Attachment 1 to Report 13.801

GROW WELLINGTON

ANNUAL REPORT 12/13

GROW WELLINGTON FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013






CONTENTS

Cover image acknowledgements:
The Hobbit: An Unexpected Journey photo courtesy of Warner Bros/New Line Cinema/MGM

CHAIR MESSAGE

I am very pleased to be able to report positively on a year of significant change for Grow Wellington and its subsidiary, Creative HQ; one which has seen the Board continue its drive to refocus resources to gain greatest impact, a revamp of the structure and composition of the management team and changes to our strategic context via a refreshed Wellington Regional Strategy.

The management and staff of Grow Wellington and Creative HQ have responded with great enthusiasm to these changes. They consistently maintained their focus on connecting, inspiring and facilitating businesses in the region and have generated notable results with new initiatives and reinvigorated programmes for growth focussed businesses in the region.

Wellington's challenges and opportunities have been reported and discussed widely in the last 12 months and Grow Wellington's voice has been prominent in this conversation. Our ability to see the region's economic landscape from both a macro and micro perspective gives us the ability to facilitate connections between businesses and sectors with genuine growth opportunities. The Education Technology conference launched this year by Grow Wellington is an example of this – connecting Wellington's renowned export education sector to its world-class screen and digital businesses to make an impact in a rapidly growing multi-billion dollar knowledge-based global industry.

Delivering and importantly, demonstrating value for investors, has been a significant focus for the organisation in this financial year. The Board is committed to the responsible, effective and transparent use of ratepayers' money. During a period when central government's focus and resources have been channelled to other regions in the country, Wellingtonians' expectations of their economic development agency are understandably higher than ever.

Strengthening relationships with our most important partners has been another deliberate focus this year, and I feel confident in reporting material improvements in the effectiveness of Grow Wellington's interaction and cooperation with its stakeholders, especially councils, chambers of commerce, businesses and central government agencies.

We are entering a period of significant change in the region. New Zealand Trade and Enterprise has gone through a period of realignment and the newly formed Callaghan Innovation issues its first Statement of Intent later in the year. The Wellington City Council is adopting a new approach to economic development, local body elections will be held in October 2013 and the Electoral Commission will decide on the shape of Wellington's regional governance. The whole of Wellington has been reinvigorated, following claims that the economy is not in good shape and this bodes well for widespread engagement and action in the coming year.

Grow Wellington now has a more explicit outcome orientation, a clear intervention logic that underpins all of its decision making and a strong desire to get better leverage from the application of the public money that predominantly funds its activities. This gives the Board confidence that Grow Wellington is now very well placed to increase its impact and influence to the benefit of the Wellington region.

Grow Wellington has worked vigorously at both a governance and a management level throughout the year. For the first five months of this reporting period the company was fortunate to have, as Interim CEO, Keith Marshall, pending the search and appointment of our new CEO, Gerard Quinn, who commenced in November 2012. On behalf of the Board, I would like to thank both Keith and Gerard for the enthusiasm and skills that they each have brought to their roles.

Paul Mersi
Chair, Grow Wellington

CEO MESSAGE

It has been my pleasure to lead Grow Wellington for the last six months of this Financial Year.

All staff contributed to a review of our obligations under the refreshed Wellington Regional Strategy, leading us to consolidate our capabilities, become more evidence-based in our understanding of and response to national and local economic conditions and more rigorous in our choice of activities.

We increased our resource commitment to business attraction in the latter half of the year, primarily due to the extra resourcing provided in the Destination Wellington initiative. We have already had successes in this area, bringing in economic benefits of at least $10 million per annum.

It was a difficult year for some of our priority sectors, although the manufacturing sector held up well despite high exchange rates. Our international education sector has held its own in terms of market share, although the overall numbers of students coming to New Zealand declined over the year. The 2012/13 year was a big one for the film sector, with Wellington hosting the world premiere of *The Hobbit: An Unexpected Journey*, and overall the post-production, digital graphics, animation and effect sector in Wellington was responsible for nine of every ten dollars generated nationally within these areas. In the year to March 2012, Gross Domestic Product in Wellington was up 0.2% from the previous year. New Zealand's GDP increased by 2.3% over the same period, with Wellington accounting for 13.9 % of national GDP.

Science, technology and innovation continued to be a driver of new start-ups in the region. We were able to promote a number of new product ideas in the health sector and while growth in the clean technology sector has been slower this is to be expected in a sector with longer development and greater time-to-market characteristics. Some of the original objectives around science and technology, which were in place at the start of the financial year, have been modified as the environment has changed due to the emerging interests of local councils and organisations such as Callaghan Innovation.

There were a number of staff changes to our subsidiary company, Creative HQ, throughout the year. My thanks go to Tui Te Hau for the professional way in which she managed the organisation as Acting CEO and achieved such great success in running the first digital accelerator programme in New Zealand.

This year saw us applying even more rigour to project design and validation. This, combined with a review of activity arising from the refreshed Wellington Regional Strategy, meant that we have deferred a number of projects or re-designed them for delivery in the coming financial year. Consequently, the amount of funding drawn down from the parent company has been reduced for this financial year, with the reserved funds being allocated against next year's business plan.

Thank you to all stakeholders, who have been very helpful in providing feedback on our activities and performance throughout the year. Also, a big thanks to the staff of Grow Wellington, who are absolutely committed to accelerating the region's rate of economic growth. In the coming year our sights are set on delivering on our business plan and working on projects which we believe will be game-changing for the region.

Gerard Quinn
Chief Executive, Grow Wellington

Grow Wellington's Senior Management Team for FY to 2013.
(Seated) Marketing and Communications Manager Sarah Peacock, Chief Executive Gerard Quinn, General Manager Business Growth Angela Brownie, (standing) General Manager Science and Technology Adrian Gregory and General Manager Creative and Digital Sven Pannell.

THE YEAR IN SUMMARY

The Attraction team successfully engaged with Contact Centres Australia (trading here as Contact Centres New Zealand), who opened new offices in Wellington. The company currently employs 85 staff, with a plan to employ up to 200 in the coming year. Its clients are Australian, served from their Wellington operation, meaning that export-earned dollars are spent on local labour and businesses. The economic impact from this engagement is estimated at $10 million per annum in additional activity in the first year.

Within four months of the new Education Wellington website launch, visits increased by 30% with a 59% increase in page views. Education social media activity resulted in a 766% increase in website referrals.

New Zealand's first digital accelerator, Lightning Lab, ran its first intake and achieved expressions of investment interest totalling $3 million from the largest gathering of Angel investors ever in New Zealand.

Grow Wellington approved or facilitated Tech NZ Research and Development funding to innovative Wellington regional companies exceeding targets for the third year in a row.

Through its Film Wellington office, Grow Wellington conceived and executed Untold Tales, a high level networking event on the night of ***The Hobbit: An Unexpected Journey*** premiere bringing together outstanding companies in the screen and digital sector.
The event received international coverage and resulted in Film Wellington being invited to facilitate a trade panel at the Pacific Partnership Forum in Washington DC.

The inaugural Innovating for Health Challenge was launched and received submissions from universities, research institutes, District Health Boards and individuals. By the end of the year several of these projects, including the MacDiarmid's bone replacement technology, were in the process of being commercialised or had gone to market.

Grow Wellington developed and led the execution of the inaugural Education Technology for Export Conference, ET4E. Both international and national experts attended and the event was a sell out success cementing Wellington as the centre for this high-growth high potential new sector.

Grow Wellington's Business Growth Team has been involved with businesses successful in over $7 million in capital raising activities with several individual businesses successfully raising $1 million or more.

The Wairarapa Water Use project has progressed its technical site evaluation and investment modelling phases.

REPORT ON STATEMENT OF INTENT MEASURES

STATEMENT OF INTENT MEASURES

Note on the Statement of Intent Measures

Grow Wellington's SOI was produced in anticipation of the refreshed Wellington Regional Strategy which was released in June 2012. The interim KPIs listed in the Table below reflect that situation. The Grow Wellington Board decided to focus the organisation on its 2013/14 Statement of Intent and Business Plan and rather than retrospectively revise the SOI KPIs in the table below. Grow Wellington has worked hard to ensure its activities throughout the year were adapted to the revised strategy, however the table below reports rigorously and literally against the original Statement Of Intent Measures. Thus an 'orange' indicator light may mean that the literal KPIs were not achieved due to the realignment, however the narrative may indicate results that have produced the value sought from the intent of the interim KPI.

Statement of Intent Performance Measures

- Red: Poor: The measures have not been achieved
- Orange: Adequate: Significant aspects of the measures have been achieved
- Green: Positive: The measures have been achieved

The activities and measures below are a report on the Statement of Intent Measures. In many cases the activities are short term indicators of the progress on longer term projects to produce a sustainable difference in the growth potential of the regional economy. For this reason some narrative comments are provided reflecting where success has been achieved or progress made towards the long term value being sought.

KEY STRATEGIC PRIORITIES	OBJECTIVE	ANNUAL KPI	AS AT 30.06.13	
Flexibility				
Being flexible to adapt to WRS evolution	To be able to adapt organisational activities to meet the new WRS strategy	Successfully adapted to strategic change	Our business plan and activity has been re-focused to align with the refreshed WRS key result areas. These changes have been accepted by our stakeholders and partners.	Green

KEY STRATEGIC PRIORITIES	OBJECTIVE	ANNUAL KPI	AS AT 30.06.13	
1. Business Attraction				
Telling the Wellington region's story	Develop a compelling story for business to buy into locally and internationally	Approach confirmed with PWT and ten ambassadors	The Wellington region's story is being developed alongside the Destination Wellington programme (the latter being focused on Wellington City). Target lists of key ambassadors have been developed.	Green
Targeted business and talent attraction programme	To attract people, businesses or business divisions to the region	50 people/businesses attracted who/which will influence where business is undertaken	Business attraction work for the region continues (in association with the Destination Wellington programme). Although the Destination Wellington contract was signed late in the FY, all deliverables in the first year of the contract were achieved. We have increased the amount of resources committed to business attraction and applied more focus to offshore business and investment attraction. One Call Centre relocation opportunity has been realised. The company forecasts the creation of 150 jobs this FY, injecting in excess of $10 million pa into the economy. We also assisted Wellington-based businesses to secure three deals in the screen and digital sector, involving North American and Chinese financing and distribution partners.	Orange

KEY STRATEGIC PRIORITIES	OBJECTIVE	ANNUAL KPI	AS AT 30.06.13	
1. Business Attraction				
Targeted student attraction	To attract students to the region	200 additional students in the region from China and Vietnam with an economic benefit of $5 million	Final numbers will not be available until the end of the year, as academic enrolment and FYs do not align. At PhD level, Victoria University reports an increase from 348 International PhD enrolments at VUW at the end of March 2011, to 429 international PhDs enrolled at the end of March 2013 –a greater than 23% increase in that time. This year, other education sectors have gained 55 students in the second semester of 2012. Despite difficult national conditions market share was retained and activity was positive. We maintain an overall NZ market share of just under 6% of the total number of international students; the same as 2011, but higher than the 5.4% in 2010.	

KEY STRATEGIC PRIORITIES	OBJECTIVE	ANNUAL KPI	AS AT 30.06.13	
2. Science and Technology				
Clean Technology	To commercialise technology in the clean tech sector	Two science-based businesses developed from the region's research	At least four companies have developed their businesses in this sector. The Clean Technology Centre is operational, with continued support from Grow Wellington and sector partners, with improvements to its 18 members' services.	
Biomedical	To commercialise technology in the biomedical sector	Three business cases being developed through the Health Challenge. Strategic review completed and milestones established subject to Health Challenge outcomes	One Innovating for Health Challenge project is at proof-of-concept stage, one project has gone to market and four projects are in the development pipeline.	
Science and Innovation Park	To develop a Science and Innovation Park which will attract research-based businesses to the region	Business case completed by December 2012 and milestones met by year end	The feasibility case for a science and innovation park produced a different preferred direction than originally suggested. The full business case has been deferred pending strategic review in the context of Statement of Intent 2013/14 and emerging options raised by councils and innovation system players.	
Regional Partnership with TechNZ	To connect businesses to R & D funding and suppliers	$2 million funding from TechNZ obtained for R&D Investment	We facilitated and managed the application of $2.1million of R&D funding. Grow Wellington continues to be the partner for TechNZ (now Callaghan Innovation).	
Marine Testing Centre in Wellington	Successfully assist in the evaluation of the feasibility of a Marine Testing Centre	Project funding confirmed	Working with PricewaterhouseCoopers (PwC), Grow Wellington successfully assisted in an evaluation of the feasibility of the proposal and subsequently provided PwC's report to the project's Working Group. Since then the private sector industry bodies have taken the lead in delivering a business case to central government, enabling Grow Wellington to step back from direct involvement with the project. The KPI will therefore be delivered by the industry bodies, dependent on whether or not the business case is approved by government.	

