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# **PALMERSTON NORTH CITY COUNCIL**

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## **AGENDA EXTRAORDINARY MANAWATU DISTRICT/PALMERSTON NORTH CITY JOINT STRATEGIC PLANNING COMMITTEE - LATE ITEM**

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**1PM, FRIDAY 31 MARCH 2017**

**COUNCIL CHAMBER, FIRST FLOOR,  
CIVIC ADMINISTRATION BUILDING  
32 THE SQUARE, PALMERSTON NORTH**

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## MEMBERSHIP

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**Grant Smith (PNCC Mayor)**  
**Helen Worboys (MDC Mayor)**

**PNCC**

**Susan Baty**  
**Leonie Hapeta**  
**Jim Jefferies**  
**Tangi Utikere**

**MDC**

**Barbara Cameron**  
**Shane Casey**  
**Michael Ford**  
**Phil Marsh**

**Agenda items, if not attached, can be viewed at:**

**pncc.govt.nz | Civic Administration Building, 32 The Square**  
**City Library | Ashhurst Community Library | Linton Library**

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**Paddy Clifford**  
**Chief Executive, Palmerston North City Council**

**Palmerston North City Council**

**W pncc.govt.nz | E info@pncc.govt.nz | P 356 8199**  
**Private Bag 11034, 32 The Square, Palmerston North**



## **EXTRAORDINARY MANAWATU DISTRICT/PALMERSTON NORTH CITY JOINT STRATEGIC PLANNING COMMITTEE MEETING**

31 March 2017

### **LATE ITEM**

Note: This item is listed on the agenda 'to be separately circulated', however the item was not available at the time and is now classified as a late item in terms of statutory timeframes.

**9. Central Economic Development Agency - Draft Statement of Intent for 2017/18**

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Memorandum, dated 12 March 2017 from the General Manager - City Future, PNCC, Sheryl Bryant and the General Manager - Community and Strategy, MDC, Brent Limmer.

## **MEMORANDUM**

**TO:** Manawatu District/Palmerston North City Joint Strategic Planning Committee

**MEETING DATE:** 31 March 2017

**TITLE:** Central Economic Development Agency - Draft Statement of Intent for 2017/18

**DATE:** 12 March 2017

**AUTHOR/S:** Sheryl Bryant, General Manager - City Future, Palmerston North City Council  
Brent Limmer, General Manager - Community and Strategy, Manawatu District Council

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### **RECOMMENDATIONS TO COMMITTEE**

1. That the Central Economic Development Agency's draft Statement of Intent for 2017/18 be received.
2. That the comments on the draft SOI be conveyed to CEDA for its consideration in finalising the SOI:
  - Working closely with the councils in developing a marketing strategy to promote a sense of identity for the region
  - Working closely with the councils in undertaking any analysis of the events sector and subsequent discussion that may evolve in regard to roles and relationships
  - Advancing the work on the Business Hub to achieve greater collaboration and synergy amongst key partners
  - Establishing a relationship with Iwi
  - Working with councils to better understand their strategic aspirations and growth plans.
  - The outcome of supporting the growth of business in the region also include job growth.
  - The service statement regarding business development and support be strengthened to focus on inward investment and new businesses as a priority and that the associated activities include specific reference to Spearhead Manawatu and the Lead Team (i.e. MDC and PNCC Mayors and CEOs; CEDA Chair and CEO Spearhead Principal) as a key activity in achieving inward investment.

## 1. ISSUE

The purpose of this report is to present and provide comment on the draft Statement of Intent (SOI) for the Central Economic Development Agency (CEDA).

## 2. BACKGROUND

CEDA is a Council Controlled Organisation (CCO) under the Local Government Act 2002 and is jointly owned by the Palmerston North City Council and Manawatu District Council. A CCO must deliver a draft SOI to shareholders by 1 March each year and a final SOI by 30 June.

The Board has 2 months from 1 March to consider any comments of the Shareholders before delivering its final SOI in June. At that stage, the Councils agree to the SOI, or if they do not agree, take all practicable steps to require the SOI to be modified.

