Wellington Regional Economic Development Trust

Trading as Positively Wellington Business

Statement of Intent 2006/2007

POSITIVELY Wellington BUSINESS

Growing business
Growing jobs
Growing prosperity

PARTNERS IN THE WELLINGTON REGION

HUTT CITY

Porirua City Council

UPPER HUTT CITY

Absolutely POSITIVELY Wellington

KAPITI COAST DISTRICT COUNCIL

1. Objectives of the Trust

These are as stated in the Trust Deed as agreed between the Wellington City Council and the Wellington Regional Economic Development Trust (trading as Positively Wellington Business).

The objectives of the Trust are to promote, foster and develop a dynamic and innovative economy in the Wellington Region for the benefit of the people of the Wellington Region by:

- Encouraging and assisting in the establishment, retention and development of sustainable, new and existing businesses
- Promoting new investments
- Developing viable employment opportunities
- Marketing business opportunities
- Raising funds, and carry out such business and other activities as are necessary or conducive to the carrying out and giving effect to the objectives of the Trust
- Working with local, regional and central government and other providers of services within the Wellington Region to achieve the Trust's objectives
- Cooperating with any person or persons, body, service, institution, company, corporation, club, society, statutory body or government department in order to facilitate, promote, achieve, support or maintain the Trust's objectives
- Generally to do all acts, matters and things that the trustees consider may advance the objectives of the Trust

The Trust endeavours at all times to be a good employer with regard for the interests of the community in which it operates. It will work diligently to achieve the objectives, both commercial and non-commercial, of its stakeholders as specified in the Statement of Intent.

2. Statement on the Trust's approach to governance

The Wellington Regional Economic Development Trust was incorporated under the Charitable Trusts Act 1957 on 20 September 2001. The Trust undertakes to meet the regulatory and stakeholder requirements for governance, reporting and planning.

The Trust Board consists of a Chairperson and nine other trustees, who meet on a monthly basis and are supported by the Audit, Finance and Remuneration Committee. Wellington City Council appoints the majority of trustees, and Porirua City Council, Hutt City Council, Upper Hutt City and Kapiti Coast District Council each appoint one trustee.

In order to enable the Trust to continue to provide healthy and robust governance, it has established a risk identification and mitigation plan. The Plan will further enhance the Trust's capability to perform its functions by enabling the efficient and effective identification and response to threat.

The Trust strives to meet best practice governance standards and regularly reviews its performance in an effort to achieve this.

3. The nature and scope of the activities to be undertaken

The Wellington Regional Economic Development Trust (trading as Positively Wellington Business (PWB)) is the public economic development agency for the Wellington region. The Trust has been charged by its stakeholders to grow the regional economy by increasing jobs and wealth/GDP. Its stakeholders are Kapiti Coast District, Hutt City, Porirua City, Upper Hutt City, and Wellington City Councils.

The Trust has a vision for Wellington:

"That the Wellington Region will be the best place to do business in New Zealand"

The overarching goal for the region that is being developed through the Wellington Regional Strategy, is[1]:

"To increase economic growth and prosperity measured by GDP per capita, while maintaining our identity, quality of life and quality of the environment."

The Trust's mission, which is our contribution to achieving this goal and the Trust's vision, is to:

"Grow businesses via early identification and facilitation of high-growth companies[2] in the Wellington Region"

Business drives the economic development of the Wellington region. The role of the Trust will be to serve businesses through growing business, growing prosperity and growing jobs.

The Trust carries out four types of core economic development activities: creating new businesses; growing existing businesses; attracting new businesses; and retaining existing businesses. Working with a diverse array of businesses - from start-up entrepreneurs to large established companies – the Trust helps them to compete in the local economy and succeed in the global marketplace.

The Trust's programmes outlined in its Business Plan for 2006/07 are based on the five pillars of success which are contained in its 2005 - 2008 Strategic Plan.