KEY STRATEGIC PRIORITIES	OBJECTIVE	ANNUAL KPI	AS AT 30.06.13	
3. Digital, Creative and Services				
Investment Fund (Pounamu)	Support a $500 million investment fund for the digital sector	Fund fully subscribed	The Pounamu Fund development efforts have ceased after fund failed to be fully subscribed. Fund promoters are developing a smaller capital raise with no ongoing involvement or commitment from Grow Wellington.	
Education and industry needs	Develop an education facility for the digital sector	Education facility concept confirmed	The PIPI programme was developed with industry and is running successfully. Expansion from children's animated television into video gaming confirmed and underway. 148 work-integrated learning placements were placed across the digital and other sectors.	
Promoting Wellington as a film location	To reinvigorate Wellington as a film friendly region	90% satisfaction from Film Sector Survey	An 88% satisfaction achieved (small response rate). Other significant measures of Film Wellington's role in promoting the region as a film location. Film Wellington handled 1251 enquiries. There were 484 location permits issued. Film Wellington also delivered a trade panel session at the Pacific Partnership Forum in Washington DC and hosted the Untold Tales celebration.	
Digital Innovation Concept	To develop an Innovation Concept that will support the development of a digital sector in the region	Business case complete and milestones met	Case completed. A feasibility study and industry consultation was undertaken and determined that alternative uses for funding would likely generate more economic benefit for the Wellington region. Alternative initiatives such as co-working spaces are being considered.	

KEY STRATEGIC PRIORITIES	OBJECTIVE	ANNUAL KPI	AS AT 30.06.13	
4. Innovation				
Growth in established business	To support existing businesses by connecting them to innovative solutions	$50 million revenue growth from businesses supported	There has been an increase in revenue of $45.7 million for businesses across the region that Grow Wellington has engaged with and where funding has been provided to build capability. Our Business Growth team is connected to over 3,000 businesses across the region, performing 760 capability assessments and action plans for businesses. $ 1.04 million was applied into Wellington regional businesses to boost their core business capability. Businesses receiving capability voucher funding had double the rate of forecast revenue growth and double the rate of job creation.	
Innovation and start-up support	To provide incubation services for start-up companies	25 ventures supported Nine ventures graduated 69 alumni ventures	The Lightning Lab Demo Day showcase event achieved expressions of investment interest totalling $3 million from the largest gathering of Angel investors ever in New Zealand. A total of 24 ventures were supported through incubation, and nine graduated, bringing the total alumni to 71.	
Wairarapa Water Use Project	To support the development of the Water Use Project	Financial model available for input into Project	Grow Wellington played an integral role in all stages of the project from governance to delivery. The financial model was commissioned by Grow Wellington, and current financial data will be run through the model in August 2013	
Food	To build on the VWOAP platform to assist food export companies	$3 million export growth from businesses supported	We have continued to build on the VWOAP platform and this event has had a positive economic impact of $ 3 million. We are currently reviewing our involvement in the event as we are shifting our activities to be more focused on export growth.	

REPORT ON PROGRAMME OUTCOMES

BUSINESS ATTRACTION

In previous years, Grow Wellington's economic development activity focussed predominantly on growing existing businesses and priority sectors. While this imperative remains, the refreshed Wellington Regional Strategy requires us to have an increased focus on attracting businesses, talent and investment to the region. Grow Wellington significantly increased its efforts in this area and a range of successful outcomes has already been achieved.

Grow Wellington has been actively working with offshore and national businesses to encourage them to relocate to or expand into Wellington. The early focus has been on our closest trading partner and largest current investor - Australia. By acting as a sales force for the region, one business has already opened an office in Wellington as a direct result of our showing them the relative benefits of operating from a Wellington base.

This business has created 85 new jobs for Wellingtonians, spent foreign-sourced revenues and capital on local products and services and enhanced the trading partnerships that already exist between Wellington and the world. This function is now a key one for the organisation and is forecast to become a major engine of enhancing economic growth for Wellington.

The winning this year of a contract with Wellington City Council to deliver the Destination Wellington initiative with Positively Wellington Tourism, has provided extra resources and scale to our business attraction activities. It has allowed us to start to become proactive hunters rather than reacting as and when opportunities come our way. While focused around the distinctive characteristics and offerings of the central city, this initiative has spill-over benefits for the whole region. Extensive research and strategy preparation, in partnership with Positively Wellington Tourism, has built an attraction brand for Wellington, identified target sectors and geographic markets and built a database of comparative information and promotional materials. In 2013/14 it will become the toolkit for helping to tell 'The Wellington Story' to New Zealand and to the world.

Contact Centres New Zealand has opened new offices in Wellington and is currently employing 85 staff, with a plan to ramp up to 200 in the coming year.

It injects $10 million per annum into the local economy.

We are here because we love the culture of openness, collaboration and creativity that you get from this world-class urban city; a high density bouillabaisse of artists, film, fashion, food and music. It's like Brooklyn and Malibu smashed together on the other side of the world, minus all the ego, the pomp and the circumstance and at a fraction of the cost. Wellington is a fantastic place to have a creative business.

| Sebastian Marino
The Jig Lab

The Attraction team has so far developed a pipeline of approximately 30 business opportunities that are being actively pursued. Some have already selected Wellington as a definite business destination. Of the remainder, not all will result in a tangible deal outcome for the region as a result of stiff international and domestic competition. However, every time they do, the positive impact they make on Wellington is tangible and visible.

The first Attraction team win, Contact Centres Australia (trading here as Contact Centres New Zealand), has opened new offices in Wellington and is currently employing 85 staff, with a plan to ramp up to 200 in the coming year. They service Australian clients from their Wellington operation, meaning that export-earned dollars are spent on local labour and businesses. This success alone makes for a compelling economic impact, estimated at $10 million per annum in additional activity in the first year. Without Grow Wellington's engagement, this opportunity would almost certainly have gone elsewhere. Grow Wellington estimates that in three years it will have created $150 million in additional economic impact as a direct result of its activities in business, investment, talent and student attraction. Each new win for the region lifts the perception of Wellington in the minds of people across our key markets, generating further opportunities.

Concentrating efforts on a partnership approach, the Attraction team has worked to develop its relationship with the New Zealand Trade and Enterprise Attraction and Capital teams to ensure they have the information and resources they require to promote Wellington to their clients. NZTE has been an active partner and provider of opportunities to Wellington, which are then worked on in a coordinated way. More such engagement is planned for the coming year.

In addition to attracting new businesses to the Wellington region, Grow Wellington is working with Councils on a retention strategy that has included identifying the top 100 economic contributors in the region. Regular meetings are being established between these businesses and senior Council officers to ensure the region remains business friendly and aware of current issues facing our key businesses.

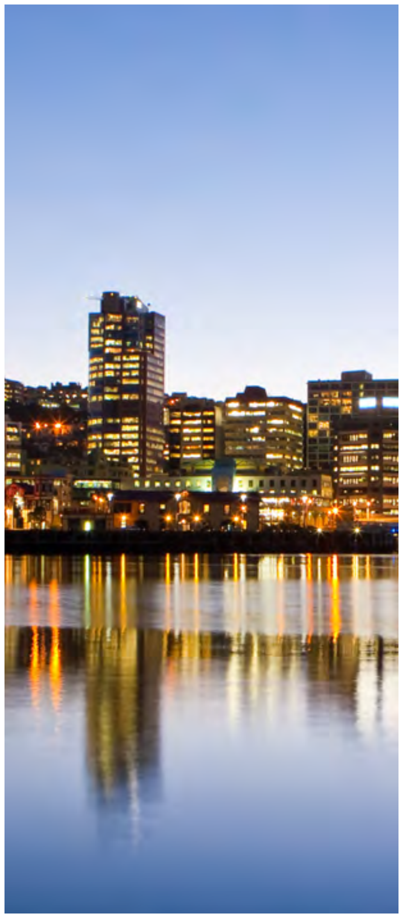
The coming year will see an expanded Attraction team, enabling us to be more aggressive and targeted on attracting businesses, investment, talented migrants and students.

We have a detailed plan in place and will be actively hunting opportunities in Australia, Hong Kong, Singapore, China, the UK and North America and of course, responding to other opportunities as they arise. Our target sectors align with Wellington's current brand, infrastructure, property stock, talent and areas of expertise.

We will continue to partner with those businesses and individuals in Wellington that provide value to offshore companies, investors, talented people and students looking to relocate here - to better equip the whole of the community to become advocates for Wellington and help to generate economic growth.

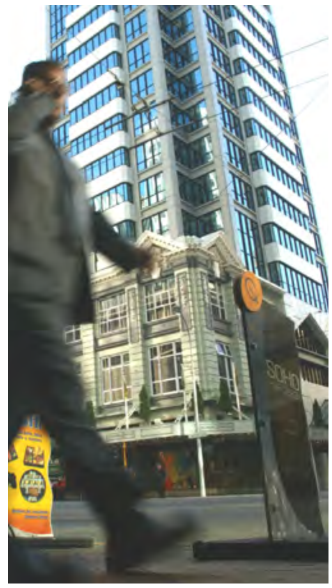
TOP 20 reasons to do business in Wellington

Wellington is a **world leader in screen and digital technology.** *The Hobbit* trilogy, *Man of Steel*, *Iron Man 3*, *Prometheus*, *The Avengers*, *The Adventures of Tintin*, *Rise of the Planet of the Apes*, *X Men: First Class*, *Avatar*, *King Kong*, and *The Lord of the Rings* trilogy, were all made in Wellington.



Wellington's population is the **most highly educated** in New Zealand – 30% of its residents hold tertiary qualifications, compared with a national average of 15%.

(Source: Statistics New Zealand)



Wellington is becoming the **smart business capital**, 47% of the workforce work in knowledge intensive industries (compared to around 30% nationally).

(Source: Infometrics WELLINGTON REGION annual economic profile)

Wellington has the **highest concentration of web-based and digital technology companies** per capita in New Zealand. In fact, Wellingtonians are more than three times as likely to work in Information and Communication Technologies as people in other New Zealand cities.

"**Coolest little capital** in the world" according to the Lonely Planet.

Wellington has **lower rental and operational costs** than Auckland – up to 26% average savings in non-core CBD locations but with all the city benefits.

(Source: Colliers Workplace Report 2012).

Wellington has the **lowest staff turnover** in the private sector compared to Auckland and the South Island.

(Source: New Zealand Staff Turnover Survey 2009)

Wellington has the **most New Zealand companies in the Deloitte Asia Fast 500** (Wellington had 17, Auckland had 16).

The Deloitte Technology Fast 500 is a ranking of the region's 500 fastest growing technology companies, based on percentage revenue growth over three years.

TIN100 (Technology Investment Network) companies based in Wellington generate as much revenue as the entire South Island and slightly better revenue per population than Auckland.

Wellington is an **easy place to do business** – due to the compact CBD you can fit an average of six business meetings in one day, rather than an average of two to four in Auckland.

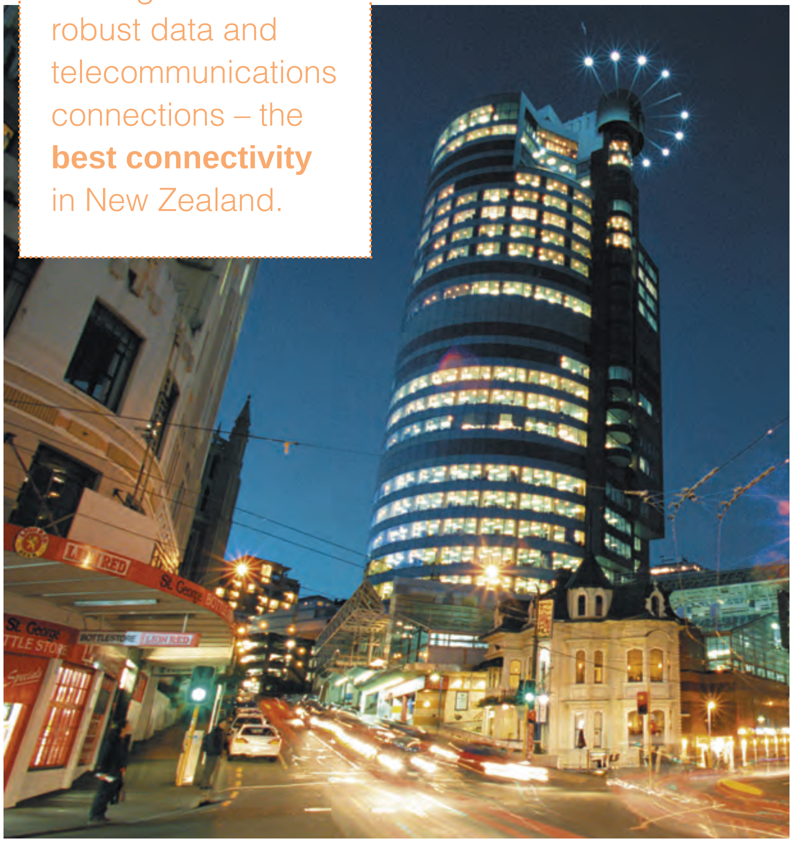
Wellington is **home to Callaghan Innovation** – where innovation of commercialisation is accelerated for Wellington and New Zealand businesses.

