FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

Wellington Regional Economic Development Agency Limited

WellingtonNZ.com

CONTENTS

Audit New Zealand
Mana Arotake Aotearoa

INDEPENDENT AUDITOR'S REPORT

To the readers of Wellington Regional Economic Development Agency Limited group's financial statements and performance information for the year ended 30 June 2019

The Auditor-General is the auditor of Wellington Regional Economic Development Agency Limited group (the Group). The Auditor-General has appointed me, Karen Young, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and performance information of the Group on his behalf.

OPINION

We have audited:

- the financial statements of the Group on pages 6 to 32, that comprise the consolidated statement of financial position as at 30 June 2019, the consolidated statement of comprehensive revenue and expenses, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date and the notes to the consolidated financial statements that include accounting policies and other explanatory information; and
- the performance information of the Group on pages 35 to 37.

In our opinion:

- the financial statements of the Group on pages 6 to 32:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2019; and
    - its financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand in accordance with the Public Benefit Entity Reporting Standards; and
- the performance information of the Group on pages 35 to 37 presents fairly, in all material respects, the Group's actual performance compared against the performance targets and other measures by which performance was judged in relation to the Group's objectives for the year ended 30 June 2019.

Our audit was completed on 30 June 2019. This is the date at which our opinion is expressed.

The basis for our opinion is explained below and we draw your attention to the uncertainties in the carrying value of the unlisted shares in incubator and accelerator companies, and investment in associate. 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.

UNCERTAINTIES IN THE CARRYING VALUE OF UNLISTED SHARES IN INCUBATOR AND ACCELERATOR COMPANIES AND INVESTMENT IN ASSOCIATE

Without modifying our opinion, we draw your attention to note 8 on pages 21 and 22 of the financial statements that explain how the fair value of the shares in incubator and accelerator companies, including the shares held by the associate, Lightning Lab Fintech 2017 Limited Partnership, has been determined and the uncertainties in measuring that fair value. Although the fair value of these unlisted shares is based on the best information available, there is a high degree of uncertainty about the value due to the early stage nature of the investments, the absence of quoted market prices and the reliance placed on the information supplied by the companies. This uncertainty could have a material effect on the consolidated statement of comprehensive revenue and expenses and consolidated statement of financial position.

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 Group 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 Group.

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 Group for assessing the Group'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 Group 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 Group'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 Group'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 Group'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 Group'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 Group 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 'WellingtonNZ 2018/19 Annual Report' and information included on pages 32 to 37, 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 Group 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 Group.

Karen Young

Karen Young
AUDIT NEW ZEALAND
ON BEHALF OF THE AUDITOR GENERAL
WELLINGTON, NEW ZEALAND

WELLINGTON REGIONAL ECONOMIC DEVELOPMENT AGENCY LIMITED

STATEMENT OF COMPLIANCE AND RESPONSIBILITY

STATEMENT OF COMPLIANCE

The Board and Management of the Wellington Regional Economic Development Agency Limited (WREDA the Company and Group) confirm that all statutory requirements in relation to this annual report, as outlined in the Local Government Act 2002 and the Companies Act 1993, have been met.

STATEMENT OF RESPONSIBILITY

The Board and Management accept responsibility for:

- the preparation of WREDA's financial statements and the judgements used in them
- having in place a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial and service performance reporting.

In our opinion:

- the financial statements fairly reflect the financial position of WREDA as at 30 June 2019 and its operations for the year ended on that date
- the service performance statements fairly reflect the performance achievements for WREDA for the year reported.

Tracey Bridges
CHAIR
30 SEPTEMBER 2019

Grant Guilford
CHAIR, RISK AND AUDIT COMMITTEE
30 SEPTEMBER 2019

WELLINGTON REGIONAL ECONOMIC DEVELOPMENT AGENCY LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSES

FOR THE YEAR ENDED 30 JUNE 2019

		GROUP		
	NOTES	2019 ACTUAL $	2019 BUDGET $	2018 ACTUAL $
REVENUE				
Service revenue	2	18,953,591		20,479,343
Management fee revenue	2	4,798,296		5,079,935
Interest revenue		77,078		67,718
Rental revenue		48,200		96,250
Other revenue	2	7,631,717		5,330,030
TOTAL REVENUE		31,508,882	30,111,767	31,053,276
EXPENSES				
Personnel costs	3	(13,130,209)		(12,825,208)
Directors fees and expenses	22	(259,996)		(271,365)
Depreciation and amortisation	6,7	(247,338)		(170,138)
Other expenses	4	(17,038,997)		(18,009,580)
TOTAL EXPENSES		(30,676,540)	(30,061,767)	(31,276,291)
SURPLUS / (DEFICIT) BEFORE INCOME TAX AND SUBVENTION PAYMENTS		832,342	50,000	(223,015)
Subvention payment		-		(78,072)
Income tax expense	5	(113,492)		(200,271)
SURPLUS / (DEFICIT) FOR THE YEAR		718,850	50,000	(501,358)
Other comprehensive revenue and expense				
Fair value movement of investment		148,220		246,854
Share of Associate's other comprehensive revenue and expense	8	12,652		309,563
TOTAL OTHER COMPREHENSIVE REVENUE AND EXPENSE		160,872		556,417
TOTAL COMPREHENSIVE REVENUE AND EXPENSE		**879,722**	**50,000**	**55,059**

THE ACCOMPANYING NOTES FORM PART OF THESE FINANCIAL STATEMENTS.

EXPLANATION OF MAJOR VARIANCES AGAINST THE ORIGINAL 2018/19 BUDGET ARE PROVIDED IN NOTE 26.

WELLINGTON REGIONAL ECONOMIC DEVELOPMENT AGENCY LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 30 JUNE 2019

		GROUP		
	NOTES	2019 ACTUAL $	2019 BUDGET $	2018 ACTUAL $
ASSETS				
Current assets				
Cash and cash equivalents	11	2,443,459		1,911,315
Trade and other receivables	9	2,294,452		2,680,719
Prepayments		368,657		182,968
Inventories		2,025		1,588
Taxes receivable	15	123,056		-
TOTAL CURRENT ASSETS		5,231,649	3,714,056	4,776,590
Non-current assets				
Property, plant and equipment	6	809,821		369,494
Intangible assets	7	184,713		90,850
Other financial assets	10	23,182		31,984
Investments in incubator and accelerator companies	8	1,513,791		1,455,528
Investment in associate		371,960		360,716
Deferred tax assets	5	25,243		31,939
TOTAL NON-CURRENT ASSETS		2,928,710	1,850,000	2,340,511
TOTAL ASSETS		8,160,359	5,564,056	7,117,101

WELLINGTON REGIONAL ECONOMIC DEVELOPMENT AGENCY LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 30 JUNE 2018

		GROUP		
	NOTES	2019 ACTUAL $	2019 BUDGET $	2018 ACTUAL $
LIABILITIES				
Current liabilities				
Trade payables	13	1,671,878		1,739,626
Employee entitlements	12	1,117,971		969,545
Sundry creditors and accruals	14	1,373,487		1,307,029
Borrowings		28,650		-
Deferred Revenue		571,451		567,321
Taxes payable	15	-		64,465
TOTAL CURRENT LIABILITIES		4,763,437	3,500,000	4,647,986
Non current liabilities				
Borrowings		48,085		-
TOTAL NON-CURRENT LIABILITIES		48,085	-	-
TOTAL LIABILITIES		4,811,522	3,500,000	4,647,986
NET ASSETS		3,348,837	2,064,056	2,469,115
EQUITY				
Contributed equity		1,000		1,000
Accumulated funds		731,446	-	12,597
Other reserves		1,039,254	-	878,381
Capital injection from shareholder		1,577,137	-	1,577,137
TOTAL EQUITY		3,348,837	2,064,056	2,469,115

THE ACCOMPANYING NOTES FORM PART OF THESE FINANCIAL STATEMENTS.
EXPLANATION OF MAJOR VARIANCES AGAINST THE ORIGINAL 2018/19 BUDGET ARE PROVIDED IN NOTE 26.