CEDA's draft SOI is attached for any comment the Committee may want to provide for the Board's consideration in finalising the SOI.

The Councils delivered their Letter of Expectations to CEDA in September 2016. CEDA has taken an iterative process in the development of its SOI to ensure it meets the expectations of the Councils and reflects the recently signed contract for services. The SOI focuses on achieving three major outcomes and associated activities. Its priorities have been informed by research. The following observations are made regarding the importance of:

- Working closely with the councils in developing a marketing strategy to promote a sense of identity for the region
- Working closely with the councils in undertaking any analysis of the events sector and subsequent discussion that may evolve in regard to roles and relationships
- Advancing the work on the Business Hub to achieve greater collaboration and synergy amongst key partners
- Establishing a relationship with Iwi
- Working with councils to better understand their strategic aspirations and growth plans
- Supporting the growth of business in the region including job growth

- Inward investment and new business as delivered by Spearhead Manawatu and the importance of the role of the Lead Team (i.e. MDC and PNCC Mayors and CEOs; CEDA Chair and CEO Spearhead Principal) in achieving inward investment.

We would ask that CEDA note the above points when finalising their SOI. We are confident that other matters raised in the Councils' Letter of Expectations have been considered by CEDA in the preparation of its SOI.

CEDA has advised that in preparing its draft SOI it has made the following key financial assumptions:

- Council funding revenue is based on the signed service level agreements between CEDA and the two councils
- Other services income includes an assumption that funding for BCC will transition to CEDA
- Current funding arrangements (from Councils and other funders) for projects will be renewed at current levels
- Projects such as Agri Investment week and Sort it careers expo will continue
- Expenditure on projects will broadly match revenue
- Continuation of current level of service for the I-site in Palmerston North and the Information Centre in Feilding.

These assumptions seem reasonable. It is also appropriate to recognise that as a new organisation which has incorporated the activities of two former organisations, it will be some time before CEDA has settled into the most efficient and effective operating model to deliver the expected outcomes. It can be expected therefore that this first attempt by CEDA to project financial outcomes for three years will be further refined next year with the benefit of experience. Based on the current budget and forecasts CEDA will have adequate working capital for its requirements.

### 3. NEXT STEPS

The Committee can either endorse the SOI as presented or make suggestions for change to a greater or lesser extent.

CEDA is obliged to consider shareholders comments then decide whether or not to make any changes to the draft when finalising the SOI before 30 June.

## **ATTACHMENTS**

1. Draft Statement of Intent [↓](#) 

Sheryl Bryant  
**General Manager - City  
Future, Palmerston North  
City Council**

Brent Limmer  
**General Manager -  
Community and Strategy,  
Manawatu District Council**



# Central Economic Development Agency Limited (CEDA)

**DRAFT Statement of Intent**  
for the year ending 30 June 2018

28 February 2017



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## Company Directory

### Central Economic Development Agency Limited Ltd

Level 1, 478 Main St  
Palmerston North 4410

Phone: 06 350 1830

Website: [www.ceda.nz](http://www.ceda.nz)

### Chief Executive

Will Samuel (to March 2017)

### Directors

Malcolm Bailey (Chairperson)  
Shamubeel Eaqub  
John Fowke  
Lucy Griffiths  
Blair O'Keeffe

### Registered Office

Morrison Creed Advisory  
Cnr Victoria Ave & Main St, Palmerston North

### Bankers

Westpac New Zealand Ltd

### Auditors

Audit New Zealand (on behalf of the Office of the Auditor General)

### Legal Status

Central Economic Development Agency Limited ("CEDA") was incorporated in New Zealand on 15 October 2015 under the Companies Act 1993 (NZBN 9429042001096). As the shareholders of CEDA are Palmerston North City Council (50%) and Manawatu District Council (50%) CEDA is a council-controlled organisation as defined in section 6 of the Local Government Act 2002.

