



**GREAT LAKE TAUPŌ**

# **ANNUAL REPORT**

**FOR THE YEAR ENDING  
30 JUNE 2018**



**GREAT LAKE TAUPŌ**



# DIRECTORY

## **Governing Body**

### **Destination Lake Taupō Trust Board**

Ray Salter (Chairman)  
Laura Duncan  
Dennis Christian  
Glyn Williams  
Jonathan Cameron  
Kathy Guy (retired 27 July 2018)

## **General Manager**

Damian Coutts

## **Bankers**

Bank of New Zealand, Taupō – Transactional Banking

## **Auditors**

Audit New Zealand on behalf of  
The Controller & Auditor General

## **Insurance Brokers**

Aon New Zealand Limited

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# CONTENTS

<b>DESTINATION GREAT LAKE TAUPŌ (DGLT) AGM 2018: CHAIRMAN’S REPORT</b> .....	4
<b>AUDIT REPORT</b> .....	6
<b>REPORT ON TRUST ACTIVITIES</b> .....	10
<b>PERFORMANCE OVERVIEW</b> .....	13
<b>PERFORMANCE MEASURES ACHIEVED</b> .....	15
<b>SUMMARY OF FINANCIAL STATEMENTS</b> .....	19
STATEMENT OF COMPREHENSIVE REVENUE & EXPENSE.....	21
STATEMENT OF CHANGES IN EQUITY.....	21
STATEMENT OF FINANCIAL POSITION.....	22
STATEMENT OF CASHFLOWS.....	23
STATEMENT OF ACCOUNTING POLICIES.....	24



# DESTINATION GREAT LAKE TAUPŌ (DGLT) AGM 2018: CHAIRMAN'S REPORT

This year has been another year of significant tourism growth and activity for DGLT. Two years ago, DGLT made a considerable investment to develop a new strategic direction (*The Next Big Thing* – Destination Great Lake Taupō Strategic Document 2016). Through this year DGLT has focused activity around implementing this strategy, through work in four key areas:

- diversifying the type of visitor,
- filling capacity in quieter times and locations,
- encouraging and supporting new investment in product development, and
- making sure that we can sustain growth in a way that is manageable and appropriate for the destination.

Tourism in the district now accounts for \$640 million of direct spending and another \$600 million indirectly (making it a \$1.2 billion industry). However, 65% of this spending still comes from domestic visitation, largely concentrated in the school holiday periods. This creates capacity issues around seasonality. A key focus of DGLT's activity has been to encourage domestic visitation outside these periods, by targeting couples and the new New Zealander market. Domestic spending for the year is up 5.6%, but growth may actually be higher than this, as tourism data has yet to fully capture accommodation spend in private accommodation (e.g. holiday homes).

A key focus of the strategy is also to get a greater share of international arrivals to the district, as this will boost spending but also to encourage greater visitation outside existing peak periods (if targeted appropriately). Strategies for this include greater marketing activity in Australia, promotion of a winter holiday focus and growing long haul international markets (focussed on UK/Europe and the US). A key driver of winter growth is the positioning of both Taupō and Turangi as winter resort towns with the Whakapapa Ski field. DGLT has partnered with Ruapehu Alpine Lifts, Visit Ruapehu, Tourism NZ and Auckland International Airport to significantly increase winter promotional activity targeting the eastern seaboard of Australia.

DGLT has also increased its investment alongside Tourism NZ and the Explore Central North Island grouping targeting UK/Europe and the US. It is pleasing, therefore, to see strong growth rates in international visitation, with spending up 8.8%.

DGLT has been able to resource this increase in activity (and particularly the increased international effort), but only by taking resourcing out of domestic marketing, and by drawing down trust equity. The organisation has, over the last year, operated beyond its resource base. This is not sustainable over the longer term. We see the next year as starting with a new funding regime that is supportive of a stronger focus on marketing as a prime role that needs to be appropriately resourced over the long term.

The strategy also highlights the importance of ensuring that growth occurs in a sustainable way. DGLT is needing to spend increasing time focussed on destination management and development

issues. As growth occurs, there is starting to be crowding and capacity issues at key icon sites and DGLT has increasingly become involved in discussions about tourism infrastructure necessary to both cope with growth, but also infrastructure/projects that will provide a catalyst for further growth. These changes mean that the role of the regional tourism organisation is evolving rapidly.

Product development is key if the region is to attract more visitors and for them to stay for a longer period. This has necessitated more work alongside existing and new tourism operators (in partnership with Enterprise Great Lake Taupō). Again, this has placed resourcing pressure on the organisation.

The i-SITEs (in both Taupō and Turangi) remain a critical part of the tourism infrastructure in the region (operated by DGLT). DGLT has spent considerable resource both in dollars and staff time lifting the quality of displays, particularly in Turangi i-SITE, and negotiating the relocation of the Volcanic Activity Centre in to the Turangi building (to help enhance the visitor experience). However, these changes are against a landscape of declining sales revenue, due to competition from digital/online booking options. The combination of upgrade costs and declining revenue is another factor that has had a significant impact on trust resources.