WELLINGTON REGIONAL ECONOMIC DEVELOPMENT AGENCY LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2019

	NOTES	GROUP 2019 ACTUAL $	2019 BUDGET $	2018 ACTUAL $
BALANCE AT 1 JULY		2,469,115	2,014,056	2,414,056
Surplus / (deficit) for the year		718,850	50,000	(501,358)
Movement in investment reserve		160,872	-	556,417
BALANCE AT 30 JUNE	16	3,348,837	2,064,056	2,469,115

THE ACCOMPANYING NOTES FORM PART OF THESE FINANCIAL STATEMENTS.
EXPLANATION OF MAJOR VARIANCES AGAINST THE ORIGINAL 2018/19 BUDGET ARE PROVIDED IN NOTE 26.

WELLINGTON REGIONAL ECONOMIC DEVELOPMENT AGENCY LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2019

		GROUP		
	NOTES	2019 ACTUAL $	2019 BUDGET $	2018 ACTUAL $
Cash flows from operating activities				
Receipts from other revenue		14,011,925		11,135,306
Receipts from grants		18,956,291		20,479,343
Payments to suppliers/employees		(31,713,001)		(30,990,039)
Goods and Services tax (net)		(134,427)		(40,031)
Income tax paid		(113,492)		(185,421)
NET CASH FLOW FROM OPERATING ACTIVITIES	20	1,007,296	(222,840)	399,158
Cash flows from investing activities				
Interest received		77,078		64,743
Receipts from CHQ Investments		-		2,975
Receipt from return of capital investment		95,000		-
Proceeds from repayment of loan		15,000		15,000
Purchases of property, plant and equipment		(497,363)		(152,789)
Purchases of intangibles		(164,867)		(124,730)
NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		(475,152)	114,100	(194,801)
Net increase / (decrease) in cash and cash equivalents		532,144	(108,740)	204,357
Cash and cash equivalents at beginning of the period		1,911,315	2,100,000	1,706,958
CASH, CASH EQUIVALENTS AT THE END OF THE PERIOD		2,443,459	1,991,260	1,911,315

THE ACCOMPANYING NOTES FORM PART OF THESE FINANCIAL STATEMENTS.

EXPLANATION OF MAJOR VARIANCES AGAINST THE ORIGINAL 2018/19 BUDGET ARE PROVIDED IN NOTE 26.

RECONCILIATION OF OPERATING CASHFLOWS TO NET SURPLUS/(DEFICIT) IS INCLUDED AT NOTE 20.

WELLINGTON REGIONAL ECONOMIC DEVELOPMENT AGENCY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

1. STATEMENT OF ACCOUNTING POLICIES

REPORTING ENTITY

Wellington Regional Economic Development Agency Limited (WREDA), the controlling entity and 'Parent', is a council controlled organisation as defined under section 6 of the Local Government Act 2002 and domiciled in New Zealand. WREDA is a public benefit entity for the purposes of financial reporting.

The controlling entities registered office is 111 Wakefield St, Wellington and its principal place of business is both 175 Victoria Street and 111 Wakefield Street, Wellington.

These consolidated financial statements for the year ended 30 June 2019 comprise the controlling entity and its controlled entity, together referred to as the 'Group' and individually as 'Group Entities'.

WREDA combines activities, functions and funding of particular business units previously under the control of the Wellington City Council and the Greater Wellington Regional Council. WREDA is the 100% shareholder of Creative HQ Limited, the regions business incubator and accelerator, which also has a reporting date for the year ended 30 June 2019.

WREDA aims to integrate, streamline, strengthen and, as required, modify the core activities of the legacy organisations so that the Wellington Region's prosperity will be improved and its global reputation as a centre of creativity, enterprise, diversity and liveability will be enhanced. As a result, the Region will be more attractive to visitors, investors, migrants, students and businesses, and will also retain existing enterprises and enable them to grow.

BASIS OF PREPARATION

(A) STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). They comply with the Public Entity Standards ("PBE Standards") as appropriate for Tier 1 public benefit entities and have been prepared on a going concern basis. The accounting policies have also been applied consistently throughout the year.

These financial statements were authorised for issue by the Board of Directors on 30 September 2019.

(B) MEASUREMENT BASIS

The consolidated financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position, which are measured at fair value:

- Investment in incubator and accelerator companies
- Employee entitlements
- Loan issued

(C) FUNCTIONAL AND PRESENTATION CURRENCY

The financial statements are presented in New Zealand dollars ($) which is the controlling entity's functional and Group's presentation currency.

There has been no change in the functional currency of the Group during the year.

(D) CHANGES IN ACCOUNTING POLICIES

There have been no changes in the controlling entity and Group's accounting policies since the date of the last audited financial statements. The accounting policies are detailed in the following notes and have been applied consistently to all periods presented in these financial statements and have been applied consistently by the Group.

STANDARDS ISSUED AND NOT YET EFFECTIVE THAT HAVE BEEN EARLY ADOPTED

WREDA has not adopted early any Accounting Standards that are issued but not yet effective.

STANDARDS ISSUED AND NOT YET EFFECTIVE AND NOT EARLY ADOPTED

Standards and amendments, issued but not yet effective that have not been early adopted, and which are relevant to WREDA are:

Financial instruments

In January 2017, the XRB issued PBE IFRS 9 Financial Instruments. This replaces PBE IPSAS 29 Financial Instruments: Recognition and Measurement. PBE IFRS 9 is effective for financial years beginning on or after 1 January 2021, with earlier application permitted. The main change under the standard relevant to WREDA are:

- New financial asset classification requirements for determining whether an asset is measured at fair value or amortised cost.
- A new impairment model for financial assets based on expected losses, which might result in the earlier recognition of impairment losses.

Interests in other entities

In January 2017, the XRB issued new standards for interests in other entities (PBE IPSAS 34 38). These new standards replace the existing standards for interests in other entities (PBE IPSAS 6 8). The new standards are effective for annual reporting periods on or after 1 January 2019, with early application permitted.

WREDA plans to apply the new standards in preparing the 30 June 2020 financial statements. WREDA has not yet assessed the effects of these new standards.

SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which estimates are revised and in any future periods affected.

(A) JUDGEMENTS

Judgements made in applying accounting policies that have had the most significant effects on the amounts recognised in the consolidated financial statements include the following:

- Intangible assets are considered to have finite lives. Refer to Note 7.
- The parent's subsidiary is considered to be 100% under the parent's control. Refer to Note 28.
- The loan issued is assumed that it will be repayable in full. Refer to Note 10.

(B) ESTIMATION AND ASSUMPTION UNCERTAINTIES

Estimation and uncertainties that have a significant risk of resulting in a material adjustment in the year ended 30 June 2019 include the following:

- Uncertainties are inherent in estimating fair value of the investments in incubator, accelerator companies and investment in associate and care has been made in exercising judgement and making the necessary estimates. Accounting standards require a gain or loss on fair value of these investments to be recognised in surplus or deficit but there is no certainty that any gain or loss based on the estimate of fair value will actually be realised if a sale was completed.

(C) SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies are included within the notes below to which they relate. Other significant accounting policies that do not relate to a note are included within Note 27.

(E) BUDGET FIGURES

The budget figures are those approved by the Board in the 2018/19 Statement of Intent. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted by WREDA in preparing these financial statements.

2. REVENUE

Revenue is recognised when the amount of revenue can be measured reliably, and it is probable that economic benefits will flow to the Group and measured at the fair value of consideration received or receivable.

Revenue may be derived from either exchange or non-exchange transactions.

(A) REVENUE FROM EXCHANGE TRANSACTIONS

Revenue from exchange transactions arises where WREDA provides goods or services to another entity or individual and receives approximately equal value or greater in a willing arm's length transaction between a willing buyer and willing seller.