## Foreword

This Statement of Intent (SOI) sets out Central Economic Development Agency Limited (CEDA) strategic framework, activities and performance outlook in order to deliver on our role of driving and facilitating the creation and growth of economic wealth for Manawatu and beyond.

This is the third Statement of Intent for CEDA, which came into existence in September 2015, with the current Board assuming control from the Interim Directors in December 2015, CEO commencing in July 2016 and purchase of Vision Manawatu and Destination Manawatu effective 1 September 2016. Since that time we have been focused on transitioning the two previous organisations into CEDA, undertaking business as usual activities and setting the platform for CEDA's first full year of operation in 2017/18.

Underpinning this SOI is our foundation research project which provides an evidence base for CEDA to focus our activities. The research took a more in-depth look at Palmerston North and Manawātū's competitive advantages and opportunities for economic growth, barriers and ways to overcome them, and perceptions of the region. The research identified that Palmerston North and Manawātū businesses are more confident about their business and the regional economy than their counterparts throughout New Zealand. There is a strong foundation in local businesses but there are some roadblocks. The research recommends CEDA focus on:

- Three strong sectors for growth:
  - Agriculture, technology, science and research hub (and the intersection of these)
  - Distribution and logistics
  - Central Government sector: Accelerate 25, education and training, defence, 2nd home of Government.
- Addressing the top three barriers businesses have identified by:
  - Attracting highly skilled staff
  - Helping councils to be business enablers
  - Fostering a strong sense of a positive Manawatu identity.
- Strengthening existing initiatives on connecting/collaboration including FoodHQ, Talent Central and Building Clever Companies.
- Communicating:
  - Aspirational long-term vision for Manawatu
  - CEDA's role - collaboration and connecting
  - Undertake and communicate early steps
  - Sustained positive talk and ongoing conversations

We have summarised our focus into three strategic areas going forward:

1. **Support the Growth of Business**
2. **Grow and Retain Education & Talent**
3. **Enhance the Brand and Experience**

The nature of economic development requires strategic thinking, long term focus and collaboration - which will be our priority over the coming year.



Malcolm Bailey  
Chairperson

## Purpose of Statement of Intent

This Statement of Intent (SOI) is presented by Central Economic Development Agency Limited (CEDA) in accordance with the requirements of Section 64(1) of the Local Government Act 2002 (LGA 2002).

In accordance with the Local Government Act 2002, this annual SOI publicly states the activities and intentions of CEDA for the next three years, and the objectives to which those activities will contribute. This SOI takes shareholder letter of expectation comments into consideration and includes performance measures and targets as the basis of organisational accountability.

## About CEDA

The Central Economic Development Agency (CEDA) has been operating since 1 September with the purchase of Vision Manawatu and Destination Manawatu. CEDA is a Council controlled organisation jointly owned by the Palmerston North City Council and the Manawatu District Council.

### CEDA's Mission

To drive and facilitate the creation and growth of economic wealth for Manawatu and beyond.

### CEDA's Constitution Objectives

- (a) The principal objectives of the Company are to achieve the objectives of the Shareholders, both commercial and non-commercial as specified from time to time in the Statement of Intent and in particular to drive and facilitate the creation and growth of economic wealth for Manawatu and beyond;
- (b) be a good employer;
- (c) exhibit a sense of social and environmental responsibility by having regard to the interests of the community in which the Company operates and by endeavouring to accommodate or encourage these when reasonably able to do so.

### Structure of CEDA's operations including governance arrangements

The Board of up to seven (currently five) independent directors is responsible for the strategic direction and control of CEDA's activities.

The Board guides and monitors the business and affairs of CEDA, in accordance with the Companies Act 1993, the Local Government Act 2002, the Company's Constitution and this SOI.

The Board's approach to governance is to adopt "good practice" with respect to:

- the operation and performance of the Board
- managing the relationship with the Chief Executive
- being accountable to all shareholders and reporting to the Joint Strategic Planning Committee of Manawatu District Council and Palmerston North City Council

The Chief Executive Officer is responsible for the day-to-day operations of CEDA, engaging and oversight of staff and reporting to the directors on performance against CEDA's objectives.

