years where the total number of people employed within Rotorua businesses fell.

Business numbers in Rotorua also experienced bigger swings across the business cycle than the rest of New Zealand over the same 15-year period.

RED funded the report to help identify where the organisation's resources should be focused to support economic growth. While there's an accepted rationale that new businesses have the biggest impact on job creation and therefore community wellbeing, the report shows that, while new and productive businesses can create employment by replacing less innovative and shrinking ones, it's equally important to help existing enterprises become more cost efficient, productive, competitive and financially sustainable.

The report relies on data stretching from 2005 to 2019.

Supporting Rotorua businesses through the COVID-19 pandemic

RED played a critical role in supporting local businesses through the early stages of the COVID-19 pandemic. Our work included:

- helping businesses with employer-to-employer connections to try and redeploy staff
- helping to navigate access to the Government relief package
- connecting businesses with other resources to try and mitigate the impact of COVID-19.

We also liaised directly with central government to ensure that feedback from local businesses helped to shape the Government's response to the pandemic. That relationship was such that the Prime Minister's last visit before the country went into lockdown was to Rotorua and it was one of the first places she returned to once the country moved to Alert Level 2. RED facilitated her meetings with local tourism business owners during both visits.

Between 28 January and 30 June, we sent out approximately 30 email updates to various industry groups to help them navigate the myriad information sources and support structures available as the pandemic developed. We also kept the tourism industry up to date on our campaign work and ways that they could get involved.

In addition we organised 11 free webinars and workshops for local tourism and hospitality businesses and launched a pulse check survey to exchange forward booking information between accommodation and activity providers.

Skills, education and talent:

Supporting better
education outcomes



Pūtake Nui

Change is afoot for New Zealand's vocational education sector with the establishment of the regional skills leadership groups (RSLGs). As part of our work to encourage a connected voice for Rotorua on all things education and vocational training related, RED has been part of the establishment of Pūtake Nui and the district's Regional Skills Leadership Group.

Rotorua has high numbers of young people unemployed and not participating in education or training. Pūtake Nui is a coordinated group of central and local government entities working at a district level to encourage more aligned decision making by employers, workers, educators, schools and agencies. RED's involvement is in one of the four pillars - the vocational pathways kokonga "Rangatahi with aspirations".

We are now working to strengthen the rangatahi pathway from education to employment through refreshing the Careers Expo (EMA), mentor/internship, marketing/showcase pathway. RED's role will be engaging with employers/businesses, showcasing existing internship programmes, and creating a mentor template.

Photo: Graeme Murray

Kuaka Programme

The first seven Te Wānanga o Aotearoa students participated in the pilot of our Kuaka Customer Service Programme during the summer of 2019/20. The objective of the programme is to provide the students with practical work experience focusing on improving their customer service skills.

Education Rotorua

RED has continued to work with local schools and colleges to promote Rotorua as a destination of choice for international students. Through webinars and agent labs, RED has been training global education agents on the benefits of studying in Rotorua.

With a high number of international students making tough decisions about their education choices and whether to stay in New Zealand or return home for an unknown period, Education New Zealand (ENZ), RED and other RTOs have created a summer retention programme to support international students during these tough times. This project crosses over with our tourism industry bringing education and tourism operators together.

Sustainable business:

Creating a sustainable future



Electrifying Conversations sustainability workshop

In November 2019, we were proud to host the Rotorua Electrifying Conversations workshop, bringing international and local experts together to discuss the latest developments in battery technology, electromobility and how well New Zealand is placed to meet growing demand from electric vehicles.

A number of local operators are exploring the option of establishing electric vehicle charging stations and our aspiration is to see Rotorua become a model destination for what is possible in supporting sustainable travel.