(I) GRANTS

Grants are in large received from shareholders Wellington City Council and Greater Wellington Regional Council, but also from some Central Government organisations. Grants are recognised when received and all the conditions associated with the grants have been met. Where grants have been given for specific services, income will be recognised in the same period in which the specific service is provided. At balance date any unexpended specific funding is treated as a liability (income in advance).

(II) INTEREST REVENUE

Interest income is recognised as the interest accrues to the net carrying amount of the financial asset using the effective interest method.

(III) RENTAL REVENUE

Rental revenue is recognised on a straight-line basis over the lease term.

(IV) OTHER REVENUE

Other revenue received includes fee revenue, capital raising success fees and sponsorships. Fee revenue received from incubator residents partly offsets the costs of running the incubator and is recognised when the future economic revenue is measurable and probable of future economic revenue being received.

Capital raising success fees received from the introduction of companies and individuals to Angel investors. These fees are received when those introduced raise capital. The fee is based on a negotiated percentage of the capital raised.

Sponsorships are received from third parties to partly cover the costs of running the subsidiary programmes and projects. Sponsors were linked to the programme and recognised in all promotions associated with the activity they sponsored. Sponsorships are recognised when measurable and probable of future economic benefits being received.

Other revenue received are from third parties to cover contracted and other services provided for the third party.

(V) SERVICE REVENUE

Service revenues are grants received by WREDA in large from its shareholders Wellington City Council & Greater Wellington Regional Council as well as both central Government organisations and private sector organisations. Service revenues are used to further economic development in the Wellington Region.

	GROUP	
	ACTUAL 2019	ACTUAL 2018
TOTAL SERVICE REVENUE	18,953,591	20,479,343

(VI) MANAGEMENT FEES

WREDA manages venues on behalf of the Wellington City Council and receives Management fee revenue for those services. The venues currently managed on behalf of the Wellington City Council include the Michael Fowler Centre, Opera House, TSB Bank Arena and Conference Centre (Shed 6). Management fee income is recognised in the accounting period in which the services are rendered.

Fees are chargeable at a value equivalent to the aggregate of employee and directors' costs contained within the Parent's venue management division and fluctuate year on year depending on those costs.

	GROUP	
	ACTUAL 2019	ACTUAL 2018
TOTAL	4,798,296	5,079,935

(VII) OTHER REVENUE

	GROUP	
	ACTUAL 2019	ACTUAL 2018
Wellington i-SITE Visitor Information Centre revenue	356,688	439,041
Partner revenue	2,067,995	2,942,942
Cruise shuttle revenue	-	278,590
Contract income, non-government	2,749,605	918,378
Gain on sale of investments	336,818	-
Share of associate's profit	93,592	-
Surplus Share - Wellington Venues	93,414	27,600
Other Income	1,933,605	723,479
TOTAL	7,631,717	5,330,030

Under a management agreement with WCC, WREDA also earned a surplus share from its operation of Venues Wellington. This share of the Venues Wellington surplus is to be used for the future enhancement of the Venues Wellington experience.

(B) REVENUE FROM NON-EXCHANGE TRANSACTIONS

Non exchange transactions are only those where the Group receives an inflow of resources (i.e. cash and other tangible or non tangible items) but provides no (or nominal) direct consideration in return.

3. PERSONNEL COSTS

A. SHORT TERM BENEFITS

Short term employee entitlements are those that WREDA expects to be settled within 12 months of balance date and are measured at nominal values based on accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date, and annual leave earned, but not yet taken at balance date.

B. SUPERANNUATION SCHEME

Obligations for contributions to KiwiSaver are accounted for as defined contribution superannuation schemes and are recognised as an expense in Statement of Comprehensive Revenue and Expenses when incurred.

	GROUP	
	ACTUAL 2019	ACTUAL 2018
Salaries and wages	12,592,126	12,547,941
Kiwisaver contributions	332,823	301,250
Increase/(decrease) in employee entitlements accruals	136,426	(111,754)
Other personnel costs	68,834	87,771
TOTAL	13,130,209	12,825,208

4. OTHER EXPENSES

	GROUP	
	ACTUAL 2019	ACTUAL 2018
Marketing, advertising and printing costs of delivering programs of work	7,865,999	9,119,117
Major event sponsorship and activation	4,249,671	3,850,304
Audit fees	105,365	120,538
Conferences and catering	113,526	124,186
Consultants and legal fees	244,671	197,715
Contractors	1,644,790	1,867,128
Direct costs - i SITE	37,677	54,830
Grants and contributions	291,854	291,401
Information and communication technology	399,837	499,553
Loss on disposal of asset	67,089	3,073
Share of associate's deficit	-	29,230
Impairment to investment	89,957	124,120
Leased copier and office equipment	54,788	38,729
Utilities	39,036	36,842
Rent	621,770	570,282
Travel	267,624	213,544
Stationery	5,549	41,444
Technical services	146,080	222,527
Membership fees	72,222	46,038
Recruitment, training and development	109,347	198,259
Cleaning	66,938	65,094
Repairs and maintenance	70,653	48,573
Other expenses	474,554	247,053
TOTAL OTHER EXPENSES	17,038,997	18,009,580

5. 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 at 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 statement of financial position 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.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset or liability in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit.

	GROUP	
COMPONENTS OF TAX EXPENSE	ACTUAL 2019	ACTUAL 2018
Current tax expense	110,213	32,518
Adjustments in current tax in prior years	(960)	87,537
Deferred tax expense	4,239	80,216
TAX EXPENSE	113,492	200,271

	GROUP	
RELATIONSHIP BETWEEN TAX EXPENSE AND ACCOUNTING PROFIT	ACTUAL 2019	ACTUAL 2018
Net (deficit)/surplus before tax	832,342	(223,015)
Tax at 28%	233,056	(62,444)
Plus / (less) tax effect of:		
Non-deductible expenditure	6,347,775	6,394,627
Non-taxable income	(6,514,207)	(6,261,562)
Prior Period Adjustment	-	85,378
Under provision of income tax in previous period	(960)	2,163
Deferred tax adjustment	47,828	42,109
TAX EXPENSE	113,492	200,271

DEFERRED TAX ASSET / (LIABILITY) GROUP	PROPERTY, PLANT AND EQUIPMENT	INTANGIBLE ASSETS	EMPLOYEE ENTITLEMENTS	OTHER PROVISIONS	TAX LOSSES	TOTAL
Balance at 30 June 2017	(96,426)	(3,290)	200,227	10,459	-	110,970
Charged to surplus or deficit	(7,928)	(22,147)	(62,524)	3,599	9,969	(79,031)
Charged to other comprehensive income	-	-	-	-	-	-
Balance at 30 June 2018	(104,354)	(25,437)	137,703	14,058	9,969	31,939
Charged to surplus or deficit	(28,796)	1,513	25,814	(1,523)	(3,704)	(6,696)
Charged comprehensive income	-	-	-	-	-	-
Balance at 30 June 2019	(133,150)	(23,924)	163,517	12,535	6,265	25,243

6. PROPERTY, PLANT AND EQUIPMENT

PROPERTY, PLANT, AND EQUIPMENT CONSISTS OF:

Furniture and equipment – included within the office environment that WREDA operates, including but not limited to desks, chairs, cupboards etc.

Property improvements – within the buildings that WREDA leases to operate within, included but not limited to decoration, carpet etc.

Computer hardware – computers for employees including laptops, printers etc.

A. RECOGNITION AND MEASUREMENT

Property, plant and equipment are measured at cost, less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

B. SUBSEQUENT EXPENDITURE

Subsequent Expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance is expensed as incurred.

C. DEPRECIATION

Depreciation is recognised in surplus or deficit on a straight line basis on all property, plant and equipment over the estimated useful life.