## CEDA's Strategic Objectives 2017-2020

Informed by an independent research project, CEDA has identified three key strategic objectives that collectively articulate CEDA's role in driving and facilitating the creation and growth of economic wealth for Manawatu and beyond. These are:

1. **Support the Growth of Business** in the Region to grow Bigger and Better
2. **Grow and Retain Education & Talent** in the Region so Businesses have the Skills to Grow
3. **Enhance the Brand and Experience** of the Region

## Performance Outlook 2017-18

The following performance measures have been completed following the establishment of CEDA and the completion of the foundation research project. This also incorporates CEDA's nature and scope of activities.

Service Level Statement	Measure	2017/18	Activities
Support the Growth of Business in the Region to grow Bigger and Better, GDP growth is at or above the National average*			
Business Development and Support - Deliver information, advice, programmes and initiatives to assist businesses to grow bigger, better, faster and to develop a skilled workforce.	Number of businesses that have been assisted through a CEDA intervention	400	Work with business and Councils to reduce barriers to business investment and development*
			Callaghan Innovation R&D Grants through Regional Business Partner Network
			Capability Development co-funding issued to businesses
			Business Mentor programme matches
			Attract investment expansion or new businesses to the Region
			Maori business engagements
			Business hub establishment
	Satisfaction – Net Promoter Score for Regional Engagement under the Regional Business Partners programme	>50	Actively manage businesses through Regional Business Partner programme
Facilitate collaboration, innovation and entrepreneurship in key sectors. Scale up the commercialisation of innovative start-ups	% satisfaction with BCC support /services provided (through customer survey)	increase on baseline	Engage mentors to assist emerging entrepreneurs
			Provide Start-ups 1:1 incubation
Grow and Retain Education & Talent in the Region so Businesses have the Skills to Grow, reducing business perception of staffing as a barrier to growth by 3% over 3 years*			
Deliver information, advice, programmes and initiatives to attract more international students to the region by implementation of the Regional International Education Strategy	Increase the value of international students in the region	increase on baseline	Strategy Implementation - Market Development (selecting target markets for collaborative activities)
			Strategy Implementation - Marketing & Communications (telling the story)
			Strategy Implementation - Student Experience (ensuring repeat business)
Growing a Skilled Workforce, increasing talent capability by development of labour market strategies and delivery of the Sort-It expo	Develop a Labour Market Strategy for the region	implement strategy	Labour market analysis and strategy*
			Sort it Careers Expo
			Partnership agreement with MBIE / Immigration New Zealand

Priority Sectors continue to grow	Undertake sector specific surveys (based on priorities identified in Research) to understand sectors and develop sector strategies based on results	complete agribusiness sector survey	<b>Distribution and Logistics<sup>†</sup></b> <ul style="list-style-type: none"> <li>- Sector survey completed</li> <li>- Distribution and Logistics development plan<sup>†</sup></li> </ul> <b>Agri (food, business, land, horticulture)<sup>†</sup></b> <ul style="list-style-type: none"> <li>- New Zealand AgriFood Investment Week including: Plate of Origin, Launch Event, ASB Perspective 2025</li> <li>- Support of FoodHQ</li> <li>- Agriculture, technology, science, research development plan<sup>†</sup></li> </ul> <b>Government<sup>†</sup></b> <ul style="list-style-type: none"> <li>- Relevant activities under Accelerate 25</li> <li>- Defence Issues in the Manawatu regular meetings</li> <li>- Defence/PNCC/MDC Collaboration Agreement</li> <li>- Facilitation/support provided to Manawatu Defence Hub</li> </ul>
<b>Enhance the Brand and Experience of the Region so People who say they are Proud they Live in the Region<sup>^</sup> increases by 3% over 3 years*</b>			
Promotion of lifestyle to support the attraction of people to work, study, invest, or visit.	Undertake annual Research, report results to stakeholders to understand and develop strategy	undertake research and report by 30 September	<ul style="list-style-type: none"> <li>- Marketing strategy and activities to develop strong sense of Manawatu identity*</li> <li>- www.ManawatuNZ.co.nz</li> <li>- Collateral developed</li> <li>- Visitor programmes, eg The Country Road</li> <li>- Social media</li> <li>- QRIOUS reporting</li> <li>- CAM data</li> <li>- Marketview reporting (Quarterly)</li> <li>- Retail vacancy survey (pilot)</li> <li>- Support CBD vibrancy projects</li> </ul>
			Provision of visitor information centres and services
			Manawatu Business Awards (biennial)
Promotion and information of services that increase the number of visitors and guest nights	Number of business events bids submitted (win/loss ratio)	14 (33%)	Targeted sales contacts made with conference organisers or related organisations.
	Analysis of major events sector	Finish baseline	Activity towards setting baseline