Photo: Mark Smith

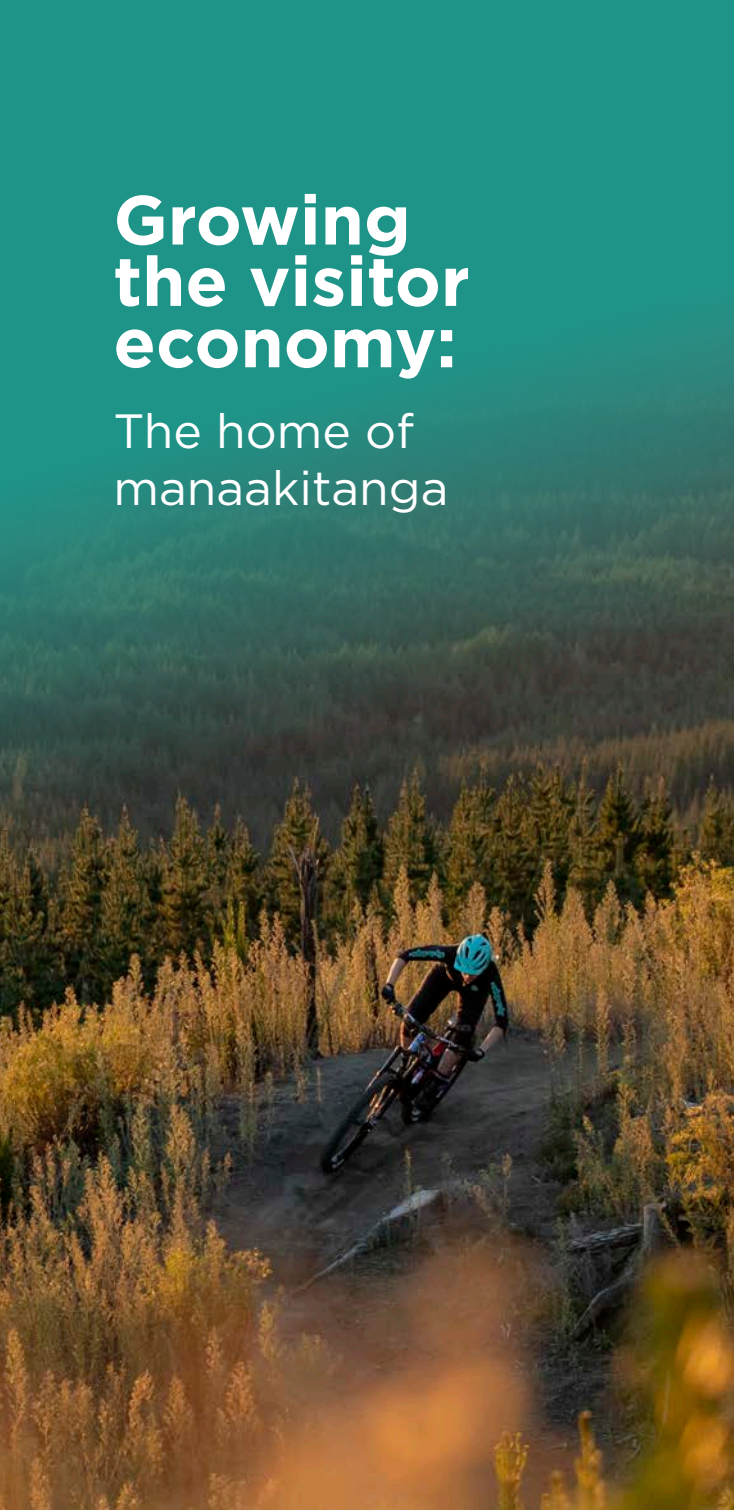
BayForward

RED is part of the BayForward initiative with the four Bay of Plenty Chambers of Commerce, together with the Sustainable Business Network, Sustainable Business Solutions and Rotorua Sustainable Charter.

BayForward aims to bring together businesses and organisations from across the Bay of Plenty to learn, support and collaborate in order to capitalise on the impact that environmental change has on the business world. This initiative sets out to frame environmental challenges in a different light in order for businesses to think clearly about the opportunity to solve customers' sustainability concerns around individual, business and corporate purchases or investment decisions. RED will provide guidance on topics, connection with businesses and funding for the initiative.

Growing the visitor economy:

The home of manaakitanga



Attracting events through virtual experiences

A new, innovative and exciting way of presenting Rotorua's conference venues and tourism activities to event organisers was a huge success.

Destination Rotorua collaborated with The Virtual Famil (TVF) to host its first virtual familiarisation to professional conference organisers (PCOs) based in Sydney, taking them on a little trip through Rotorua while in the comfort of their own homes and offices.

COVID-19's global impact on travel means that international PCOs and buyers are currently unable to travel to destinations such as Rotorua to scout locations, although they're keen to start planning for 2021 and beyond. During location visits, PCOs also want to see what additional entertainment, accommodation, activity and restaurant options are available for event attendees to experience in their down time or once their event has concluded.

For the inaugural virtual Rotorua tour, the planners booked their virtual famil then received an interactive goodie box the day before their one-hour online Zoom session which kicked off with a traditional Māori greeting. The guests then explored accommodation options, met keynote speakers and even browsed restaurants.

The goodie box was filled with Rotorua-made

treats such as a bottle of wine from Rotorua's own Volcanic Hills Winery, cheese, ingredients from T.K. @ Home to make crackers, and beauty products from Polynesian Spa. The guests then enjoyed a live wine tasting with Volcanic Hills' Brent Park, and a cooking demo from the Terrace Kitchen team.