5th highest city on the worldwide Mercer **Quality of Living** report 2010.

Wellington is known as New Zealand's **Cuisine Capital** and is reputed to have more cafés per capita than New York.

Wellington is the **9th safest city** in the world.
(Source: Mercer Quality of Living Survey 2011)

Wellington has robust data and telecommunications connections – the **best connectivity** in New Zealand.



Wellington is a **cultural melting pot** - 25% of Wellington City's residents were born overseas.

The greater Wellington region is only an hour's drive from the capital city giving access to pristine **forest parks, beaches and the world renowned wine region** of the Wairarapa.

The **least traffic-congested** city in New Zealand.
(Source: TomTom New Zealand Congestion Index)

Nearly all residents of Wellington City live within **3 km of the sea.**

STUDENT ATTRACTION

New Zealand's export education sector experienced a decline in international student numbers between 2011 and 2012 of around 6% (with Wellington also showing a decline in numbers in line with this). The key reasons cited for the decline were the high New Zealand exchange rate, increased international competition for export education and residual impacts of the 2011 Christchurch earthquake.

The export education sector has potential for significant growth in the Wellington region, with the region's strength in education and research as well as the quality lifestyle acting as leverage for the international student's experience. In 2012 the Wellington region had 5,504 international fee paying student enrolments, generating $148.6 million of revenue.

The new Education Wellington website (www.educationwellington.co.nz) went live November 2012.

The site features comprehensive Wellington region education institution profiles, information on services available to students in the Wellington region and is available in eight languages.

Grow Wellington works with other economic development agencies, regional educational groups and the Education NZ crown agency to promote Wellington education products around the world. One of its most important partnerships is with Education Wellington International, a network of approximately 50 education providers from every sector in the Wellington region, all of which host international students.

China remains Wellington's largest student market with 1,312 international student enrolments in the Wellington region in 2012, a 20% increase from 2010.

The top five international student source markets for Wellington in 2012 were China, Japan, India, Vietnam and Germany. Vietnam was a challenging market in 2012 as its economy slowed and international competition for Vietnamese students increased markedly.

"It is a really beautiful city. I love the harbour and the environment and the people are very friendly. I will recommend that my clients go there for study and work.

…Wellington has a huge amount of cultural and artistic wealth, it is the best place to study. The convenient transport system, comfortable and safe living environment just make the students happy and the people are warm."

| Indonesian agent

We continued to develop the key Chinese and Vietnamese markets over the past year, and developed a strategy to broaden the approach in Vietnam to include other ASEAN countries in line with the Government's national strategy. We undertook several missions in China to attend education fairs and train education agents in a number of tier one and two cities seminars, education fairs and agency visits in these cities, training over 60 key education agencies and independent agents.

> I'm impressed … the capital makes travel easily accessible and study conducive.
>
> Definitely a better study environment than Auckland.
>
> | Vietnamese agent

Agent training covered the benefits of studying in Wellington but also the New Zealand qualifications framework and identified pathway opportunities across providers in the region. In addition we developed a sales kit for each agent to on-sell Wellington providers to potential students.

We also invested resource in developing a marketing campaign using Chinese social media platform, Sina Weibo. Weibo is the Chinese equivalent to Twitter with over 300 million users throughout the country and a tool widely used by education agencies. Grow Wellington has established regular communications with 67 agents as followers and posts reaching up to 20,000 viewers in China.

In May 2013 we brought several key agents to the Wellington region on a familiarisation visit of education providers. All of these partners were identified as potential high performing agents for Wellington and already send students worth more than $2 million per year to the region.

In 2012 the Wellington region had 5,504 international fee paying student enrolments, generating $148.6 million of revenue.

Education Wellington social media presence on Facebook resulted in a 766% increase in website referrals.

Sina Weibo posts are reaching up to 20,000 viewers in China.

SCIENCE AND TECHNOLOGY

As a result of the refreshed Wellington Regional Strategy, Grow Wellington transitioned from Clean Technology and Biomedical Centres of Excellence to a wider focus on Science and Technology.

Marine Energy Testing Centre

The proposal, for a New Zealand Marine Energy Testing Centre (NZMEC), a centre that would test prototypes of energy-generating wave and tidal devices, is based on the presence of favourable ocean conditions in Cook Strait, Kapiti Coast and other locations.

Grow Wellington has been directly involved with the project since its inception in 2008 and was party to the initial proposal that went to the Ministry of Economic Development in August 2011. By July 2012, on the basis of discussions with the Ministry of Business Innovation and Employment, we recommended to the NZMEC Working Group that a reputable consultancy be engaged to review the proposal. Work was to begin on a formal business case to submit to the Ministry for $8 million in government co-funding for setting up the centre.

We continued our involvement in the project for the remainder of 2012 and reviewed our role in January 2013, concluding that having sustained a significant contribution to the focus and momentum of the project, it had achieved its purpose. It was felt that industry had taken over the reins and the project was moving to the point where a business case would be submitted by them to the Ministry. At year end the business case had not been submitted, although we understand that further funding has been sourced for completion of the draft submission.

Biomedical

With the objective of commercialising technology in the biomedical sector, we launched the Innovating for Health Challenge in December 2011. This was carried out in conjunction with three universities, four CRI's, other research institutes and the regional District Health Boards.

A total number of 38 submissions were made, including ideas drawn from clinical practice, prototypes, research and a product that had just gone to market. The submissions ranged from innovative medical and health-related devices through to new technologies derived from microbial and nanotechnology research. In mid-2012 we took each of the submissions through a validation process that looked at both the depth of the science and technology behind the submission and its potential to realise its commercial value in the market.

Innovating for Health Challenge resulted in four projects being taken to market or in the process of being commercialised.

By October 2012 we had shortlisted and identified six leading innovations, which were then reviewed by a cross industry panel. The eventual lead innovation

Open day event at the Clean Technology Centre in Otaki.

was MacDiarmid Institute's submission on hard tissue implant technology, a composite material that mimics and is compatible with native hard tissue (bone) that could have potential applications in orthopaedic surgery. The MacDiarmid Institute received a grant of $50,000 that was put in trust by Victoria University of Wellington to support the next stage of development of the innovation. Work is now progressing on market validation of the product as a bone cement and tooth and jaw filling agent, with initial trials underway in large mammals.

In addition to the MacDiarmid project, several other leading innovations were developed significantly by year end. A lumber support for drivers has gone to market; Massey University was working on the commercialisation of the antimicrobial innovation; a highly innovative solution for resolving distortions of the cornea had been developed to a patient testing stage and Victoria University was engaged in collaboration with a German company prototyping a dosimeter that would have both medical applications, in cancer treatment for example, or non-medical applications, such as non-destructive testing.

We will retain an interest in the development of these technologies as well as proactively supporting the regional cluster of medical technology businesses, a number of which are now trading internationally.

Clean Technology

Grow Wellington has been directly managing the Clean Technology Centre at Otaki, as of July 2012, and has worked with businesses in the field of developing clean technologies, which continues to be an area of focus as an emerging sector.

We have been attracting new businesses to co-locate and develop their business from the Clean Technology Centre, co-hosting events focussed on industry development and developing a wider strategy for the clean technology sector in the region, in partnership with Kapiti Coast District Council and the Clean Technology Trust. The strategy is focused on long term goals of increasing

Clean Tech Centre tenant ZEV has commenced customer trials of the first electric rubbish truck in the southern hemisphere.

development of commercial intellectual property through R&D activity, increasing employment opportunities, providing a test bed under the 'Energise Otaki' banner for new product trials and promoting the region as the home of Clean Technology in New Zealand.

In addition to this, a Technical Advisory Group has been formed to provide expert technical assistance to member companies. The group is made up of representatives from Victoria University, Auckland UniServices, Massey University, WelTec Connect and Callaghan Innovation. Businesses from the Clean Technology Centre have the opportunity to directly access the R&D capability and commercialisation expertise to assist their R&D programmes.

Clean Technology has a long and capital intensive path to commercialisation. Several businesses have been making sound progress in their ventures, which has resulted in the launch of beta testing trials of emulsified fuels, new product development delivered through an online training product and partnerships to launch mass production of recycled waste into commercial products. Several businesses have also been successful in trialling products with the local territorial authority including the first electric rubbish truck in the southern hemisphere.

Science and Innovation Park

Wellington has a significant number and variety of knowledge and high-tech driven assets including three universities, three CRI's, Callaghan Innovation, several research institutes such as the MacDiarmid and Malaghan, District Health Boards, a medical school, burgeoning high-tech industry sectors and entrepreneurs and investors, which are further augmented by the presence of high quality professional services providers.

Over the course of the year Grow Wellington reviewed with its stakeholders and key partners the feasibility of funding and developing a regional science/innovation park. As it became clear through these discussions that capital funding for such a project would be limited, the concept itself also evolved.

We formed the view that our regional assets already provide the Wellington region with the components of a regional innovation park, with particular 'hot spots' of health-focused research, high-tech or digital innovation, for example. The challenge will be to strengthen collaboration and provide effective and affordable opportunities for co-located activities so that the ecosystem generates a sustainable pipeline of commercial opportunities that will add value to the region's economy. We will develop the concept further in 2013/14 and identify practical and cost-effective solutions to the challenges.

Case Study

Mātakina

In the United States of America there are over 200,000 cases of breast cancer diagnosed each year, but with Wellington-based technology company Mātakina's new advanced image processing software product - Volpara - this number is set to rise by a further 45,000. With more women being diagnosed in the earlier stages, their chances of survival are increased.

Volpara can be used with any digital breast imaging system, but its key point of difference is its accuracy in measuring volumetric breast density, says Mātakina founder and CEO Ralph Highnam.

Breast density increases the chance of getting breast cancer while decreasing the ability to detect it. Until now, cancer detection and diagnosis has been tuned towards patients as 'average individuals'. Volpara defines the best way to be screened for each individual patient in order to get the most accurate diagnosis, as early as possible.

Mātakina was established by four of the world's leading experts in breast imaging after meeting at a radiology conference in Chicago. Choosing to base the company in Wellington meant they were able to access a growing pool of world-class talent in the image-processing field due to the region's ability to attract the best in screen and digital talent from around the world.

> Part of our plan to scale the product involves developing a cloud-based version of Volpara. This will make it easier to deploy Volpara and make it accessible to markets anywhere in the world.
>
> | Ralph Highnam
> Matakina, founder and CEO

"We were attracted to set up in Wellington by the quality of the talent that's here. There are people with amazing image processing and engineering skills. There's some really high quality, skilled people in Wellington," says Ralph. "We pick up contracts from those who have worked at companies like Weta or partners of those who are here for the Film and Digital industry that Wellington is known for. We're really a global company choosing to be based here in Wellington."

...the biggest success story for Volpara to date has been in Europe with a national trial at the Dutch breast cancer screening programme in the Netherlands...

Volpara has been extensively validated by researchers and sold to sites across the U.S., Canada, Australia, Japan, South Korea and Malaysia, but the biggest success story for Volpara to date has been in Europe with a national trial at the Dutch breast cancer screening programme in the Netherlands.

Wellington Hospital's high-risk breast cancer clinic recently installed Volpara, and Auckland Breast Centre adopted it in September last year. "Volpara is already clinically proven in the U.S., we are extremely confident that the Dutch are going to find it very beneficial to their programme, and now it's great to see Kiwi technology being used to save lives at home," says Ralph.

Mātakina is excited about the future, not only for Volpara but for the other technologies the company is developing. They have been working on product development for the past two years. "Part of our plan to scale the product involves developing a cloud-based version of Volpara. This will make it easier to deploy Volpara and make it accessible to markets anywhere in the world," says Ralph.

Mātakina is launching two new products this year made possible with volumetric measurements; VolparaAssure will help clinics understand their patient population, operators and mammography systems to allow them to better manage their resources and identify areas for improvement; VolparaDose will use breast density to better estimate the radiation dose women receive so that imaging professionals can work to lower them.

Grow Wellington has assisted Mātakina in accessing research and development investment funding through the Ministry of Business, Innovation & Employment and provided advice and connections during their recent investment drive. Grow Wellington has also assisted with the funding and placement of a post-graduate intern with Mātakina who has subsequently gone on to become a full-time member of Mātakina's team.

"From the very start Grow Wellington has been great," says Ralph. "In the UK there were EDAs but nowhere near as accessible as here in Wellington. We just walked in the door of Grow Wellington and were pointed to sources of funding and IP advice that were very beneficial."

Mātakina is also a member of the Grow Wellington facilitated MedTech cluster, a group of high-tech export orientated medical companies in the Wellington region.

INVESTING IN RESEARCH AND DEVELOPMENT

In this capacity we facilitated Callaghan Innovation investment for funding programmes for business-led Research and Development (R&D) projects across the greater Wellington region.

TechNZ Funding allocated: $2.1 million.

Additional funding allocated for contestable internships: $290,000.

Total funding allocated: $2.39 million.

