

Cover – DRAFT STATEMENT OF INTENT 2014/15

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## INTRODUCTION

This Statement of Intent (SOI) is presented by Grow Wellington Limited (GWLG) in accordance with the requirements of Section 64(1) of the Local Government Act 2002. It presents the objectives, nature and scope of the activities we will undertake and the performance targets by which we will be measured. It covers three years of planned activity from 1 July 2014 to 30 June 2017.

This SOI covers the Grow Wellington Group which is made up of Grow Wellington Ltd and Creative HQ Ltd, a wholly owned subsidiary of Grow Wellington Ltd. Creative HQ was established to incubate and assist start-up technology-based companies.

The purpose of this SOI is to tell the story about the programmes, services and events that we deliver, why we deliver them, and what difference our services will make for the Wellington region.

This SOI sets out the strategic framework, activities and performance measures we have set for the next three years in order to deliver on our mission. Over the next three years we will undertake a range of diverse and dynamic projects and interventions which build on the foundations established in 2013/14.

Paul Mersi  
**Chair**

Gerard Quinn  
**Chief Executive**

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## STRATEGIC CONTEXT

### Characteristics and performance of the Wellington regional economy

The Wellington region is endowed with a wide array of resources including the highest skilled workforce in the country. The primary, manufacturing and services sectors are well represented across the region with the knowledge-based services sectors dominating in particular. Wellington's IT, film, science, creative and education sectors are world-renowned and it is increasingly becoming known domestically and internationally as New Zealand's high tech capital. The business sector boasts a mix of large multinational corporates as well as a large number of small and medium sized enterprises. As the capital city, Wellington is fortunate to host government head offices, national organisations and the diplomatic corps. It has also established itself as the arts and entertainment centre and culinary capital of New Zealand.

Following the fallout from the global financial crisis economic growth in the region has not kept pace with New Zealand as a whole in recent years but at the time of writing is showing strong signs of recovery and the outlook for the near future is positive.

## Wellington Regional Strategy (WRS)

The guiding document for Grow Wellington is the WRS, which was first published in 2007 and refreshed in 2012. Grow Wellington is the lead delivery agency for four of the six focus areas identified in the WRS. The other two focus areas are delivered by a variety of agencies, under the coordination of the WRS Office.

The six focus areas of the WRS are led by the following agencies :

- Grow Wellington - Commercialisation of innovation, Investment mechanisms for growth, Attracting business, investment and talent to the region, Education and workforce development to service regional economy needs
- WRS Office – Open for Business
- Other agencies - Building world-class infrastructure

We have a role in interpreting the WRS and implementing what is required to deliver on its intent. Grow Wellington will maintain a close interest in the activities being undertaken in the two focus areas being led by other agencies, as they are crucial to economic growth and influence the outcomes in the focus areas for which Grow Wellington is the lead agency. The governance of the regional strategy is the responsibility of the WRS Committee.

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## GROW WELLINGTON MANDATE, VISION AND MISSION

### Vision for Wellington

We have a vision of Wellington as an internationally competitive region that is led by innovation, driven by technology and focused on export growth.

### Mission

Grow Wellington contributes to the prosperity and standard of living of Wellingtonians, through our mission to grow the region's economy by identifying and catalysing opportunities for and removing the barriers to economic growth.

We work to strengthen the competitiveness of the region's businesses and key sectors, and to assist them to stay in the region. We also have a role in promoting the region as a destination for business, talent and investment in order to attract and develop new economic opportunities.

## Grow Wellington strategic programmes

We have three strategic programme streams which encapsulate our various initiatives and interventions. These are designed to:

1. Grow businesses and strengthen industry sectors that have high value-add or competitive advantage.
2. Attract and retain new businesses, investment and talent, and work to retain existing high-value businesses that may be at risk of leaving.
3. Boost the innovation capacity of the region, and increase the supply of skills needed by our priority sectors.

These are discussed further under ‘Nature and Scope of Operations’ on page 6.

## Legal entity

Grow Wellington is a wholly-owned subsidiary of the Greater Wellington Regional Council, and is therefore a council-controlled organisation in terms of the Local Government Act 2002.

GWLG has a wholly owned subsidiary company called CreativeHQ Ltd. The purpose of establishing and supporting CHQ is to develop that part of the regional ecosystem which generates high-tech start-up business and boosts their number and capital valuation. Investment by GWLG in CHQ is part of our Innovation activity programme.

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## OUR OUTCOMES FRAMEWORK

### Measuring Economic Growth

Sustainable economic growth contributes to an increased standard of living and quality of life for people. The prime measure used in the WRS to measure economic growth is Gross Domestic Product per capita (GDP/capita). GDP growth is a function of employment growth and productivity growth.

The drive for economic performance is balanced by measures such as the Genuine Progress Indicator (GPI), which provides a systematic way to integrate economic issues with environmental, social and cultural concerns. It attempts to determine if our economic growth has actually resulted in the improvement of the well-being of the people in the region.

## Desired Outcomes

We want Wellington to be a region where:

- Our priority sectors are strong and vibrant
- New high value products and services are being created in the region every year
- The number of skilled jobs increases year on year across the region
- Overseas businesses, talent, students and investors move here and invest here
- We improve our rate of exports as a percentage of GDP

Our Outcomes Framework shows the link between what we do and achieving these desired outcomes. It is shown on the following pages.

We operate in a macroeconomic environment where factors such as global economic conditions, central government policy, exchange and interest rates, and other economic factors are beyond Grow Wellington's control. Because of the number and interrelatedness of many macro-economic and external factors, it is not always easy to demonstrate the direct causal, relationship between our activities and overall economic outcomes.