Hosting the Crankworx media centre

Once again, Destination Rotorua managed the Crankworx Media Centre in March. Each year we host around 130 media from New Zealand and around the world and help them to generate stories that are worth millions of dollars in estimated advertising value. It is consistently rated the best media centre on the Crankworx World Tour and is a key part of showcasing Rotorua's manaakitanga to the world.

We also seek every opportunity to promote the destination to competitors and spectators to encourage them to stay longer and explore the destination while they are here for the event.

Photo: Graeme Murray

Christchurch airport partnership improves Rotorua access to Chinese market

Early in 2020, a new partnership was signed between Christchurch Airport and Destination Rotorua to benefit Rotorua tourism operators by strengthening Alipay's contribution to the district.

Alipay is a Chinese smartphone app that has more than 900-million active users. It's used to pay for everything from street food to luxury merchandise around the world. It was used by 150-million Chinese international travellers in 2019 and is a valuable marketing tool for businesses.

Christchurch Airport's South programme also includes the flagship store on Alibaba's online travel services platform, Fliggy. Rotorua tourism operators will now have a Rotorua Fliggy store within the Airport's.

Bringing the Rotorua foodie scene to an Australian audience

Australia's Nine Network has a TV series called Delish Destinations, which uncovers the top food and wine stories and experiences across the world. The production team spent four days in Rotorua during October 2019 to create a 30-minute programme encompassing six Rotorua stories focused on food and wine.

We showcased Volcanic Hills Winery, Croucher Beer, Treetops' estate to plate philosophy, Charles Royal's foraging tours, Okere Falls Store and Te Puia's indigenous menu. Through the TV series, we were able to share rich story content with an Australian audience, increasing their understanding of what Rotorua offers beyond landscapes and adventure.

The episode went to air on 23 February 2020 on Nine.

Sharing Rotorua with New Zealanders

We continue to encourage New Zealanders to visit Rotorua through a series of engaging and innovative marketing campaigns.

Our Find Your Element brand story-telling campaign continued to drive awareness and preference for Rotorua within the North Island by sharing beautiful imagery and video content that showcase the range of opportunities to engage with our natural environment. The campaign was executed through TVNZ on demand and YouTube video, outdoor advertising (bus shelters in Auckland, Hamilton and Tauranga), media sponsorships and digital advertising.

Success was measured by the number of domestic visitors to the RotoruaNZ.com website. Overall, domestic visits were up by 130% year on year for the campaign period, with Auckland visits up 256%, Tauranga visits up 243% and Hamilton visits up 186%.

To build on the dreaming/planning phase of the Elements campaign, RED launched a second domestic campaign in June to inspire New Zealanders to book and visit Rotorua now. The messaging was presented as an invitation to New Zealanders and features video stories of families, groups and couples reconnecting with each other and with nature in Rotorua. Campaign success will be measured by the number of referrals directly to operator sites. The campaign will run until the end of September.

2020 Key Performance Measures

Not Achieved 4	Achieved 2	No data available 1
-----------------------	-------------------	----------------------------

Measures	YE Result Jun 2019	YE Target Jun 2020	Pre-COVID projection YE Jun 2020	YE Actual Jun 2020	Action Status	Comments
1. Provide relevant destination data and insights in target sectors to support investment and reinvestment decision making by business. Subject matter of insights will be delivered during the year based on relevance and need.	7	Regions & sectors (6)	28 On Track	25	Achieved	Data and insights were made available to 25 entities representing a range of industries throughout the year. Deliverables included market overviews for start-up businesses, market intelligence for investments underway, information for feasibility studies and collation of industry specific insights for national investment. 2020 results reflect the impact from increased capacity in the team and team members' continued focus on strengthening relationships and building a reputation for excellence.
2. Level of satisfaction of businesses going through the High Performance Institute coaching	(New measure)	Achieve an average of 80% satisfaction across all areas of the High Performance Institute	90% On Track	93%	Achieved	Businesses received targeted support including the part funded ACCELERATE programme. The programme continues to evolve to meet the needs of each cohort based on previous feedback and recommendations. This agile approach ensures that the programme remains relevant to current business needs, which is reflected in this year's performance measure. The survey was conducted via SurveyMonkey and was sent out to 8 companies who graduated from the ACCELERATE programme. 6 responses were received with a 25% margin of error at 95% confidence level.
3. The value of international students to the Rotorua economy * Education NZ has reported regional economic impact only twice in the past (for years ending June 2016 and 2018) and therefore data is not available for either the June 2019 or June 2020 year. This KPM is not included in the Statement of Intent for the 2021 year.	(New measure)	+2%	Not measured	Not measured	Not Available	Discussion between RED and Rotorua education providers indicates the volume of international student enrolments up until late December 2019 was stronger than previous years and prior to COVID-19 the value of international students was expected to have achieved target.