\* High priority to address barriers to growth as identified by research

<sup>†</sup> Priority growth sectors as identified by research

<sup>^</sup> Region is defined as Manawatu region consisting of Palmerston North City and Manawatu District.

## Monitoring Indicators

In addition to our performance measures, the Shareholders have identified a further set of monitoring indicators. These indicators reflect outcomes at the regional level which are impacted by a range of factors outside of our control, for example; exchange rates, natural disasters, government policy. As the region's economic development agency, we have a role in monitoring and influencing these indicators where we can, however we do not measure the performance of our organisation against them.

The monitoring indicators will be finalised during the Shareholders feedback from the Statement of Intent process. The Councils have the responsibility to report on these indicators.

Indicator	2018	2019	2020	Regional target
Change in total number of jobs				
Change in average salaries and wages				
Change in total earnings (salaries, wages and self-employment income)				
Change in total GDP and per capita GDP				
Estimated population change				
Net overseas migration				
Spend by visitors in Manawatu region (domestic and international)				
Number of visitor nights in Manawatu region				
Change in MSD benefit numbers				
Reputation of Manawatu / Palmerston North as a great place to live and do business				



## Financial Performance

### Central Economic Development Agency Limited Statement of Comprehensive Revenue & Expense

For the 12 Months to June

	Notes	2017-18 Budget	2018-19 Forecast	2019-20 Forecast
<b>Income</b>				
Council Funding	1	2,254,214	2,243,435	2,267,369
Other Services Income		793,080	794,877	796,691
Project Income		431,000	551,153	431,308
<b>Total Income</b>		<b>3,478,294</b>	<b>3,589,465</b>	<b>3,495,368</b>
<b>Cost of Sales</b>				
Other Services Expenses		1,305,930	1,239,727	1,216,541
Project Expenses		276,000	376,000	276,000
<b>Total Cost of Sales</b>		<b>1,581,930</b>	<b>1,615,727</b>	<b>1,492,541</b>
<b>Gross Surplus (Deficit)</b>		<b>1,896,363</b>	<b>1,973,738</b>	<b>2,002,827</b>
<b>Other Income</b>				
Sundry Income		19,000	19,000	19,000
<b>Total Other Income</b>		<b>19,000</b>	<b>19,000</b>	<b>19,000</b>
<b>Expenses</b>				
Directors' Fees		155,000	155,000	155,000
Employee Expense		1,454,328	1,526,893	1,549,796
Other Operating Expenses		280,245	282,033	285,136
Depreciation		20,446	14,842	10,819
<b>Total Expenses</b>		<b>1,910,019</b>	<b>1,978,768</b>	<b>2,000,751</b>
<b>Net Surplus (Deficit) Before Tax</b>		<b>5,345</b>	<b>13,970</b>	<b>21,076</b>
<b>Taxation</b>				
Income Tax Expense		1,497	3,912	5,901
<b>Total Taxation</b>		<b>1,497</b>	<b>3,912</b>	<b>5,901</b>
<b>Net Surplus (Deficit) after tax</b>		<b>3,848</b>	<b>10,058</b>	<b>15,175</b>