## Deciding when to act

Grow Wellington, as a publically-funded organisation, has a duty to ensure that regional public money is applied legitimately to produce maximum public benefit. Therefore, in accordance our intervention logic, we do things when we can:

- identify areas of market failure that we and our partners can meaningfully address
- create a tipping point to make things happen
- complement and augment rather than compete or crowd out with the private sector
- reasonably estimate quantifiable value add, and track our impact

Where possible we will create the required scale or additional leverage by mobilising private and public resources to catalyse valuable economic initiatives;

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## SCOPE AND NATURE OF OPERATIONS

### Strategic Activity programmes

Grow Wellington will undertake three strategic activity programmes in support of the WRS:

#### Grow companies and build sector scale

We will help to build individual business capability, so that businesses become more capable of innovating and delivering new higher value products and services. We facilitate access to the specialist resources that businesses require to grow or become internationally competitive.

We will develop and implement sector strategies to support the goals of the WRS. We will build scale and increase connectedness in high value-add or sectors of competitive advantage. We assist companies to collaborate, and we produce sector-based strategies and deliver the required projects to deliver the WRS. We will identify the need for and pursue the acquisition of economic assets that are likely to raise productivity, create value-add opportunities or support industry led entry into new markets. We will be cognisant of the degree of alignment with other regional and councils' related strategies.

### **Attract and retain businesses and talent**

We will proactively attract new businesses, investment, students and talent into the region, and work to retain existing high-value businesses that may be at risk of leaving. This area of activity will primarily consist of targeted business and talent attraction programmes, and an engagement strategy with key businesses to act on issues in order to reduce the risk of their leaving the region.

### **Boost innovation and develop the workforce**

We will enhance the effectiveness of the regional innovation ecosystem in order to catalyse innovation-led opportunities. This requires the collaboration of the region's tertiary education system, research organisations, health boards, and local and central government. We will work to increase the local supply of talent and skills needed by the region's priority sectors, as well as attracting new talent from elsewhere. We will facilitate the development of new ways to make relevant staff more readily available to key sectors in a shorter period of time.

This suite of programmes will include the delivering of events and promotions that assist sector growth while often at the same time serving to attract and retain high value individuals and capital within the region, provide opportunities to grow the skills base in the region, facilitate business access to international markets, and boost the innovative and competitive image of the region internationally<sup>1</sup>.

We need to maintain some flexibility within our activity programmes and resourcing so that we can respond in a timely manner to changes in our operating environment, or take advantage of unforeseen opportunities. Some activities and projects will be of a trial or pilot programme nature, with the ultimate benefit and economic impact being confirmed throughout or at the end of the project. Project design will include review points to allow for projects to be modified or terminated. Some projects may be deferred or re-timetabled in response to changing circumstances or re-prioritisation.

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<sup>1</sup> As required by the terms of the Funding Deed with Greater Wellington Regional Council, and the Wellington regional Section 16 – Mediation Agreement, Grow Wellington cannot provide operational or capital expenditure for community facilities or events.

## Target sectors and clients

International evidence shows that clusters of related and supporting firms provide scale and increased productivity through efficient access to specialised inputs, services, employees, information, institutions, training programmes, and other public goods. We will preferentially support sectors that have demonstrated value-add to the regional economy, and will also strive to identify and assist new areas of opportunity and high growth. In accordance with the WRS, we will preferentially support sectors that have an existing base on which to build, that possess some degree of specialisation, distinctiveness or competitive advantage; and that provide higher than average wage and salary levels.

Currently these sectors are:

- Primary
- Creative/Film & Screen
- Digital/ICT
- High value manufacturing, including Food & Beverage
- Professional & Technical Services (including Government)

We will preferentially target our support within these or emerging sectors towards:

- existing businesses or initiatives that are innovative and have demonstrated high-growth potential;
  - start-up companies that have a high chance of successfully commercialising intellectual property and innovation;
  - high productivity/employee companies, offering higher wages and salaries;
  - companies or initiatives that promote and retain value-add within the region; and
  - export-oriented companies.
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## OUTCOMES FRAMEWORK TABLE

<p><b>Goal</b> <span style="float: right;"><b>Increased Prosperity and Standard of Living</b> Measured by GDP/Capita</span></p>						
<p style="text-align: center;">↑</p> <p><b>Increased Employment</b></p>			<p style="text-align: center;">↑</p> <p><b>Increased productivity</b></p>			
<p style="writing-mode: vertical-rl; transform: rotate(180deg);"><b>Outcomes</b></p>	<p><b>More businesses (including retained businesses and employment)</b> Measured by:</p> <ul style="list-style-type: none"> <li>• number of new firms in Wellington</li> <li>• Increase in net number of businesses</li> <li>• % increase in jobs</li> </ul>	<p><b>Deeper talent pool</b> Measured by:</p> <ul style="list-style-type: none"> <li>• number of skilled migrants</li> <li>• net migration figures</li> <li>• Increasing proportion of high skilled jobs</li> </ul>	<p><b>Stronger sectors</b> Measured by:</p> <ul style="list-style-type: none"> <li>• change in number of firms in priority sectors</li> <li>• growth in job vacancies in priority sectors</li> </ul>	<p><b>More capable businesses</b> Measured by:</p> <ul style="list-style-type: none"> <li>• number of Wellington firms in industry indexes</li> <li>• Value of Wellington firms in industry indexes<sup>2</sup></li> </ul>	<p><b>High levels of innovation</b> Measured by:</p> <ul style="list-style-type: none"> <li>• Percentage of people employed in knowledge intensive industries</li> <li>• number of start-ups</li> <li>• %age of R&amp;D spend by businesses</li> </ul>	<p><b>More international business activity</b> Measured by:</p> <ul style="list-style-type: none"> <li>• % increase in exports</li> <li>• reported outward investment growth as a percentage of GDP</li> </ul>
	<p style="text-align: center;">↑</p>					
<p style="writing-mode: vertical-rl; transform: rotate(180deg);"><b>Impacts</b></p>	<p>A greater number of firms creates more jobs, stronger sectors and provides robustness.</p>	<ul style="list-style-type: none"> <li>• Talent not only fills jobs, but creates new ones.</li> <li>• Workforce needs for priority sectors are being met.</li> <li>• Workforce supply is more responsive to sector demand.</li> </ul>	<ul style="list-style-type: none"> <li>• Global evidence shows that businesses operating within strong industry sectors are more productive, provide greater chances of collaboration.</li> </ul>	<ul style="list-style-type: none"> <li>• Businesses grow and have greater revenue and offer more jobs, and are more profitable and resilient.</li> <li>• Businesses are more likely to gain investment.</li> </ul>	<ul style="list-style-type: none"> <li>• Revenue generated from new products and services.</li> <li>• More competitive ways of delivering existing goods and services.</li> </ul>	<ul style="list-style-type: none"> <li>• Increased international connections.</li> <li>• Better access to international market channels.</li> </ul>
<p style="text-align: center;">↑</p>						
<p style="writing-mode: vertical-rl; transform: rotate(180deg);"><b>Activities</b></p>	<ul style="list-style-type: none"> <li>• Business Attraction campaigns.</li> <li>• Pipeline of leads.</li> <li>• Retention strategy.</li> </ul>	<ul style="list-style-type: none"> <li>• Develop workforce supply programmes.</li> <li>• Tertiary/business initiatives.</li> <li>• Graduate retention.</li> <li>• Talent attraction campaigns in areas of skill shortage.</li> <li>• Student attraction campaigns and attraction tools.</li> </ul>	<ul style="list-style-type: none"> <li>• Sector support programmes.</li> </ul>	<ul style="list-style-type: none"> <li>• Deliver Business Growth services covering topics such as governance, investment-readiness, and strategy and market validation.</li> </ul>	<ul style="list-style-type: none"> <li>• Increase R&amp;D interactions.</li> <li>• Expand the impact of CHQ.</li> <li>• Promote design-led product and services development.</li> </ul>	<ul style="list-style-type: none"> <li>• Export growth project.</li> </ul>
<p style="text-align: center;">↑</p>						
<p style="writing-mode: vertical-rl; transform: rotate(180deg);"><b>Economic Leadership</b></p>	<p><b>Economic leadership - the production of reports, information, analyses, cost-benefit analysis, etc) which identify what drives the Wellington economy and which inform the activities and initiatives we undertake to grow the Wellington economy and secure our economic future</b></p>					