	PILLAR OF SUCCESS	PROGRAMME
1	**Strong businesses** deriving their growth from external markets	**Business Development**
2	**Emerging high-growth businesses** that will be the success stories of tomorrow	**Business Incubation**
3	**The skill base of the region** meeting the needs of businesses and enabling them to grow	**Targeted Migrant and Expatriate Attraction**
4	**Strong investment flows** into new and existing businesses	**Investment Attraction**
5	**Sectors** achieving cumulative growth through collaboration	**Sector Growth**

The Trust cannot by itself achieve the regional goal. It will seek to achieve its goals and programmes through its partnerships with the business community, local government, central government and the community at large.

In some instances other stakeholders will undertake the lead role in achieving this goal and the Trust will play a supportive role. On other occasions the Trust will take the lead role.

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[1] Work is now well advanced on the Wellington Regional Strategy. Following launch of the "Growth Framework" in August 2005, the WRS is scheduled for completion and political-level endorsement by the end of September 2006.

[2] These businesses are expected to achieve revenue targets of $5 million pa five years after start up; achieve >50% year-on-year increase in revenue; and are globally focussed or actively exporting.

Pending conclusion of the Wellington Regional Strategy, the **Opportunities Report for the Wellington Regional Economy** (May 2002) by Deloitte Touche Tohmatsu remains the foundation document that sets the direction for the region's economic development and the key areas of specialisation. The selection of the key growth sectors, which the Trust focuses on in its three-year Strategic Plan, has been based on analysis contained in the **Opportunities Report**. These bases will all have to be revisited by PWB once the Wellington Regional Strategy has been confirmed later this year.

The Trust will work with New Zealand Trade and Enterprise and our local government stakeholders to collectively implement its Strategic Plan.

As noted above, the councils of the Wellington region and PWB are collectively working on the development of the Wellington Regional Strategy, which is a 20-year sustainable growth strategy with a 50-year time horizon that seeks to build an internationally competitive environment. The strategy has as its primary focus sustainable economic development and sustainable management of physical growth. It takes a broader and holistic approach to achieving sustainable economic growth.

PWB's 2005 – 2008 Strategic Plan and 2006 – 2007 Business Plan will form an integral part of and will be informed by the evolving work of the Wellington Regional Strategy being undertaken by PWB and the councils.

PWB will adapt its planning documents, initiatives and programmes where appropriate in order to implement the regional strategy. Any changes will be made in full consultation with the stakeholding councils and their review will follow the timetable and process for next year's submission of the annual planning documents.

4. Ratio of Total Assets: Equity

The definition for 'ratio of total assets to total equity' is:

Total assets include cash, investment and bank balances, accounts receivable, investments, prepayments, fixed assets (net of accumulated depreciation), intangible assets (net of accumulated amortisation), loans (none), etc.

Total equity includes accumulated funds and retained earnings.

Planned at 3.54:1 for 2006/07.

5. Trust Accounting Policies

i Statement of Compliance with NZ IFRS

The financial statements have been prepared in accordance with New Zealand generally accepted accounting practice. They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards, as appropriate for public benefit entities. These are the Wellington Regional Economic Development Trust's first financial statements complying with NZ IFRS. NZ IFRS 1: *First-time Adoption of NZ Equivalents to International Financial Reporting Standards* has been applied.

Until 1 July 2006, the financial statements of Wellington Regional Economic Development Trust (the Trust) had been prepared in accordance with previous New Zealand Financial Reporting Standards (NZ FRS). NZ FRS differs in certain respects from NZ IFRS. When preparing the 30 June 2007 financial statements, management has amended certain accounting and valuation methods applied in the NZ FRS financial statements to comply with NZ IFRS

ii Summary of Significant Accounting Policies

Reporting Entity

These financial statements are for the Trust. The financial statements are prepared in accordance with the requirements of the Charitable Trusts Act 1957, section 69 of the Local Government Act 2002, the trust deed and the Financial Reporting Act 1993. For the purposes of financial reporting the Trust is a public benefit entity.

The following public benefit entity exemption has been applied:

- the general exemption from the requirements of NZ IAS 14: *Segment Reporting*.

Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and in preparing an opening NZ IFRS balance sheet as at 1 July 2005 for the purposes of the transition to NZ IFRS.

The measurement basis applied is historical cost.

The accrual basis of accounting has been used unless otherwise stated. These financial statements are presented in New Zealand dollars.

