

NorthlandInc

Growing Northland's Economy
Kia tupu ai te ōhanga o Te Tai Tokerau



Annual Report 2017/18



OUR VISION

Northland is one of the most prosperous regions in New Zealand delivering employment and business opportunities for locals in a fair and equitable society and a healthy and productive environment.



OUR MISSION

To strengthen, diversify and grow the Northland Economy.



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Chairman's Overview

I te tīmatangaa te Kupu, I te Atua te Kupu, ko te Atua ano te kupu.

Ngā mihi ki Ranginui, ngā mihi ki Papatūānuku

Ngā mihi hoki ki a rātou kua pania atu ki te Pō.

E te iwi tēnā koutou katoa.

Tai Tokerau Northland is booming! Between February and June 2018 the government pledged just over \$81.6M from the new Provincial Growth Fund (PGF) to Northland projects across tourism, forestry, roading, transport, infrastructure, and logistics, with some of the funding allocated to social programmes that address youth unemployment, corrections reform, and skills capability.

Several of the funded projects sit within the Tai Tokerau Northland Economic Action Plan, which is facilitated by Northland Inc and engages multiple agencies, iwi, government, councils, organisations, and partners across Tai Tokerau. PGF and other funding for regionally-led initiatives within and outside of the Action Plan is changing the landscape – economically, socially and environmentally, and is an acknowledgement that development of the region impacts on, and benefits, the entire country.


Northland Inc has either led or helped to get a number of projects “across the line” this year. Construction is underway for the Hundertwasser Art Centre with Wairau Māori Art Gallery. The Hawaiki submarine cable that connects New Zealand with Australia, the Pacific, and United States is a game changer for New Zealand’s digital capacity. New strategic partnerships; a Statement of Shared Objectives with NorthTec, and a Memorandum of Understanding with the Federation of Māori Authorities, will ensure greater focus on education and training, and Māori economic development. And the Tai Tokerau International Educational Strategy will integrate international education into Northland’s value proposition, with opportunities to grow the economic, social and cultural value of Northland.

My time on the Northland Inc board of directors came to an end on 30 June after five years, and I would like to acknowledge my fellow directors – Warren Moyes, Jeroen Jongejans, Irene Durham, and Sarah Petersen, who will continue her work on a newly appointed board of directors. I am so proud of our shared legacy and contribution to Northland and its communities.

I acknowledge the Northland Regional Council (NRC), our parent body, and in particular Chairman Bill Shepherd for his

ongoing encouragement and support for Northland Inc. Changes to funding mechanisms this year meant that decisions previously escalated to NRC can now be made at our board level, and I am grateful to Bill and the councillors for their confidence in allowing us to make these decisions.

And last but by no means least I want to acknowledge the team at Northland Inc under the leadership of chief executive officer David Wilson. Leading the transformation of a region’s economy is no easy task, but together and with our partners we have, and will continue, to make a difference. With the region in strong economic shape, the focus now is on maintaining the momentum, while at the same time managing the growth. It is an exciting time for Northland; this is a region very much ‘on the up’ but there is more work to be done. With a new board of directors, and a team with the very best interests of Northland at heart, this waka is in good hands.



Karleen Everitt
Chairman



CEO's overview

Financial year 2017/18 has seen a number of new milestones for the region and for Northland Inc.

I am so proud of our team who really do go above and beyond to create a prosperous future for Tai Tokerau Northland. It has been great to see that a number of headline projects in the Tai Tokerau Northland Economic Action Plan have gained support through the Provincial Growth Fund which underlines all the hard work that has gone

on before by both our team and all the wonderful partners that we work with to get projects “investment ready”. I am also heartened by the number of headline projects that have brought a number of partners together to deliver for the region such as Extension 350 and the Twin Coast Discovery Revitalisation projects. Economic Development really is a team sport.

Lastly, I would like to extend my sincere thanks to Karleen and the outgoing board members who have served Northland Inc

and the region with passion and commitment. I have learned so much from them and know that they will still be working for their beloved Northland.



Dr David Wilson
Chief Executive Officer

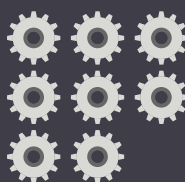


Key Statistics

GDP is at **\$6.046B**
growing at 3.3% per annum



Youth (15-24)
not in employment,
education or training
dropped **from 13.9%**
to 11.1%



20,829 business
units in Northland
– growing at 1.7%



Employment is
69,187 filled jobs,
2.3% growth



Population of
Northland is
175,400, growing
at 2.3% per annum



Agriculture accounts for
32.4% of Northland's exports
and contributes **\$611.9M** to
Northland's GDP



Almost **\$24M received** from the Provincial Growth Fund for Action Plan projects



2,894 room bookings at The Orchard Business & Event Hub



\$6.2M from Provincial Growth Fund into the Twin Coast Discovery Highway programme



353 events held in The Orchard's event space, Mahi Tahī, with a combined **6,530 attendees**



172 of 350 farmers currently engaged in Extension 350, only 36% of the way through the project



Trained and interacted with more than **2,000 travel agents** in 10 source market countries



Extension 350 expected to provide net economic benefit of **\$102.2M over 5-year** operational period



Total equivalent advertising value (EAV) of **\$24.85M from tourism media visits** and content generation



\$207,347 from NZTE to build capability within Northland businesses



164,676 website users and **566,115 page views** on Northland Inc website NorthlandNZ.Com



\$1.8M of R&D projects invested in with Callaghan Innovation support



Tourism spend in Northland grew to **\$1.121B** and annual commercial guest nights totalled **\$1.958M**



Hawaiki Cable has **end-to-end connectivity** and is entering final testing stage

Tai Tokerau Northland Economic Action Plan

“This was the second full year of implementation of the Tai Tokerau Northland Economic Action Plan (the Action Plan). We’ve done a lot in the last 12-month period, and we are starting to see the economic and social benefits across the region as agencies and communities continue to work collaboratively to achieve outcomes.”

Jude Thompson, Portfolio Manager - Tai Tokerau Northland Economic Action Plan

This year the introduction of new economic development initiatives, such as government’s Provincial Growth Fund (PGF), provided further opportunities for projects within the Action Plan, and a shift in focus towards implementation.

Infrastructure and associated tourism projects have been the big winners of the Action Plan this year with significant investment from central government and the PGF. Recent announcements from central government include:

- Region Wide LIDAR data capturing **\$800,000**
- Kai Iwi Lakes – up to **\$90,500**
- Hihiaua Cultural Centre (stage one) **\$1 million**
- Manea Footprints of Kupe Cultural and Education centre **\$4.6 million**
- Tōtara Industry Pilot Project **\$450,000**

- Bay of Islands Airport (Kerikeri) improvements **\$1.7 million**
- Twin Coast Discovery Route business cases **\$6.2 million**
- Hundertwasser Arts Centre with Wairau Māori Arts Gallery **\$10 million**

Four new projects have been added to the Action Plan: Tai Tokerau Northland International Education Strategy, Tuia - Encounters 250 project and event programme, Bay of Islands Vintage Railway, and Te Waiariki Ngawha Springs.

This year a number of projects were completed or achieved significant milestones. Action Plan projects that are spearheaded by Northland Inc are also mentioned throughout this annual report, and identified with the following symbol:



Enablers

Enabler projects bring Northland’s transport, digital infrastructure, skills and capabilities and water resources to a standard that creates an enabling environment for economic development in Northland.

Actions, milestones successfully completed

- Twin Coast Programme business case
- Community road shows and consultation by NZTA on Wellsford to Whangārei section of State Highway One (SH1), and options for upgrading SH1 between Whangārei and Te Hana to improve safety and journey reliability
- Scoping of irrigation scheme options in Northland water management demand study, with next steps being finalised
- Stage 1 of secondary to tertiary employment pathways and taskforce being established
- Early-stage growth advisor role established, and filled
- International Education Strategy Action Plan developed and mapped out
- Regional Manager appointed to oversee the implementation of the Tai Tokerau Northland International Education Strategy.

Kai Iwi Lakes Campground



Underway

- Matakohē Bridges and Taipa Bridge works in progress
- Bay of Islands Airport (Kerikeri) redevelopment funded and underway
- Stormwater management and flood protection, SH1 North of Whangārei – detailed surveying in progress
- Early-stage growth advisor role delivering incubator services in partnership with Massey ecentre as part of building innovation networks
- Te Hiku Cradle to Career programme underway, projects confirmed
- Employer support package submitted to PGF
- Northland's Digital Enablement Plan underway
- Region-wide LIDAR data capturing project; funding finalised, data-capture in progress
- Tai Tokerau Regional Investment Plan for the tertiary sector initiated
- The established Communities of Learning are in monitoring phase.

Confirmed

- As part of the \$270 million government funding into Ultra-Fast Broadband, rural broadband extension and Mobile Black Spot Fund (MBSF), UFB2 plus will be rolled out to an additional 19 towns and 2 fringe areas in Northland, providing connectivity to 5,500 more households and businesses, with a further 7,441 households and businesses in Northland to receive new rural broadband coverage
- State Highways 1, 12 and 15 to receive approximately 96km of new mobile coverage
- New mobile coverage for 13 tourism areas
- Twin Coast Discovery Route business cases received \$6.2 million from central government
- He Poutama Rangatahi funding secured for further NEETS (Youth not in education, employment, or training) programme.