Through this partnership, we have connected businesses with a total of $2.1 million worth of on-demand investment funding, with $1.3 million of this directly assigned by Grow Wellington. Reflecting one of the distinctive strengths of the region, approximately $1.5 million of funding went to IT companies based in Wellington city.

We referred an additional $290,000 worth of contestable internship funding to Callaghan Innovation for undergraduate and postgraduate R&D projects within businesses. This equates to connecting Callaghan Innovation investment funding with six business led R&D projects per month.

Innovative R&D is an important factor for economic development, so it is encouraging to see growth in business-led R&D throughout the greater Wellington region. The funding we distribute is used by high growth, innovative and export oriented businesses to realise growth potential and deliver on their commercialisation objectives. Facilitating business-led science and technology R&D is an economic development driver where Grow Wellington has contributed value and will continue to do so.

This year also saw the R&D Investment Managers at Grow Wellington gain the opportunity to directly manage larger projects of up to $250,000 of funding (up from $30,000). There were five funding applications that were approved, valued between $100,000 and $250,000. This delivers significantly larger impact on the R&D programmes of the companies that we work with.

Case Study

Photo Higher

Kim Attwell, CEO of Photo Higher, with the HALO 2000.

The ability to resource research and develop cutting edge technology has placed Wellington company Avenir Holdings in a position as an emerging world leader in its field.

Kim (Kimberley) Attwell, owner of Photo Higher (Avenir Holdings Ltd), says the company is one of only two worldwide that have developed a market niche in the field of aerial film and photography.

Kim is happy to credit much of his success to an early connection with the R&D Investment Managers at Grow Wellington. "The team at Grow Wellington has been selling our ideas behind the scenes and supporting crucial funding applications," says Kim. "With their help we have been able to develop much faster than we would have by ourselves."

Since starting Photo Higher from his Berhampore garage in his spare time in 2006, Avenir now employs nine staff members and operates out of a factory in Ngauranga.

Photo Higher designs unmanned aerial vehicles (UAVs) and custom camera mounts (camera gimbals) to be used in all forms of aerial photography and filming all over the world. From 2012 the company's revenue has grown to $2.2 million, with 99% of that from export.

Kim, a mechanical engineer by trade, began developing and building his first gimbal as a way to fund his hobby of model aircraft flying. He prides himself on Photo Higher's ability to constantly refine and improve the gimbals to keep pace with new opportunities that arise in their application. The gimbals remain in very high demand due to their ability to allow the capture of very smooth, high quality aerial photographs and footage, says Kim.

"I get huge satisfaction from seeing the different uses of our product developing around the world," says Kim. Only last month he was contacted by anti-poaching interests in Botswana about the possibility of using Photo Higher's latest light-weight systems in the war against wild animal poaching.

The company has been moving from strength to strength. Last year in Las Vegas the company launched its Emergency Recovery Parachute at the National Association of broadcasters with 17 distributors placing pre-orders. Kim has been able to commit much needed cash flow to finalising the development of gimbals for this project, as well as creating the new Halo direct drive gimbal series and the Halo 6 and Halo 8 carbon fibre multi rotors. The direct drive gimbals employ a new innovative technology enabling a film camera to keep pointing in a given direction (or in a desired movement) in real time. An operator can run with the camera on the gimbal and still get a steady shot.

"The funding we have received has helped us to access development much faster than we would have ourselves," explains Kim. "We are able to put 8% of our total revenue into research and development and that's huge."

For the company's future plans Kim is literally aiming for the stars. "My goal is to move into the aerospace industry and we want to be able to help the privatisation of the space industry, developing gimbal system and robotics that can be used in the space."

DIGITAL, CREATIVE AND SERVICES

Last year the information media and communications sector was behind $1.98 billion of Wellington's contribution to GDP. This category includes gaming, digital start-ups, the film sector and software development.

The Screen and Digital sector has become one of the best known high value sectors in the region, further growing its reputation as a world-leading innovator. Official figures released by Statistics New Zealand's Screen Industry Survey for the 2012 period, showed revenue from film in Wellington generated $828 million in 2012, up 67% from $495 million in 2011. Technology associated with post-production and digital effects in particular is diversifying well beyond the silver screen.

Film Wellington

Film Wellington is the regional film office for Wellington and promotes the region as a screen production destination. Further to this it provides facilitation and liaison between the screen sector and its relationships within the wider community. It works to grow screen production in the region through its attraction, sector

> Because of the short timeframes with most commercial productions, it is also really important to be able to get decisions on location quickly. Wellington has shown what can happen when the city embraces the film industry – they can see the benefits for the whole community and they really make film crews feel welcome there.
>
> | William Grieve
> Commercial Producer
> NZ Techos Magazine, Winter 2013

Photo courtesy of the Gibson Group, Wellington.

Photo courtesy of Warner Bros/New Line Cinema/ MGM.

development and 'open for business' activities. Wellington continues to attract international feature productions with some of Hollywood's best working and relocating to live here. These creative powerhouses attract and propagate work and are one of the sector's most important assets.

A key function of Film Wellington is the issuing of filming permits on behalf of the eight councils in the Wellington region. Film Wellington handled 1251 enquiries from all around the world, and issued 484 permits. Film Wellington played a facilitation role in *The Hobbit: An Unexpected Journey*, providing permits and regulatory support, as well as being involved in promotional and partnership activity around the premiere.

A notable highlight for the year was the Film Wellington initiated Untold Tales event held on the same day as *The Hobbit: An Unexpected Journey* premiere in November 2012. The event was a networking and profiling opportunity for Wellington's stellar digital companies. Due to the resounding success of this event Film Wellington was invited to assemble and accompany a group of leading Wellington companies that formed a panel presentation on creativity and technology to inform trade talks at the US Pacific Partnership Forum in Washington DC. The event was considered one of the highlights of the conference, generating media coverage both in Wellington and Washington.

Taika Waititi and Jemaine Clement shot their feature *What we do in Shadows* throughout the Wellington region. Film Wellington assisted with facilitation and issuing of permits, location advice and information.

Emmy-award winning production company KHF Media filmed the second series of popular TV series *Girl vs Boy* in the Wellington suburb of Seatoun. A number of national and international TV commercials were filmed in the Wellington region throughout the year for Mitsubishi, Trade Me, KIA, Ford Motors, AMI Insurance and Suzuki. Australian production company WTFN filmed an episode of historical lifestyle show *Tony Robinson Time Walks* hosted by actor Sir Tony Robinson (formerly Baldrick from BBC's *Blackadder* series). International company Alaska Productions filmed episodes for James Nesbitt's *This is NZ* throughout Wellington.

Film Wellington continues to ensure the Wellington region has the capability, connections and grassroots support to enable the industry to continue to grow and develop both locally and internationally.

Film Wellington initiated the Untold Tales event held on the same day as ***The Hobbit: An Unexpected Journey*** premiere in November 2012. The event was a networking and profiling opportunity for Wellington's stellar digital companies.

Film Wellington assembled and accompanied a group of leading companies to the US Pacific Partnership Forum in Washington DC. The group formed a panel presentation on creativity and technology to inform trade talks at the event, which generated media coverage both in Wellington and Washington.

Post Production

The gross revenue from the post production sector in Wellington dramatically increased to $427 million up from $244 million in 2009. This increase was reflective of a number of visual effects-heavy projects that were undertaken in Wellington during the period but also indicates a significant increase in digital content based work across a number of screen sector businesses.

Wellington's post production businesses in particular continue to grow. This is reflected in the number of post production businesses having increased from 420 in 2009, to 789 in 2012. Wellington is now home to 60% of all post production businesses in New Zealand, and earns nine of every ten export dollars generated by New Zealand in this sector.

> Wellington generated nine out of every ten post-production dollars earned in New Zealand.

Grow Wellington initiated several collaborations across the film, screen, digital and education sectors that leveraged entertainment technologies and content into other industries, such as education technology. To leverage the potential at the intersection of Wellington's digital capability and education sector, Grow Wellington, in partnership with Education New Zealand and state-owned entity Learning Media, developed and ran the inaugural "ET4E : EdTech for Export" – a one day conference show-casing several international and national success stories within the emerging education technology sector. The event positioned Wellington as the New Zealand leader in exploring the opportunities for growth in this emerging sector. The event was a sell-out due to the substantial interest within the broader education and digital sectors, and another ET4E is planned for 2014.

Another successful AnimfxNZ conference took place in November 2012. The animation, gaming and visual effects conference broke previous attendance records. Several international relationships were initiated between conference attendees and the event profiled another of our initiatives - the inaugural PIPI initiative. PIPI is a talent development programme that is a collaboration between Massey University, Victoria University, Miramar-based Pukeko Pictures and Gamefroot. The first PIPI programme focused on animated television series concepts. In 2013, the programme extended its focus to include game development.

Case Study

Untold Tales

In a successful demonstration of its place among the world's leading screen and digital sectors, Wellington city and the region celebrated the world premiere of *The Hobbit: An Unexpected Journey* on 28 November, 2012.

With the world watching the premiere, Film Wellington and Grow Wellington took the opportunity to host Untold Tales, a business attraction and networking opportunity, featuring the local screen, digital and interactive companies who are currently making waves in the entertainment, health and manufacturing industries around the world. As well as the companies, Angel investors, government officials, big data and digital scientists, research and development brains from companies large and small were in attendance.

The event highlighted the connections that exist between companies and sub-sectors of screen and digital due to the industry developed by Peter Jackson and the world-class companies behind the game-changing *Lord of the Rings* trilogy.

The spill-over effects of years of investment in technology and most importantly talent have built up notable capacity within the industry, particularly within the post-production and digital area. As these skills are highly transferable within the gaming, visual imaging and interactive industries the strength of the broader sector is unsurprising.

The event was a formal networking opportunity for high-level, innovative Wellington digital companies. It also sought to shine a light on some of their lesser known but still remarkable achievements. Interviews were conducted with the entrepreneurs and tech stars behind these companies on the day before and on the night of the event.

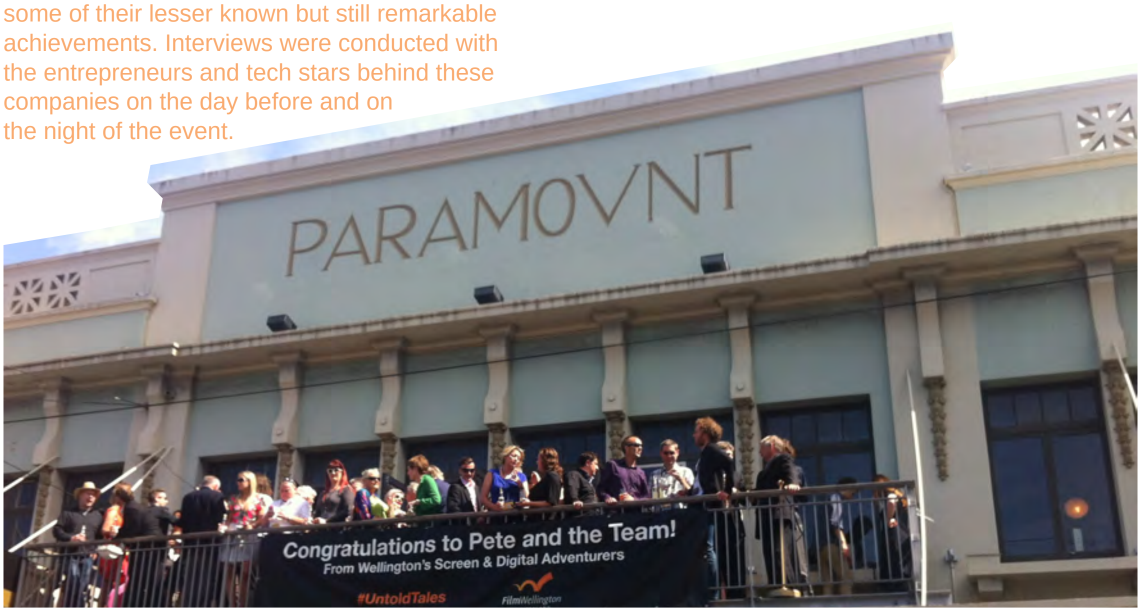
They were placed online during the event and syndicated around the world to leverage the global interest in Wellington and New Zealand.

Examples of these companies included Carnival Labs who last year developed and implemented a new mobile platform for giant American network CNN; Sebastian Marino, the Academy Award winning visual-FX artist whose software is making inroads into the global online fashion shopping market and Mātakina, the company behind the breast-scanning technology Volpara.

> Interviews... were placed online during the event and syndicated around the world to leverage the global interest in Wellington...

Tourism New Zealand, New Zealand Trade and Enterprise, Film New Zealand, The New Zealand Film Commission, the Wellington City Council, Citylink CBD free and Positively Wellington Tourism all placed content from the night on their web pages and some embedded videos. The event also received international coverage with the UK Financial Times picking up the stories of some of the companies featured and New Zealand Ambassador to the United States, Mike Moore, tweeting links and commentary about the event to his followers online.