<sup>2</sup> Relevant indexes include Technology Industry Network 100, Asia Fast 500 etc.

## PERFORMANCE STANDARDS

The following tables outline the service performance standards for Grow Wellington in the 2014/15 financial year, with estimates for subsequent years. Performance standards are grouped by our three strategic activity programmes. Corresponding KPI targets relate to activities and initiatives that are directly or largely within the control of Grow Wellington. Targets are reasonable based on the priorities suggested by the WRS and our own analysis, our available resources, and historical performance.

### Impact in relation to the WRS

A particular strategic programme will often impact on more than one of the WRS focus areas for which Grow Wellington has responsibility, as indicated in the following table (✓✓ = significant impact, ✓✓✓ = meaningful impact, ✓ = related or downstream impact)

Grow Wellington Activity Programme	WRS FOCUS AREAS			
	Commercialisation of Innovation	Investment Mechanisms for Growth	Business, Investment & Talent Attraction	Education & Workforce Development
Grow businesses and strengthen sectors	✓✓✓	✓✓	✓	✓
Attract and retain new Business, investment, and talent	✓✓	✓✓	✓✓✓	✓✓✓
Innovation and workforce	✓✓✓	✓	✓	✓✓✓

Grow Wellington will contribute to the WRS Evaluation project which seeks to demonstrate progress on WRS objective by “valuing” the activities of the various implementation agencies, including Grow Wellington.

## Grow companies and build sector scale

The focus of the Business growth team will remain largely on developing the capability and growth opportunities of businesses within our priority sectors, with a view to helping businesses become ready to export, attract investment or scale for growth. A specific programme of work is our role as the Regional Business Partner for NZTE, the core purpose of which is the facilitation and allocation of business capability funding through a co-funded voucher scheme. We will increase and leverage the connections across industry and business, identifying and helping to validate new opportunities in both domestic and international markets.

Activity	Impact	Performance Standard 2013/14	Target 14/15	Target 15/16	Target 16/17	
Deliver a suite of business capability services across the region	Increasing the capability of businesses will enable them to realise sustainable growth and attract investment.	<ul style="list-style-type: none"> <li>\$520K RBP capability funding allocated</li> <li>270 unique businesses connected to the Accelerate Success Programme (NZTE).</li> </ul>	<ul style="list-style-type: none"> <li>Full capability funding (TBC) allocated.</li> <li>RBP target number of businesses connected to the Accelerate Success Programme (NZTE).</li> </ul>			
			<ul style="list-style-type: none"> <li>12 business clinics delivered</li> </ul>	<ul style="list-style-type: none"> <li>15 business clinics delivered</li> </ul>	<ul style="list-style-type: none"> <li>18 business clinics delivered</li> </ul>	<ul style="list-style-type: none"> <li>18 business clinics delivered</li> </ul>
			<ul style="list-style-type: none"> <li>12 businesses participate in investment programme with 50% successful in raising debt or equity capital</li> </ul>	<ul style="list-style-type: none"> <li>20 businesses participate in programme.</li> <li>1 investment event held.</li> </ul>	<ul style="list-style-type: none"> <li>20 businesses participate in programme.</li> <li>1 investment event held.</li> </ul>	<ul style="list-style-type: none"> <li>20 businesses participate in programme.</li> <li>1 investment event held.</li> </ul>
Deliver a suite of export growth events or services*.	Improve the rate of exports through a range of knowledge and practical assistance to exporters	<ul style="list-style-type: none"> <li>Feasibility investigated and relevant stakeholders engaged in export project concept</li> </ul>	<ul style="list-style-type: none"> <li>Baseline number of business participating in export programme</li> <li>1 export growth event held</li> </ul>	<ul style="list-style-type: none"> <li>More businesses participating in export programme</li> <li>2 export growth events held</li> </ul>	<ul style="list-style-type: none"> <li>More businesses participating in export programme</li> <li>2 export growth events held</li> </ul>	
Refine sector strategies	Cohesive strategies designed by industry will overcome barriers and catalyse those initiatives which will have most impact on industry and export growth, innovation and collaboration across and between sectors.	<ul style="list-style-type: none"> <li>Publish sector strategies for Primary and High value Manufacturing sectors</li> </ul>	<ul style="list-style-type: none"> <li>Publish strategies for ICT &amp; Digital, and Film &amp; Screen</li> </ul>	<ul style="list-style-type: none"> <li>Monitor and report on progress.</li> <li>Adapt and refine focus areas as required.</li> </ul>		
Implement sector projects		Deliver projects : <ul style="list-style-type: none"> <li>Red Meat Value Chain</li> <li>Aviation Attraction Hub</li> <li>Clean Tech Centre</li> <li>Kapiti Rural Land Use</li> <li>Craft Beer Export</li> <li>Visa Wellington On A Plate (VWOAP)</li> <li>EdTech4Export</li> </ul>	<ul style="list-style-type: none"> <li>Complete existing multi-year projects (e.g Clean Tech Centre) and deliver new programmes and projects from sector strategies which identify and support industry led clustering, new market/product opportunities and export trade connections</li> <li>Deliver VWOAP Supplier Showcase and support VWOAP Festival</li> <li>Support wider benefits of Wairarapa Water Use Project</li> <li>Event Management for EdTech for Export conference.</li> <li>Identify, support and deliver new sector based events.</li> </ul>			