Acknowledgment

- The Orchard business & events hub received a best practise commendation for integrated strategic planning at the Economic Development Agencies of New Zealand (EDNZ) awards in Wellington.

Land & Water

Land & Water projects identify and develop opportunities for more productive use of land and water resources across a range of primary industry sectors.

Actions, milestones successfully completed

- Extension 350 – Year 1 of 5 complete.

Underway

- Te Hiku Sheep and Beef Farming Collective - recruited project manager, and Phase 2 implementation underway
- Extension 350 – Group 2 farmers recruited
- Te Nota - Miere Coalition progressing
- Tōtara Industry Pilot Project funded and underway.

Visitor Industry

Visitor industry projects reduce the impact of seasonality, improve product dispersal across the region and enhance tourism promotion.

Actions, milestones successfully completed

- Three more Northland Journeys completed since the last financial year, bringing the total of completed Journeys to six with one more ready for sign off
- Pou Herenga Tai - Twin Coast Cycle Trail received funding from Far North District Council's Long Term Plan, and established membership of the Trust to govern and manage the cycle trail
- Rakau Rangatira Project Manager appointed by the Department of Conservation
- Tuia Encounters 250 General Manager appointed and Maiki Hill commemoration event completed.

Underway

- Te Waiariki Ngawha Springs stage one development economic impact analysis and business case underway
- Hundertwasser Art Centre with Wairau Māori Art Gallery secured funding and construction underway
- Regional Walking and Cycling Strategy underway
- Whangārei Walking and Cycling Strategy updated and out for consultation
- Manea Footprints of Kupe Cultural and Education Centre implementation programme being prepared
- Kaihu Valley Rail Trail economic impact analysis underway.

Confirmed

- Kaipara Walking and Cycling Strategy adopted
- Manea Footprints of Kupe Cultural and Education Centre received funding
- Hihiaua Cultural Centre funding confirmed for stage one, and construction tendered.

Specialised Manufacturing

Specialised manufacturing & services projects support the development of new innovation and specialised manufacturing and service sectors.

Actions, milestones successfully completed

- In February, the 15,000km cable linking New Zealand to Australia, the Pacific, and United States, was brought to shore at Mangawhai Heads and is in final testing stage
- New Okara Marina economic impact analysis underway.

Confirmed

- Resin and Wax have secured resource consent.



The Hawaiki Cable is now operating and delivering 43 terabits of additional capacity to New Zealand.

Regional Promotions & Tourism

“Tourism was one of the big winners from the newly created Provincial Growth Fund with more than \$23 million directed towards Northland tourism projects. This was an acknowledgment of the importance of the sector to the regional and national economy. As Northland’s appeal as a visitor destination grows, it becomes even more critical to ensure both product and infrastructure are in place as well as an active destination marketing programme to market Northland to the world.”

Paul Davis, GM Regional Promotions & Tourism

Tourism continues to be one of the best performing sectors in Northland. This year we continued to work with iwi, government, industry and other key partners with targeted interventions in product and destination development. We have continued to focus our international marketing programme on three key areas: growing trade and media partnerships to increase visitor expenditure, increasing brand and place-based awareness, and increasing website visits and social media engagement.

Public relations and communications

As Northland Inc has continued to grow, the communication function has managed to deliver well on its internal and external work programme.

The year’s highlights included a full review and content revision of the NorthlandNZ website, regular production of the Northland Inc newsletter, gaining media coverage from 100 percent of media releases including overwhelmingly positive third party public relations, and managing production of destination marketing collateral including a new trade marketing brochure.

Media familiarisations

Northland Inc hosted thirty three media outlets from New Zealand and around the world last year. A total of \$24.85 million in equivalent advertising value (EAV) was created through media visits and content generation. This public relations activity directly impacts on how our region is promoted here and around the world, with media across a range of consumer markets authentically telling the Northland story.

Here are two examples:

Kai Ora Magazine article

Culture Food & Drink

ON THE MENU
Kerikeri
The attractions in the Far North's largest towns are many – from New Zealand's oldest European building to an abundance of great places to eat and drink.
STORY: SARAH STEPHENSON

Eat
FOOD AT WHAREPOKE
100 Kerikeri Road. Open Tue-Sat 10am-10pm.
A former army barracks tucked into a suburban garden, it's the perfect setting for an award-winning cafe, let alone one featuring a chef who's cooked for Ed Sheeran, Bruce Springsteen and the Real Time Choir. But while some critics have been turning nose at the place, one of the stars of the show is his lunch salad with chicken, avocado, tomatoes and feta. One of the stars of the show is his lunch salad with chicken, avocado, tomatoes and feta. One of the stars of the show is his lunch salad with chicken, avocado, tomatoes and feta.

THE BLACK KITE
100 Kerikeri Road. Open Tue-Sat 10am-10pm.
As a teenager, Justin Chubb brought pizza from The Black Kite, never thinking that one day they'd own it. But a decade ago that's what the chef did, creating the former residence (the on door remains) a totally cool black and white and filling it with mid-century modern furniture. But she knew better than to mess with the original menu which includes pizza with garlic toppings such as ham, pepperoni and chicken. [facebook.com/blackkiterest](#)

MADISON ESTATE WINERY & RESTAURANT
56 Wairoa Road. Open daily 10am-5pm.
Named after the winery who planted New Zealand's first grapes, this estate has come a long way from its roots in the spreading this winery and lake. Chef Dale Garland knows his way around fresh, seasonal food, with a speciality of seafood and game. And his menu is a real treat for those from here. The menu is a real treat for those from here. The menu is a real treat for those from here.

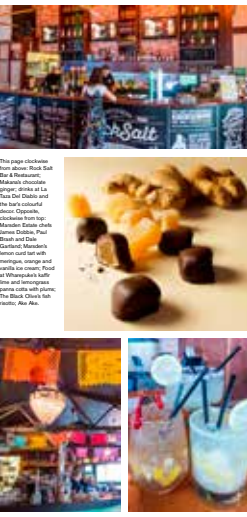
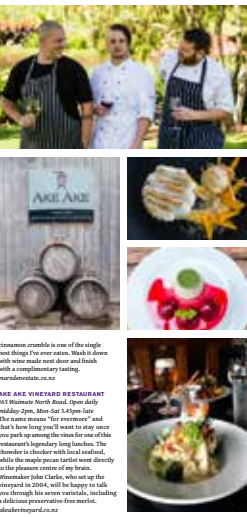
ARK AND VINEYARD RESTAURANT
101 Rimu North Road. Open daily 10am-10pm. Mon-Sat 10am-10pm.
The name says it all. "We've moved" and that's how long you'll want to stay once you pick up among the trees for one of this restaurant's legendary long lunches. The chowder is thicker with local seafood, while the maple pecan tartlet were directly to the pleasure centre of my brain. [www.arkandvineyard.co.nz](#)

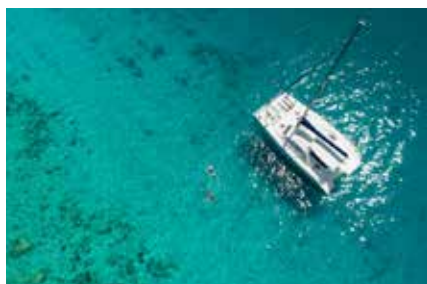
LA TAZA DEL DIABLO
218 Hume Road. Open Tue-Sat 10am-10pm.
You don't have to be crazy about cocktails to visit this fun, busy bar, but it helps. Owner Ben Lawrence gave up a career in coffee making to bring some of Latin America's greatest gifts – margaritas, capisabans and tequila – to the Far North. When you get hungry, the kitchen and bar will whip your taste buds around Mexico with a large selection of Mexican and Spanish. There's live music on Friday and Saturday nights and local artists' work for sale. [facebook.com/latazedel Diablo](#)

PIONEER RESTAURANT & BAR
2 Hillyard Lane, Whangape. Open daily 10am-10pm.
It's a 15 minute drive from Kerikeri, but it's worth it to visit this "old fashioned" Pioneer. You'll find the cafe on the left, a bar on the right and a kitchen in the middle. It's a 15 minute drive from Kerikeri, but it's worth it to visit this "old fashioned" Pioneer. You'll find the cafe on the left, a bar on the right and a kitchen in the middle.

ROCK BAIT BAR & RESTAURANT
1 Colham Road. Open daily 10am-10pm.
Monday through Sunday, this bar and restaurant is a real treat for those from here. The menu is a real treat for those from here. The menu is a real treat for those from here.

SHOP
BARBARA CONFECTIONS
101 Kerikeri Road. Open daily 10am-5pm.
The air drops with the thick, sweet aroma of chocolate as the factory which has been creating mouth-watering truffles, caramel and chocolate for 25 years. Barbara Confections and her husband partner David Powers bought the business in 2005 and opened the adjacent cafe two years ago. Watch the golden truffle making, then pop next door for a delicious chocolate cake and glass. It's a real treat for those from here. The menu is a real treat for those from here.





South Pacific Sailing Network

A cooperative marketing network targeting northern hemisphere cruising yachts has been developed, spearheaded by marinas in Whangārei and Opua, with support from Northland Inc. This international co-op is made up of the Northland marinas and Northland Inc, as well as reps from French Polynesia, Tonga, New Caledonia and Fiji. An initial strategy has been developed and a successful application made to Fonds Pacifique for marketing support funding to initiate branding and the tactical marketing programme. This crossover between Northland Inc's destination marketing and

marine sector support roles demonstrates the organisation's integrated 'all of sector' approach and activity.