Following on from the event Film Wellington was asked to facilitate a high-level panel on the creative and digital sector for the Pacific Partnership Forum in Washington DC in May. The Panel featured speakers from many of the companies represented at Untold Tales including Wingnut, Mātakina and Park Road Post. The feedback from the US/NZ Council which hosted the event and from the many delegates was overwhelmingly positive.



INNOVATION AND BUSINESS GROWTH

Connect, Inspire, Facilitate

Our knowledge of the business environment, the interactions that we have at various stages with a variety of institutions, businesses and individuals, defines us. Connecting businesses and industries has continued to be a key way for us to deliver value to our clients. Over the past three years, the Business Growth team has connected with over 3,000 businesses across the greater Wellington region

This year the team engaged with 300 new businesses, facilitating over 1,100 connections and referring more than 650 businesses in the Wellington region, to the best sources of advice, support and technical or financial assistance. Our core capability is to help businesses identify their current competencies, skill gaps or business needs and connect them to the right specialists.

Of the businesses we have engaged with 39% are currently exporting, 27% are export ready, 9% are export oriented, 7% are import defenders and the remaining 18% are local only businesses. Our approach is becoming further refined and we are working at higher intensity with fewer businesses than previously. This approach is about providing value and ensuring that there are real outcomes, rather than outputs, from activities.

Investing in businesses capability

Our business growth activities are largely driven through our delivery of the Regional Business Partner contract on behalf of New Zealand Trade and Enterprise and the newly formed Callaghan Innovation. This is the third year we have been the delivery agent for both agencies and our contract has been renewed for a further year to June 2014. Funding can be used by businesses to build their own capability, or to undertake Research and Development (R&D) projects, which has been covered in a previous section.

$ 1.04 million was applied into Wellington regional businesses to boost their core business capability.

Businesses receiving capability voucher funding had double the rate of forecast revenue growth and double the rate of job creation.

In 2012/2013 the Business Growth team completed over 760 business capability assessments in the Wellington region. Across the region, 31% of all capability assessments were for businesses located in Wellington city. Hutt Valley businesses accounted for 25.5%, Porirua for 13%, Kapiti for 23% and the balance of 12% in the Wairarapa.

We facilitated and approved the allocation of $520K of funding vouchers from New Zealand Trade and Enterprise for building capability within export-oriented businesses. This funding injection was matched by an equal amount from the businesses themselves. In total $1.040 million was applied into Wellington regional businesses to boost capability in core areas.

Core areas for capability development where funding was allocated included business planning, marketing strategy, business systems, managing resources, operations, lean principles, and governance. Other areas where funding also supported capability development included financial management, export development and capital raising.

Of the total spend approx 37% was allocated across business planning, business systems and marketing. Wellington city based businesses were provided with 35% of the total voucher pool, with 30% to businesses in the Hutt Valley, and the remainder distributed between Kapiti, Porirua and Wairarapa based businesses.

This method of co-investment has produced tangible results. Our client businesses that did not receive voucher funding this year are forecast to achieve a 10% increase in combined annual turnover to $1.6 billion in FY13. For the group of client businesses that received voucher funding, the indicative trend increase in total revenue jumps from $370 million in FY12 up to $447 million in FY13, an approximate 20% year on year increase. In real terms, this shows that for every dollar that is invested by New Zealand Trade and Enterprise, there is a $71 increase in revenue.

With the same group of businesses that received funding, we are seeing a forecast change year on year of +16% in Full Time Equivalent growth with approximately 150 new jobs created. This is compared to only +7% growth across the total group that Grow Wellington completed capability assessments for.

Wairarapa Water Use Project

Grow Wellington has continued to be an integral part of the Wairarapa Water Use Project, contributing at all levels from project governance to project delivery.

The past year has focused on the investigation of the physical site options available to store water to service the Wairarapa valley and thereby unlock the full economic potential of that land.

These investigations received a significant boost through the securing of 50% project funding from the Irrigation Acceleration Fund of Ministry of Primary Industries late in 2012.

Our core focus was on the commercial structures and the financial viability of the project and its future customers. To this end, we worked with the Wairarapa Regional Irrigation Trust to commission a financial model, which will allow the capital and operating costs of each option to be compared in terms of the likely cost of the water that could be supplied. This will assist in progressing only those options that are likely to achieve good uptake among the water users.

> Wairarapa Water Use Project continues site evaluation and funding model development.

In another joint project with the Trust, Grow Wellington organised an information trip for a set of opinion leaders from the regional community to Canterbury to learn about the off-farm community benefits that are possible from a well managed, reliable water supply. This generation of informed community support will be of benefit to the project when it enters the resource consent and capital raising stages in a few years.

Red Meat Value Chain

Grow Wellington has engaged and consulted with meat processors on the details of a Red Meat Value Chain programme. A formal proposal was submitted to the Ministry of Business Innovation and Employment (MBIE) and funding has been confirmed for early June 2012. Company sign-up process is now underway. MBIE sees this project as the pilot for widespread industry change, with Grow Wellington being seen as an innovator and initiator of sector development.

Wellington’s Competitive Edge

In mid-2012 seven of the region’s leading manufacturers started an eight month Lean Manufacturing Programme – Wellington’s Competitive Edge - developed by Grow Wellington. The programme was delivered by Skills4Work and WelTec Connect and received significant support from the Department of Labour’s High Performance Working Initiative programme. The Lean Manufacturing Programme companies worked together to improve their processes to enhance competitiveness in the global market. In addition the programme provided development at both the senior leadership and productivity team levels. We have continued to facilitate companies working together beyond the formal programme.

Work Integrated Learning

Internships and other work-integrated learning projects prepare students to develop work-ready skills and forge better links between the private sector and tertiary institutions.

Our Tertiary Engagement Manager places interns into local businesses, so that the businesses are able to access young talent and gain traction on projects they could not otherwise undertake. Students are able to apply their learning to real-world business situations and gain valuable work experience. It also helps academic institutions develop their relationships with businesses which can lead to other useful collaborations such as research projects.

In the last year, 148 students were placed with businesses for internships, practicums, project work or work experience. We worked with local tertiaries and businesses to facilitate these placements, mainly in the area of business and IT but also across a range of other disciplines including marketing, design and tourism.

The majority of placements have been for local students with a few international students also placed.

148 students have been placed with businesses for internships, practicums, project work or work experience.

FOOD AND BEVERAGE

Carl Vasta owner of Kapiti Coast's Tuatara Breweries, one of the greater Wellington regional suppliers for Visa Wellington On a Plate festival.

Supplier Showcase

The food and beverage industry is a significant player in the Wellington region, which when coupled with our superior hospitality industry has earned us the reputation as New Zealand's 'Culinary Capital'.

Grow Wellington has developed strong relationships with local food and beverage suppliers. This is reflected in the annual Food Suppliers Showcase, an industry-only event that runs as an opportunity for suppliers to show off new products and for local hospitality businesses to select the products and suppliers they wish to work with for the Visa Wellington On a Plate festival.

Food & Beverage Association

The Wellington Food and Beverage Association was formed this year and is a cooperative of the largest food and beverage producers in the greater Wellington region. Objectives for the Association are to address common industry issues focused on workforce, growth and common operational challenges and opportunities. We facilitate collaboration across these activities for the Association.

Visa Wellington On a Plate

Grow Wellington is a key partner in the culinary festival Visa Wellington On a Plate. We recognise the importance of the food and beverage industry to Wellington as New Zealand's Culinary Capital. We also appreciate the economic importance of tourism associated with the region's reputation as an international culinary destination.

Visa Wellington On a Plate ran for its fourth consecutive year with more events across all categories than in previous years. Key sponsors continuing to support the event included Visa and Fisher & Paykel, enabling the development of leads for business growth in the Australian market and promoting Wellington as the Culinary Capital of New Zealand.

Whilst direct GDP output was down on 2011 to $388,000, reflective of a significantly more rigorous reporting methodology, total GDP contribution for the 2012 event was $655,000.

The estimated value of media coverage provided by the festival increased 22% to $1 million and reached audiences across New Zealand and Australia. Additional media attention was also focused on the DINE and festival event partners.

The festival continues to be successful in promoting the Wellington region's Food and Beverage Sector; 94% of DINE partners rated the festival as either Successful or Very Successful, and 88% of festival Event Partners rated it Successful or Very Successful.

CREATIVE HQ

Creative HQ is a wholly owned subsidiary company of Grow Wellington and celebrated its 10th anniversary this year. The 2012/13 year for Creative HQ has resulted in a number of success stories, from its ventures, new initiatives and within the company itself.

The incubator has worked well in a year when it set higher standards for companies coming into and within the programme. There were nine exits from the programme, with four of them considered highly successful - Educa, Hunter Safety Lab, Showcase and RewardJunkie. The strategist team met its goal of integrating Creative HQ's mentor network into the programme to increase the standard of portfolios.

Creative HQ ventures raised $2.4 million in funding and investment this year. This is a 50% increase from last year ($1.3 million) and is a reflection of increased venture quality, stronger capability to support investment preparation, continued improvement in investor relationships, including with Angel HQ and a range of investment focused pitching workshops and events.

Eighty applicants to the Lightning Lab accelerator turned into a cohort of nine companies that ran through the three-month programme. The Lightning Lab Demo Day showcase event achieved expressions of investment interest totalling $3 million from the largest gathering of Angel investors ever in New Zealand.

Creative HQ is the commercialisation partner for the MacDiarmid Institute in the North Island and is the regional partner for Return on Science. Creative HQ is in the process of developing a Memorandum of Understanding for commercialisation services with VicLink. Creative HQ has worked on 43 individual projects to help assess the potential of science driven innovation and expedite its successful commercialisation.

Creative HQ Alumni companies continue to show good growth achieving revenues of $18 million.

The first acquisition of a Creative HQ alumnus in the deal done between Dash Tickets and Ticket Direct.

97% of incubator companies have received external commercial validation (in the form of investment and/or revenues).

$2.4 million in funding and investment achieved by Creative HQ incubator companies.

The Lightning Lab Demo Day showcase event achieved expressions of investment interest totalling $3 million from the largest gathering of Angel investors ever in New Zealand.

FINANCIAL STATEMENTS

GROW WELLINGTON LIMITED

ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2013

The Board of Directors present their Annual Report including Financial Statements of the parent and group for year ended 30 June 2013.

TRADING RESULTS

	GROUP		PARENT	
	2013	2012	2013	2012
	$	$	$	$
Total Comprehensive Income	417,634	(19,969)	71,746	(19,969)
Retained earnings beginning of period	37,009	56,978	37,009	56,978
NET RETAINED EARNINGS	**454,643**	**37,009**	**108,755**	**37,009**

DIVIDENDS

The Directors recommend that no dividend be paid for the year.

TRANSFERS

It is not proposed to make any transfer to reserves.

STATE OF AFFAIRS

The state of the company's affairs at 30 June 2013:

	GROUP		PARENT	
	2013	2012	2013	2012
	$	$	$	$
Assets Totalled	1,433,108	694,020	838,413	597,461
Financed By:				
Shareholders Funds of	454,643	37,009	108,755	37,009
Liabilities of	978,465	657,011	729,658	560,452
	1,433,108	**694,020**	**838,413**	**597,461**

As required by section 211 of the Companies Act 1993, we disclose the following information:

NATURE OF BUSINESS

The business of the parent is economic development of the Wellington region. The nature of the parent's business has not changed during the year under review.

DIRECTORS' INTERESTS

Directors' interests in transactions or proposed transactions of the company as detailed in note 14 of the Financial Statements.

USE OF COMPANY INFORMATION

The Board received no notices during the year from directors requesting to use company information received in their capacity as directors which would not have otherwise been available to them.

SHARE DEALINGS

No director acquired or disposed of any interest in shares in the parent during the year.

INDEMNITIES

The parent has entered into indemnity insurance in respect of any liability that the directors may incur in their capacity as directors.

DIRECTORS

Parent	Resignation Date	1st appointment date	Reappointed
Paul Mersi (Chairman)		5-Apr-11	
Anders Crofoot		1-Jul-11	
Barry Brook		1-Jul-11	
Dr Dianne McCarthy	19-Oct-12	1-Jul-10	
Karen Fifield		1-Jul-11	1-Jul-13
Peter Robertson		1-Jul-10	1-Jul-13
Rachel Taulelei		1-Jul-10	1-Jul-13
Richard Stone		1-Jul-11	1-Jul-13
Subsidiary			
Gerard Quinn (Chairman)		20-Dec-12	
Barry Brook		16-Dec-11	
Nicholas Lewis		29-Oct-10	
Geoffrey Todd (past Chairman)	19-Oct-12	3-Sep-10	
Melissa Clark-Reynolds	19-Oct-12	29-Oct-10	

EMPLOYEE REMUNERATION

Remuneration paid to employees over $100,000 during 2013 financial year is grouped as follows:

Salary Band	2013 Number of Employees	2012
PARENT		
$100,000 to $109,999	2	2
$110,000 to $119,999	1	2
$120,000 to $129,999	-	1
$130,000 to $139,999	-	1
$140,000 to $149,999	1	1
$150,000 to $159,999	-	1
$170,000 to $179,999	1	-
$360,000 to $369,999*	-	1
* This includes a severance payment		
SUBSIDIARY		
$100,000 to $109,999	4	1
$110,000 to $119,999	-	1
$130,000 to $139,999	1	-
$180,000 to $189,999	-	1

The above subsidiary employees are employed by Grow Wellington Limited, but worked for Creative HQ Limited (the subsidiary) during 2012/13.