The estimated useful lives:

a. Computer Hardware 2-3 years

b. Property Improvement 2-8 years

c. Furniture and Equipment 3-10 years

Depreciation methods, useful lives, and residual values are reviewed at reporting date and adjusted if appropriate.

D. ADDITIONS

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

Work in progress is recognised at cost less impairment and is not depreciated. An item of property, plant, and equipment is initially recognised at its cost.

Costs incurred after initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to the group and the cost of the item can be measured reliably.

The costs of day to day servicing of property, plant, and equipment are recognised in the surplus or deficit as they are incurred.

E. DISPOSALS

Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount of the asset. Gains and losses on disposals are reported net in the surplus or deficit. When revalued assets are sold, the amounts included in asset revaluation reserves in respect of those assets are transferred to accumulated funds.

F. IMPAIRMENT OF PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment that have a finite useful life are reviewed for impairment at each balance date and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.

If an asset's carrying amount exceeds its recoverable amount, the asset is regarded as impaired and the carrying amount is written down to the recoverable amount. For revalued assets, the impairment loss is recognised against the revaluation reserve for that class of asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in the surplus or deficit. For assets not carried at a revalued amount, the total impairment loss is recognised in the surplus or deficit. The reversal of an impairment loss on a revalued asset is credited to other comprehensive revenue and expense and increases the asset revaluation reserve for that class of asset. However, to the extent that an impairment loss for that class of asset was previously recognised in the surplus or deficit, a reversal of the impairment loss is also recognised in the surplus or deficit. For assets not carried at a revalued amount, the reversal of an impairment loss is recognised in the surplus or deficit.

Value in use for non cash generating assets.

Non cash generating assets are those assets that are not held with the primary objective of generating a commercial return. For non cash generating assets, value in use is determined using an approach based on a depreciated replacement cost approach. All WREDA's assets are non cash generating.

Value in use for cash generating assets.

Cash generating assets are those assets that are held with the primary objective of generating a commercial return. The value in use for cash generating assets and cash generating units is the present value of expected future cash flows. WREDA does not currently hold any cash generating assets.

G. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS/ RESTRICTIONS OF TITLES

No critical assumptions have been applied to assets held. There are no restrictions on titles nor have any property, plant or equipment been pledged as security for liabilities.

H. WORK IN PROGRESS

No work in progress assets are currently held.

I. CAPITAL COMMITMENTS

The group holds no contractual commitments for acquisition of assets.

2018	GROUP FURNITURE AND EQUIPMENT	PROPERTY IMPROVEMENT	COMPUTER HARDWARE	TOTAL
Cost				
At 30 June 2017	327,078	30,673	182,015	539,766
Additions	78,590	34,862	39,337	152,789
Disposals	(48,463)	(5,250)	-	(53,713)
At 30 June 2018	357,205	60,285	221,352	638,842
At 30 June 2018	357,205	60,285	221,352	638,842
Additions	428,954	232,420	31,051	692,425
Disposals	(132,509)	-	-	(132,509)
At 30 June 2019	653,650	292,705	252,403	1,198,758
Depreciation				
At 1 July 2017	(45,601)	(18,920)	(130,865)	(195,386)
Depreciation for the period	(82,727)	(5,772)	(36,010)	(124,509)
Write back of depreciation on disposal	48,001	2,546	-	50,547
At 30 June 2018	(80,327)	(22,146)	(166,875)	(269,348)
At 1 July 2018	(80,327)	(22,146)	(166,875)	(269,348)
Depreciation for the period	(113,392)	(26,688)	(36,254)	(176,334)
Write back of depreciation on disposal	56,745	-	-	56,745
At 30 June 2019	(136,974)	(48,834)	(203,129)	(388,937)
Net book value				
As at 1 July 2017	281,477	11,753	51,150	344,380
As at 30 June 2018	276,878	38,139	54,477	369,494
As at 30 June 2019	516,676	243,871	49,274	809,821

7. INTANGIBLE ASSETS

Intangible assets that are acquired, which have finite useful life, are measured at cost less accumulated amortisation and accumulated impairment losses.

The useful lives and associated amortisation rates have been estimated as follows:

- Computer Software 3 years
- Websites 3 years

Amortisation is recognised in the consolidated statement of comprehensive revenue and expenses on a straight line basis over the estimated useful lives of the intangible assets. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised.

Acquired software licenses are capitalised based on the costs incurred to acquire and bring to use the specific software. The costs associated with maintaining computer software are recognised as an expense when incurred.

Costs associated with developing websites are recognised as an intangible asset where it can be demonstrated that the asset will generate probable future economic benefits or service potential. Costs associated with maintaining websites are recognised as an expense when incurred.

There are no internally generated intangible assets. There are no contractual commitments for acquisition of any intangible assets nor any restriction or titles. No intangible assets have been pledged as security for liabilities or have any restrictions on titles. No critical assumptions have been applied to intangible assets held.

Management review intangible assets on a periodic basis and are currently of the view that there is no impairment to these assets.

	GROUP	
	ACTUAL 2019	ACTUAL 2018
Cost at 1 July	157,107	51,554
Additions	164,867	124,730
Disposals	(115,501)	(19,177)
Cost at 30 June	206,473	157,107
Amortisation at 1 July	(66,257)	(39,805)
Amortisation for the period	(71,004)	(45,629)
Write back on disposal	115,501	19,177
Amortisation at 30 June	(21,760)	(66,257)
Net Book Value at 30 June	184,713	90,850

8. INVESTMENT IN INCUBATOR, ACCELERATOR COMPANIES AND ASSOCIATES

The measurement of financial assets depends on their classification based on the purpose for which financial assets were acquired. Management determines the classification of financial assets at initial recognition.

Creative HQ receives shares from clients involved in its incubation programme as part consideration for the services and support provided by Creative HQ and the Lightning Lab to the client. The shares represent a small proportion of the total equity of the client company. These shares are investments in equity instruments that do not have a quoted market price in an active market and are designated as available for sale.

Creative HQ recognises the initial investment in the companies according to the programme the company is involved in, incubator programme or accelerator programme. Companies in the incubator do not have a value on initial recognition as no external investment has yet occurred and therefore the fair value of the initial investment is valued at nil. Companies in the accelerator programme have initial recognition at fair value though other comprehensive revenue and expense.

The valuation of these investments is undertaken by Creative HQ using accepted industry guidelines. The International Private Equity and Venture Capital Valuation Guidelines (IPEV) have been accepted as the industry standard guidelines are based on the principle of 'fair value' and are reviewed following any relevant changes in accounting standards or market practices. The IPEV Guidelines provide a framework for private equity and venture capital investors to arrive at fair value for their investments. The IPEV are of the view that compliance with PBE accounting standards can be achieved by following the guidelines.

IPEV Guidelines recommend that for early stage investments, where it is difficult to assess the future profitability of the company, fair value is generally determined by the price of the most recent investment. This methodology is appropriate until the circumstances of the company change such that an alternative valuation methodology (such as, but not limited to price/earnings analysis or discounted cash flow) is appropriate or there is evidence that the value of the investment should be adjusted. An adjustment is considered necessary where the performance of the investment is significantly below the expectations on which the investment was based, leading to a diminution in value. The level of the adjustment can range from nil to 100% of the value.

A significant or prolonged decline in fair value of the investment below its cost is considered to be objective evidence of impairment. Where the asset is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the fair value reserve is reclassified from equity to profit or loss as a reclassification or adjustment. Any increase in fair value after an impairment loss is recognised in other comprehensive revenue and accumulated as a separate component of equity in the fair value reserve.

As at 30 June 2019 the valuation of Creative HQ's investments is based on the price of the most recent investment made by external investors, unless there is evidence that the value of the investment should be adjusted as the performance of the investment is significantly below the expectations on which the investment was based, leading to a diminution in value. Creative HQ is reliant on receiving recent investment information from incubator and accelerator companies directly through yearly information requests.