International trade marketing

The International Marketing Group (IMG) funded by Industry and Northland Inc saw Northland continue to increase presence and profile in developing and traditional offshore visitor source markets over the year. The IMG included 13 senior tourism operators in the region investing a total \$32,500. This year Northland Inc visited nine countries under Tourism New Zealand's trade marketing umbrella; India, Singapore, Argentina, Brazil, Australia, UK, Europe, Switzerland, and North America. During those visits Northland trained and interacted with more than 2,000 travel agents across the key markets. The objective of the expanded offshore trade programme is to increase Northland presence and profile in developing offshore markets, and include Northland in more visitor itineraries.

Northland Inc for the first time partnered with the Bay of Islands Marketing Group,

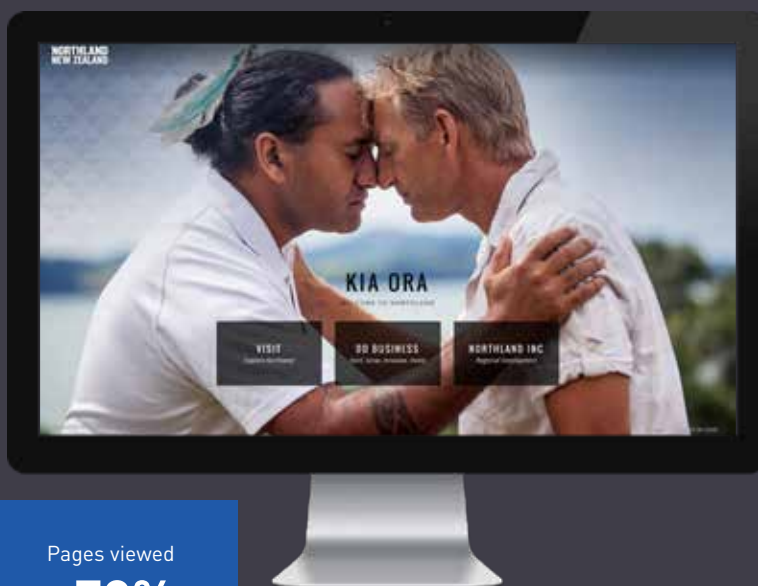
an industry-led collective that markets the Bay of Islands to a domestic market. Northland Inc invested \$20,000 which helped to achieve extensive public relations coverage through media familiarisations, social media, and an integrated digital, radio, print campaign.

Northland was one of two regions to be included in the AUD\$3 million Tourism New Zealand regional campaign targeting the Australian market. The integrated campaign of trade, public relations, and marketing activity focusing primarily on Northland and the West Coast returned impressive initial results.



Northlandnz.com – the new website

Northlandnz.com is the region's 'shop front window' promoting Tai Tokerau Northland to the world. With over half a million pages viewed annually, it is an important investment for Northland Inc. Since launching the re-developed website in April, strong analytics combined with positive user feedback show that the site is intuitive, user-friendly, content-rich, easy to navigate, with appealing graphics. While the previous website could be described as brochure-style, the new site delivers from the user's perspective including better user flow, which gets the user straight to the content they need without unnecessary clicks and keeps them engaged by serving up more related information – weaving them seamlessly through the site.



For the first 3 month period since the new website launched (vs previous year):

Session duration
+153%

Pages viewed
+70%

Twin Coast Revitalisation Project

This two and a half year development project, funded through Northland Regional Council's Investment and Growth Reserve, was completed in June 2018. A series of six Northland Journeys have been developed with another ready for sign off. These Journeys now form the basis of Northland's core visitor proposition for domestic and international marketing, encouraging visitors to; take time, slow down, see more, do more and spend more.

This revitalisation project and development of Northland Journeys has resulted in strong support from other key organisations such as the New Zealand Transport Agency, ATEED, Northland's four councils, Tourism New Zealand in their 2018 Australia Campaign, and Air New Zealand with their Kia Ora Magazine.

A June 2018 PGF announcement of a \$6.2 million investment into business cases to support infrastructure around the Twin Coast Discovery Highway further validates the work done within this project.

Northland Inc is charged with leading the future non-infrastructure development of the Twin Coast Discovery Highway and its revitalisation with a further series of compelling (and shorter) Northland Journeys including new routes and new ways to travel these routes e.g. by electric vehicle or bike.

All three Territorial Local Authorities are now using Northland Journeys as the structural framework for their applications to the PGF, demonstrating strong alignment across Northland under this project.

A future work programme looking at "next steps" focuses on the initiatives required to continue the development of Northland Journeys on and across the Twin Coast Discovery Highway route that will appeal to locals, domestic and international visitors. A further three-year development programme of thematic and local Journeys is planned to extend the concept, further adding to the future value this project can create for the Northland visitor sector and economy.



Get off the beaten track!

Download maps and find out more: northlandjourneys.co.nz
or facebook.com/Northland.NZ

Investment & Infrastructure

“The Provincial Growth Fund (PGF) is a significant opportunity for Tai Tokerau. There are challenges in dealing with the volume, complexity and interdependencies in developing investment-ready business cases to the PGF, but one of Northland Inc’s core competencies is in facilitating and coordinating complex multi-party economic development projects.”

Vaughan Cooper, GM Investment & Infrastructure

This year the change of Government saw the establishment of the Provincial Growth Fund (PGF), which is a billion-dollar-a-year fund for three years tagged for investment in projects that will lift productivity in the provinces. In conjunction with this, Northland Regional Council (NRC) made a decision to remove both debt and equity funding from the Investment & Growth Reserve, and increase the amount of money available for feasibility and business case development. As a result, greater emphasis was placed on helping economic development projects within Northland to become investment ready in order to take advantage of the opportunities the PGF offers the region.

Over this 12-month period, feasibility and business case funding was approved for a number of projects, often in partnership with other funders, and initiatives including:

- Dargaville to Donnelly’s Cycleway - economic impact analysis
- Four-star hotel - market demand and feasibility study
- Manea Footprints of Kupe - business case update
- Regional Walking and Cycling Strategy development
- Ngawha Springs - economic impact analysis
- Russell Museum redevelopment - business case
- Marine Sector Capability Study



Demand assessment for water storage in Northland

Another change in focus from the government has been the way water storage and management is funded. Now funded through a category within the Provincial Growth Fund it has opened up the opportunity to re-look at the areas Northland wishes to develop through better water use for economic

development purposes. The Mid North and Kaipara are both under consideration, and an application is currently being prepared on this basis.

AP EXTENSION 350

FARMERS LEARNING FROM FARMERS

“The farmer focused Extension 350 is delivered in three planks: increased profitability, improved environmental sustainability, and improved farmer wellbeing. We are not here to fix people or meld them according to our idea of success; rather, we are here to help articulate and achieve the unique vision and goals that farmers have for their businesses.”

*Luke Beehre,
Extension 350 project lead*

Extension 350 (E350) is a farmer-led farmer focused extension programme for Northland farmers. Launched in 2016 the last 12 months have seen the rubber hit the road with deepening farmer involvement and further project development with a focus on on-farm learnings for our farmers. Northland farmers are already working hard, and with Extension 350 we are seeing opportunities to improve through the support and advice that the target teams provide. The ‘at the kitchen table’ sharing and testing of ideas that the target farmer, mentor farmer and E350 consultants take part in throughout the project lies at the heart of our project philosophy, design and practice. This has proven to be a key to success to date, i.e. “the secret sauce”.

“We all want progress but don’t want to change”

Trevor Cook, Farm consultant

E350 is a uniquely Northland programme and has the potential to create real and positive economic and social change for farmers across our region.

By continually emphasising the three planks across the project: increased profitability; improved environmental sustainability and improved farmer

wellbeing, there is an intentional acknowledgment that being a successful farmer is not just about economics and profitability. To achieve enduring farming success we also need a focus on creating a sustainable environment and healthier farming community.

The establishment of two new dairy and two sheep and beef clusters this year brings the project to seven (out of ten) clusters underway totalling 34 target farms, 42 mentor farmers and 96 associate farmers with another 80 currently under recruitment across the region.

Over the past year we’ve seen strong engagement and collaboration from the partner agencies who steer the project; Beef + Lamb New Zealand, DairyNZ, Ministry for Primary Industries, Northland Inc and Northland Regional Council.

E350 events

The year has seen great networking and training opportunities for the E350 participants and stakeholders, including:

- Mike King talk to farmers about mental health and farmer wellbeing in the Far North and Whangārei;
- Field Days for the Group One clusters
- How to be a more effective mentor, and how to build a high performance team
- Dairy NZ’s Mark and Measure course where farmers focused on their goals and aspirations; and
- Environmental field day at NRC’s Mata-based poplar and willow nursery (pictured top right)



From left, Chris Neill (Dairy NZ), Alison Whiteford (Beef + Lamb New Zealand), Duncan Kervell (Northland Regional Council), Ken Hames (E350 Chair) and Mike Borrie (Fonterra Farm Source regional manager) attend the environmental field day



Māori Economic Development

“Mēnā e hiahia ana a ngai Māori, ahakoa he tangata anake, he pakihi whānau, Ahu Whenua, he hapū, he Iwi rānei, kia taea ki te tihi o te maunga pakihi me tīmata tātou ki te whakakaha ētahi mea hei atawhai te hikoi, ara, te tirohanga whānui, ngā tikanga a pakihi, ngā whakaaro hou me ngā mahia ngākau. Kia rite ai ngā mahi pakihi ki te hoiho e to ana te waka a kawa”

“Māori economic development requires that appropriate structures are in place to identify and support Māori whanau, entrepreneurs, businesses, Trusts, and communities, to achieve their goals. It is a vehicle towards economic independence and social outcomes.”