AUDITORS

Audit New Zealand are the auditors of the 2013 Financial Statements and Statement of Intent measures. Audit Fees of $31,000 are payable by the parent for the 2013 Financial Year. Creative HQ audit fee for 2013 is $13,000.

GENERAL

In the directors' opinion, the current financial position of the parent and group is considered to be satisfactory.

For and on behalf of the Board;

PAUL MERSI

Director and Chair

dated 10th September, 2013

PETER ROBERTSON

Director

dated 10th September, 2013

Independent Auditor's Report

**To the readers of
Grow Wellington Limited and group's
financial statements and statement of service performance
for the year ended 30 June 2013**

The Auditor-General is the auditor of Grow Wellington Limited (the company) and 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 statement of service performance of the company and group on her behalf.

We have audited:

- the financial statements of the company and group on pages [...] to [...], that comprise the statement of financial position as at 30 June 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the statement of service performance of the company and group on pages [...] to [...].

Opinion

Financial statements and statement of service performance

In our opinion:

- the financial statements of the company and group on pages [...] to [...]:
  - comply with generally accepted accounting practice in New Zealand;
  - give a true and fair view of the company and group's:
    - financial position as at 30 June 2013; and
    - financial performance and cash flows for the year ended on that date; and
- the statement of service performance of the company and group on pages [...] to [...]:
  - complies with generally accepted accounting practice in New Zealand; and
  - gives a true and fair view of the company's service performance achievements measured against the performance targets adopted for the year ended 30 June 2013.

Uncertainties in the carrying value of unlisted shares in investments

Without modifying our opinion, we draw your attention to note 3c and note 11 of the financial statements that explain how the fair value of shares in incubator and accelerator companies has been determined and the uncertainties in measuring that fair value. Although the fair value of unlisted shares in incubator and accelerator companies is based on the best information available, there is a high degree of uncertainty about that value due to the early stage nature of the investments and the absence of quoted market prices. This uncertainty could have a material effect on the statement of comprehensive income and statement of financial position. We consider the disclosures about these uncertainties to be adequate.

Other legal requirements

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

Our audit was completed on 10 September 2013. This is the date at which our opinion is expressed.

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

Basis of opinion

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

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

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements and statement of service performance. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and statement of service performance whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the company and group's financial statements and statement of service performance that give a true and fair view of the matters to which they relate. We consider internal control in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the company and group's internal control.

An audit also involves evaluating:

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

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and statement of service performance. Also we did not evaluate the security and controls over the electronic publication of the financial statements and statement of service performance.

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

Responsibilities of the Board of Directors

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

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

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

The Board of Directors' responsibilities arise from the Local Government Act 2002 and the Financial Reporting Act 1993.

Responsibilities of the Auditor

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

Independence

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

Other than the audit, we have no relationship with or interests in the company or any of its subsidiaries.

Karen Young

Karen Young
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand

GROW WELLINGTON LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2013

	Notes	GROUP 2013	2013	2012	PARENT 2013	2012
		$	$	$	$	$
		Actual	Budget	Actual	Actual	Actual
Revenue						
Council contributions		3,600,000	4,000,000	4,564,006	3,600,000	4,564,006
Grant Revenue New Zealand Trade and Enterprise (NZTE)		1,110,000	-	800,427	360,000	200,427
Grant Revenue Science and Innovation (MBIE)		420,565	-	636,667	240,000	636,667
Sponsorship		-	-	134,553	-	5,625
Fee Income		79,202	2,568,000	97,293	1,000	17,899
Capital Raising Success Fees		-	-	4,750	-	-
Other Revenue	4	948,395	-	383,331	567,932	378,442
Interest income		8,649	-	6,720	773	160
CHQ Management Fee		-	-	-	82,000	167,440
TOTAL REVENUE		**6,166,811**	**6,568,000**	**6,627,747**	**4,851,705**	**5,970,666**

EXPENDITURE

	Notes	GROUP 2013 Actual	2013 Budget	2012 Actual	PARENT 2013 Actual	2012 Actual
Personnel Costs	5	3,296,282	-	3,842,353	2,295,461	2,929,810
Directors Fees and Expenses	6	146,655	-	157,118	132,831	139,913
Creative HQ Funding		-	6,568,000	-	673,000	817,936
Depreciation and Amortisation Expense	7 , 8	46,159	-	51,233	45,593	51,233
Other Operating Expenses	9	2,569,464	-	2,597,012	1,633,074	2,051,743
TOTAL EXPENDITURE		6,058,560	6,568,000	6,647,716	4,779,959	5,990,635
NET SURPLUS / (DEFICIT) BEFORE TAX		108,251	-	(19,969)	71,746	(19,969)
Tax expense	10	-	-	-	-	-
NET SURPLUS / (DEFICIT) FOR THE YEAR		108,251	-	(19,969)	71,746	(19,969)
OTHER COMPREHENSIVE INCOME						
Fair value of investments	11	309,383	-	-	-	-
TOTAL OTHER COMPREHENSIVE INCOME / (LOSS)		309,383	-	-	-	-
TOTAL COMPREHENSIVE INCOME		**417,634**	**-**	**(19,969)**	**71,746**	**(19,969)**

Explanations of major variances are provided in Note 29.

The budgets above have been amended from the Statement of Intent due to a refresh of the WRS strategy. The Group has reported against the budgets above for the year. The original SOI budgets were as follows:

GROW WELLINGTON LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2013

	2013 $ Budget
Income	
Council contributions	4,000,000
Other Income	1,520,000
Total income	5,520,000
Total expenditure	5,520,000
Total comprensive income	0

The accompanying accounting policies and notes form an integral part of the Financial Statements.

GROW WELLINGTON LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2013

RETAINED EARNINGS

	GROUP			PARENT	
	2013	2013	2012	2013	2012
	$	$	$	$	$
	Actual	Budget	Actual	Actual	Actual
Balance at 01 July	37,009	57,000	56,978	37,009	56,978
Total Comprehensive Income	417,634	-	(19,969)	71,746	(19,969)
Balance at 30 June	454,643	57,000	37,009	108,755	37,009

Represented by

Profit and loss	$	$	$	$	$
Balance at 01 July	37,009	57,000	56,978	37,009	56,978
Net surplus / (deficit) for year	108,251	-	(19,969)	71,746	(19,969)
Balance at 30 June	145,260	57,000	37,009	108,755	37,009

AVAILABLE FOR SALE RESERVE

Other Comprehensive Income	$	$	$	$	$
Balance at 01 July	-	-	-	-	-
Other Comprehensive Income for year	309,383	-	-	-	-
Balance at 30 June	309,383	-	-	-	-
Balance at 30 June	454,643	57,000	37,009	108,755	37,009

The accompanying notes form an integral part of the Financial Statements.

GROW WELLINGTON LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2013

	Notes	GROUP 2013 $ Actual	GROUP 2013 $ Budget	GROUP 2012 $ Actual	PARENT 2013 $ Actual	PARENT 2012 $ Actual
ASSETS						
Current						
Cash and Cash Equivalents	12	467,644	230,000	244,523	320,412	182,321
Trade and Other Receivables	13	268,686	195,000	113,017	128,330	73,796
GST Receivable		3,571	-	-	-	-
Prepayments		3,705	-	8,305	-	6,267
Intercompany Balance	14	-	-	-	86,501	6,902
Grant Income Receivable	15	257,101	100,000	203,136	257,101	203,136
Total Current Assets		1,000,707	525,000	568,981	792,344	472,422
Non-Current						
Property, Plant & Equipment	7	95,549	180,000	116,062	43,350	116,062
Intangible Assets	8	2,719	12,000	8,977	2,719	8,977
Investments	11	334,133	-	-	-	-
Total Non-Current Assets		432,401	192,000	125,039	46,069	125,039
TOTAL ASSETS		**1,433,108**	**717,000**	**694,020**	**838,413**	**597,461**
LIABILITIES						
Current						
Trade and Other Payables	16	534,997	315,000	300,038	410,050	265,466
GST Payment Due		-	33,000	75,921	13,613	74,690
Creative HQ Incubatee Bonds	17	10,087	10,000	9,145	-	-
Employee Entitlements	18	120,601	233,000	170,035	90,691	140,114
Education Wellington International (Inc) Trust Funds	19	65,304	59,000	76,932	65,304	76,932
Revenue in Advance	20	247,476	10,000	24,940	150,000	3,250
Total Current Liabilities		978,465	660,000	657,011	729,658	560,452
TOTAL LIABILITIES		**978,465**	**660,000**	**657,011**	**729,658**	**560,452**
NET ASSETS		**454,643**	**57,000**	**37,009**	**108,755**	**37,009**
EQUITY						
Retained Earnings		145,260	57,000	37,009	108,755	37,009
Available for Sale Reserve		309,383	-	-	-	-
TOTAL EQUITY		**454,643**	**57,000**	**37,009**	**108,755**	**37,009**

The accompanying notes form an integral part of the Financial Statements.

Explanations of major variances are explained in Note 29.

GROW WELLINGTON LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2013

	Notes	GROUP			PARENT	
		2013	2013	2012	2013	2012
		$	$	$	$	$
		Actual	Budget	Actual	Actual	Actual
CASH FLOWS FROM OPERATING ACTIVITIES						
Inflows						
Council Contributions		3,546,035	4,000,000	4,390,000	3,546,035	4,390,000
Grant Revenue		1,439,250	-	200,427	689,250	200,427
Other Revenue		1,118,843	2,568,000	2,995,406	642,296	1,360,045
Interest Revenue		8,649	-	6,723	773	160
GST Recovered		-	-	3,108	-	-
Cash Inflows from Operating Activities		6,112,777	6,568,000	7,595,664	4,878,354	5,950,632
Outflows						
Payments to Suppliers		2,298,402	-	2,809,192	2,190,427	2,879,760
Payments to Employees		3,492,372	6,568,000	4,837,638	2,477,714	3,119,875
GST Paid		79,493	-	-	61,076	-
Interest Paid		-	-	308	-	7,272
Cash Outflows from Operating Activities		5,870,267	6,568,000	7,647,138	4,729,217	6,006,907
NET CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES	21	**242,510**	**-**	**(51,474)**	**149,137**	**(56,275)**
CASH FLOWS FROM INVESTING ACTIVITIES						
Inflows						
Sale of Property, Plant and Equipment		-	-	-	-	-
Outflows						
Purchase of Property, Plant and Equipment		19,389	-	35,715	11,046	35,714
Purchase of Intangible Assets		-	-	1,411	-	1,411
NET CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		(19,389)	-	(37,126)	(11,046)	(37,125)
CASH FLOWS FROM FINANCING ACTIVITIES						
Outflows						
Intercompany Account		-	-	-	-	(51,979)
NET CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		-	-	-	-	51,979
Net increase/(decrease) in cash and cash equivalents		223,121	-	(88,600)	138,091	(41,421)
Cash and cash equivalents at the beginning of the year		244,523	230,000	333,123	182,321	223,742
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	12	**467,644**	**230,000**	**244,523**	**320,412**	**182,321**

The GST net component of operating activities reflects the net GST paid and received with the Inland Revenue Department. The GST net component has been presented on a net basis, as the gross amounts do not provide meaningful information for financial statement purposes.

The accompanying notes form an integral part of the Financial Statements.

STATEMENT OF ACCOUNTING POLICIES

1. REPORTING ENTITY

The Financial Statements presented are for the Grow Wellington Group (The Group). The Group comprises Grow Wellington Limited (the Parent) and Creative HQ Limited, its 100% owned subsidiary.

The Parent is a company incorporated in New Zealand under the Companies Act 1993 and is domiciled in New Zealand and operates from Wellington. The Parent is wholly 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 primary objective of the Group is to encourage, promote and support the establishment and growth of business investment and employment opportunities within the region, rather than make a financial return.

The registered office of the Parent is 142 Wakefield Street, Wellington, New Zealand.

The Financial Statements of the Parent and Group are for the year ended 30 June 2013. The Financial Statements were authorised for issue by the Board on 10th September 2013.

2. BASIS OF PREPARATION

(a) Statement of compliance

The Financial Statements are prepared in accordance with the requirements of the Local Government Act 2002, which includes the requirement to comply with New Zealand Generally Accepted Accounting Practice (NZ GAAP). They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards as appropriate to public benefit entities.

The Group Financial Statements have been prepared in accordance with the requirements of the Financial Reporting Act 1993 and the Companies Act 1993.

The Group qualifies for Public Benefit Entity reporting exemptions as its primary objective is to provide services for the community or social benefit by promoting and supporting the establishment and growth of business investment and employment opportunities within the region. The Parent and Group have been established with a view to supporting that primary objective rather than financial return. All appropriate Public Benefit reporting exemptions have been adopted.