### Attract and retain businesses and talent

Our attraction strategy and activity is based on the identification of the region's unique competitive advantages and then identifying sectors and geographies that view this as relevant and compelling. We then develop a range of campaigns to engage decision makers in these target areas. We will work with strategic partners to ensure retention of the largest contributors to economic growth.

In the 2014/15 FY, Grow Wellington will continue to deliver a targeted business attraction programme called 'Destination Wellington' under contract to the Wellington City Council and in partnership with Positively Wellington Tourism (PWT). This will result in enhanced coordination, additional leverage and increased effectiveness of regional business attraction activities.

Activity	Impact	Performance Standard 2013/14	Target 14/15	Target 15/16 <sup>3</sup>	Target 16/17 <sup>4</sup>
Business & Investment Attraction campaigns	New business locating in Wellington increase employment, pay rates and taxes, and buy local consumables. Investment is available to help local business grow.	<ul style="list-style-type: none"> <li>Process in place; 20 business and investment attraction targets in pipeline</li> <li>Four in-market campaigns completed, with one expression of interest per campaign</li> </ul>	<ul style="list-style-type: none"> <li>Pipeline value of \$20M EVA</li> <li>Four in-market campaigns completed</li> <li>New businesses contribute \$8M pa EVA</li> </ul>	<ul style="list-style-type: none"> <li>Pipeline value of \$30M EVA</li> <li>Four in-market campaigns completed</li> <li>New businesses contribute \$12M pa EVA</li> </ul>	<ul style="list-style-type: none"> <li>Pipeline value of \$30M EVA</li> <li>Four in-market campaigns completed</li> <li>New businesses contribute \$15M pa EVA</li> </ul>
Student Attraction campaigns	Foreign students bring revenue and spend in the region, and might become part of the workforce	<ul style="list-style-type: none"> <li>Host inbound attraction visits to Wellington</li> <li>5% increase over 2012 baseline of international students enrolled in Wellington region secondary and tertiary institutions</li> </ul>	<ul style="list-style-type: none"> <li>5% increase over 2012 baseline, or a 3% increase in NZ market share</li> </ul>	<ul style="list-style-type: none"> <li>7.5% increase on 2012 baseline, or a 3% increase in NZ market share</li> </ul>	<ul style="list-style-type: none"> <li>10% increase over 2012 baseline, or a 3% increase in NZ market share</li> </ul>
Film & Screen attraction	Attracting or developing	<ul style="list-style-type: none"> <li>The attraction of screen production to Wellington</li> </ul>	<ul style="list-style-type: none"> <li>The attraction of screen production to Wellington with</li> </ul>	<ul style="list-style-type: none"> <li>The attraction of screen production to</li> </ul>	<ul style="list-style-type: none"> <li>The attraction of screen production to</li> </ul>

<sup>3</sup> Dependent on contract or additional revenue for business attraction activities

<sup>4</sup> Dependent on contract or additional revenue for business attraction activities

	increased levels of screen IP creation to Wellington will ensure greater residual wealth for the region	with combined production value of \$10m	combined production value of \$10m	Wellington with combined production value of \$10m	Wellington with combined production value of \$10m
Talent Attraction	New talent fills job vacancies, adds to business capability, and leads to the creation of new jobs	<ul style="list-style-type: none"> <li>• Create a 'Talent Wellington' unit and develop strategy and process for attracting talent/entrepreneurs and high net worth individuals</li> </ul>	<ul style="list-style-type: none"> <li>• Deliver 2 talent campaigns in line with workforce needs</li> </ul>	<ul style="list-style-type: none"> <li>• Deliver 2 talent campaigns in line with workforce needs</li> </ul>	<ul style="list-style-type: none"> <li>• Deliver 2 talent campaigns in line with workforce needs</li> </ul>
Business retention	Retaining key businesses maintains jobs and sector strength		<ul style="list-style-type: none"> <li>• Execute a retention engagement programme with key businesses</li> </ul>		

### Boost innovation and develop the workforce

We aim to increase the demand from and uptake by businesses of the region's applied science, technology and engineering knowledge necessary to innovate. A specific programme of work is our role as the Regional Business Partner for Callaghan Innovation, the core purpose of which is the facilitation and allocation of R&D grants. CreativeHQ provides three distinct programmes - incubation programmes for early stage, high tech ventures; acceleration services to rapid growth digital ventures; and ecosystem development to identify high growth incubation and acceleration opportunities. CreativeHQ will no longer itself undertake science commercialisation evaluation projects but rather will be encouraging specialist agencies to provide these services in the region.