George Riley, GM Māori Economic Development

The Māori economy continues to play a key role in Tai Tokerau's economic development, whether it is through collective ownership of assets such as land and fisheries, community-led development plans, or business ownership and entrepreneurship.

This year Northland Inc continued to partner with Māori on strategy, delivery and investment across a range of sectors including tourism, agriculture, apiculture, aquaculture, forestry, silviculture, and health. We are currently working with more than 50 active businesses that self-identify as Māori, including post-settlement entities, Iwi organisations, Ahu Whenua Trusts, and small to medium enterprises.

Rawhiti 3B2 Ahu Whenua Trust



Northland Inc and Te Puni Kōkiri provided funding to the Rawhiti 3B2 Ahu Whenua Trust to assess the tourism potential of the walking tracks on the Rawhiti peninsula out to Whangamumu, Deep Water Cove, Rakaumangamanga and the Cape Brett lighthouse. The feasibility study recommended remedial work on the tracks. The Trust is also advancing a business case for the tracks to be become one of New Zealand's Great Walks, with potential for a broader range of tourism activities with a strong cultural focus.



Rukuhia Projects - Callaghan Innovation Programme

Four Māori businesses from Tai Tokerau participated in the Rukuhia Callaghan Innovation programme. They are: Tapuwaetahi 439 Incorporation (Wagyu beef farm, leasehold accommodation), Te Tii B3 Ahu Whenua Trust (tourist accommodation and retail development in Waitangi), Kai Ora Honey (Blanche Murray and whānau, manuka product development); and Mana Kai Honey (Sera-Belinda Grubb and Bobby Leef), also investigating manuka product development.

Facilitated by Heta Hudson (Ngati Awa) of Crowe Horwath (NZ) Limited and support provided from the BDO Bay of Islands to Callaghan Innovation, the programme consisted of several sessions discovering innovation principles and generic aspects of organisations where innovation of different types could occur.

Partnership with Federation of Māori Authorities

This year Northland Inc established a formal relationship with the Federation of Māori Authorities (FOMA) in the Tai Tokerau region. This new and overarching relationship will have direct benefits to members of FOMA via increased access to resources and support from the Regional Business Partnership, which is headed by Northland Inc and the Tai Tokerau Northland Economic Action Plan.

World Indigenous Tourism Summit

Northland Inc was actively involved with the World Indigenous Tourism Summit 2018, providing operational and planning support to hosts New Zealand Māori Tourism and the World Indigenous Tourism Alliance (WINTA). Around 300 manuhiri from 15 countries attended the Summit in Waitangi. This was the third World Indigenous Tourism Summit, but the first time it has been held in Aotearoa.

The 2018 Summit provided a forum for Indigenous peoples to discuss tourism, and share collective indigenous wisdom, knowledge and traditions handed down through generations. The indigenous voice and presence can guide the tourism industry in a manner that supports mutual respect and new relationships as guardians of our precious lands and waters.

Business Innovation & Growth

"The last year has shown that there is plenty of aspiration in the Northland economy. We had a fantastic response to our business ideas competition "The Pick", which saw strong outcomes created for the companies who participated. Our team was constantly inspired by the vision and innovation of our business community providing the next wave of business success in the region."

Joseph Stuart, GM Business Innovation & Growth

This year we continued to support people with great ideas into business, and established businesses to become more productive and competitive both at home and at a global level. Northland Inc's and The Orchard's new business ideas competition ThePick:2017 attracted 147 entries, demonstrating an increasing need for business support in the region.

In order to be able to reach more businesses we appointed an early stage growth advisor, and introduced one-on-one sessions providing business support around the region. Our work in the digital technology space both at a strategic level with partners and stakeholders, and at a business support level, has continued to remain a key focus for us this year as we continue to work towards helping to establish a culture of innovation in Northland. Further to the launch in 2017 of the Tai Tokerau International Education Strategy we have appointed a Regional Manager to implement the strategy, and this work is now underway.

Regional Business Partner Network

The Regional Business Partner (RBP) Network provides tools for businesses to strengthen and develop new perspectives, products, capabilities and relationships.

2017/18 was the strongest year in Northland for the RBP Network with our toolkit delivering the highest levels of investment ever seen in Northland. We supported record levels of both capability vouchers and Callaghan Innovation grants into the region, to a wider and more diverse group of businesses. We also welcomed a new cohort of mentors and service providers to our support offering. They bring diversity in knowledge and geographic distribution for the businesses we support, and this wider offering in more places strengthened engagement through greater business to business referral. Our partnerships across the ecosystem illustrate growing confidence for the region and support our belief that Northland businesses are unique and can compete on any stage successfully.

Early Stage Business Unit - partnership with ecentre

The first year of Tai Tokerau Early Stage Business Unit ("Startup Northland") has been highly successful and the contract with Callaghan Innovation extended by six months, to a total of 30 months, through to December 2019.

The criterion for participants in the early stage programme is for potential to be scalable, high growth and exporting. With a total cohort to the end of this financial year of 15 businesses actively engaged in the early stage programme and a further 100

in the pipeline, demand for services is strong and growing. We have seen diverse industry sectors, 50 per cent of early stage clients are in technology or innovation, and the rest fall into fast moving consumer goods (FMCG), eco, food and beverage, and fashion.

Targets from the contract with Callaghan Innovation have all been met or exceeded, and Northland Inc has surpassed expectations on all metrics, e.g. capital raised by businesses, female founders, Māori founders, and number of clients engaged.

A high proportion of businesses have approached us for support with investment-readiness and we have engaged closely with NZTE's investment team to add to our in-house expertise in this area. In response to demand, an investment readiness accelerator and an Angel investor showcase are planned for 2018.



AP

International education strategy underway

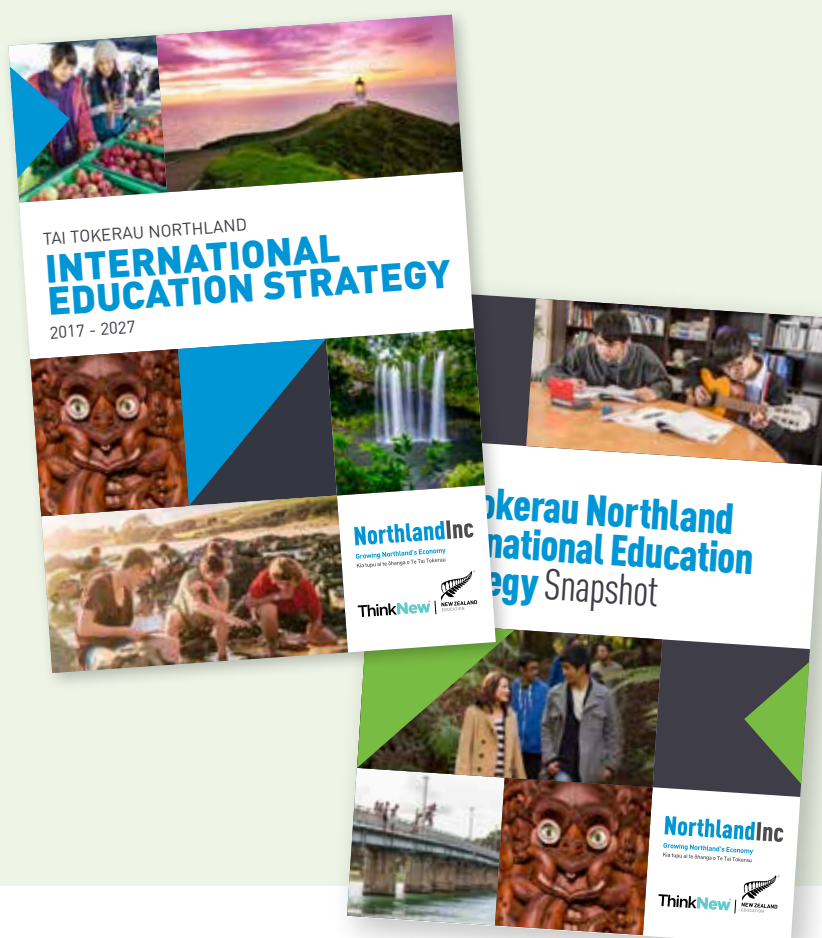
Northland Inc in partnership with Education New Zealand, through the Regional Partnership Programme, developed and launched the Tai Tokerau Northland International Education Strategy in August 2017. This strategy sets the pathway forward for coordinated activity in the region.

One of the first actions identified in the Strategy was to appoint an International Education Regional Manager and this position was filled in May 2018.

The Regional Manager has been working to engage providers, schools and wider industry stakeholders, receiving overwhelming support for leading

Study Northland, the newly established regional sector body for International Education.

The vision for Northland is to maximise the opportunities related to international education, and to position the sector as a positive contributor to the region's cultural, social and economic wellbeing through authentic cultural exchange. Northland is well placed to build its international education brand on the back of a strengthening national brand and a growing demand for regional programmes within New Zealand.