The Parent and Group qualify for Differential Reporting exemptions as they have no public accountability, and are not large. All available reporting exemptions allowed under the Framework for Differential Reporting have been adopted except for NZ IAS 7 - Cash Flow Statements.

(b) Basis of measurement

The Financial Statements have been prepared on an historical cost basis, except for certain financial assets and liabilities that have been measured at fair value. The accounts have been prepared on a going concern basis.

(c) Presentation currency

The Financial Statements are presented in New Zealand dollars ($). This is the functional currency.

(d) Use of estimates and judgements

The preparation of 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 these estimates.

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

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the Financial Statements are described in the notes 3(e), 3(f), 3(g), 3(h), 3(i), 3(j) and 3(k).

Assumptions on investments are disclosed in Note 3(c). These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

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.

As at 30 June 2013 the valuation of CHQ'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.

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 Kiwisaver are accounted for as defined contribution superannuation schemes and are recognised as an expense in the profit or loss when incurred.

(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.

4. OTHER REVENUE

	GROUP		PARENT	
	2013	2012	2013	2012
	$	$	$	$
Other Revenue	484,473	296,070	423,791	286,433
Rental Revenue	73,534	71,599	73,534	71,599
ROS Revenue	113,531	-	-	-
Destination Wellington	150,000	-	150,000	-
Shares in Lightning Lab participants	56,250	-	-	-
Expense Recoveries	70,607	15,662	70,607	20,410
TOTAL OTHER REVENUE	**948,395**	**383,331**	**567,932**	**378,442**

Other revenue consists of sundry and other one-off project revenue.

5. PERSONNEL COSTS

	GROUP		PARENT	
	2013	2012	2013	2012
	$	$	$	$
Salary and Wages	3,023,352	3,589,868	2,084,902	2,682,163
Other Personnel Costs	274,803	239,648	210,124	234,809
Increase/(Decrease) in Employee Entitlements	1,873	12,837	435	12,838
TOTAL PERSONNEL COSTS	**3,296,282**	**3,842,353**	**2,295,461**	**2,929,810**

6. DIRECTORS FEES AND EXPENSES

	GROUP		PARENT	
	2013	2012	2013	2012
Parent	$	$	$	$
Paul Mersi (Chairman)	30,000	29,167	30,000	29,167
Barry Brook	15,000	15,000	15,000	15,000
Anders Crofoot	15,000	15,000	15,000	15,000
Karen Fifield	15,000	15,000	15,000	15,000
Dr Dianne McCarthy	5,000	15,000	5,000	15,000
Peter Robertson	15,000	15,000	15,000	15,000
Richard Stone	15,000	15,000	15,000	15,000
Rachel Taulelei	15,000	15,000	15,000	15,000
Subsidiary				
Gerard Quinn (Chairman)	-	-	-	-
Geoffrey Todd (past Chairman)	1,500	6,000	-	-
Barry Brook	4,000	2,333	-	-
Melissa Clark-Reynolds	4,000	4,000	-	-
Nick Lewis	4,000	4,000	-	-
Total Directors' Fees	138,500	150,500	125,000	134,167
Directors' Expenses	2,426	-	2,292	-
Board costs	5,729	6,618	5,539	5,746
TOTAL DIRECTORS' FEES AND EXPENSES	**146,655**	**157,118**	**132,831**	**139,913**

7. PROPERTY, PLANT AND EQUIPMENT

	GROUP			PARENT		
Cost or valuation	Equipment	Computer Hardware	Furniture	Equipment	Computer Hardware	Furniture
	$	$	$	$	$	$
Carrying Amount 01 July 2012	20,986	109,777	100,398	20,986	109,777	100,398
Additions	-	34,583	1,421	-	34,583	1,421
Disposals	-	1,192	-	-	1,192	-
Balance at 30 June 2012	20,986	143,168	101,819	20,986	143,168	101,819
Additions	1,883	17,505	-	-	11,046	-
Disposals	-	-	-	-	27,966	79,166
Balance at 30 June 2013	**22,869**	**160,673**	**101,819**	**20,986**	**126,248**	**22,653**
Accumulated amortisation and impairment losses						
Carrying Amount 01 July 2012	10,124	63,190	34,910	10,124	63,190	34,910
Amortisation expense	3,882	28,197	10,511	3,882	28,197	10,511
Elimination on disposal	-	904	-	-	904	-
Balance at 30 June 2012	14,006	90,483	45,421	14,006	90,483	45,421
Amortisation expense	3,405	26,727	9,770	3,092	26,474	9,770
Elimination on disposal	-	-	-	-	23,580	39,129
Balance at 30 June 2013	**17,411**	**117,210**	**55,191**	**17,098**	**93,377**	**16,062**
Carrying amounts						
Carrying Amount 01 July 2012	10,862	46,587	65,488	10,862	46,587	65,488
Balance at 30 June 2012	6,980	52,685	56,398	6,980	52,685	56,398
Balance at 30 June 2013	5,458	43,463	46,628	3,888	32,871	6,591

8. INTANGIBLE ASSETS

GROUP AND PARENT	2013
Cost or valuation	**Software**
	$
Carrying Amount 01 July 2012	94,298
Additions	1,411
Disposals	-
Balance at 30 June 2012	95,709
Additions	-
Disposals	-
Balance at 30 June 2013	**95,709**
Accumulated amortisation and impairment losses	
Carrying Amount 01 July 2012	78,088
Amortisation expense	8,644
Elimination on disposal	-
Balance at 30 June 2012	86,732
Amortisation expense	6,258
Elimination on disposal	-
Balance at 30 June 2013	**92,990**
Carrying amounts	
Carrying Amount 01 July 2012	16,210
Balance at 30 June 2012	8,977
Balance at 30 June 2013	2,719

Intangible Assets are for both Parent and Group

9. OTHER OPERATING EXPENSES

	GROUP		PARENT	
	2013	2012	2013	2012
	$	$	$	$
Audit Fees	44,000	43,000	31,000	30,000
Communications	80,734	92,350	50,343	63,674
Computer Services	92,003	90,695	66,977	68,949
Contractors and Consultants	506,356	329,536	271,947	171,118
Grants and Business Assistance	212,442	89,771	179,568	66,386
Marketing	458,573	298,695	322,782	255,910
Mentoring Costs	1,080	11,189	1,080	11,387
Energy, Cleaning and Insurance	108,363	72,185	75,607	49,503
Office Expenses	134,976	64,273	58,964	47,150
Investments Impairments	31,500	-	-	-
Conference Fees	22,372	17,976	16,439	12,389
Meeting Expenses	37,019	50,975	21,719	36,765
Course Expenses	-	8,114	-	8,114
Premises Rental	388,698	284,784	249,556	145,642
Other Operating Lease Rentals	63,155	68,089	61,012	57,511
Professional Services	141,738	60,017	66,538	44,990
Project expenses	82,176	876,773	46,514	873,345
Travel	164,279	138,587	113,027	108,910
TOTAL EXPENDITURE	**2,569,464**	**2,597,009**	**1,633,074**	**2,051,743**

10. INCOME TAX EXPENSE

	GROUP		PARENT	
	2013	2012	2013	2012
	$	$	$	$
Net Surplus Before Tax	108,251	(19,969)	71,746	(19,969)
Tax at 28%	30,310	(5,591)	20,089	(5,591)
Plus (Less) Tax Effect of:				
Non-deductible Expenditure	20,764	22,265	11,956	21,160
Non-taxable Income		-	-	-
Grant for Fixed Assets	-	(10,142)	-	(10,142)
Group Tax Loss Offset	(51,074)	(6,532)	(32,045)	(5,427)
TAX EXPENSE	-	-	-	-

CURRENT TAX

	GROUP		PARENT	
	2013	2012	2013	2012
	$	$	$	$
Current tax	-	-	-	-
Prior period adjustment to current tax	-	-	-	-
Current tax	-	-	-	-

The Group has a taxable profit of $182,406 (2012: $23,326). However, after the utilisation of group tax losses of $182,406 from Greater Wellington Regional Council, the Group has no tax charge under the taxes payable method (2012: $0).

The Group has no imputation credits at balance date (2012: $0).

11. INVESTMENTS HELD FOR SALE

	GROUP		PARENT	
	2013	2012	2013	2012
	$	$	$	$
Opening Balance	-	-	-	-
Additions - Lightning Lab participants	56,250	-	-	-
Impairments to investments	(31,500)	-	-	-
Movement in fair value of investments	309,383	-	-	-
TOTAL INVESTMENTS	334,133	-	-	-

The policy is to recognise such investments both initially and subsequently at fair value. This will be based on Directors' assessment of fair value using the approach set out in Note 3(c).

CHQ 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 of fair value for an unlisted investment will be obtainable in the market, or that there will be a market for the unlisted investment.

Section 3(c) of the accounting policies explains how CHQ and the group determines the fair value of its investments. Due to the early stage nature of these investments, significant judgement must be exercised in determining the fair value of unlisted investments totalling $334k (2012: nil). While the Board is of the view that the fair values of the unlisted investments in these Financial Statements represent the best available information, uncertainty exists over the fair value of the investments in the absence of an active market to determine fair value. Further information is provided below about the uncertainties and judgements in determining fair value.

CHQ's and the Group's exposure to changes in investment value could be material to the Financial Statements. As CHQ does not directly invest in these nor is it reliant on cashflows from the investments, changes in value do not impact the underlying viability of CHQ or the Group.

The CHQ 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 CHQ and the Group.

12. CASH AND CASH EQUIVALENTS

	GROUP		PARENT	
	2013	2012	2013	2012
	$	$	$	$
Cash at bank and in hand	467,644	244,523	320,412	182,321
TOTAL CASH AND CASH EQUIVALENTS	**467,644**	**244,523**	**320,412**	**182,321**

Cash at bank earns interest at floating rates based on daily bank balances. Short-term deposits are made for varying periods between 30 and 90 days depending on immediate cash requirements of the Group, and earn interest at the respective short term deposit rates.

13. TRADE AND OTHER RECEIVABLES

	GROUP		PARENT	
	2013	2012	2013	2012
	$	$	$	$
Trade Receivables	190,667	74,692	59,330	39,296
Other Receivables	78,019	38,325	69,000	34,500
	268,686	**113,017**	**128,330**	**73,796**

Trade receivables are usually due within 30-45 days and do not bear an effective interest rate.

All trade receivables are subject to credit risk exposure. There is no concentration of credit risk with respect to receivables outside the Company, as the Company has a large number of customers. The carrying value of receivables approximates their fair value.

GROW WELLINGTON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2013

14. RELATED PARTIES

Grow Wellington Limited had the following transactions with entities related to subsidiaries, board members and senior management.

Services purchased from related parties

Related Party	Relationship	Description	PARENT 2013 $	PARENT 2012 $
Greater Wellington Regional Council	Parent	Accounting Services	20,000	-
Creative HQ Limited	Subsidiary	Incubation Services	673,000	817,936

Grow Wellington Limited is funded under its SOI to provide incubation services. Creative HQ Limited supplies those services.

Services sold to related parties

All transactions with related parties have been carried out on normal commercial terms.

Significant transactions during the year included:

Related Party	Relationship	Description	PARENT 2013 $	PARENT 2012 $
Callaghan Innovation	National Operations Manager	Grow Wellington receives funding for activities	115,000	-
Creative HQ Limited	Subsidiary	Management Fees for Services Supplied	82,000	167,440
Creative HQ Limited	Subsidiary	Gerard Quinn (CE) is the Chair of Creative HQ Ltd	-	-
Greater Wellington Regional Council	Parent	Funding for economic development	3,600,000	4,564,006
Receivables from Related Parties				
	Parent	Receivable at year end	295,550	233,606

Grow Wellington Limited has a service level agreement with Creative HQ (CHQ) Limited to provide accounting, administration and other business services. The costs of these services constitutes the management fee. The fee has been determined by costing the services either directly where applicable or as a percentage of the Grow Wellington employee's time based on their annual salary.

At year end assets worth $43,322 were transfered to CHQ from the Parent at net book value. An adjustment relating to the provision for staff holiday pay was also transferred. The adjustments were passed through the intercompany account and the cash will be transferred when the intercompany account is cleared between the Parent and CHQ.

At year end an amount of $86,501 (2012: $6,902) was owed to the Parent by the subsidiary through the intercompany balance. The intercompany balance represents the net of payments and receipts between the Parent and the subsidiary during the financial year. No interest is received on this balance and the balance owing is unsecured and repayable on demand.

Other than the above, there are no amounts outstanding to or from the Parent.

With the exception of paying Board fees, expenses for Board members, and expenses of senior management there have been no other related party transactions with Board members, their organisation nor with staff.

Greater Wellington Regional Committee has reserved $400,000 for the Wellington Regional Strategy (2012: Nil).

There are no other related party transactions between Grow Wellington Limited and their owner the Greater Wellington Regional Council.

As a matter of practice, where there is a real or perceived conflict of interest for any Board decision the Director notes the conflict and withdraws from any involvement in the decision making.