ASSOCIATES

An associate is an entity over which Creative HQ has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognised in the statement of financial position at cost and adjusted thereafter to recognise Creative HQ's share of the profit or loss and other comprehensive income of the associate.

Lightning Lab Fintech 2017 Limited Partnership, an associate of Creative HQ, also holds early stage shares and applies an accounting policy for these that is consistent with Creative HQ's accounting policy for investments.

	GROUP	
	ACTUAL 2019	ACTUAL 2018
Opening balance	1,455,528	1,413,177
Impairments to investment	(89,957)	(124,120)
Movement in fair value of accelerator and incubator companies	148,220	246,854
Transfer to associate	-	(80,383)
TOTAL	1,513,791	1,455,528

Creative HQ invests in unlisted early stage companies. Unlisted investments are generally not publicly traded. As there may be no open market to establish an independent value for certain unlisted investments, there can be no assurance that a determination for fair value for an unlisted investment will be obtainable in the market, or that there will be a market for the unlisted investment.

The accounting policy is to recognise such investments both initially and subsequently at fair value following accounting standards. This will be based on information provided by each company.

At year end, the fair value of its investments has been determined at $1,513,791 (2018: 1,455,828). Notwithstanding the uncertainty of the valuation of the investment, the Creative HQ Board is of the view that the fair values of unlisted investments in these financial statements represent the best available information and the WREDA Board has accepted this view.

Creative HQ's exposure to changes in investment value could be material to the financial statements. As Creative HQ is not reliant on the cash flows from the investments, changes in value do not impact the underlying viability of Creative HQ or the Group. The Creative HQ Board reviews regular reports from the companies.

In the event that an investment will be considered to be impaired, it will have a non cash effect on the surplus / (deficit) of Creative HQ and Group.

INVESTMENT IN ASSOCIATE

Creative HQ holds a 73.08% interest in the Lightning Lab Fintech 2017 Limited Partnership. The Partnership invests in early stage companies and those are measured at fair value. At 30 June 2019 the value of the CHQ interest in the Limited Partnership was $371,960 (2018: $360,716). The Partnership has a balance date of 31 March and this date is used to value CHQ's interest.

	GROUP	
	ACTUAL 2019	ACTUAL 2018
Opening balance	360,716	-
Transfer (to)/from investments	(95,000)	80,383
Share of associate's profit / (loss)	93,592	(43,846)
Impairment of investments recognised in prior year	-	14,616
Share of Associates other comprehensive income	12,652	309,563
TOTAL INVESTMENT IN ASSOCIATE	371,960	360,716

Summarised financial information of Associate presented on a gross basis.

	GROUP	
	ACTUAL 2019	ACTUAL 2018
Assets	513,638	508,612
Liabilities	34,618	35,000
Revenue	486,727	-
Surplus / (deficit)	471,845	(60,000)
Creative HQ's Ownership Interest	73.08%	73.08%

During the year, there was a 53% sale of the Sharesies investment within the associate. This sale generated cash of $477,327.

The uncertainties and judgements exercised in measuring the fair value of the unlisted shares held by the Limited Partnership is similar to that explained above for shares held by Creative HQ in incubator and accelerator companies.

9. TRADE AND OTHER RECEIVABLES

Short term receivables are recorded at the amount due, less any provision for uncollectability. A receivable is considered to be uncollectable when there is evidence that the amount due will not be fully collected. The amount that is uncollectable is the difference between the amount due and the present value of the amount expected to be collected. The group does not currently have any receivables considered to be impaired.

	GROUP	
	ACTUAL 2019	ACTUAL 2018
Trade receivables	1,635,381	1,349,674
Management fee receivable	439,105	501,189
Sundry receivables	219,966	829,856
TOTAL RECEIVABLES	2,294,452	2,680,720

Receivables are non-interest bearing and are generally on terms of 30 days. Therefore, the carrying value of receivables approximates their fair value.

	GROUP	
AGEING PROFILE	ACTUAL 2019	ACTUAL 2018
Gross receivables	2,294,452	2,680,720
Provision for uncollectability	-	-
TOTAL RECEIVABLES	2,294,452	2,680,720
Not past due	2,106,172	2,314,342
Past due 0-3 months	188,280	366,378
TOTAL RECEIVABLES	2,294,452	2,680,720

10. OTHER FINANCIAL ASSETS

At 30 June 2019 a loan provided to the Wellington Culinary Events Trust (WCET) with an initial value of $75,000 was recorded at its current fair value of $23,182 (2018: $31,984). This loan was drawn down in May 2015. Repayments of $45,000 have been made. An initial impairment in 2015 of $28,431 has been written back to $6,818 in 2019. This write back of impairment was taken to the consolidated statement of comprehensive revenue & expense by the Parent.

The loan is repayable in 5 years from drawdown or on demand with 60 days written notice and no interest is charged. Its fair value shall be revisited yearly and adjusted if necessary. The Board and the WCET have an expectation that the full loan of $75,000 shall be repaid.

	GROUP	
	ACTUAL 2019	ACTUAL 2018
Loan	75,000	75,000
Partial repayment	(45,000)	(30,000)
Less provision for impairment	(6,818)	(13,016)
TOTAL OTHER FINANCIAL ASSETS	23,182	31,984

11. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand. The group currently maintains a $1 million overdraft facility, of which $997,232 is undrawn (2018: no bank overdrafts). There are no restrictions over cash.

	GROUP	
	ACTUAL 2019	ACTUAL 2018
Cash at bank and on hand	2,443,459	1,911,315
TOTAL CASH AND CASH EQUIVALENTS	2,443,459	1,911,315

12. EMPLOYEE ENTITLEMENTS

Employee entitlements are all due to be settled within 12 months after the end of the year in which the employee provides the related service and are measured based on accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date, annual leave earned to, but not yet taken at balance date. The group holds no liability for employee entitlements greater than 12 months. A liability and an expense are recognised for bonuses where the group has a contractual obligation or where there is a past practice that has created a constructive obligation and a reliable estimate of the obligation can be made. No accruals are made for sick leave as the probability of any requirement cannot be accurately recorded.

	GROUP	
	ACTUAL 2019	ACTUAL 2018
Annual leave	571,940	498,093
Accrued salaries and wages	546,031	471,452
TOTAL EMPLOYEE ENTITLEMENTS	1,117,971	969,545

13. TRADE PAYABLES

Creditors and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers and are recorded at their face value. They are classified as current liabilities if payment is due within one year or less. If not, they are presented as non current liabilities.

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

Trade payables are non interest bearing and are normally settled on 20th of the month following terms. All payables are current and recorded at amounts payable.

	GROUP	
	ACTUAL 2019	ACTUAL 2018
TOTAL TRADE PAYABLES – EXCHANGE TRANSACTIONS	1,671,878	1,739,626

14. SUNDRY CREDITORS AND ACCRUALS

	GROUP	
	ACTUAL 2019	ACTUAL 2018
Expense accruals	1,232,918	1,171,802
Audit fee accrual	55,000	78,000
ACC payable	44,767	50,208
Other payables	40,802	7,019
TOTAL SUNDRY CREDITORS AND ACCRUALS	1,373,487	1,307,029

15. TAXES RECEIVABLE / (PAYABLE)

	GROUP	
	ACTUAL 2019	ACTUAL 2018
GST receivable / (payable)	87,266	(47,161)
Income tax receivable / (payable)	35,790	(17,304)
TOTAL TAXES RECEIVABLE / (PAYABLE)	123,056	(64,465)

16. EQUITY AND SHARE CAPITAL

Equity is Wellington City Council and Greater Wellington Regional Council's interest in WREDA, being a council controlled organisation, as measured by total assets less total liabilities. Equity has been classified into various components to identify those portions of equity held for specific purposes.

17. OPERATING AND FINANCE LEASES

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Payments made under operating leases are recognised in the Statement of Comprehensive Revenue and Expenses on a straight line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total expenses of the lease expense, over the term of the lease.