1. Excludes project funding for NZ Agri Investment Week and Sort It Careers Expo included in Project Income

## Financial Performance

### Central Economic Development Agency Limited Statement of Financial Position

As at 30 June

	30 June 2018 Budget	30 June 2019 Forecast	30 Jun 2020 Forecast
<b>Assets</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	1,050,652	1,019,511	961,042
Receivables and Accruals	512,749	501,742	504,802
Prepayments	5,371	5,371	5,371
Inventories	8,720	8,720	8,720
<b>Total Current Assets</b>	<b>1,577,492</b>	<b>1,535,344</b>	<b>1,479,935</b>
<b>Non-Current Assets</b>			
Property, Plant and Equipment	57,287	42,445	31,626
<b>Total Non-Current Assets</b>	<b>57,287</b>	<b>42,445</b>	<b>31,626</b>
<b>Total Assets</b>	<b>1,634,779</b>	<b>1,577,789</b>	<b>1,511,561</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Payables	317,238	320,228	308,824
Deferred Revenue	414,800	344,798	274,798
Employee Entitlements	51,895	51,895	51,895
<b>Total Current Liabilities</b>	<b>783,933</b>	<b>716,921</b>	<b>635,517</b>
<b>Total Liabilities</b>	<b>783,933</b>	<b>716,921</b>	<b>635,517</b>
<b>Net Assets</b>	<b>850,846</b>	<b>860,868</b>	<b>876,044</b>
<b>Equity</b>			
Contributed Capital	1,000	1,000	1,000
Retained Earnings	849,846	859,868	875,044
<b>Total Equity</b>	<b>850,846</b>	<b>860,868</b>	<b>876,044</b>

## Financial Performance

### Central Economic Development Agency Limited Statement of Cash Flows

For the 12 Months to June

	2017-18 Budget	2018-19 Forecast	2019-20 Forecast
<b>Cash Flows from Operating Activities</b>			
Receipts from operating activities	3,675,968	4,058,391	3,936,112
Interest received	13,800	13,800	13,800
Sundry income	8,050	8,050	8,050
Payments to suppliers and employees	3,612,776	3,888,186	3,790,006
GST	323,103	223,196	226,425
<b>Total Cash Flows from Operating Activities</b>	<b>(238,061)</b>	<b>(31,141)</b>	<b>(58,469)</b>
<b>Net Cash Flows</b>	<b>(238,061)</b>	<b>(31,141)</b>	<b>(58,469)</b>
<b>Cash Balances</b>			
Cash and cash equivalents at beginning of period	1,288,713	1,050,652	1,019,511
Cash and cash equivalents at end of period	1,050,652	1,019,511	961,042
<b>Net change in cash for period</b>	<b>(238,061)</b>	<b>(31,141)</b>	<b>(58,469)</b>

## Shareholder requirements

### Joint Strategic Planning Committee of Manawatu District Council and Palmerston North City Council

The Joint Strategic Planning Committee is made up of ten local body elected members, five from each Council including both Mayors.

The role of the Joint Strategic Planning Committee is to:

- Review the performance of CEDA, and report to Shareholders on that performance on a periodic basis
- Undertake performance monitoring of CEDA, as per section 65 of the Local Government Act
- Approve the appointment, removal, replacement and remuneration of directors
- Review and approve any changes to policies, or the SOI, requiring their approval

The Board aims to ensure that the Joint Strategic Planning Committee and the Shareholders are informed of all major developments affecting CEDA's state of affairs, while at the same time recognising that commercial sensitivity may preclude certain information from being made public.

CEDA will adhere to a 'no surprises' approach in its dealings with its Shareholders and Joint Strategic Planning Committee.

### Letter of Expectations

By 1 December in each year the Shareholders will deliver to CEDA a Letter of Expectations. The Letter of Expectations is intended to provide direction on issues that are important to both Councils, and to assist in the development of CEDA's next SOI. A Letter of Expectations for 2017/18 has been delivered to CEDA. CEDA is continuing to collaborate with external agencies, including contracting to Building Clever Companies (BCC) and Spearhead. Both are reported as activities in the Performance Outlook. CEDA is aware of the ability to utilise Council support services.