Measures		YE Result Jun 2019	YE Target Jun 2020	Pre-COVID projection YE Jun 2020	YE Actual Jun 2020	Action Status	Comments
4.	<p>i-SITE to be self-sufficient Profit(+) / Loss (-)</p> <p>* Change in allocation of overheads between RED cost centres has resulted in 2019 i-SITE values not being comparable to 2020 i-SITE values.</p>	(New measure)	Cost neutral	\$0 On Track	-\$753,873	Not Achieved	The COVID-19 travel restrictions had a negative impact on the volume of visitors to Rotorua i-SITE and resulted in a decline in revenue from February onwards. Operational resourcing was adjusted to better meet the reduced demand, however expenses continued to exceed revenue resulting in the year end June 2020 target not being achieved. The 2021 budget has been revised to achieve break-even by minimising losses and optimising domestic revenue arising from substitution of overseas travel for domestic travel.
5.	<p>Business Events - Value of bids won in financial year based on MBIE data and DR lead sheet confirmed conferences</p> <p>* Events are typically won more than 12 months in advance of the event date. Some events won in the June 2019 year were to be held during 2020 and were cancelled due to COVID-19. Additionally, as business events occur the tentative room nights held are adjusted to reflect actual room nights and therefore the June 2019 year value published herewith and in the 2018-19 Annual Report will not reconcile to the latest value in DR business records for the June 2019 year.</p>	\$8.8m*	\$5.2m	\$9.0m On Track	\$4.7m	Not Achieved	This value is based on room nights tentatively held as a result of multi-day event bids won by RED and MBIE's Business Events Delegate Survey 2017 calculation of \$385 average delegate spend per night. For the seven months to January 2020 the value of bids won was \$5.5 million, which exceeded the \$5.2 million target and the projection was for the June 2020 year end result to be at least as good as the previous year. 15 of the 26 multi-day events won during the 2019/20 year were impacted by the COVID-19 situation with 12 being rescheduled and three being cancelled. The three cancelled multi-day business events (collectively worth \$1.6 million) resulted in the value of bids won being revised downward and the June 2020 year target not being achieved.

Measures		YE Result Jun 2019	YE Target Jun 2020	Pre-COVID projection YE Jun 2020	YE Actual Jun 2020	Action Status	Comments
6.	Total international expenditure data for Rotorua (based on MBIE statistics)	(New measure)	\$361m	\$356m Off Track but possibly recoverable	\$273m	Not Achieved	MBIE's estimation of the total international visitor expenditure in Rotorua for the six months to December 2019 was on track for possibly achieving target, which reflects RED's strategic focus on increasing the value that international visitors bring to the economy by encouraging them to spend more while they are here. COVID-19 travel restrictions commenced in late January and were reinforced further with the border closing in mid-March with no definitive date on when it will reopen. The flow of international visitor expenditure in Rotorua was effectively reduced to near zero when the border closed and resulted in the June 2020 year target not being achieved.
7.	Total domestic expenditure data for Rotorua (based on MBIE statistics) * MBIE estimates are subject to revision and therefore the June 2019 year value published herewith and in the 2018-19 Annual Report will not reconcile to the latest value published by MBIE for the June 2019 year.	\$476m*	\$482m	\$503m On Track	\$443m	Not Achieved	MBIE's estimation of the total domestic visitor expenditure in Rotorua for the seven months to January 2020 was on track for achieving 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. The COVID-19 situation disrupted domestic travel behaviours from February 2020 onwards leading up to inter-regional travel being restricted for seven weeks from late March and resulted in the June 2020 year target not being achieved. While New Zealand's border remains closed RED is focussing domestic marketing activity on New Zealanders substituting overseas travel for travelling domestically.

2019 Key Performance Measures not reported in 2020

These 2019 KPMs were discontinued in 2020 because data was no longer available and/or was not relevant to achieving 2020 business goals

Measures	YE Target Jun 2019	YE Actual Jun 2019	Action Status	Comments
i-SITE - % increase in trading revenue over previous year	>= +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 i-SITE.
i-SITE - % increase in commission received over previous year	>= +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.
i-SITE - Customer Radar Net Promoter Score	>= +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.
Business Events - Market share of BEAS multi-day conference delegate days	>= 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, delegate days in Rotorua increased from 69000 to 82699, generating an additional \$5.3m for the local economy.
Trade - Direct tourism impact - MBIE's Monthly Regional Tourism Estimates of international visitor expenditure in Rotorua on accommodation, recreational services and dining	>= \$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.