Judgements and Estimations

The preparation of financial statements in conformity with NZ IFRS requires judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Where material, information on the major assumptions is provided in the relevant accounting policy or will be provided in the relevant note to the financial statements.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Income

Grants

Grants income includes any transfers of resources to the Trust in return for past or future compliance with certain conditions relating to the operating activities of the Trust. An unconditional grant is recognised in the income statement as other operating income when the grant becomes receivable. A conditional grant is recognised in the income statement as other operating income to the extent that conditions have been complied with.

Interest

Interest income is accrued using the effective interest rate method. The effective interest rate exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset’s net carrying amount. The method applies this rate to the principal outstanding to determine interest income each period.

Rental income

Rental income is recognised on a straight line basis over the term of the lease. Lease incentives granted are recognised evenly over the term of the lease as a reduction in total rental income.

Sales of goods
Sales of goods are recognised when the Trust has transferred the risks and rewards of ownership of the goods to the purchaser. Sales of goods are recognised net of GST, rebates and discounts.

Other income
All other income is recognised when billed or earned on an accrual basis.

Expenses

Grants and subsidies
Grants and subsidies expenditure includes transfers of resources to another entity in return for past or future compliance with certain conditions relating to the operating activities of that entity. Grants expenditure includes any expenditure arising from a funding arrangement with another entity that has been entered into to achieve the objectives of Trust.

Where grants and subsidies are discretionary until payment, the expense is recognised when the payment is made. Otherwise, the expense is recognised when the specified criteria have been fulfilled and notice has been given.

Interest
Interest expense is accrued using the effective interest rate method. The effective interest rate exactly discounts estimated future cash payments through the expected life of the financial liability to that liability's net carrying amount. The method applies this rate to the principal outstanding to determine interest expense each period.

Goods and Services Tax (GST)

All items in the financial statements are exclusive of GST, with the exception of receivables and payables, which are stated as GST inclusive.

Financial Instruments

The entity classifies its financial assets and financial liabilities according to the purpose for which they were acquired. The Entity determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

Financial Assets
The entity classifies its investments as loans and receivables which are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are included in trade and other receivables in the balance sheet. Loans and receivables are recognised initially at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest rate method. Allowances for estimated irrecoverable amounts are recognised when there is objective evidence that the asset is impaired.

Fair values
If the market for financial assets is not active (and for unlisted securities), the Trust establishes fair value by using valuation techniques. These include reference to the fair values of recent arm's length transactions, involving the same instruments or other instruments that are substantially the same and discounted cash flow analysis.

Impairment
The Trust assesses at each balance sheet date whether there is objective evidence that a financial asset or an entity of financial assets is impaired Losses resulting from impairment are reported in the Income Statement.

Financial Liabilities

The Trust's financial liabilities are all classified as other financial liabilities and are recognised initially at fair value less transaction costs and subsequently measured at amortised cost using the effective interest rate method. Amortisation is recognised in the Income Statement as is any gain or loss when the liability is derecognised.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with up to three months maturity. Bank overdrafts that are repayable on demand and form an integral part of the entity's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Property, Plant and Equipment

Recognition
Property, plant and equipment consist of operational assets. Expenditure is capitalised as property, plant and equipment when it creates a new asset or increases the economic benefits over the total life of an existing asset and can be measured reliably. Costs that do not meet the criteria for capitalisation are expensed.

Operational assets include computer hardware, equipment, fixtures, furniture and motor vehicles.

Measurement
Items of property, plant and equipment are initially recorded at cost.

The initial cost of property, plant and equipment includes the purchase consideration, or the fair value in the case of donated assets, and those costs that are directly attributable to bringing the asset into the location and condition necessary for its intended purpose. Subsequent expenditure that extends or expands the asset's service potential and that can be measured reliably is capitalised. Borrowing costs are not capitalised.

Impairment
The carrying amounts of property, plant and equipment are reviewed at least annually to determine if there is any indication of impairment. Where an asset's recoverable amount is less than its carrying amount, it will be reported at its recoverable amount and an impairment loss will be recognised. The recoverable amount is the higher of an item's fair value less costs to sell and value in use. Losses resulting from impairment are reported in the Income Statement.