Techweek 2018 and NZ Space Challenge

AP

Northland Inc once again played a lead role in Techweek; a national annual festival that supports digital inclusion, building business capability, investment and international partnerships. Like other parts of New Zealand, Northland is experiencing a rapid growth in technology and innovation activity. Techweek supports this growth by helping foster connections and promoting Northland's key sectors and capabilities to New Zealand and overseas.

Working with the national campaign office, we supported 39 regional events from Kaitiaki to Mangawhai; managed the marketing for Techweek Northland; and coordinated a feature event - a Land and Water Innovation Showcase in Whangarei. The Showcase was attended by more than 100 people involved in Northland's key sectors and who are focused on growth from export and business innovation opportunities.

New to Techweek was the NZ Space Challenge, which sought innovative ideas that could be developed for use in extreme environments such as Antarctica and Space. Made possible by the Edmund Hillary Fellowship, Northland had more applicants in the Challenge than any other city or region. Engin.Systems Limited, based in Whangarei, secured third place in the regional finals competing against ventures from Auckland and Bay of Plenty.





With award presenter John Doorbar, MBIE (right) are, from left, Joseph Stuart, Northland Inc GM Business, Innovation & Growth, Irene Durham, former Northland Inc director, George Riley, Northland Inc GM Māori Economic Development, Jude Thompson, Northland Inc Portfolio Manager, Action Plan, and Vaughan Cooper, Northland Inc GM Investment & Infrastructure.



Kayla Tattley and Amy Barclay from Northland Inc celebrate The Orchard's success.

AP

The Orchard Business and Event Hub

The Orchard has continued to exceed expectations. This year we reached almost full capacity with more than 100 active co-workers (permanent, part time and casual) co-located in the space.

The demand for meeting and function rooms has been consistently high with the rooms

well utilised by Orchardists, and external businesses and companies from as far afield as Wellington. The innovative concept of The Orchard received a best practise commendation for integrated strategic planning at the Economic Development New Zealand conference in August 2017.

Seismic work on the building in 2018 resulted in a temporary shift across the air bridge to a new multi-zoned space we

named 'The Grove'. Other than a few logistical challenges during the construction phase, nothing else changed, and it remained business as usual for all who work in The Orchard.



The Pick: 2017

The Pick:2017 was a challenge developed by The Orchard and supported by Northland Inc to identify and support people in Northland who had a business idea they wanted to make a reality. We received 147 entries, innovative and broad-ranging ideas, from around the region.

The initiative had the support of mentors, judges, and sponsors from local SMEs through to large service-based organisations with a national profile. The number and calibre of sponsors supporting the challenge underpinned the desire of established business to nurture Northland and New Zealand's entrepreneurial future.

Through the initial process 20 finalists and one wild card were selected. Working one-on-one and with the group we helped the finalists develop and finely tune their ideas to present to the judges, and in November, after a robust judging process five Supreme Award winners were chosen.

Northland Inc and The Orchard have continued to work with some of the finalists and a number of the original entrants.

Several of these businesses have continued with measurable success along the business pathway; growing and developing their business and product, winning more awards, and becoming viable entities in their own right. In the coming year Northland Inc and The Orchard, with support from NZTE and Callaghan Innovation, will deliver a new edition of this evolving annual business competition.

"Being a part of The Pick business ideas competition was the catalyst for our entrance into the world of business ownership. We entered with literally an idea - nothing more. We are incredibly grateful for the opportunity to be a part of The Pick, and for all that we were supported to achieve. Our hope is that we can one day pay that back and contribute to the development of our own Northland business economy, just as our sponsors and mentors did for us."

*Chanelle Armstrong, Stay Native
(A Supreme Winner, ThePick:2017.)*



Kudos for Akudos

Akudos was one of five Supreme winners in The Pick:2017. Founded by Richard Brookes (Waipu) and Wairere (Wai) Iti (Auckland), Akudos is a cloud-based awards management system designed to streamline an awards process from beginning to end.

After ThePick, Akudos became one of 10 startups from across New Zealand selected for Kōkiri, a four-month accelerator programme supporting Māori business and innovation. Kōkiri is run by Te Wānanga o Aotearoa in partnership with MYOB, Air New Zealand, Spark and Callaghan Innovation.

Statement of Intent

2017/2018 KPI Results

as at 30 June 2018:

Growth in Northland businesses engaged with Northland Inc measured through an increase in:

Increase aggregate turnover by 5% per annum: Achieved

1. KPI: Increase aggregate turnover by 5% per annum

Result: RBP active companies had an aggregated total turnover increase of 5% for 2017/18*.

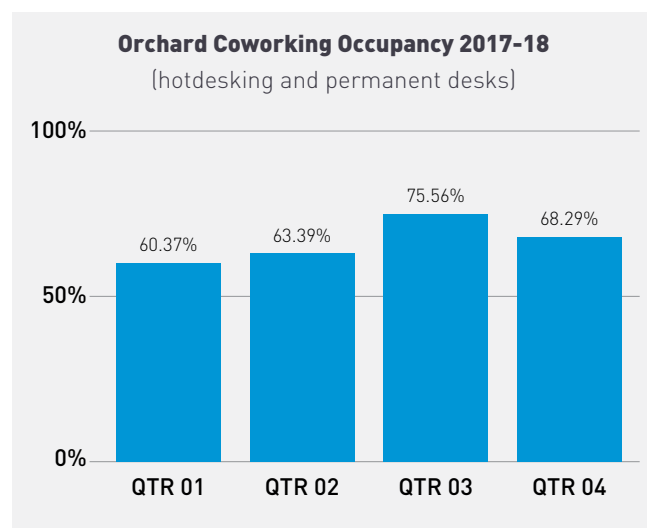
* Disclosure: This figure is based on RBP active accounts that have provided 2016/17 financial data.

25% of RBP Active companies are research active: Not Achieved

2. KPI: 25% of RBP Active companies are research active
Result: 6.6%

* Note this percentage has gone down due to an annual 74% increase in active companies. To take these companies to research active takes time but the overall growth in active companies is positive.

The Orchard achieves 30% occupancy rate: Achieved



Generic Investment proposals:

Development of 2 investment ready proposals: Achieved

- Two investment ready proposals are complete
 - Resin and Wax and Kingfish Aquaculture.

Northland Inc Board recommendations made to the NRC Investment and Growth Reserve:

1 project for debt or equity funding per annum: Not applicable

- No longer relevant as NRC has changed criteria and debt deals are no longer available through the Investment and Growth Reserve.

1 project for impact investment funding per annum: Achieved

- Northland Inc Board recommendation made in November to support the following impact investment project: Stage 2+ Demand Assessment for Water Storage Opportunities. Council approved the project for impact investment funding in December 17.

Promotion of Māori economic development measured by:

2 new projects partnering with Māori on economic development funded and underway: Achieved

- Ngawha Springs and Manea have received funding from the Investment and Growth Reserve and the Provincial Growth Fund and are progressing.

30 active Māori Businesses in CRM: Achieved

- 50 active businesses in the CRM self-identify as Māori.

Promotion of the region measured by:

Partner investment of \$300K per annum in regional promotion activity: Achieved

	2016/17	2017/18
Northland and BOI Visitor Guide	\$99,030	\$106,505
Northlandnz.com priority listings	\$24,728	\$25,040
Chinese Product Introduction	\$11,250	\$9,800
Northland Trade Directory listings	\$39,715	\$23,200
Total Northland Publications	\$174,723	\$164,545
International Marketing Group	\$37,500	\$35,000
TRENZ	\$91,000	\$92,000
In-kind product contribution media and trade famils	\$92,500	\$85,382
Total Industry Support	\$395,723	\$376,927

Industry Investment

Northland Tourism Marketing Products

An Equivalent Advertising Value of \$15M per annum is achieved from destination marketing and media coverage: Achieved

- Total EAV for year to 30 June 2018 for International Media Programme famil visits to Northland - \$24.85M

10% increase in traffic on our social media channels: Achieved

	1 July 2016 - 30 June 2017	1 July 2017 - 31 June 2018	% growth
Total Facebook (Visit)	10,548	11,174	+5.9%
Total Facebook (Business)	-	199	N/A
Total Instagram	726	1,122	+54.5%
Total Twitter	4,283	4,448	+3.8%
Total YouTube	1,389	2,990	+115.2%
Total	16,946	19,933	+17.6%
In-kind product contribution media and trade famils	\$92,500		\$85,382

Website traffic growth exceeds growth in visitor spend by 10%: Not Achieved

- Annual figure on visitor spend estimated at 10%

NORTHLANDNZ.COM						
Visitor Sessions	2013-14	2014-15	2015-16	2016-17	2017-18	% Change
Quarter 1	27,646	41,985	43,979	48,316	61,131	+26.52
Quarter 2	42,588	63,375	54,398	62,516	61,924	-0.9
Quarter 3	49,376	67,949	62,733	66,691	69,026	+3.4
Quarter 4	38,990	54,478	46,500	97,014*	28,843	-70.26
TOTAL	158,600	227,787	207,600	274,537	220,924	-19.52

- This target was not achieved as a result of planned work on the website which affected website traffic growth in the short-term, but the changes made will improve overall performance over time as outlined below.
- In the last quarter since the new site went live, engagement has increased dramatically – the average session duration has increased by +50.25%, pages viewed per session are up +28.28% and the bounce rate (the percentage of visitors to a particular website who navigate away from the site after viewing only one page) has dropped by -10.88%. This indicates users are finding the new content engaging and the site structure cleaner to navigate.
- Since the rebuild however session numbers are lower so traffic is not as yet meeting KPI targets as expected. Over time the page views and user sessions will increase, however there will be a slight drop in traffic initially due to a search engine adjustment period while the bad traffic and old links go away. When the site re-launched in April there were 580 indexed pages so very little traffic to the site – this has increased to 2,080 indexed pages so the traffic is increasing rapidly.
- Since removing Eventfinda we are down around 41k page views, again a planned change as Eventfinda has a data feed that included

many low-level Northland events which don't attract people into the region (such as community classes). Overall website visits will be affected by this change but we have opted for quality over quantity in this instance by featuring select events.