### Statement of Intent

By 1 March in each year CEDA will deliver to the Joint Strategic Planning Committee of the Shareholders its draft SOI for the following year in the form required by Clause 9(1) of Schedule 8 and Section 64(1) of the Local Government Act 2002.

Having considered any comments from the Joint Strategic Planning Committee received by 30 April, the Board will deliver the completed SOI to the Joint Strategic Planning Committee of the Shareholders on or before 15 June each year.

### Half Yearly Report

By the end of February each year, CEDA will provide to the Joint Strategic Planning Committee a Half Yearly Report complying with Section 66 of the Local Government Act 2002. The Half Yearly Report will include the following information:

- Director's commentary on operations for the relevant six month period
- Comparison of CEDA's performance with regard to the objectives and performance targets set out in the SOI, with an explanation of any material variances
- Un-audited half-yearly Financial Statements incorporating a Statement of Financial Performance, Statement of Financial Position, Statement of Changes in Equity and Statement of Cashflows

## Annual Report

By 30 September each year, CEDA will provide to the Joint Strategic Planning Committee and its Shareholders an Annual Report complying with Sections 67, 68 and 69 of the Local Government Act 2002 and the Companies Act.

The Annual Report will contain the information necessary to enable an informed assessment of the operations of the company, and will include the following information:

- Directors' Report
- Financial Statements incorporating a Statement of Financial Performance, Statement of Financial Position, Statement of Changes in Equity, Statement of Cashflows, Statement of Accounting Policies and Notes to the Accounts
- Comparison of the CEDA's performance with regard to the objectives and performance targets set out in the SOI, with an explanation of any material variances
- Auditor's Report on the financial statements and the performance targets
- Any other information that the directors consider appropriate

## Shareholder Meetings

CEDA will hold an Annual General Meeting (AGM) between 30 September and 30 November each year to present the Annual Report to all Shareholders unless it is agreed between CEDA and the shareholders that the business of the AGM will be done by resolution in writing.

## Shareholder Approval

Any subscription, purchase or acquisition by CEDA of shares in a company or organisation will, require Shareholder approval by special resolution as will the other matters outlined in clause 3 of CEDA's Constitution.

## Main sources of CEDA's cash and resource

Service agreements with the Council shareholders are the primary source of funding to CEDA. CEDA also receives funding from industry and Government.

## Dividend policy

CEDA is a not for profit council-controlled organisation, as such the Board is not intending to pay any dividends in the foreseeable future.

## Statement of Accounting Policies

### Reporting Entity

Central Economic Development Agency Ltd (CEDA) was established and commenced operations in New Zealand on 15 October 2015 under the Companies Act 1993 (NZBN 9429042001096). As the shareholders of CEDA are Palmerston North City Council (50%) and Manawatu District Council (50%) CEDA is a council-controlled organisation as defined in section 6 of the Local Government Act 2002.

CEDA has designated itself as a public benefit entity (PBE) for financial reporting purposes.

### Basis of Preparation

The financial statements are prepared on the going concern basis, and the accounting policies have been applied consistently throughout the period, unless otherwise stated.

### Statement of Compliance

The financial statements of CEDA have been prepared in accordance with the requirements of the Local Government Act 2002, the Companies Act 1993 and the Financial Reporting Act 2013. This includes the requirement to comply with generally accepted accounting practice in New Zealand (NZ GAAP).

These financial statements have been prepared in accordance with Tier 2 PBE accounting standards on the basis it has no public accountability and in the following year is expected to have expenses > \$2m and < \$30m.

These financial statements comply with PBE standards.

### Presentational Currency

These financial statements are prepared in New Zealand dollars.

### Historical Cost

These financial statements have been prepared on a historical cost basis, except for certain assets which have been revalued as identified in specific accounting policies below. The financial statements are presented in New Zealand dollars (NZ\$) and all values are rounded to the nearest NZ\$, except when otherwise indicated.