Measures	YE Target Jun 2019	YE Actual Jun 2019	Action Status	Comments
Trade - Strategic partner direct investment invoiced by RED	>= \$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.
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	>= 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.
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 AND</i>	<i>>= 40</i>	<i>70</i>		- adding 70 key influencers to CRM
Host events to identify key influencer/investors	>= 2	19		- holding 19 events to engage with key influencers/investors
High Performance Institute coaching/aftercare beyond ACCELERATE program	>= 5	5	Achieved	Includes strategy workshops, aftercare of businesses including support with scale, technology transfer, capital raising and relocation, social enterprise.

Measures	YE Target Jun 2019	YE Actual Jun 2019	Action Status	Comments
Emerging local businesses receive targeted support	>= 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.
Famously campaign - Ratio of campaign expenditure to EAV	>= \$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.
Domestic consumer perception - % "intend to visit" (Delve loyalists + considerers) Rotorua from Auckland market AND one target market	>= 2	2	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	>= 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	>= 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	>= 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.
RotoruaNZ.com sessions	>= 1,100,000	998,229	Not Achieved	Above average growth put this KPM On Track as at Oct 2019. However the i-SITE free Wi-Fi 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.



FINANCIAL STATEMENTS INDEX

ENTITY INFORMATION	27
STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE	28
STATEMENT OF FINANCIAL POSITION.....	29
STATEMENT OF CHANGES IN EQUITY	30
STATEMENT OF CASH FLOWS	31
NOTES TO THE FINANCIAL STATEMENTS.....	32-46

ROTORUA ECONOMIC DEVELOPMENT LIMITED

STATEMENT OF RESPONSIBILITY

FOR THE YEAR ENDED 30 JUNE 2020

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 2020 and its operations for the year ended on that date.



Chair

30 November 2020

ROTORUA ECONOMIC DEVELOPMENT LIMITED

ENTITY INFORMATION

FOR THE YEAR ENDED 30 JUNE 2020

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

John McRae – Chair (Appointed 14th April 2020)

Dr Ganesh Nana (Appointed 22nd August 2019)

Christopher Auld (Appointed 27th July 2016)

Mana Newton (Appointed 14th April 2020)

Andy Higgs (Retired 30th June 2020)

James Fitzgerald (Retired 30th June 2020)

Timothy Cossar (Appointed 9th June 2020)

Aaron Donelley (Appointed 1st July 2020)

Peter Stubbs – Chair (Retired 1st April 2020)

Mere George (Retired 1st April 2020)

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 2020

	Notes	Actual 2020 \$000	Budget 2020 \$000	Actual 2019 \$000
Revenue				
Council funding	2	4,320	4,300	4,300
Other income	3	2,448	2,604	2,965
Interest received	4	4	9	23
Total Revenue		6,773	6,913	7,289
Expenses				
Advertising, marketing and communications	5	1,219	1,258	1,853
Depreciation	12,13	56	30	62
Personnel costs	6	3,113	3,074	2,699
Other expenses	7	2,607	2,551	2,651
Total Expenses		6,995	6,913	7,265
Surplus/deficit before tax		-223		23
Income tax expense	8			
Surplus/deficit after tax		-223		23
Other comprehensive revenue and expenses				
Total other comprehensive revenue and expenses		-223		23
Total comprehensive revenue and expense attributable to:				
Rotorua Economic Development Limited		-223		23

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

ROTORUA ECONOMIC DEVELOPMENT LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2020

The Board of Directors of Rotorua Economic Development Limited authorise these financial statements for issue on 30 November 2020.



	Notes	Actual 2020 \$000	Actual 2019 \$000
Assets			
Current Assets			
Cash and cash equivalents	9	998	767
Receivables	10	107	366
Other current assets	11	143	185
Total current assets		1,247	1,318
Non-current assets			
Property, plant and equipment	12	84	106
Intangible assets	13	143	39
Total non-current assets		228	145
Total assets		1,475	1,462
Liabilities			
Current liabilities			
Payables and accrued expenses	14	826	560
Employee entitlements	15	253	284
Total current liabilities		1,079	844
Total liabilities		1,079	844
Net assets		396	619
Equity			
Retained earnings	16	164	386
Share capital	16	232	232
Total equity		396	619