OPERATING LEASES AS LESSEE

The Group leases buildings, plant and equipment in the normal course of its business. The Group can renew leases at its own discretion at current market rates. There are no restrictions placed on the Group by any of the leasing arrangements.

Future minimum lease payments payable under non cancellable operating leases are as follows:

	GROUP	
	ACTUAL 2019	ACTUAL 2018
No later than one year	570,490	624,005
Later than one year but not later than five years	819,521	1,331,383
TOTAL NON CANCELLABLE OPERATING LEASE	1,390,011	1,955,388

OPERATING LEASES AS LESSOR

The Group entered into a commercial property sub lease on a surplus building. This non cancellable lease expired on 30 June 2019 and has not been renewed.

Future minimum rentals receivable under non cancellable operating leases as at 30 June 2019 and 2018 are, as follows:

	GROUP	
	ACTUAL 2019	ACTUAL 2018
No later than one year	-	48,200
TOTAL NON CANCELLABLE OPERATING LEASE	-	48,200

No critical assumptions have been applied to leases.

FINANCE LEASES AS LESSEE

CHQ has entered into finance leases for furtniture and mobile phones.

	GROUP	
	ACTUAL 2019	ACTUAL 2018
No later than one year	28,650	-
Later than one year and not later than five years	48,085	-
TOTAL MINIMUM LEASE PAYMENTS	76,735	-
Future finance charges	(17,532)	-
TOTAL MINIMUM LEASE CHARGES	59,203	-

18. CONTINGENT LIABILITIES AND GUARANTEES

At 30 June 2019, the Group had no contingent liabilities and had not entered into any guarantees. (2018: Nil).

19. FINANCIAL INSTRUMENTS

Financial instruments include financial assets (loans and receivables or recoverables) and financial liabilities (payables and borrowings). Financial instruments are classified into the categories outlined below based on the purpose for which they were acquired. The classification is determined at initial recognition and re-evaluated at the end of each reporting period.

	GROUP	
FINANCIAL ASSETS	ACTUAL 2019	ACTUAL 2018
Loans and receivables		
Cash and cash equivalents	2,443,459	1,911,315
Receivables and recoverables	2,294,452	2,680,719
Other financial assets	23,182	31,984
Total loans and receivables	4,761,093	4,624,018
Total financial assets	4,761,093	4,624,018
FINANCIAL LIABILITIES		
Financial liabilities at amortised cost		
Trade and other payables	1,671,878	1,739,626
Sundry creditors and accruals	1,348,487	1,307,029
Borrowings	28,650	-
Total financial liabilities at amortised cost	3,074,015	3,046,655
Total financial liabilities	3,074,015	3,046,655

FAIR VALUE

The fair value of all financial instruments equates or are approximate to the carrying amount recognised in the consolidated statement of financial position.

RELEVANT SIGNIFICANT ACCOUNTING POLICIES

Financial instruments are initially recognised on trade date at their fair value plus transaction costs. Subsequent measurement of financial instruments depends on the classification determined by the Group.

FINANCIAL ASSETS

Financial assets are classified as loans and receivables. Loans and receivables comprise cash and cash equivalents, receivables or recoverables and loans and deposits.

- Cash and cash equivalents comprise cash balances and bank deposits with maturity dates of three months or less.
- Receivables and recoverables have fixed or determinable payments. They arise when the Group provides money, goods or services directly to a debtor, and has no intention of trading the receivable or recoverable.
- Loans include loans to other entities.

Financial assets in this category are recognised initially at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest rate method. Fair value is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date for assets of a similar maturity and credit risk. Receivables or recoverables due in less than 12 months are recognised at their nominal value. A provision for impairment is recognised when there is objective evidence that the asset is impaired.

Financial assets are re-recognised when the rights to receive cash flows have expired or have been transferred and the Group has transferred substantially all of the risks and rewards of ownership.

FINANCIAL LIABILITIES

Financial liabilities include payables, taxes and transfers. Financial liabilities with duration of more than 12 months are recognised initially at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest rate method. Amortisation is recognised within surplus or deficit. Financial liabilities with duration of less than 12 months are recognised at their nominal value.

On disposal any gains or losses are recognised within surplus or deficit.

FINANCIAL RISK MANAGEMENT

As part of its normal operations, the Group is exposed to a number of risks. The most significant are credit risk, liquidity risk and market risk, which includes interest rate risk. The Group's exposure to these risks and the action that the Group has taken to minimise the impact of these risks is outlined below:

CREDIT RISK

Credit risk is the risk that a third party will default on its obligations to the Group, thereby causing a financial loss. The Group is not exposed to any material concentrations of credit risk. Exposure is considered to be the same as reported in the consolidated statement of financial position.

Receivables and recoverables balances are monitored on an ongoing basis with the result that the Group's exposure to bad debt is not significant.

CREDIT QUALITY OF FINANCIAL ASSETS

The credit quality of financial assets that are neither past due or impaired can be assessed by reference to Standard & Poor's credit ratings. All cash is held in a registered bank with a Standard & Poor's rating of AA-.

LIQUIDITY RISK

Liquidity risk is the risk that the Group will encounter difficulty raising liquid funds to meet commitments as they fall due. The Group operates prudent liquidity risk management by maintaining sufficient cash to meet debts as they fall due. The Group operates within its budgets which have been set to operate alongside its financial policies.

FAIR VALUE

After initial recognition financial assets and liabilities are recorded at their fair value, with gains and losses recognised in other comprehensive revenue and expense, except for impairment losses, which are recognised in the surplus or deficit. When sold, the cumulative gain or loss previously recognised in other comprehensive revenue and expense is transferred to the surplus or deficit.

20. RECONCILIATION OF OPERATING CASH FLOWS TO NET (DEFICIT) / SURPLUS

	GROUP	
	ACTUAL 2019	ACTUAL 2018
Surplus / (deficit) after tax	718,850	(501,358)
Add / (deduct) non cash items		
Depreciation & amortisation	249,791	170,138
Loss on disposal of property, plant and equipment	66,958	3,073
Share of associates deficit	(93,592)	29,230
Write off of investments	89,785	124,120
Add (Deduct) items classified as investing activities		
Interest Received	(77,078)	(64,743)

	GROUP	
	ACTUAL 2019	ACTUAL 2018
Adjustments for movements in:		
Decrease in receivables	386,268	385,441
(Increase) / decrease in prepayments	(185,689)	26,490
Increase in inventories	(437)	(651)
Increase in taxes receivable	(187,251)	-
(Decrease) Increase in payables	(179,053)	329,818
Increase / (decrease) in employee entitlements	148,426	(111,754)
Increase in revenue in advance	4,130	-
Increase in other payables	66,458	9,354
Net cash inflow from operating activities	1,007,296	399,158

21. RELATED PARTY TRANSACTIONS

WREDA is a council controlled organisation that is controlled by a Board of Directors appointed by its shareholders. The Shareholders of WREDA are the Wellington City Council, which owns 80% of WREDA's shares and the Greater Wellington Regional Council, which owns the remaining 20%.

Related party means parties that are related if one party has the ability to either control the other party, or exercise significant influence over the other party in making financial and operating decisions, or if the related party entity and another entity are subject to common control.

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 is reasonable to expect the Group would have adopted in dealing with the party at arm's length in the same circumstances.

Related party disclosures have also not been made for transactions with entities within the Group and the Group's shareholders (such as funding and financing flows), where the transactions are consistent with the normal operating relationships between the entities and are on normal terms and conditions for such Group transactions.

Related parties include key management personnel, directors and their close family members and entities controlled by them. Key management personnel are the chief executive of WREDA and Creative HQ Limited and the Senior Leadership team of WREDA, all of whom are employed as employees of the Group, on normal employment terms. Subsidiaries are also related parties due to WREDA's influence over them.