### Changes in Accounting Policies

There have been no changes in accounting policies. Policies have been applied on a consistent basis with those of the previous reporting period.

### Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services, excluding goods and services tax rebates and discounts, to the extent it is probable that the economic benefits will flow to the entity and revenue can be reliably measured. Specific accounting policies for significant revenue items are explained below:

Sales of goods are recognised when the goods are sold to the customer.

Sales of services are recognised in the period by reference to the stage of completion of the services delivered at balance date as a percentage of the total services to be provided.

Lease income is recognised on a straight line basis over the life of the lease.

Interest received is recognised using the effective interest method. Interest revenue on an impaired financial asset is recognised using the original effective interest method.

Dividends received are recognised on receipt, net of non-refundable tax credits.

Grants are recognised as revenue when they become receivable unless there is an obligation in substance to return the funds if conditions of the grant are not met. If there is such an obligation, the grants are initially recorded as grants received in advance and recognised as revenue when conditions of the grant are satisfied.

### **Inventories**

Inventories held for use in the provision of goods and services on a commercial basis are valued at the lower of cost and net realisable value.

The amount of any write-down for the loss of service potential or from cost to net realisable value is recognised in the profit (loss) in the period of the write-down.

### **Property, Plant and Equipment**

Property, plant and equipment are stated at historical cost less any accumulated depreciation and impairment losses. Historical cost includes expenditure directly attributable to the acquisition of assets, and includes the cost of replacements that are eligible for capitalisation when these are incurred.

Property, plant and equipment are initially shown at cost or at fair value in the case where an asset is acquired at no cost or for a nominal cost. Cost includes any costs that are directly attributable to the acquisition of the items.

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

Upon derecognition, the asset revaluation reserve relating to the asset disposed shall be transferred to retained earnings.

### **Depreciation**

<u>Account</u>	<u>Method</u>	<u>Rate</u>
Plant & Equipment	Diminishing Value (100%)	10% - 20%
Leasehold Improvements	Diminishing Value (100%)	10% - 40%
Vehicles	Diminishing Value (100%)	30%
Office Furniture & Equipment	Diminishing Value (100%)	0% - 67%

### **Income Tax**

Current tax is the amount of income tax payable based on the taxable profit for the current year, plus any adjustments to income tax payable in respect of prior years. Current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted at balance date.

### **Cash and cash equivalents**

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

Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

### **Receivables**

Receivables are recorded at their face value, less any provision for impairment.

### **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance date, which are included in non-current assets.

After initial recognition, they are measured at amortised cost, using the effective interest method, less impairment. Gains and losses when the asset is impaired or derecognised are recognised in the surplus or deficit.

#### **Impairment of financial assets**

Financial assets are assessed for evidence of impairment at each balance date. Impairment losses are recognised in the surplus or deficit.

#### **Loans and receivables**

Impairment is established when there is evidence CEDA will not be able to collect amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, receivership, or liquidation and default in payments are indicators that the asset is impaired. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate. For debtors and other receivables, the carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the surplus or deficit. When the receivable is uncollectable, it is written-off against the allowance account. Overdue receivables that have been renegotiated are reclassified as current (that is, not past due). Impairment in term deposits or bonds are recognised directly against the instrument's carrying amount.

#### **Payables**

Short-term creditors and other payables are recorded at their face value.

#### **Equity**

Equity is the shareholders' interest in CEDA and is measured as the difference between total assets and total liabilities.

#### **Goods and Services Tax**

All items in the financial statements are stated exclusive of GST, except for receivables and payables, which are presented on a GST inclusive basis. Where GST is not recoverable as input tax, it is recognised as part of related asset or expense.

The net amount of GST recoverable from, or payable to, the IRD is included as part of receivables or payables in the statement of financial position.

The net GST paid to, or received from, the IRD, including the GST relating to investing and financing activities, is classified as operating cash flow in the statement of cashflows.

Commitments and contingencies are disclosed exclusive of GST.