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 2020

	Notes	Actual 2020 \$000	Actual 2019 \$000
Balance at 1 July		619	595
Surplus/(deficit)		-223	23
Balance at 30 June	16	396	619

*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 2020

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

	Notes	Actual 2019 \$000	Actual 2018 \$000
Cash flows from operating activities			
Interest received		4	23
Receipts from grants and sponsorship		6,989	7,238
Realised currency gains		-	-
Payments to suppliers and employees		-6,519	-7,524
Directors remuneration paid		-94	-73
Goods and services tax (net)		-20	77
Resident withholding tax paid IRD		10	-5
Net cashflows from operating activities	22	370	-263
Cash flows from investing activities			
Purchase of property, plant and equipment		-139	-109
Receipts from sale of property, plant and equipment		-	-
Net cash flows from investing activities		-139	-109
Cash flows from financing activities			
Tax paid		-	-
Proceeds from shareholder		-	-
Net cash flows from financing activities		-	-
Net increase / (decrease) in bank accounts and cash		230	-373
Cash and cash equivalents at the beginning of the year		767	1,140
Cash and cash equivalents at the end of the year		997	767

ROTORUA ECONOMIC DEVELOPMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

1. STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2020

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 2020. The financial statements were authorised for issue by the directors on 30 November 2020.

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.

MSD wage subsidy

The MSD wage subsidy is in substance a grant with conditions attached to it, the Company has elected to account for the wage subsidy under PBE IPSAS 23 Revenue from Non-Exchange Transactions and has spread the grant evenly over the twelve-week period.

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	36%
Plant and equipment	13-67%

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 2020 \$000	Actual 2019 \$000
Rotorua Lakes Council	4,320	4,300
Total council funding	4,320	4,300

3. OTHER INCOME

	Actual 2020 \$000	Actual 2019 \$000
Commission received	525	889
Events and roadshows	98	281
Promotion income	147	203
Rotorua Tourism Investment Program Inc.	351	270
Sundry income	171	54
Trading revenue	1,157	1,268
Total other income	2,448	2,965

4. INTEREST RECEIVED

	Actual 2020 \$000	Actual 2019 \$000
Interest received	4	23
Total interest received	4	23

5. ADVERTISING, MARKETING AND COMMUNICATIONS

	Actual 2020 \$000	Actual 2019 \$000
Advertising, marketing and communications	1,219	1,853
Total advertising, marketing and communications	1,219	1,853

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 2020 the Company did not make any severance payments. (2019:\$Nil).

	Actual 2020 \$000	Actual 2019 \$000
Salaries and wages	3,016	2,615
Defined contribution plan employer contributions	97	84
Total personnel costs	3,113	2,699
Employees remuneration exceeding \$100,000:		
\$100,000 - \$119,999	4	1
\$120,000 - \$139,999	1	1
\$140,000 - \$159,999	1	1
\$160,000 - \$179,999	1	0
\$180,000 - \$199,999	0	0
>\$200,000	1	1
Total employees	8	4

7. OTHER EXPENSES

	Actual 2020 \$000	Actual 2019 \$000
Accident Compensation Levy	1	8
Contractors and consultants	347	337
Cost of goods sold	566	617
Directors expenses	94	73
Fees to Audit NZ for financial statement audit	26	24
Fees to Audit NZ for audit disbursements	6	2
Lease	244	250
Other expenses	1,205	1,154
Travel and accommodation	48	109
Utilities	69	77
Total other expenses	2,607	2,652

8. INCOME TAX

A deferred tax asset has not been recognised in relation to temporary differences of \$5,191 (2019:\$6,797).

	Actual 2020 \$000	Actual 2019 \$000
Components of tax expense		
Current tax	-	0
Deferred tax	-	0
Tax expense	-	0
Relationship between income tax expense and accounting surplus		
Surplus/(Deficit) for the year	-223	23
Tax at 28%	-62	6
Plus / (less) tax effects of:		
Non-taxable income	-	0
Non-deductible expenditure	2	1
Deferred Tax	2	3
Tax losses utilised	-	0
Group loss offset	58	-10
Total tax expense	-	0

9. CASH AND CASH EQUIVALENTS

	Actual 2020 \$000	Actual 2019 \$000
Cheque account	563	434
Tourism bank account	423	321
Cash on hand	12	12
Total cash and cash equivalents	998	767
Net cash and cash equivalents for the purposes of the statement of cash flows	998	767

10. RECEIVABLES

	Actual 2020 \$000	Actual 2019 \$000
Receivables from exchange transactions		
Trade receivables (gross)	110	369
Less provision for impairment	10	3
Net trade receivables	101	366
Total receivables from exchange transactions	101	366
Receivables from non-exchange transactions		
GST receivable	6	-
Total receivables from non-exchange transactions	6	-
Total receivables	107	366

11. OTHER CURRENT ASSETS

There is no write down of inventory during the year. (2019: Nil)

No inventory is pledged as security for liabilities in 2020. (2019: Nil)

	Actual 2020 \$000	Actual 2019 \$000
Inventory	125	105
Pre-payments	17	79
Resident withholding tax	1	-
Shareholder current account - RLC	-	-
Total other current assets	143	185

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 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.