Disposal
Gains and losses arising from the disposal of property, plant and equipment are determined by comparing the proceeds with the carrying amount and are recognised in the Income Statement in the period in which the transaction occurs. Any balance attributable to the disposed asset in the asset revaluation reserve is transferred to retained earnings.

Depreciation
Depreciation is provided on all property, plant and equipment. Depreciation is calculated on a straight line basis, to allocate the cost or value of the asset (less any residual value) over its useful life. The estimated useful lives of the major classes of property, plant and equipment are as follows:

Computer hardware	3 years
Equipment	8 years
Fixtures	3 to 6 years
Furniture	10 years
Motor vehicles	5.5 years

The residual values and useful lives of assets are reviewed, and adjusted if appropriate, at each balance date.

Work in progress
The cost of projects within work in progress is transferred to the relevant asset class when the project is completed, and then depreciated.

Intangible Assets

Acquired intangible assets are initially recorded at cost.

Intangible assets with finite lives are subsequently recorded at cost less any amortisation and impairment losses. Amortisation is charged to the Income Statement on a straight-line basis over the useful life of the asset. Typically, the estimated useful lives of these assets are as follows:

Computer Software	3 years

Realised gains and losses arising from disposal of intangible assets are recognised in the Income Statement in the period in which the transaction occurs. Intangible assets are reviewed at least annually to determine if there is any indication of impairment. Where an intangible asset's recoverable amount is less than its carrying amount, it will be reported at its recoverable amount and an impairment loss will be recognised. Losses resulting from impairment are reported in the Income Statement.

The residual values and useful lives of assets are reviewed, and adjusted if appropriate, at each balance date.

Employee Benefits

A provision for employee benefits is recognised as a liability when benefits are earned.

Wages and salaries and annual leave
Annual leave and time off in lieu is calculated on an actual entitlement basis at the greater of the average or current hourly earnings in accordance with sections 16(2) & 16(4) of the Holidays Act 2003. Liabilities for wages and salaries, including non-monetary benefits, annual leave and time off in lieu expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the entity will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

Trade and other payables

These amounts represent liabilities for goods and services provided to the entity prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

Contingent Assets and Liabilities

Contingent liabilities and contingent assets are disclosed in the Statement of Contingent Liabilities and Contingent Assets at the point at which the contingency is evident. Contingent liabilities are disclosed if the possibility that they will crystallise is not remote. Contingent assets are disclosed if it is probable that the benefits will be realised.

Leases

Leases where the lessor effectively retains substantially all the risks and rewards of ownership of the leased items are classified as operating leases. Payments made under these leases are expensed in the Income Statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease payment.

Finance leases transfer to the Trust as lessee substantially all the risks and rewards incident to the ownership of a leased asset. Initial recognition of a finance lease results in an asset and liability being recognised at amounts equal to the lower of the fair value of the leased property or the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other long term payables. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The leased asset acquired under finance leases is depreciated over the short of the useful life of the asset or the lease term.

Statement of Cash Flows

The statement of cash flows has been prepared using the direct approach subject to the netting of certain cash flows. Cash flows in respect of investments and borrowings that have been rolled-over under arranged finance facilities have been netted in order to provide more meaningful disclosures.

Operating activities include cash received from all income sources of the entity; record the cash payments made for the supply of goods and services and include cash flows from other activities that are neither investing nor financing activities. Investing activities relate to the acquisition and disposal of assets. Financing activities relate to activities that change the equity and debt capital structure of the entity.

Comparative figures

The Trust has adopted the NZ equivalent International Financial Reporting Standards commencing with this report. Comparative figures for the 2006 year have been restated to comply with these standards.

Changes in Accounting Policies

Early adoption of International Financial Reporting Standards

For reporting periods commencing on or after 1 January 2007, New Zealand reporting entities will be required to apply New Zealand equivalents to International Financial Reporting Standards (NZIFRS). Entities have the option of adopting NZIFRS early. The

Trust has decided to “early adopt” with effect from 1 July 2006 which means that these accounts have been prepared in accordance with NZIFRS for the first time.

The Trust has applied all NZ IFRS that are applicable at the date of preparation of these financial statements.