Grow Wellington has two key workforce-related objectives - that the regional workforce pool will be aligned with and have the requisite skills to be employed in the region's priority sectors, and that students in the region's tertiary institutions have greater opportunities to prepare for employment and are retained in the region's workforce.

Activity	Impact	Performance Standard 2013/14	Target 14/15	Target 15/16	Target 16/17
Lead the development of the region-wide innovation ecosystem	A connected and cohesive ecosystem will result in increased collaboration and maximum leverage of public R&D funds invested in the region	<ul style="list-style-type: none"> <li>Feasibility, scoping and socialising the concept/approach</li> <li>Develop regional innovation profile</li> </ul>	<b>Target 14/15</b> <ul style="list-style-type: none"> <li>A programme of active partnerships/alliances driving specific projects</li> <li>Profile used to drive increased collaboration and output in priority sectors</li> </ul>		
Progress innovation hub and precinct proposals	Co-location and concentration of innovating firms and associated service and IP providers increases the success rate and value of innovation	<ul style="list-style-type: none"> <li>Feasibility Study completed and consultation on its recommendations</li> </ul>	<ul style="list-style-type: none"> <li>Proposals shaped and impact evaluated</li> </ul>	<ul style="list-style-type: none"> <li>Viable proposals progressed</li> </ul>	
Deliver Regional Business	Allocated R&D grant funding increases	<ul style="list-style-type: none"> <li>c\$2.4million</li> </ul>	<ul style="list-style-type: none"> <li>2013/14 level + 5% 5</li> <li>Impact framework agreed and testing</li> </ul>	<ul style="list-style-type: none"> <li>Achieve or exceed renegotiated RBP contract</li> </ul>	

<sup>5</sup> Subject to contract negotiations with CI

<p>Partner with Callaghan Innovation</p> <p>Increase the number of successful entrepreneurs and viable start-ups in the region</p>	<p>commercialisation of new, innovative products</p> <p>More start-ups will be generated, and those ventures will have a greater chance of success and a higher capital valuation</p>	<ul style="list-style-type: none"> <li>• 20 Ventures supported through incubation</li> <li>• 4 high growth exits</li> <li>• 25 Entrepreneurs through digital accelerator</li> <li>• &gt;40% ventures invested post Demo Day</li> <li>• 35 Project Evaluations through regions Institutions and Universities</li> <li>• 40 Students through bootcamp. 3 start ups</li> </ul>	<ul style="list-style-type: none"> <li>• 2 high growth exits from incubator</li> <li>• Creative HQ's portfolio value exceeds \$1m</li> <li>• \$3.5M of investment raised six months post Demo Day (for Lightning Lab teams)</li> <li>• Digital Futures - 50 students attending programme</li> </ul>	<ul style="list-style-type: none"> <li>• 3 high growth exits from incubator</li> <li>• Creative HQ's portfolio value exceeds \$2m</li> <li>• \$5M of investment raised six months post Demo Day (for Lightning Lab teams)</li> <li>• Digital Futures - 75 students attending programme</li> </ul>	<ul style="list-style-type: none"> <li>• 5 high growth exits from incubator</li> <li>• Creative HQ's portfolio value exceeds \$5m</li> <li>• \$7M of investment raised six months post Demo Day (for Lightning Lab teams)</li> <li>• Digital Futures - 100 students attending programme</li> </ul>
<p>Work with tertiary providers to identify new programmes of study and support their implementation</p> <p>Increase work-based learning</p>	<p>New programmes of study matched to workforce demand is one mechanism which will reduce the risk of local businesses are not constrained by lack of suitably skilled staff</p> <p>Work based learning creates a more work-ready talent pool for priority sectors</p>	<ul style="list-style-type: none"> <li>• Three new courses aligned with regional sector strengths</li> <li>• 150 interns placed in target sector firms</li> </ul>	<p>Bring together an industry-led Advisory Board to identify and sponsor proposed new programmes</p> <ul style="list-style-type: none"> <li>• Increasing numbers of new programmes both tertiary and independent with a widening range of teaching/training and learning models</li> </ul>		
<p>Increase work-based learning</p>	<p>Work based learning creates a more work-ready talent pool for priority sectors</p>	<ul style="list-style-type: none"> <li>• 175 interns placed in target sector firms</li> <li>• Internship programmes such as Summer of Tech expanded in scale or sector coverage</li> </ul>	<ul style="list-style-type: none"> <li>• 175 interns placed in target sector firms</li> </ul>	<ul style="list-style-type: none"> <li>• 175 interns placed in target sector firms</li> </ul>	<ul style="list-style-type: none"> <li>• 200 interns placed in target sector firms</li> </ul>





## ORGANISATIONAL HEALTH

### Governance of Grow Wellington and Creative HQ

The Grow Wellington Board reports to the Wellington Regional Strategy Committee. In accordance with Sections 57 and 58 of the Local Government Act, which sets out directions for the appointment and role of directors of Council Controlled Organisations, the Grow Wellington Board was appointed in accordance with Greater Wellington Regional Council's policy. This policy requires a transparent process for the identification of directors' skills, their appointment and remuneration.

The Board has established two formal sub-committees. The Audit, Finance and Risk Committee monitor financial, project, reputation and organisational risks, ensuring they are appropriately mitigated. The CEO Performance Committee monitors management performance.

The Chief Executive has the delegated responsibility for the day-to-day management of Grow Wellington and is assisted by staff as required. Grow Wellington may make use of external advisors from time to time.

All Board Directors comply with the Code of Conduct set out in the New Zealand Institute of Directors' Code of Practice for Directors. Board Directors will be supported and encouraged to pursue training and development to enhance their effectiveness on the Board.

The above provisions also apply to Creative HQ although the Creative HQ Board has not appointed any formal sub-committees, and executes all governance functions collectively as the Board. The Boards of Grow Wellington and Creative HQ will interact to ensure strategic alignment and statutory compliance.