	Equipment \$000	Motor Vehicle \$000	Total \$000
Opening cost 1 July 2019	162	38	200
Accumulated depreciation opening	70	24	95
Opening carrying amount	92	14	106
Additions	31	-	31
Disposals (net of accumulated depreciation)	-	-	-
Depreciation expense	47	5	52
Closing cost	193	38	231
Accumulated depreciation closing	118	29	147
Carrying amount at 30 June 2020	75	9	84

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

	Computer Software \$000	Website Development \$000	Total \$000
Opening cost 1 July 2019	11	30	41
Accumulated depreciation opening	2	-	2
Opening carrying amount	9	30	39
Additions	-	108	108
Disposals (net of accumulated depreciation)	-	-	-
Depreciation expense	4	-	4
Closing cost	11	138	149
Accumulated depreciation closing	5	-	5
Carrying amount at 30 June 2020	6	138	143

14. PAYABLES AND ACCRUED EXPENSES

	Actual 2020 \$000	Actual 2019 \$000
Payables from exchange transactions		
Creditors	759	503
Revenue in advance	-	44
Total payables from exchange transactions	759	548
Payables from non-exchange transactions		
Taxes payable	67	12
Total payables from non-exchange transactions	67	12
Total payables and accrued expenses	826	560

15. EMPLOYEE ENTITLEMENTS

	Actual 2020 \$000	Actual 2019 \$000
Current portion		
Annual leave	253	284
Total employee entitlements	253	284

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 2020 \$000	Actual 2019 \$000
Balance at 1 July		
Share Capital Issued - Number of shares (100)	232	232
Total share capital	232	232
(b) Retained Earnings	Actual 2020 \$000	Actual 2019 \$000
Balance at 1 July	386	363
Surplus/(deficit)	-223	23
Total retained earnings at 30 June	164	386
Total equity	396	619

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 2020 \$000	Actual 2019 \$000
Received a grant from Rotorua Lakes Council (excl.GST)	4,320	4,304
Accounts payable to Rotorua Lakes Council	192	31
Accounts receivable from Rotorua Lakes Council	76	2
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	174
	5,283	5,032

19. KEY MANAGEMENT REMUNERATION

Transactions with key management personnel:

	Actual 2020 \$000	Actual 2019 \$000
Senior management team including chief executive		
Full time equivalent members	5	7
Remuneration	805	905
Directors		
Full time equivalent members	6	5
Remuneration	81	60
Total full time equivalent personnel	11	12
Total key management personnel remuneration	886	965

20. DIRECTORS' REMUNERATION

Directors' remuneration was paid as the following:

In addition to remuneration an amount of \$5,150 (2019 \$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 2020 \$000	Actual 2020 \$000	Actual 2019 \$000	Actual 2019 \$000
	Fees	Travel	Fees	Travel
Peter Stubbs (Chairperson retired 1 April 2020)	16	4	20	4
John McRae (Appointed 14 April 2020)	6	-	-	-
Mere George (Retired 1 April 2020)	8	-	10	-
Christopher Auld (Appointed 27 July 2016)	12	-	10	-
Dr Ganesh Nana (Appointed 22 August 2019)	10	2	-	-
James Fitzgerald (Retired 30 June 2020)	12	-	10	-
Andy Higgs (Retired 30 June 2020)	12	2	10	3
Desterney Newton (Appointed 14 April 2020)	3	-	-	-
Tim Cossar (Appointed 9 June 2020)	1	-	-	-
Board Observer fees	1	-	-	-
Total directors' remuneration	81	8	60	7

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 2020 \$000	Actual 2019 \$000
Net surplus/(deficit)	-223	23
Add/(less) non-cash items:		
Depreciation	56	62
Total non-cash items	56	62
Add/(less) movements in statement of financial position items		
(Increase)/Decrease in receivables	259	141
(Increase)/Decrease in other current assets	43	-41
Increase/(Decrease) in payables and accrued expenses	235	-448
Total net movement in working capital items	537	-348
Net cash flow from operating activities	370	-263

23. FINANCIAL INSTRUMENTS

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

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.