DIRECTORS

Director Thomas Pippos is the National Chief Executive of Deloitte. Deloitte provided accountancy services to WREDA's subsidiary Creative HQ Ltd (of which Thomas Pippos is not a director) during the period.

During the year, Creative HQ received professional accounting services from Deloitte for mentoring of participating entities and professional legal services from Chapman Tripp at no charge.

SUBVENTION PAYMENT AND GROUP LOSS EFFECT

During the year, no tax losses were transferred to the company from Wellington City Council by subvention payment or loss offset (2018: $78,072 subvention payment and $200,756 loss offset).

22. DIRECTORS' FEES

The parent has 8.0 full time equivalents based on the length of service on the board (2018: 7.5) and the subsidiary has 5.0 full time equivalents on the same basis (2018: 4.0).

The total value of remuneration paid or payable to each Board Member during the year was:

PARENT WREDA LIMITED	ACTUAL 2019	ACTUAL 2018
Tracey Bridges (appointed 1 January 2018, Chair from 1 January 2019)	37,500	12,500
Thomas Pippos	25,000	25,000
Matthew Clarke	25,000	25,000
William (Grant) Guilford	25,000	25,000
David Gibson	25,000	25,000
Wayne Mulligan (appointed 1 January 2018)	25,000	12,500
Kylie Archer (appointed 1 January 2018)	25,000	12,500
Steven Maharey (appointed 1 January 2019)	12,500	-
Peter Biggs (Chair ceased 31 December 2018)	25,000	50,000
Richard Laverty (ceased 31 December 2017)	-	12,500
Lorraine Witten (ceased 31 December 2017)	-	12,500
TOTAL WREDA DIRECTORS' FEES	225,000	212,500

SUBSIDIARY CREATIVE HQ LIMITED	ACTUAL 2019	ACTUAL 2018
Barry Brook (Chairman)	15,000	15,000
Susan Reynolds	10,000	10,000
Richard Laverty	10,000	10,000
Wayne Mulligan (appointed 1 July 2018)	10,000	-
Lance Walker (appointed 1 July 2018)	-	-
Roanne Parker (appointed 1 August 2017, resigned 28 February 2019)	6,667	10,000
TOTAL SUBSIDIARY DIRECTORS' FEES	51,667	45,000

TOTAL DIRECTORS' FEES	276,667	257,500

23. REMUNERATION

Total remuneration includes any non financial benefits provided to employees.

As at 30 June 2019 the Group employed 128 (2018: 138) full time equivalent employees. The Group also employs a similar number of casual employees in its Venues Wellington division.

SEVERANCE PAYMENTS

During the year the Group has made termination payments totalling $205,017 to 11 employees (2018: $170,212).

KEY MANAGEMENT PERSONNEL

Key management personnel of the Group for 2019 and 2018 were the Chief Executives of WREDA and Creative HQ Limited, the Senior Leadership Team of WREDA and the Boards of both entities.

The total remuneration and the number of individuals, on a full time equivalent basis, considered key management personnel receiving remuneration are:

	GROUP	
	ACTUAL 2019	ACTUAL 2018
Key Management Personnel		
Directors remuneration	276,667	223,665
WREDA Limited director full-time equivalents	8	7.5
Creative HQ director full-time equivalents	5	4
Key management personnel non directors	1,689,289	1,351,244
Management full-time equivalents	7	7

(2018: During the period WREDA engaged the services of a key management personnel member from Wellington City Council. WREDA paid Wellington City Council $216,194 for these services. WREDA received two months of service for no charge. The amount paid to Wellington City Council is not included in the above 2018 Key management personnel figures)

Due to the difficulty in determining full time equivalents for directors, the full time equivalent figures are the number of directors serving on the boards of WREDA Limited and Creative HQ Limited as at 30 June 2019.

Key management personnel did not receive any remuneration or compensation other than in their capacity as key management personnel (2018: nil).

The Group did not provide any compensation at non arm's length terms to close family members of key management personnel during the year (2018: nil).

The Group did not provide any loans to key management personnel or their close family members.

REMUNERATION BANDS

The annual remuneration by band for employees as at 30 June:

	NO: OF CURRENT EMPLOYEES	
	GROUP	
	ACTUAL 2019	ACTUAL 2018
$100,000 - $109,999	6	3
$110,000 - $119,999	4	8
$120,000 - $129,999	5	4
$130,000 - $139,999	2	3
$140,000 - $149,999	1	-
$150,000 - $159,999	1	2
$160,000 - $169,999	1	2
$170,000 - $179,999	1	-
$180,000 - $189,999	1	2
$190,000 - $199,999	1	-
$200,000 - $209,999	1	1
$220,000 - $229,999	-	1
$230,000 - $239,999	-	2
$240,000 - $249,999	1	-
$260,000 - $269,999	-	1
$290,000 - $299,999	1	-
$350,000 - $359,999	1	-
TOTAL EMPLOYEES	27	29

24. EVENTS AFTER THE BALANCE DATE

During August 2019 the Subsidiary drew down a $150,000 loan from the parent to assist with its growth plans. A further draw down of $100,000 occured in September 2019. There were no other events (2018: Nil) occurring subsequent to balance date which require adjustment to or disclosure in the financial statements.

25. OPERATING FUNDS

WREDA is reliant for a large part of its revenue from its shareholders, Wellington City Council and Greater Wellington Regional Council (the Councils).

The Councils have accepted the Group's Statements of Intent, which includes funding for the Group and its activities for the next three years.

26. EXPLANATION OF SIGNIFICANT VARIANCES TO BUDGET

Explanations of actual results compared to WREDA's budgeted result in the Statement of Intent are as follows:

REVENUE

Some income that WREDA became eligible for in the financial year will not be expended until the next financial year, due to the timings of programmes of work WREDA is supporting. Creative HQ has had unbudgeted growth in it's corporate revenue as it starts expanding it's services offered. These have both also contributed to achieving a surplus higher than budgeted.

EXPENSES

Some expenditure anticipated for 2019, which revenue has been received for has yet to occur and will occur in the next financial year.

ASSETS

WREDA has ended the year with higher cash holdings than originally budgeted due to the above timing of expenditure. During the period the organisation also undertook unbudgeted fit outs of the Creative HQ premises to prepare for growth and the Wellington iSITE which has resulted in increased assets over that budgeted.

27. OTHER SIGNIFICANT ACCOUNTING POLICIES

A. PROVISIONS

The Group recognises a provision for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event. It is probable that expenditures will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as a finance cost.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Parent from a contract are lower than the unavoidable cost of meeting its obligation under the contract.

B. GOODS AND SERVICES TAX (GST)

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 (IRD) is included as part of receivables or payables in the Consolidated statement of financial position.

Commitments and contingencies are disclosed exclusive of GST.

28. COMPANY STRUCTURE

WREDA Limited is owned 20% by Greater Wellington Regional Council and 80% by Wellington City Council. WREDA Limited has a 100% owned subsidiary, Creative HQ Limited. Creative HQ Limited owns a 73.08% shareholding in the Lighting Lab Fintech Accelerator 2017 Limited Partnership.