### Delivering Results

GWLG has a number of underpinning strategies and programmes to ensure that we deliver the best results we can. The prime supporting programmes are:

#### Economic leadership

Grow Wellington will develop our knowledge and understanding of the Wellington regional economy. We will provide economic leadership in identifying what drives the Wellington economy to inform the activities and initiatives undertaken to enable it to grow. We will monitor its performance of the regional economy so we know how we are tracking in terms of achieving the Wellington Regional Strategy and other goals.

A range of economic and business data, intelligence and analysis activities will be undertaken in-house or sourced from a variety of external providers. Grow Wellington and the WRS Office, which also undertakes monitoring and research activities relevant to the WRS, will keep each other informed of their respective information needs and work collaboratively in this area.

#### Collaboration and partnerships

In order to achieve its goals, Grow Wellington relies on and enjoys the cooperation and participation of numerous economic development agencies, including local councils, Central Government, iwi, Chambers of

Commerce, tertiary and research institutions, investors and private sector businesses. Grow Wellington will acknowledge the contributions and impact of its partners when progressing and reporting on specific activities or initiatives.

#### Stakeholder engagement, including the private sector

In the last twelve months we have increased our levels of stakeholder engagement, keeping Councils, Government agencies and service providers more informed of our strategy and activities. We have engaged more effectively with businesses as we develop sector growth strategies. Additional focus will be applied this year to engaging with the group of significantly scaled or iconic Wellington companies and institutions which can contribute to the growth of other local companies and the economy in general.

We continue to build on our knowledge and understanding of Māori culture, protocols and ways of doing business, as well as enhancing the relationships with local iwi. We will use this awareness to respond to the economic opportunities, challenges and issues in Māori business for the region, as well as the potential for iwi to be active investors in regional growth.

#### People capability and culture

Over and above the strategies, we continuously look for performance improvements in all areas of the organisation, particularly in the ways we run our business. Business processes are constantly under review, and we are looking to capitalise on information-sharing tools and synergies with partners such as NZTE and CallaghanInnovation. We will recruit high calibre staff and develop them and existing staff to maximise their talent and passion for seeing Wellington succeed.

## **FURTHER INFORMATION REQUIRED BY LGA ACT 2002**

### **Information provided by Grow Wellington**

In addition to governance of Grow Wellington by the Board, the company also provides the following information to the WRS Committee, to assist it in monitoring Grow Wellington's performance:

- Annual Statement of Intent, including financial forecasts for Grow Wellington Group;
- Half-Yearly Report – including an unaudited report on financials, presented in the same format as the Statement of Intent financials;
- Annual Report, including audited financials for Grow Wellington Group;
- Annual Financial Statements and Auditor's Report for Grow Wellington Group; and
- Additional reports and information to the WRS Committee as and when required.

Additionally, Grow Wellington is audited annually by an auditor appointed by the Auditor General.

**Estimate of the commercial value of the shareholders' investment in the Group and the manner in which, and the times at which, that value is to be reassessed**

Technically, the shareholder holds value in the amount of equity that there is in the Group. However, given the public good nature of its activities, Grow Wellington does not exist to grow shareholder value. As such, it holds nil commercial value. This value will not be reassessed unless there are material changes to the shareholders financial expectation of the group.

**Estimate of the amount or proportion of accumulated profits and capital reserves that is intended to be distributed to the shareholders;**

Grow Wellington does not intend to pay dividends to the shareholder, thus the estimate is nil.

**The procedures to be followed before any member or the group subscribes for, purchases, or otherwise acquires shares in any company or other organisation;**

CHQ acquires minor shareholdings in early stage technology companies in return for incubation and acceleration services. No cash is exchanged as consideration for the shares.

**Activities for which the Board seeks compensation from any local authority (whether or not the local authority has agreed to provide the compensation);**

Although Grow Wellington may enter into contract fro services arrangements with local authorities, it does not seek compensation in any other sense from any local authorities.

## FINANCIAL PERFORMANCE

### Assumptions underpinning the Financial Performance Statements

The prospective financial statements comply with Financial Reporting Standard No. 42 – Prospective Financial Statements. The following are the key assumptions used in preparing this Sol.

- There will not be any significant changes in planned service levels;
- There will be no major changes to key legislation affecting Grow Wellington activities;
- Asset lives will be in accordance with Grow Wellington's accounting policies.

The prospective financial information contained in this approved Sol is based on assumptions that Grow Wellington reasonably expect to eventuate. Actual results are likely to vary from the information presented and these variations may be material.

Grow Wellington and Creative HQ receive revenue from Government and other agencies to provide services on their behalf, including the allocation or management of grants that may be available to client businesses. There can be uncertainty around income from Central Government departments and it is therefore possible that some of the grant funding contained in the prospective financial statements may not eventuate. If this occurs programmes will be cut back to accommodate for the loss of revenue.

The company is reliant for a large part of its revenue from its 100% shareholder, the Greater Wellington Regional Council. The company is reliant on Greater Wellington Regional Council continuing to support the region's economic development activity via the company. Greater Wellington Regional Council has included funding for economic development for ten years in their 2012/22 long term plan.

Grow Wellington may not draw down all its entitled funding from the Greater Wellington Regional Council in the 2013/14 financial year. It anticipates drawing on this funding and any future under receipts in future periods, which means in certain years its income from Greater Wellington Regional Council will be higher than the standard yearly entitlement.

<b>GROW WELLINGTON GROUP PROSPECTIVE STATEMENT OF COMPREHENSIVE INCOME</b>	<b>FY 2015 Budget \$000s</b>	<b>FY 2016 Forecast \$000s</b>	<b>FY 2017 Forecast \$000s</b>
<b>Revenue</b>			
Greater Wellington Regional Council	4,300	4,300	4,300
Grants and other funds	2,083	2,258	2,558
Destination Wellington Contract	900	-	-
<b>TOTAL REVENUE</b>	<b><u>7,283</u></b>	<b><u>6,558</u></b>	<b><u>6,858</u></b>
<b>Expenditure</b>			
Business Growth Programmes	1,968	1,606	1,606
Business Investment and Talent Attraction	2,818	2,300	2,300
Innovation and workforce, including CreativeHQ	2,497	2,653	2,953
<b>TOTAL EXPENDITURE</b>	<b><u>7,283</u></b>	<b><u>6,558</u></b>	<b><u>6,858</u></b>
<b>Profit before Income Tax</b>	-	-	-
Income Tax Expense	-	-	-
Profit for the year	-	-	-
Other Comprehensive Income	-	-	-
Tax expense relating to Other Comprehensive Income	-	-	-
Other Comprehensive Income Net of Tax	<u>-</u>	<u>-</u>	<u>-</u>
Total Comprehensive Income	<u>-</u>	<u>-</u>	<u>-</u>

Revenue of \$4.3M from Greater Wellington Regional Council is made up of the annual allocation of \$4.0 million and a draw down on reserves of \$300,000 from the 2013/14 year.