	Actual 2020 \$000	Actual 2019 \$000
Financial assets		
Cash and cash equivalents	998	767
Receivables (excluding tax receivable)	101	342
<i>Total loans and receivables</i>	1,098	1,109
Financial liabilities at amortised cost		
Payables (excluding taxes payable)	759	548
<i>Total non-current portion</i>	759	548

24. REPORT AGAINST STATEMENT OF INTENT

Commentary:

i-SITE commission has been severely impacted by the travel restrictions caused by the Covid-19 pandemic, with quarter 4 being most affected by the varying levels of lockdown. i-SITE trading revenue has also been impacted as retail sales have reduced due to the absence of international tourists.

Other revenue variance is driven by the Wage Subsidy initiative set out by Government. Please refer to note 31 for further detail.

Personnel cost variance is largely driven by over time worked by i-SITE employees during the extended hours over the peak holiday season.

Office & Admin variance can be attributed to the lockdown period when both visitor sites were closed, resulting in reduced building maintenance costs.

	SOI 2020 \$000	Actual 2020 \$000	Variance 2020 \$000
Council Funding	4,300	4,320	20
i-SITE commission received	650	525	-125
Trading revenue	1,415	1,157	-258
Other revenue	548	767	259
Interest Received		4	4
Total Revenue	6,913	6,773	-140
Expenses			
Personnel costs	3,074	3,113	-39
Admin & office expenses	615	543	72
Finance costs and charges	135	122	13
Council service charges	502	521	-19
Repairs & maintenance	71	88	-18
Operating expenses	2,437	2,539	-102
Utilities	80	69	11
Total expenses	6,913	6,995	-83
Net surplus		-223	-223

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 \$29,272 excl. GST (2019 \$24,056 excl. GST).

26. DONATIONS

No donations were made by the company during the year (2019: Nil).

27. CONTINGENT LIABILITIES

At balance date contingent liabilities have been estimated at nil (2019: Nil).

28. OPERATING LEASES

Operating leases relate to:
Level 3, Haupapa Street

	Actual 2020 \$000	Actual 2019 \$000
Commitment Type		
Not later than one year	70	70
Later than one year and not later than five years	198	268

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 comprise shareholders' funds. Equity is represented by net assets.

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

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

The Council has accepted the Company's Statement of Intent, which includes funding up to 30 June 2020.

The funding agreement indicates that support will be provided until 30 June 2020. The support provided to Rotorua Economic Development Limited shall include: \$4.3m excl. GST to support the necessary budgeted operating activities in a timely manner (and all obligations and liabilities incidental to such activities).

31. COVID-19 IMPACT

Rotorua Economic Development applied for the Government's Wage Subsidy initiative in May 2020. This timing was to ensure that all criteria had been met in order to qualify for the subsidy. RED received a total sum of \$253,066 on the 22nd of May 2020, which was applied to offset staff costs from that period. The Wage Subsidy covered a period of 12 weeks from date of receipt. This has resulted in a currently liability of \$126,533, which is reflected in note 14.

Covid-19 has severely affected the i-SITE business due to the travel restrictions imposed at the border as well as the varying levels of lockdown experienced during 2020. Rotorua Economic Development is working closely with Rotorua Lakes Council as a key partner in the Economic Recovery Task Force which is focused on key strategies to build on Rotorua's unique strengths. RED has also received a letter of comfort from Rotorua Lakes Council confirming their commitment to provide sufficient funding and support to deliver necessary operations.

Independent Auditor's Report

To the readers of Rotorua Economic Development Limited's financial statements and performance information for the year ended 30 June 2020

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 28 to 46, that comprise the statement of financial position as at 30 June 2020, the statement of comprehensive revenue and expense, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the statement of service performance information of the company on pages 18 to 23.

In our opinion:

- the financial statements of the company on pages 28 to 46:

- present fairly, in all material respects:
 - its financial position as at 30 June 2020 and
 - its financial performance and cash flows for the year then ended; and
- comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standards Reduced Disclosure Regime; and
- the performance information of the company on pages 18 to 23 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 2020.

Our audit was completed on 30 November 2020. This is the date at which our opinion is expressed.

The basis for our opinion is explained below, and we draw attention to the impact of Covid-19 on the company. 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.

Emphasis of matter – Impact of Covid-19

Without modifying our opinion, we draw attention to the disclosures about the impact of Covid-19 on the Company as set out in Note 31 to the financial statements and pages 18 to 23 of the performance information.

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 3 to 17 and 24 to 27, 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