* There was a spike in website visits during 23rd May and 4th July 2017. This increased our organic traffic by +37,106 visits to the Auckland digital campaign page.

Implementation of the Action Plan measured by

Total value of investment in Action Plan projects: (cumulative): Achieved

I & GR Contribution	Investment from Outside the Region	Total Project Value	Combined Economic Impact	Combined FTE's
\$5,553,500	*\$92,552,625	\$112,312,125	\$65,736,701	301

- *includes Digital UFB1 and UFB2 investment.
- Note: \$500m Hawaiki cable project has not been included in the figures

Project, actions, milestones successfully completed: Achieved

- 8 of 54 projects successfully completed (15%)
- 73 key actions / milestones were successfully completed across the remaining projects.

A summary of the key actions, milestones successfully completed:

- Supporting Northport's Vision for Growth. \$500k has been approved from the PGF to explore rail upgrade options including a new spur to Marsden Point.
- Digital Enablement Plan completed and Expression of Interest drafted.
- Vocational Pathways - Two Secondary/Tertiary Employer Workshops held. Taskforce established.
- Communities of Learning Kahui Ako – All established and in monitoring phase.
- Tertiary Education - A combined tertiary investment plan for funding is in development supported by TEC.
- International Education - International Education Regional Manager now in place. Action plan developed and mapped out until June 2019.
- Hihiaua Cultural Centre - ready for Stage 1 construction. Preparing Stage 2 application to PGF.
- Manea Footprints of Kupe Cultural and Education Centre - finalising implementation programme. Funding of \$4.6 million confirmed.
- Rakau Rangatira project - Project Manager on board.
- Twin Coast Programme - Visitor experiences being geo-mapped. NZTA's \$6.2 million will fund a package of business cases for the route which could lead to future investment of \$94 million.
- Kaihu Valley Trail - Expression of interest to PGF submitted.
- Tourism Infrastructure Fund (TIF) applications submitted for several projects across all three districts within Northland.
- Bay of Islands Vintage Railway Trust – Expression of Interest submitted.
- Te Waiariki Ngawha Springs redevelopment - Northland Inc funding an Economic Impact Assessment and business case assessment for project. PGF Expression of interest submitted to support early stage project management.
- Tuia Encounters 250 - PGF Expression of Interest submitted.
- Investment in lift and retrieval facilities in Whangārei – Northland Inc assisting with Economic Impact Analysis.



Financial Statements

For The Year Ended 30 June 2018

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Entity Information

As at 30 June 2018

LEGAL NAME OF ENTITY

Northland Inc Limited

TYPE OF ENTITY AND LEGAL BASIS

Northland Inc Limited is a company registered under the Companies Act 1993. The company is controlled by Northland Regional Council and is a council-controlled organisation as defined by section 6 of the Local Government Act 2002.

REGISTRATION NUMBER

857377

COMPANY'S PURPOSE

The Company's principal activity during the year was the development of the economy in Northland and review of funding opportunities for the Investment and Growth Reserve.

STRUCTURE OF COMPANY'S OPERATIONS

The Company comprises a Board of five Directors who oversee the governance of the Company, a Chief Executive Officer who is responsible for the day to day operations of the Company and reporting to the Directors. The Directors are appointed by the Northland Regional Council.

MAIN SOURCES OF THE COMPANY'S CASH AND RESOURCES

Operating grants are received from the Northland Regional Council and this is the primary source of funding to the Company.

DIRECTORS

Irene Durham
Karleen Everitt
Jeroen Jongejans
Warren Moyes
Sarah Petersen

ACCOUNTANTS

Crowe Horwath (NZ) Limited
Level 1, Crowe Horwath House,
57 Willis Street
Wellington 6011

SHAREHOLDER

Northland Regional Council - 100
Total Ordinary Shares - 100



Independent auditor's report

To the readers of Northland Inc Limited's financial statements and performance information for the year ended 30 June 2018

The Auditor-General is the auditor of Northland Inc Limited (the company). The Auditor-General has appointed me, Peter Gulliver, using the staff and resources of Deloitte Limited, to carry out the audit of the financial statements and performance information of the company on his behalf.

Opinion

We have audited:

- the financial statements of the company on pages 24 to 35, that comprise the statement of financial position as at 30 June 2018, the statement of comprehensive revenue and expense, statement of changes in net assets 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 performance information of the company on pages 17 to 18.

In our opinion:

- the financial statements of the company on pages 24 to 35:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2018; and
 - its financial performance and cash flows for the year then ended; and
 - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity International Public Sector Accounting Standards Reduced Disclosure Regime (PBE IPSAS RDR).
- the performance information of the company on pages 17 to 18 presents fairly, in all material respects, the company's actual performance compared against the performance targets and other measures by which performance was judged in relation to the company's objectives for the year ended 30 June 2018.

Our audit was completed on 24 September 2018. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements and the performance information, and we explain our independence.

Basis for opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors for the financial statements and the performance information

The Board of Directors is responsible on behalf of the company for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand. The Board of Directors is also responsible for preparing the performance information for the company.

The Board of Directors is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the performance information, the Board of Directors is responsible on behalf of the company for assessing the company's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Board of Directors intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors' responsibilities arise from the Local Government Act 2002.

Responsibilities of the auditor for the audit of the financial statements and the performance information

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of these financial statements and the performance information.

For the budget information reported in the financial statements and the performance information, our procedures were limited to checking that the information agreed to the company's statement of intent.

We did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.



- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- We evaluate the appropriateness of the reported performance information within the company's framework for reporting its performance.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

Independence

We are independent of the company in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1(Revised): *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board.

Other than the audit, we have no relationship with, or interests in, the company.

Peter Gulliver
for Deloitte Limited
On behalf of the Auditor-General
 Auckland, New Zealand

Statement of Comprehensive Revenue and Expense

For the year ended 30 June 2018

	Notes	2018 Actual \$	2018 Budget \$	2017 Actual \$
REVENUE FROM NON-EXCHANGE TRANSACTIONS				
Grants revenue		1,327,176	1,332,481	1,303,212
Grant funded project revenue		1,978,671	1,906,962	1,408,964
Total revenue from non-exchange transactions	6	3,305,847	3,239,443	2,712,176
REVENUE FROM EXCHANGE TRANSACTIONS				
Tenant income		122,970	118,420	45,051
Total revenue from exchange transactions		122,970	118,420	45,051
TOTAL REVENUE		3,428,817	3,357,863	2,757,227
EXPENSES				
Wages, salaries and other employee costs		1,497,062	1,416,134	1,398,020
Depreciation		58,103	-	48,125
Other overhead and administrative expenses	7	1,864,853	1,940,970	1,306,262
TOTAL EXPENSES		3,420,018	3,357,104	2,752,407
Interest income		2,881	-	2,151
Finance costs		(1,999)	-	(2,249)
NET SURPLUS/(DEFICIT) FROM FINANCE ACTIVITIES		882	-	(98)
OPERATING SURPLUS/(DEFICIT)		9,681	759	4,722
OTHER GAINS/(LOSSES)				
Gain/(loss) on disposal of assets		(188)	-	(5,374)
Other gains/(losses)		-	-	895
TOTAL OTHER GAINS/(LOSSES)		(188)	-	(4,479)
SURPLUS/ (DEFICIT) BEFORE TAX		9,493	759	243
Income tax expense	8	-	-	-
SURPLUS/ (DEFICIT) AFTER TAX		9,493	759	243
TOTAL COMPREHENSIVE REVENUE AND EXPENSES FOR THE YEAR		9,493	759	243

These financial statements have been authorised for issue by the Board of Directors

	24/09/18		24/09/18
Acting Chair Sarah Petersen	Date	Director Geoff Copstick	Date

The attached Accounting Policies and Notes form an integral part of these financial statements

Statement of Financial Position

As at 30 June 2018

	Notes	2018 \$	2017 \$
ASSETS			
Current			
Cash and cash equivalents		767,605	349,283
Receivables	9	496,047	689,443
Total current assets		1,263,652	1,038,726
Non-current			
Property, plant and equipment	10	187,664	207,530
Total non-current assets		187,664	207,530
TOTAL ASSETS		1,451,316	1,246,256
LIABILITIES			
Current			
Payables	11	308,929	335,290
Employee entitlements	12	83,820	69,797
Deferred revenue		922,254	698,481
Loans and borrowings	13	9,088	15,867
Total current liabilities		1,324,091	1,119,434
Non-current			
Loans and borrowings	13	4,754	13,844
Total non-current liabilities		4,754	13,844
TOTAL LIABILITIES		1,328,845	1,133,278
NET ASSETS		122,471	112,978
EQUITY			
Start-up contributions		100	100
Accumulated funds		122,371	112,878
TOTAL EQUITY		122,471	112,978