15. GRANT REVENUE RECEIVABLE

	GROUP		PARENT	
	2013	2012	2013	2012
	$	$	$	$
Greater Wellington Regional Council	257,101	203,136	257,101	203,136
TOTAL GRANT REVENUE RECEIVABLE	**257,101**	**203,136**	**257,101**	**203,136**

16. TRADE AND OTHER PAYABLES

	GROUP		PARENT	
	2013	2012	2013	2012
	$	$	$	$
Trade Payables	497,693	205,249	385,746	198,550
Non-Trade Payables and Accrued Expenses	37,304	94,789	24,304	66,916
	534,997	**300,038**	**410,050**	**265,466**

Trade and other payables are non-interest bearing and are normally settled on 30 day terms, therefore the carrying value of trade and other payables approximates their fair value.

17. CREATIVE HQ INCUBATEE BONDS

Creative HQ Incubatee bonds are tendered by tenants of CHQ. They are refunded upon exit.

18. EMPLOYEE ENTITLEMENT LIABILITIES

	GROUP		PARENT	
	2013	2012	2013	2012
	$	$	$	$
Annual Leave/Holiday Pay	90,397	92,270	64,767	92,270
Accrued Salary and Wages	30,204	77,765	25,924	47,845
	120,601	**170,035**	**90,691**	**140,115**

19. EDUCATION WELLINGTON INTERNATIONAL (INC) TRUST FUNDS

Represents funds held on behalf of Education Wellington International (Incorporated). They have contracted Grow Wellington to undertake education services on their behalf.

20. REVENUE IN ADVANCE

Revenue in advance represents funds received where the contracted work was incomplete at balance date.

21. RECONCILIATION FROM THE NET PROFIT AFTER TAX TO THE NET CASH FLOW FROM OPERATING ACTIVITIES

	GROUP		PARENT	
	2013	2012	2013	2012
	$	$	$	$
Net Profit After Tax	108,251	(19,969)	71,746	(19,969)
Add / (less) non cash items				
- Shares in Lightning Lab participants	(56,250)	-	-	-
- Impairment of shares in Lightning Lab participants	31,500	-	-	-
- Depreciation	39,902	42,630	39,336	42,630
- Amortisation	6,258	8,644	6,258	8,644
Add / (less) movements in working capital				
(Increase)/Decrease in Trade and Other Receivables	(155,669)	128,271	(54,534)	148,971
(Increase)/Decrease in Prepayments	4,600	(4,292)	6,266	(3,253)
(Increase)/Decrease in Intercompany	-	-	-	-
(Decrease)/Increase in Trade and Other Payables	156,410	(37,644)	48,333	(14,095)
(Decrease)/Increase in Employee Entitlements	(49,435)	(20,230)	(49,424)	(50,151)
(Increase)/Decrease in Grant Income Due	(53,965)	(174,006)	(53,965)	(174,006)
(Decrease)/Increase in Income in Advance	210,908	25,122	135,122	4,954
NET CASH INFLOW / (OUTFLOW) FROM OPERATING ACTIVITIES	**242,510**	**(51,474)**	**149,138**	**(56,275)**

22. CAPITAL COMMITMENTS

There were no capital commitments at balance date (2012: Nil).

23. OPERATING LEASES*

Non-cancellable operating lease rentals are payable as follows:

	GROUP		PARENT	
	2013	2012	2013	2012
	$	$	$	$
Less than One Year	323,734	341,288	176,972	340,932
Between One and Five Years	27,518	644,104	20,048	339,036
More than 5 Years	-	-	-	-
	351,252	**985,392**	**197,020**	**679,968**

* all leases are in the name of the Parent. The management fee covers the cost of the lease.		
Less than One Year *	146,762	146,762
Between One and Five Years *	7,470	158,662
More than 5 Years	-	-
	154,232	**305,424**

24. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There were no contingent liabilities and/or contingent assets at balance date (2012: Nil).

25. CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES

	GROUP		PARENT	
	2013	2012	2013	2012
	$	$	$	$
Loans and Receivables				
Cash and Cash Equivalents (Note 9)	467,644	244,523	320,412	182,321
Trade and Other Receivables (Note 11)	268,686	113,017	128,330	73,796
Grant Revenue Receivable (Note 6)	257,101	203,136	257,101	203,136
Intercompany Balance (Note 24)	-	-	86,501	6,902
Investments	334,133	-	-	-
TOTAL LOANS AND RECEIVABLES	**993,431**	**560,676**	**792,345**	**466,155**

Financial Liabilities measured at amortised cost	GROUP		PARENT	
	2013	2012	2013	2012
Trade and Other Payables (Note 12)	534,997	300,038	410,050	265,466
TOTAL FINANCIAL LIABILITIES MEASURED AT AMORTISED COST	**534,997**	**300,038**	**410,050**	**265,466**

26. CAPITAL MANAGEMENT

The Company's capital is its equity, which comprises share capital and retained surpluses. Share capital is 100 uncalled $1 shares.

27. SUBSEQUENT EVENTS

There were no significant events after balance date.

28. EQUITY

The Parent has 100 uncalled shares in the subsidiary (2012: 100).

Greater Wellington Regional Council has 100 uncalled shares in Grow Wellington Limited (2012: 100).

29. SUMMARY COST OF SERVICES

	GROUP	
	2013	2013
	$	$
Revenue	Actual	Budget
Council Contributions	3,600,000	4,000,000
Other income	2,566,811	2,568,000
	6,166,811	**6,568,000**

Major variances from budget

Overall revenue is $401,190 below budget. The Greater Wellington Regional council revenue has been reduced in 2012/13 to reflect the lower expenditure descibed below.

The remaining budgeted revenue from Greater Wellington Regional Council is held in reserve by the Council and can be called upon request from Grow Wellington.

	GROUP	
	2013	2013
	$	$
	Actual	Budget
Personnel costs	3,296,282	3,797,659
Other Expenditure	2,762,278	2,770,341
	6,058,560	**6,568,000**

The main variance relates to Personnel costs. Key staff changes including the gap between permanent CEO's resulted in this variance.

Delays in finalising the Destination Welllington program has resulted in it being carried over to the 2013/14 financial year.

Other Compehensive income

CHQ Ltd has valued its investments in accordance with the accounting policies. This has resulted in a net gain of $334,122 (2012: Nil) recorded as Other Comprehensive income. The Group had not budgeted for an increase in value.

30. OPERATING FUNDING

The Company is reliant for a large part of its revenue from its 100% parent Greater Wellington Regional Council (The Council)

The Council has accepted the companies Statement of Intent, which includes funding for the company and its activities for the next three years.

The Company is reliant on the Council continuing to support the regions economic development activity via the company.

The Council has included funding for economic development for ten years in their 2012/22 long term plan.

The company is managed as a public benefit entity, and the Parent may adjust its funding to the Company in any financial year if it believes that the Company has not carried out its obligations and responsibilities under its Statement of Intent.

BOARD MEMBERS AND COMPANY DIRECTORY

BOARD MEMBERS

GROW WELLINGTON

Paul Mersi - Chairperson

Paul is a business advisor and company director. He has had a successful professional career as a senior Financial Services and Tax Partner with PricewaterhouseCoopers, and was a member of the Government's Savings Working Group. He has also worked in the OECD in Paris, and served for a number of years in a senior policy role in the public sector. Paul has a degree in economics from Victoria University.

Rachel Taulelei

Rachel Taulelei is the founder of Yellow Brick Road, a company demonstrably invested in New Zealand's food culture. A born and bred Wellingtonian, Rachel established Yellow Brick Road following eight years in the US with NZTE as Trade Commissioner and North American Regional Manager, Food and Beverages. She is co-founder of the City Market, chairs the Wellington On a Plate Advisory Board, and is a member of the Le Cordon Bleu Advisory Board. In 2009, Rachel was bestowed with the New Zealand Restaurant Association's Innovator Award. In 2010 she was a finalist in the Veuve Clicquot Business Woman Awards, and the winner of Emerging Gold at the Wellington Gold Awards. In 2012 Rachel was named as a Sir Peter Blake Emerging Leader.

Anders Crofoot

Anders Crofoot lives and farms at Castlepoint Station, a large sheep and beef property on the Wairarapa coast with his wife Emily and two children, David and Sarah. He is currently on the National Board of Federated Farmers and was the Wairarapa Provincial President for the previous four years. Anders is also the previous President of the New Zealand Grassland Association. Prior to emigrating to NZ from the US in 1998, he worked in the hospitality and construction industries, before setting up a computer consulting practice and later working as a quantitative analyst for a financial services company.

Anders has a double degree in Computer Science and Psychology from Dartmouth in the US.

Peter Robertson

Peter has had a diverse career; he was a partner with Ernst & Young for 10 years, held senior executive positions with Transpower for 12 years as CFO and later GM Network, and was Chief Executive at BRANZ Ltd between 2004 and 2007.

Peter has had considerable experience in; corporate governance, organisational dynamics and design, strategic and operational planning methodologies including the use of scenario planning techniques , the development and implementation of asset management strategies, financial planning and analysis, and the negotiation of complex commercial arrangements.

Peter has a degree in Economics, a Post Graduate Diploma of Accounting and is a member of the Institute of Directors.

Karen Fifield

Karen has been the Chief Executive of the Wellington Zoo Trust since 2006 and was previously a director of Discovery and Learning at Zoos Victoria in Australia. Karen has been awarded: Wellingtonian of the Year 2010 Award in the Environment category; HER Business National Award winner 2010 in Business Leadership; and HER Business Wellington Award winner 2009 in the Business Leadership and Sustainability category.

Karen is currently the President of the Australasian Zoo and Aquarium Association.

Barry Brook

Barry is a professional director and agribusiness consultant with extensive experience in agribusiness both in New Zealand and internationally. His experience includes leadership of New Zealand's largest nationwide agribusiness, PGG Wrightson with turnover of $1.2 billion and 3000 staff.

He led the mergers of Wrightson with Williams and Kettle and Pyne Gould Guinness in the period 2004 to 2006.

He was responsible for the establishment of New Zealand's largest primary sector business investments in South America, mainly in Uruguay but also in Argentina and Brazil. These included the launch of New Zealand Farming Systems Uruguay and its listing on the NZX50; and acquisition of a number of businesses in the seed, livestock, real estate, rural supplies and irrigation sectors.

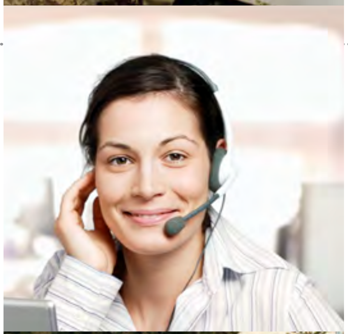
Barry is Chairman of Synlait Farms Limited, a Canterbury dairy farming company, and Trustee of Agmardt, the Lincoln University Foundation and the Mary Potter Forever Foundation. He is qualified in agricultural commerce and economics and has been a long-time resident of Wellington.

Richard Stone

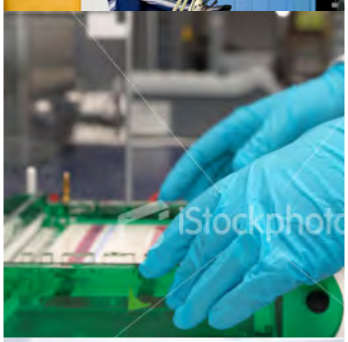
Richard Stone is Executive Chairman of Jackson Stone and Partners, a Wellington based human resource consulting firm. He has a 28 year career in the executive search industry, focused on identifying, attracting and developing talent.

In addition to Grow Wellington, he is on the Council of Business New Zealand, a board member of both the Wellington Employers Chamber of Commerce and Business Central, and a board member of Workbridge. He is a former President of the Wellington Employers Chamber of Commerce and a former Chair of Unicef NZ. Richard is a graduate of Wellington's Victoria University.

Richard has a strong commitment to both the Wellington region and city and has participated in a range of initiatives and activities designed to facilitate positive outcomes.






COMPANY DIRECTORY

Grow Wellington

ADDRESS

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Phone +64 4 382 0099
Fax +64 4 382 0098
Email info@growwellington.co.nz

INCORPORATION

Incorporated under the Companies Act 1993 on 5 April 2007 at Wellington, New Zealand and changed its name to Grow Wellington Limited on 25 February 2008.

Incorporation Number 1921097

IRD Number 97-012-067

The Company is wholly owned by the Greater Wellington Regional Council and is a Council Controlled Organisation as defined under section 6 of the Local Government Act 2002, by virtue of the Council's right to appoint the Board of Directors.

The registered office of the Company is 142 Wakefield Street, Wellington 6011, New Zealand.

ACCOUNTANTS

Grant Thornton, Chartered Accountants, Wellington

SOLICITORS

DLA Philips Fox, Barristers & Solicitors, Wellington

AUDITORS

Audit New Zealand, Wellington
On behalf of the Auditor-General

BANKERS

The National Bank of New Zealand,
1 Victoria Street, Wellington 6011
Part of ANZ National Bank Limited

INSURANCE BROKER

AON New Zealand Limited, Wellington