<b>Grow Wellington Group Prospective Statement of Financial Position</b>	<b>FY2015 Budget \$000s</b>	<b>FY2016 Forecast \$000s</b>	<b>FY2017 Forecast \$000s</b>
<b>ASSETS</b>			
<b>Current</b>			
Cash and cash equivalents	637	637	637
Trade and other receivables	157	157	157
<b>Total Current Assets</b>	<b>794</b>	<b>794</b>	<b>794</b>
<b>Non Current</b>			
Property Plant and Equipment	76	76	76
Investments in Incubator and Accelerator Companies	335	335	335
<b>Total Non Current Assets</b>	<b>411</b>	<b>411</b>	<b>411</b>
<b>TOTAL ASSETS</b>	<b>1205</b>	<b>1205</b>	<b>1205</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	608	608	608
CHQ incubatee bonds	10	10	10
Employee Entitlements	105	105	105
<b>Total Current Liabilites</b>	<b>723</b>	<b>723</b>	<b>723</b>
<b>TOTAL LIABILITIES</b>	<b>723</b>	<b>723</b>	<b>723</b>
<b>NET ASSETS</b>	<b>482</b>	<b>482</b>	<b>482</b>
<b>Equity</b>			
Retained Earnings	482	482	482
<b>TOTAL EQUITY</b>	<b>482</b>	<b>482</b>	<b>482</b>

<b>Grow Wellington Group Prospective Cash Flows</b>	<b>FY 2015 Budget \$000s</b>	<b>FY2016 Forecast \$000s</b>	<b>FY2017 Forecast \$000s</b>
Cash and Cash Equivalents at Start of Year	<u>637</u>	<u>637</u>	<u>637</u>
<b>Cash Flows from Operating Activities</b>			
<b>Inflows</b>			
Greater Wellington	4,300	4,300	4,300
Grants and other revenues	2,083	2,258	2,558
Destination Wellington	900	-	-
Cash inflows from Operating Activities	<u>7,283</u>	<u>6,558</u>	<u>6,858</u>
<b>Outflows</b>			
Payments to suppliers and employees	7,283	6,558	6,858
Gst Net	-	-	-
Cash outflows from operating activities	<u>7,283</u>	<u>6,558</u>	<u>6,858</u>
<b>Net Cash Flows From(Used in) Operating Activities</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Cash Flows from Investing Activities</b>			
<b>Inflows</b>			
Intercompany balance	-	-	-
<b>Outflows</b>			
Purchase of property, plant and equipment	-	-	-
<b>Net Cash Flows From (Used in) Investing Activities</b>	<u>-</u>	<u>-</u>	<u>-</u>
Net increase/(decrease) in cash and cash equivalents	-	-	-
<b>Cash and cash Equivalents at End of Year</b>	<u>637</u>	<u>637</u>	<u>637</u>

## Notes to the Financial Performance Statements

### Notes to the Financial Performance Statements

#### Accounting Policies

Any accounting policies adopted in the prospective financial statements in this statement of intent (SOI) that have a significant effect on results and financial position disclosed are set out below:

#### Reporting Entity

The prospective financial statements presented are for the Grow Wellington Limited group which includes the wholly owned subsidiary Creative HQ Limited.

The Companies are incorporated in New Zealand under the Companies ACT 1993. Both are domiciled in New Zealand and operate from Wellington. Grow Wellington Limited is owned by the Greater Wellington Regional Council and is a Council Controlled Organisation as defined under section 6 of the Local Government Act 2002.

The main purpose of the prospective financial statements in the SOI is to provide our owners, stakeholders and readers with information about the expected costs of the activities we undertake as designated by the Wellington Regional Strategy. The information in these statements may not be appropriate for purposes other than those described.

For the purposes of reporting Grow Wellington Limited and Creative HQ Limited are designated public benefit entities.

#### Basis of Preparation

The prospective financial statements are presented in New Zealand dollars, rounded to the nearest thousand and have been prepared on an historic cost basis.

The accounting policies set out below have been applied consistently to all periods presented in these prospective financial statements.

### 3. SIGNIFICANT ACCOUNTING POLICIES

#### (a) Basis of consolidation

The consolidated Financial Statements are prepared by adding together like items of assets, liabilities, equity, income and expense on a line-by-line basis. All significant intergroup balances, transactions, income and expenses are eliminated on consolidation.

##### (i) Subsidiaries

The Parent consolidates in the group Financial Statements all entities where the Parent has the capacity to control their financing and operating policies so as to obtain benefits from the activities of the subsidiary. This power exists

where the Parent controls the majority voting power on the governing body or where such policies have been irreversibly predetermined by the Parent or where the determination of such policies is unable to materially affect the level of potential ownership benefits that arise from the activities of the subsidiary.

The cost of a business combination is measured as the aggregate of:

- the consideration transferred, which is generally measured as acquisition date fair value;
- the amount of any non-controlling interest measured at either fair value or non-controlling interest in the fair value of the net identifiable assets of the acquiree; and
- the acquisition date fair value of the previously held equity interest in the acquiree, if any.

Any excess of the cost of the business combination over the Parent's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is recognised as goodwill. If the Parent's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised exceeds the cost of the business combination, the difference will be recognised immediately in the surplus or deficit.