The attached Accounting Policies and Notes form an integral part of these financial statements

Statement of Changes in Net Assets

For the year ended 30 June 2018

	Start-up contribution reserve	Accumulated Funds	Total equity
Balance 1 July 2017	100	112,878	112,978
Surplus/ (deficit) for the year	-	9,493	9,493
Total comprehensive revenue and expense	-	9,493	9,493
Balance 30 June 2018	100	122,371	122,471
Balance 1 July 2016	100	112,635	112,735
Surplus/ (deficit) for the year	-	243	243
Total comprehensive revenue and expense	-	243	243
Balance 30 June 2017	100	112,878	112,978



The attached Accounting Policies and Notes form an integral part of these financial statements

Statement of Cash Flows

For the year ended 30 June 2018

	2018	2017
	\$	\$
Cash flow from operating activities		
Cash was provided from/(applied to):		
Northland Regional Council Funding	1,639,347	2,130,399
Whangarei District Council Operating Grants	105,000	105,000
Receipts from services provided	1,960,226	324,307
Receipts from exchange transactions	141,416	51,809
Net movement in GST	(128,167)	99,745
Payments to suppliers	(1,749,025)	(1,236,508)
Payments to employees	(1,497,062)	(1,387,159)
Net cash from/(used in) operating activities	471,734	87,593
Cash flow from investing activities		
Cash was provided from/(applied to):		
Proceeds from sale of plant and equipment	3,487	3,186
Purchase of plant and equipment	(41,914)	(167,538)
Net cash from/(used in) investing activities	(38,427)	(164,352)
Cash flow from financing activities		
Cash was provided from/(applied to):		
Net Proceed/(Repayment) of borrowings	(15,867)	(3,730)
Interest received	2,881	2,151
Interest paid on borrowings	(1,999)	(2,249)
Net cash from/(used in) financing activities	(14,985)	(3,828)
Net (decrease)/increase in cash and cash equivalents	418,322	(80,588)
Cash and cash equivalents, beginning of the year	349,283	429,871
Cash and cash equivalents at end of the year	767,605	349,283

The attached Accounting Policies and Notes form an integral part of these financial statements

Notes to the Financial Statements

For the year ended 30 June 2018

1. Reporting entity

These financial statements comprise the financial statements of Northland Inc Limited (the "Company" or "Entity") for the year ended 30 June 2018.

The financial statements were authorised for issue by the Board of Directors on 24th September 2018.

2. Basis of preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with Tier 2 Public Benefit Entity (PBE) Financial Reporting Standards as issued by the New Zealand External Reporting Board (XRB). They comply with New Zealand equivalents to International Public Sector Accounting Standards Reduced Disclosure Regime (NZ IPSAS with RDR) and other applicable Financial Reporting Standards as appropriate to Public Benefit Entities.

The entity is eligible to report in accordance with Tier 2 PBE Accounting Standards on the basis that it does not have public accountability and is not large.

The financial statements have been prepared in accordance with the Local Government Act 2002, which requires compliance with generally accepted accounting practice in New Zealand ("NZ GAAP"). [LGA. 111]. The entity is deemed a public benefit entity for financial reporting purposes, as its primary objective is to provide services to the community for social benefit and has been established with a view to supporting that primary objective rather than a financial return.

(b) Basis of measurement

The financial statements have been prepared on a historical costs basis.

The accrual basis of accounting has been used unless otherwise stated and the financial statements have been prepared on a going concern basis.

(c) Presentation currency

The financial statements are presented in New Zealand dollars. All numbers are rounded to the nearest dollar (\$), except when otherwise stated.

(d) Changes in accounting policies

There have been no changes to the accounting policy during the year. Certain comparatives have been reclassified to align with current year presentation.

3 Summary of significant accounting policies

The accounting policies of the entity have been applied consistently to all years presented in these financial statements. The significant accounting policies used in the preparation of these financial statements are summarised below:

(a) Cash and cash equivalents

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

(b) Debtors and other receivables

Trade debtors and other receivables are measured at their cost less any impairment losses.

(c) Creditors and other payables

Trade creditors and other payables are stated at cost.

(d) Property, plant and equipment

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

Additions and subsequent costs

Subsequent costs and the cost of replacing part of an item of 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 entity and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised."

In most instances, an item of plant and equipment is recognised at its cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value at the acquisition date.

All repairs and maintenance expenditure is charged to surplus or deficit in the year in which the expense is incurred.

Disposals

An item of plant and equipment is derecognised upon disposal or when no further future economic benefits or service potential are expected from its use or disposal.

When an item of plant or equipment is disposed of, the gain or loss recognised in the surplus or deficit is calculated as the difference between the net sale proceeds and the carrying amount of the asset

Depreciation

"Depreciation is recognised as an expense in the reported surplus or deficit and measured on diminishing value (DV) basis on all plant and equipment over the estimated useful life of the asset. The following depreciation rates have been applied for each class of plant and equipment:

Vehicles

26 - 30% DV

Office Furniture & Equipment

5 - 67% DV

The residual value, useful life, and depreciation methods of property, plant and equipment is reassessed annually.

(e) Leased assets

Leases where the Entity assumes substantially all the risks and rewards incidental to ownership of the leased assets, are classified as finance leases. All other leases are classified as operating leases. Payments made under operating leases are recognised in the surplus or deficit on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease. Associated costs, such as maintenance and insurance, are expensed as incurred.

(f) Impairment of non-financial assets*Impairment of non-cash-generating assets*

The entity assesses at each reporting date whether there is an indication that a non-cash-generating asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the entity estimates the asset's recoverable service amount. An asset's recoverable service amount is the higher of the non-cash generating asset's fair value less costs to sell or its value in use.

"Where the carrying amount of an asset exceeds its recoverable service amount, the asset is considered impaired and is written down to its recoverable service amount."

In determining fair value less costs to sell, the price of the asset in a binding agreement in an arm's length transaction, adjusted for incremental costs that would be directly attributed to the disposal of the asset, is used. If there is no binding agreement, but the asset is traded on an active market, fair value less cost to sell is the asset's market price less cost of disposal. If there is no binding sale agreement or active market for an asset, the entity determines fair value less cost to sell based on the best available information.

Impairment losses are recognised immediately in surplus or deficit.

(g) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument in another entity.

Financial instruments are comprised of trade debtors and other receivables, cash and cash equivalents, other financial assets, trade creditors and other payables, borrowings, and other financial liabilities.

Initial recognition and measurement

Financial assets and financial liabilities are recognised initially at fair value plus transaction costs attributable to the acquisition.

Derecognition of financial instruments

"Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or if the entity transfers the financial asset to another party without retaining control or substantial all risks and rewards of the asset.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Subsequent measurement of financial assets

The subsequent measurement of financial assets depends on their classification, which is primarily determined by the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition and re-evaluates this designation at each reporting date.

All financial assets held by the entity in the years reported have been designated into one classification, "loans and receivables", being non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

Subsequent measurement of financial liabilities

Trade payables and other borrowings are subsequently measured at amortised cost using the effective interest method.

(h) Employee entitlements**Short- term employee benefits**

Employee benefits, previously earned from past services, that the entity expect to be settled within 12 months of reporting date are measured based on accrued entitlements at current rate of pays.

These include salaries and wages accrued up to the reporting date and annual leave earned, but not yet taken at the reporting date.

(i) Revenue

Revenue is recognised to the extent that it is probable that the economic benefit will flow to the entity and revenue can be reliably measured. Revenue is measured at the fair value of consideration received.

The entity assesses its revenue arrangements against specific criteria to determine if it is acting as the principal or agent in a revenue transaction. In an agency relationship only the portion of revenue earned on the entity's own account is

recognised as gross revenue in the Statement of Comprehensive Revenue and Expense.

The following specific recognition criteria must be met before revenue is recognised:

Revenue from non-exchange transactions

A non-exchange transaction is where the entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange."

When non-exchange revenue is received with conditions attached, the asset is recognised with a matching liability. As the conditions are satisfied the liability is decreased and revenue recognised."

When non-exchange revenue is received with restrictions attached, but no requirement to return the asset if not deployed as specified, then revenue is recognised on receipt.

Condition stipulation – funds received are required to be used for a specific purpose, with a requirement to return unused funds.

Restriction stipulation – funds received are required to be used for a specific purpose, with no requirement to return unused funds.

Revenue from exchange transactions

An exchange transaction is where the entity either receives value from another entity and directly gives approximately equal value in exchange, or gives value to another entity and directly receives approximately equal value in exchange.

Interest income

Interest income is recognised as it accrues, using the effective interest method.

(j) Borrowing costs

All borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(k) Income tax

As agreed with Inland Revenue from 2014 financial year, operational grants received address only the operating deficit such that deductible expenses equate to taxable income. The result being that taxable income is nil.

(l) Goods and Services Tax (GST)

All amounts in these financial statements are shown exclusive of GST, except for receivables and payables that are stated inclusive of GST.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the Statement of Financial Position.

4. Significant accounting judgments, estimates and assumptions

The preparation of financial statements in conformity with NZ IPSAS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Where material, information on significant judgments, estimates and assumptions is provided in the relevant accounting policy or provided in the relevant note disclosure.