6. Regional Economic Indicators and WREDT Key Performance Indicators to be reported against

The Trust undertakes to report on three levels of indicators – mega, macro and micro.

Mega – these economic indicators relate to growth in domestic product, employment, and numbers of businesses. WREDT's ability to influence the regional economy at the mega level is limited. The targets for these measures are aspirational.

Macro – these economic indicators relate to the performance of those key sectors with potential for high growth that WREDT targets with its sector programme. Macro level indicators include location quotients that show the relative concentration of employment in a sector compared with the national average. Again the targets for these measures are aspirational.

Micro – these measures relate to specific programme goals. WREDT has a stronger ability to influence and control the performance of these measures. These will therefore be WREDT's key performance indicators.

The comprehensiveness and currency of the Trust's reporting on some of the measures is contingent on other organisations' external data collections.

The Trust's contribution to the achievement for the overarching goal noted in clause 3 is targeted at economic development and will be reported on as outlined below. Other measures focused on quality of life such as Genuine Progress Indicators are being developed and determined through the Wellington Regional Strategy.

2006-2007 Economic Indicators - MEGA

Measure	Frequency of measure	Target 2006/07 *Proposed*
Regional Economic Growth • Gross Domestic Product • Gross Domestic Product per capita	Annual	*Above national average*
Number of Businesses in the Wellington region	Annual	*Positive Growth*
Number of Jobs in the Wellington region	Annual	*Positive Growth*

2006-2007 Economic Indicators - MACRO

Measure	Frequency of measure	Target 2006/07 *Proposed*
Growth in GDP by targeted sector	Annual	*Above national average*
Number of Businesses by targeted sector	Annual	*Positive Growth*
Number of Jobs by targeted sector	Annual	*Positive Growth*
Location Quotients by targeted sector	Annual	*Above national average*

2006-2007 WREDT Key Performance Indicators - MICRO

There are two levels to these micro performance measures:

- High level – economic impact and return on investment (as defined in the 2006/07 Business Plan)
- Low level – detailed outcomes from programme delivery (as contained in the 2006/07 Business Plan)

PWB will review its range of performance measures in order for the Trust to better demonstrate the contribution it makes to Council outcomes.

The Trust will work with councils to review its Business Plan and Statement of Intent when the Wellington Regional Strategy has been agreed and signed off in September/October 2006.

7. Information to be reported to Councils

WREDT will provide quarterly reports in the agreed format to the Councils on the agreed dates. The Financial reports will include a Statement of Financial Performance, Statement of Financial Position and Statement of Cashflow.

The Annual Report and audited accounts of the Trust will be supplied to the Councils within 60 days of the end of the financial year.

WREDT will provide to the councils by 1 March 2007 its draft Business Plan for consideration prior to commencement of the new financial year.

The Trust is committed to open and frank communication with councils and operating within a spirit of collaboration based on a “no surprises” principle.

8. Activities for which investment by Councils is sought

The Trust seeks funding from the stakeholding councils for undertaking work that seeks to promote and facilitate economic development and prosperity in the Wellington region.

The funding agreements between WREDT and Wellington City, Porirua City, Kapiti Coast District Council, Hutt City and Upper Hutt City Councils all expire on 30 June 2006. WREDT requests funding from these councils for a further three years to 30 June 2009.

For the 2006/07 financial year we seek the following funding from the stakeholding councils:

- $2,211,000 from Wellington City Council
- $484,990 from Hutt City Council
- $221,540 from Porirua City Council
- $116,820 from Upper Hutt City Council
- $116,820 from Kapiti Coast District Council

In each case this encompasses core funding and additional funding for the regional migrant project and Education Wellington International.

9. Significant Obligations/Contingent Liabilities

A three-by -three year lease on premises at 342-352 Lambton Quay, Wellington, finally expires 31 October 2007. A three-by-three year lease on premises at 25a Marion Street, Wellington expires on 30 June 2007 and has two further rights of renewal of three years each.

There are operating leases for photocopiers, telephone system and one vehicle which all expire between October 2006 and April 2009.

10. Other

No distribution to shareholders is intended as the Trust does not have any shareholders.

Any subscription for, purchase or otherwise acquiring shares in any company or other organisation requires the prior approval of the Board of Trustees.