Investments in subsidiaries are carried at cost in the Parent's Financial Statements.

#### (b) Foreign currency transactions

Transactions in foreign currencies that are settled in the accounting period are translated at the settlement rate.

Transactions in foreign currencies that are not settled in the accounting period, resulting in monetary assets and liabilities denominated in foreign currencies at the Statement of Financial Position date are translated to New Zealand dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on transaction are recognised in the Statement of Comprehensive Income.

#### (c) Investments in incubator and accelerator companies

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 Limited (CHQ) receives shares from clients involved in its incubation and acceleration programmes as part consideration for the services and support provided by CHQ to the client. The shares received represent a small proportion of



the total equity of the client company (typically 5%). 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.

CHQ recognises the initial investment in the companies according to the type of support they provide to the companies.

Companies in the incubator programme do not have a value on initial recognition as no external investment has yet occurred and therefore the cost of initial investment is valued at nil. Companies on the accelerator programme are recognised in revenue at fair value. This is determined by the value per share based on the funding provided to each company in the programme in exchange for equity in the company.

The valuation of these investments is undertaken by CHQ using accepted industry guidelines. The International Private Equity and Venture Capital Valuation Guidelines (IPEV) have been accepted as the industry standard valuation guidelines and 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 a fair value for their investments. The IPEV are of the view that compliance with IFRS 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 adjustment can range from nil to 100% of the value.

Valuation of CHQ's investments in the prospective statements is based on valuations as at the last audited financial statements, 30 June 2013. The valuation of CHQ's investments is based on the price of the most recent investment made by external investors, prior to 30 June 2013, 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. Due to the subjective nature of the valuations no adjustments have been made to the valuations in the prospective financial statements.

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 Available for Sale revaluation reserve is reclassified from equity to profit or loss as a reclassification or adjustment. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated as a separate component of equity in the Available for Sale reserve.

#### **(d) Cash and cash equivalents**

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

#### **(e) Trade and other receivables**

Trade and other receivables are treated at their cost less impairment losses.

A provision for impairment is established where there is objective evidence that the Parent will not be able to collect all amounts according to the original terms of receivable. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows discounted using the effective interest method.

Receivables with a short duration are not discounted.

#### **(f) Property, plant and equipment**

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

##### **(i) Additions**

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

##### **(ii) Disposals**

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount of the asset.

Gains and losses on disposals are included in the Statement of Comprehensive Income.

##### **(iii) Depreciation**

Depreciation is charged on a straight-line basis on all property, plant and equipment other than land over the estimated useful life. Depreciation is charged to the Statement of Comprehensive Income. The useful lives and associated depreciation rates have been estimated as follows:

- Computer Hardware 2-3 years
- Equipment 2-8 years

- Furniture 4-10 years

(iv) Subsequent costs

Subsequent costs for property, plant and equipment are capitalised only when future economic benefits or service potential will flow to the Group and the cost of the item can be measured reliably.

**(g) 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 2-3 years

(i) Amortisation

Amortisation is recognised in the Statement of Comprehensive Income 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.

(ii) Computer software

Acquired software licences are capitalised on the basis of 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.

(iii) Website maintenance

Costs associated with developing and maintaining the Parent's website are recognised as an expense when incurred.

**(h) Impairment of non-financial assets**

Assets with finite useful lives are reviewed for impairment whenever an event or change in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the assets carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

**(i) Trade and other payables**

Trade and other payables are stated at amortised cost.

**(j) Employee entitlements**

(i) Short-term benefits

Employee benefits that the Parent expects to be settled within 12 months of balance date are measured at nominal value based on accrued entitlements at current rates of pay.

These include salaries and wages and bonuses accrued up to balance date, annual leave earned to, but not yet taken at balance date, expected to be settled within 12 months.

(ii) Superannuation schemes

*Defined contribution scheme*

Obligations for contributions to Kiwi Saver are accounted for as defined contribution superannuation schemes and are recognised

**(k) Provisions**

The Parent 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.

**(l) Revenue**

Revenue is measured at the fair value of consideration received.

**(i) Council contributions**

Council contributions are recognised as revenue upon entitlement as conditions pertaining to eligible expenditure have been fulfilled.

**(ii) Grants**

Grant revenue is recognised on entitlement as conditions pertaining to eligible expenditure or milestones are achieved.

**(iii) Sponsorship**

Revenue is received from third parties to partly cover the costs of running the Parent's programmes and projects. Sponsors were linked to the programme and recognised in all promotions associated with the activity they sponsored. Sponsorship is recognised when measurable and probable of future economic benefits being received.

**(iv) Fee revenue**

Revenue received from incubator residents which partly offsets the costs of running the incubator. Revenue is recognised when measurable and probable of future economic revenue being received.

**(v) Rental revenue**

Revenue received from non-residents of the incubator which covered the costs of their occupancy at the incubator.

Rent is recognised when measurable and probable of future economic revenue being received.

**(vi) Interest revenue**

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

**(vii) Capital raising success fees**

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

**(viii) Other revenue**

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

Training courses, services provided to Education Wellington International and expenses recovered.

**(ix) Revenue in advance**

Revenue received in advance is carried in the Statement of Financial Position and recognised to the Statement of Comprehensive Income by reference to the stage of completion of the transaction based on the actual service provided as a percentage of the total service to be provided.

**(m) Leases****(i) Operating lease payments**

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 Income 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.

**(n) Income tax**

The income tax expense recognised in the Statement of Comprehensive Income is the estimated income tax payable in the current year, adjusted to any difference between the estimated and actual income tax payable in prior periods.

Current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted at balance date.

Income tax expense is recognised against the surplus or deficit for the year, except to the extent that it relates to a business combination, or to transactions recognised in other comprehensive income or directly in equity.

**(o) GST**

All amounts are shown exclusive of Goods and Service Tax (GST), except for trade and other receivables and trade and other payables that are stated inclusive of GST. When GST is not recoverable as input tax then it is recognised as part of the related asset or expense.

Cash flows are included in the Cash Flow Statement on a net basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.