The estimates and underlying assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances. Estimates are subject to ongoing review and actual results may differ from these estimates. Revisions to accounting estimates are recognised in the year in which the estimate is revised and in future years affected.

The following are significant management judgments in applying the accounting policies of the entity that have a significant effect on the financial statements:

Deferred Revenue

One area of estimation is the calculation of deferred revenue at each balance date as this involves an assessment of the amount of work completed for each project in relation to the milestones to be achieved to determine the amount of revenue and associated deferred revenue to record.

5. Capital Management Policy

The entity's capital is its equity, being the net assets represented by retained earnings and other equity reserves. The primary objectives of the entity's capital management policy is to ensure adequate capital reserves are maintained in order to support its activities. The entity manages its capital structure and makes adjustment to it, in light of changes to funding requirements.



The attached Accounting Policies and Notes form an integral part of these financial statements

6. Revenue from non-exchange transactions

	2018	2017
	\$	\$
Northland Regional Council Operational Grant Funding	1,222,176	1,198,212
Whangarei District Council Operating Grant Funding	105,000	105,000
Grant Funded Project Income	1,978,671	1,408,964
Total non-exchange revenue	3,305,847	2,712,176

7. Expenses

The following amounts were expensed in the surplus/(deficit) for the year:

	2018	2017
	\$	\$
Audit fees	33,841	30,247
Directors' Fees	74,540	74,500
Motor vehicle expenses	49,785	35,407
Other expenses	1,266,792	745,738
Other project activity costs	42,511	83,967
Operating lease payments	102,235	82,605
Project consultants	39,929	21,926
Regional promotions	255,220	231,872
Total	1,864,853	1,306,262

8. Income Tax

	2018	2017
	\$	\$
Revenue as per financial statements	3,428,817	2,757,227
Loss on sale of assets	(189)	-
Depreciation recovered on sale of assets	-	1,423
Sale of sundry assets	-	895
Total Revenue	3,428,628	2,759,545

Permanent Differences:

Less:

Grants from Local authorities exempt income (sec CX47 of the Income Tax Act)	(1,327,176)	(1,303,212)
Other revenue from grant funded operations	(1,978,671)	(1,408,964)
Total Permanent Differences	(3,305,847)	(2,712,176)

Less:

Deductible expenses	(122,781)	(47,369)
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Total	-	-
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9. Receivables

	2018	2017
	\$	\$
Trade debtors	288,252	241,706
Related party receivables	149,528	408,566
Prepayments	58,267	39,171
Total	496,047	689,443

Receivables are non-interest bearing and receipt is normally on 30 days terms. Therefore the carrying value of trade debtors and other receivables approximates its fair value. As at 30 June 2017 and 2018, all overdue receivables have been assessed for impairment and appropriate allowances made. All receivables are subject to credit risk exposure.

10. Property, plant and equipment

Movements for each class of plant and equipment are as follows:

2018	Vehicles	Office Furniture and Equipment	Total
Gross carrying amount			
Cost	171,567	154,854	326,421
Additions	32,922	8,982	41,904
Disposals	(16,522)	-	(16,522)
Closing balance	187,967	163,836	351,803
Accumulated depreciation and impairment			
Opening balance	85,572	33,319	118,891
Depreciation for the year	34,209	23,894	58,103
Depreciation written back on disposal	(12,855)	-	(12,855)
Closing balance	106,926	57,213	164,139
Carrying amount 30 June 2018	81,041	106,623	187,664

Movements for each class of plant and equipment are as follows:

2018	Vehicles	Office Furniture and Equipment	Total
Gross carrying amount			
Cost	128,995	68,964	197,959
Additions	49,094	121,442	170,536
Disposals	(6,522)	(35,552)	(42,074)
Revaluation movements	-	-	-
Closing balance	171,567	154,854	326,421
Accumulated depreciation and impairment			
Opening balance	61,519	40,648	102,167
Current year depreciation	29,378	18,747	48,125
Depreciation written back on disposal	(5,325)	(26,076)	(31,401)
Closing balance	85,572	33,319	118,891
Carrying amount 30 June 2017	85,995	121,535	207,530

The attached Accounting Policies and Notes form an integral part of these financial statements

11. Payables

	2018	2017
	\$	\$
Current		
Trade creditors	281,314	166,275
Non trade payables and accrued expenses	29,022	42,255
GST payable/receivable	(1,407)	126,760
Total payables	308,929	335,290

Trade creditors and other payables are non-interest bearing and normally settled on 30 day terms; therefore their carrying amount approximates their fair value.

12. Employee entitlements

	2018	2017
	\$	\$
Current		
Accrued salary and wages	31,444	27,362
Provision for Holiday Pay	52,376	42,435
Total	83,820	69,797

Short-term employee entitlements represent the entity's obligation to its current and former employees that are expected to be settled within 12 months of balance date. These mainly consist of accrued holiday entitlements at the reporting date.

13. Loans and borrowings

	2018	2017
	\$	\$
Current		
Northland Regional Council Loan	9,088	15,867
Total current loans and borrowings	9,088	15,867
Non-current		
Northland Regional Council Loan	4,754	13,844
Total non-current loans and borrowings	4,754	13,844
Total loans and borrowings	13,842	29,711

14. Operating leases

Operating leases are held for premises used for office space and office equipment.

	2018	2017
	\$	\$
<i>Non-cancellable operating leases are payable as follows:</i>		
Less than one year	80,080	80,080
Between one and five years	125,533	206,033
Total	205,613	286,113

15. Financial instruments

(a) Carrying value of financial instruments

The carrying amount of all material financial assets and liabilities are considered to be equivalent to fair value. Fair value is the amount for which an item could be exchanged, or a liability settled, between knowledgeable and willing parties in an arm's length transaction.

(b) Classification of financial instruments

All financial assets held by the entity that are classified as "loans and receivables" are carried at cost less accumulated impairment losses. All financial liabilities held by the Company are carried at amortised cost using the effective interest rate method.

The carrying amounts presented in the statement of financial position relate to the following categories of financial assets and liabilities.

2018	Financial assets at fair value through surplus or deficit	Held-to-maturity investments	Loans and receivables	Available-for-sale financial assets	Financial liabilities at fair value through surplus or deficit	Financial Liabilities at amortised cost	Total
Financial assets							
Cash and cash equivalents	-	-	767,606	-	-	-	767,606
Trade debtors and other receivables	-	-	437,780	-	-	-	437,780
Other financial assets	-	-	58,267	-	-	-	58,267
Total	-	-	1,263,652	-	-	-	1,263,652
Financial liabilities							
Trade creditors and other payables	-	-	-	-	-	1,231,182	1,231,182
Loans and borrowings	-	-	-	-	-	13,842	13,842
Other financial liabilities	-	-	-	-	-	83,820	83,820
Total	-	-	-	-	-	1,328,845	1,328,845
2017	Financial assets at fair value through surplus or deficit	Held-to-maturity investments	Loans and receivables	Available-for-sale financial assets	Financial liabilities at fair value through surplus or deficit	Financial Liabilities at amortised cost	Total
Financial assets							
Cash and cash equivalents	-	-	349,283	-	-	-	349,283
Trade debtors and other receivables	-	-	650,272	-	-	-	650,272
Other financial assets	-	-	39,171	-	-	-	39,171
Total	-	-	1,038,726	-	-	-	1,038,726
Financial liabilities							
Trade creditors and other payables	-	-	-	-	-	1,033,770	1,033,770
Loans and borrowings	-	-	-	-	-	29,711	29,711
Other financial liabilities	-	-	-	-	-	69,797	69,797
Total	-	-	-	-	-	1,133,278	1,133,278

The attached Accounting Policies and Notes form an integral part of these financial statements

16. Contingent assets and contingent liabilities

The entity has no contingent assets or contingent liabilities.

17. Commitments

The entity has no capital commitments at the end of the reporting period.

18. Events after the reporting period

There were no significant events after the balance date.

19. Related party transactions

Related party transactions arise when an entity or person(s) has the ability to significantly influence the financial and operating policies of the entity. The entity has a related party relationship with its shareholder Northland Regional Council, its Directors and other key management personnel.

Transactions with related parties

The following transactions were carried out with related parties:

(a) Key management compensation

Key management personnel include the Board of Directors and Senior Management. Key management personnel compensation includes the following expenses:

	2018	2017
	\$	\$
Salaries and other short-term employee benefits	677,028	576,280
Directors Fees	74,540	74,500
Total remuneration	751,568	650,780
Number of persons recognised as key management personnel	11	11

(b) Northland Regional Council

Northland Regional Council owns all 100 shares in Northland Inc Limited and is the ultimate controlling party. During the year Northland Inc Limited received grants from Northland Regional Council. This is included in revenue and income in advance. Total amount of revenue recognised in the year was \$2,407,756 (2017 \$2,130,399). At balance date, Northland Regional Council owes Northland Inc Ltd \$149,528 (2017 \$408,566).

Northland Regional Council has advanced loans to Northland Inc Limited. Interest is charged on the loan money at market rate and the loans are repaid in monthly instalments consisting of principal and interest (refer to Note 14).

(c) Sale to Employee

During the period ended 30 June 2018, a vehicle was sold to an employee of Northland Inc Limited. The value of the vehicle sold was \$4,000 (GST Inclusive). The transaction was at arm's length as a result of an independent valuation being conducted.

NorthlandInc

Growing Northland's Economy

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