DIRECTORY FOR THE YEAR ENDED 30 JUNE 2019
COMPANY NO. 3237332

SHAREHOLDERS	WELLINGTON CITY COUNCIL - 800 shares (80%) 101 Wakefield Street, Wellington 6011 New Zealand
	GREATER WELLINGTON REGIONAL COUNCIL - 200 shares (20%) Shed 39, 2 Fryatt Quay Pipitea Wellington 6011 New Zealand
REGISTERED OFFICE	111 Wakefield Street, Wellington Central Wellington 6011 New Zealand
AUDITOR	Audit New Zealand Level 1, 100 Molesworth Street Wellington 6140 New Zealand
BANKERS	ANZ Bank New Zealand Ltd 22 Willis Street, Wellington 6011 New Zealand
SOLICITORS	QUIGG PARTNERS Level 7, 36 Brandon Street Wellington 6011 New Zealand
	DLA PIPER 50 64 Customhouse Quay Wellington 6011 New Zealand
TAX ACCOUNTANTS	PWC 10 Waterloo Quay Wellington 6011 New Zealand

WELLINGTONNZ.COM

KEY GOALS		MEASURE	2018/19 ANNUAL TARGET	2018/19 ACTUAL
Promote the region's brand and identity and tell Wellington's stories	Media programmes to boost the reputation of the Wellington region	Lifestyle and visitor attraction content in NZ, Australian media[1]	1250	910
		Work, do business, invest content in local NZ and Australian media[1]	105	191
		Unique visitors to WellingtonNZ.com and subsidiary sites	2.7m	2.5m
Grow the visitor economy	Marketing to the visitor sector locally and internationally	Weekend hotel guest night occupancy	80%	81%
		Value of investment from International marketing partnership partners[2]	$500k	$910k
		International travel trade interactions[3]	3,750	2,426
Attract an increased number of students to the region	Marketing to the student sector locally and internationally	Audience engagements from marketing and storytelling[4]	150,000	748,217
		# of agent interactions	450	441
Grow and expand innovative new businesses, especially in the creative and tech sectors	Creative HQ leading the way in innovation, start-ups, acceleration and scale-ups	No. of start-up ventures and early stage businesses on the CHQ Platform	70	136
		No of acceleration programmes (Lightning Lab and Venture Up)	3	2
		No. of members in "Start-up Garage"	3,500	3,501
		No. of companies becoming investable	10	11
		Deliver Lightning Lab GovTech programme with # of teams/agencies participating	8	Complete with 12 teams
		Generate income from Creative HQ's innovation services	$2.4m	$2.9m
Be a partner in the Māori Economy	Establishing a working relationship with Mana Whenua and Māori business in the Wellington region	Mana Whenua satisfaction score with engagement	80%	N/A[5]
		Deliver specific initiatives and projects in partnership with Māori business[6]	N/A	Yes
Facilitate the leveraging of the opportunities from new investment in the region	Screen Wellington	Number of permits for film production issued[7]	350	580
		Value of facilitated screen production[8]	$65m	$18.1 m
	Visitor Infrastructure	WellingtonNZ will have activated plans in place for the delivery of visitor infrastructure projects reflecting their advancement by investing stakeholders	Yes	Yes
	Trails framework	Actions underway or completed in the Trails Framework programme of work.	50%	80%

KEY GOALS		MEASURE	2018/19 ANNUAL TARGET	2018/19 ACTUAL
Build workforce and employer capability	Regional Business Partner Programme	Number of actively supported businesses	445	472
	Development and delivery of a Labour Market plan for the region	Wellington regional Labour Market Plan completed by WRS office with WREDA support	Yes	Yes
		Students supported in youth entrepreneurship programmes	505	505
		Interns placed in priority sectors	275	325
Deliver an unrivalled business, consumer and major events programme	Business Events Wellington and Wellington Major Events	ROI via out of Wellington spend	20:01	22:01
		Total event attendance	700,000	619,232
		Number of international business event bids submitted and/or supported in FY	35	38
		Proportion of business events submitted that are successful	60%	68%
		Value of business events (international and domestic) secured in FY[9]	$25m	$19.3m
Utilise the management of Wellington city venues to make Wellington more vibrant and deliver an outstanding customer experience	Venues Wellington	Value of expenditure by out of town venue attendees	$58m	$58.4m
		Establish a model to measure Venues Wellington customer satisfaction	Establish baseline	Yes
		Advance the Cultural well-being of Wellington – number of Wellingtonians attending performance events at Venues Wellington[10]	230,720	353,804
		Number of Events: Total[11]	440	419
		Performance	220	212
		Conference	220	207
WREDA in action	Partner/ Stakeholder Engagement	Partner/Stakeholder satisfaction score with engagement[12]	80%	90%

1 Work, do business, invest content in local NZ and Australian media
   a. The successful coverage generated around Major Events during the Summer, led by the Eminem concert, resulted in media coverage that was substantially more than target.

2 Value of investment from International marketing partnership partners
   a. Additional funding was received from the establishment of the Team Wellington Partnership and a targeted marketing activity - Virtual Wellington.

3 International travel trade interactions
   a. The events in Christchurch during March 2019 led to a decrease in famils to Wellington and New Zealand based training events.

4 Audience engagements from marketing and storytelling
   a. The 'Best Friend or Mum' student attraction campaign exceeded expectations with 527,345 engagements alone.

5 Mana Whenua satisfaction score with engagement
   a. Not measured in 2018/19. A Maori Business Specialist has been appointed and will commence their role in Q1 19/20.

6 Deliver specific initiatives and projects in partnership with Māori business
   a. Development of Tokihi, a tool grounded in tikanga Māori and Design Sprint thinking that converts needs into transformational solutions.

7 Number of permits for film production issued
   a. An increase in low impact productions such as student film projects in 18/19 drove a high increase in the number of permits issued.

8 Value of facilitated screen production
   a. A lot of medium and high impact filming took place in studios in the region. The value of studio based productions are not publicly available and has influenced the reported value. The delay in an anticipated large impact production has also influenced the value.

9 Value of business events (international and domestic) secured in FY
   a. New venues under construction in Auckland and Christchurch and Wellington's current lack of venue space to hold multi-day conferences has impacted on the number of businesses events we have secured.

10 Advance the Cultural well-being of Wellington – number of Wellingtonians attending performance events at Venues Wellington
   a. Ticket sales were very successful across events during 18/19. The season of Westside story in particular performed very well.

11 Number of Events: Total
   a. The continued closure of St James theatre impacted on the total number of events held across our venues.

12 Partner/Stakeholder satisfaction score with engagement
   a. Whilst the 82% last year was based on an average score of a 1-5 Likert scale. In 2018/19 the survey format changed to use a rating scale questions of "Below expectations, meet expectations and above expectations" The 90% score is a % of the those who responded "Meet expectations" and "above expectations" over the total number of responses.

WREDA 2018/19 BENCHMARK INDICATORS

KEY GOALS	MEASURE	2018/19 ANNUAL TARGET	2018/19 ACTUAL
Grow the Economy	Total commercial guest nights	3.25m	3.22m
	Visitor spend: Total	$2,640m	$2,702m
	International	$890m	$857m
	(of which from Australia)	$250m	$243m
	(of which from China)	$65m	$64m
	Domestic	$1,750m	$1,845m
	Australian Arrivals via Wellington Airport	156.9K	154.1K
Attract business, skills and talent in the region	Net permanent and long-term arrivals	3,650	N/A[1]
Attract an increased number of students to the region	International student enrolments	8,800	N/A[2]
	Market Share of all students enrolled in tertiary education in New Zealand	7%	N/A[3]
Grow and expand innovative new businesses, especially in the creative and tech sectors	Net growth in the number of businesses in Wellington, with sub sectors as appropriate	56,500	56,570
Growth of the Screen Sector	Total value of screen sector in Wellington	$660m	$627m
Build workforce and employer capability	Number of people in the Wellington region engaged in remunerated work	281,500	287,711
Deliver an unrivalled business, consumer and major events programme that utilises WREDA's management of Venues Wellington to drive desired outcomes	Economic value of major events invested in[4]	$83m	$93m
	NZ market share multi-day conferences	19%	21%

1 Net permanent and long-term arrivals
a. Due to the removal of departure cards in NZ in September 2018, this figure is no longer available.

2 International student enrolments
a. Data not yet available. EducationNZ has delayed the data release for the current figure.

3 Market Share of all students enrolled in tertiary education in New Zealand
a. Data not yet available. EducationNZ has delayed the data release for the current figure.

4 Economic value of major events invested in
a. Economic impact was boosted by Eminem concert and the Terracotta Warriors exhibition which both delivered greater results than budgeted.