On top of this, DGLT is needing to sustain business as usual marketing activity. I am proud therefore of the scope of activity that has been possible during this period. This is described in detail in the Annual Report.

We also recognise that we would not have been able to deliver such high-quality marketing activity without strong industry support. Often unrecognised is the in-kind contribution that operators make to these events. While the cash support and partnership money are highly visible in our financial statements as revenue, what is not so well identified or acknowledged is the huge support that we receive throughout the year in terms of engagement, discussion, time and product for famils and other industry events and hosting. The DGLT team estimate that operators support the organisation with \$92,000 worth of contributions that we would otherwise have to buy. On behalf of the organisation I thank the industry for their generosity and support – it makes a big difference to know that they are so supportive and willing to contribute in kind as well as cash.

One of our board members, Kathy Guy, retired from the board at the completion of her term in July 2018. Kathy made a huge contribution to the board, bringing a wealth of national and international tourism experience both to the board and the district. I am sure there is nobody in the Taupō District tourism industry that is not aware of the enormous contribution Kathy has made to Tourism here over the last 20 years plus. I would personally like to acknowledge her contribution and wish her well for the future.

**Report to Taupō District Council for 1 July 2017 – 30 June 2018**

On behalf of the DGLT Board:

Ray Salter  
DGLT Board Chairman  
28 August 2018



## Independent Auditor's Report

### To the readers of Destination Lake Taupō Trust's financial statements and statement of service performance for the year ended 30 June 2018

The Auditor-General is the auditor of Destination Lake Taupō Trust (the Trust). The Auditor-General has appointed me, Clarence Susan, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and statement of service performance of the Trust on his behalf.

#### Opinion

We have audited:

- the financial statements of the Trust on pages 20 to 35, that comprise the statement of financial position as at 30 June 2018 the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements, including a summary of significant accounting policies; and
- the statement of service performance of the Trust on pages 14 to 17.

In our opinion:

- the financial statements of the Trust on pages 20 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 generally accepted accounting practice; and
- the statement of service performance of the Trust on pages 14 to 17 presents fairly, in all material respects, the Trust's achievements measured against the performance targets adopted for the year ended 30 June 2018.

Our audit was completed on [date of adoption]. 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 Trustees and our responsibilities relating to the financial statements and the statement of service performance, we comment on other information, and we explain our independence.

## **Basis for our opinion**

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

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

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

## **Responsibilities of the Trustees for the financial statements and the statement of service performance**

The Trustees are responsible on behalf of the Trust for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand.

The Trustees are also responsible for preparing a statement of service performance for the Trust that is fairly presented. This responsibility arises because the Trust has elected to prepare performance information in accordance with Public Benefit Entity Simple Format Reporting Standard – Accrual (Public Sector).

The Trustees are responsible for such internal control as they determine is necessary to enable them to prepare financial statements and a statement of service performance that are free from material misstatement, whether due to fraud or error

In preparing the financial statements and the statement of service performance, the Trustees are responsible on behalf of the Trust for assessing the Trust's ability to continue as a going concern. The Trustees are also responsible for disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting, unless the Trustees intend to liquidate the Trust or to cease operations, or have no realistic alternative but to do so.

The Trustees' responsibilities arise from clause 12.2 of the Trust Deed of the Trust.

## **Responsibilities of the auditor for the audit of the financial statements and the statement of service performance**

Our objectives are to obtain reasonable assurance about whether the financial statements and the statement of service performance, 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 statement of service performance.

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

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

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 risk of material misstatement of the financial statements and the statement of service performance, 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 Trust's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Trustees.
- We evaluate the appropriateness of the reported service performance within the Trust's framework for reporting its performance.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Trustees and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust'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 statement of service performance, 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 Trust to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements and the statement of service performance, including the disclosures, and whether the financial statements and the statement of service performance represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Trustees 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 to audit the financial statements arise from the Public Audit Act 2001.

Because we have agreed to audit the statement of service performance that the Trustees have elected to prepare for the Trust, we are responsible for expressing an independent opinion on the statement of service performance in this auditor's report.

## **Other information**

The Trustees are responsible for the other information. The other information comprises the information included on pages 4 to 5 and pages 9 to 13, but does not include the financial statements and the statement of service performance, and our auditor's report thereon.

Our opinion on the financial statements and the statement of service performance does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements and the statement of service performance, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the statement of service performance or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## **Independence**

We are independent of the Trust 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 Trust.

Clarence Susan  
Audit New Zealand  
On behalf of the Auditor-General  
Tauranga, New Zealand

# REPORT ON TRUST ACTIVITIES

This Annual Report consolidates the financial statements for the Destination Lake Taupō Trust, which trades as Destination Great Lake Taupō. The Annual Report provides an assessment against key performance indicators in the 2017-20 DGLT Statement of Intent, and a report on the Trust's activities (in accordance with Sections 10.9(a) and (c) and 13.2(b) of the TrustDeed.

In accordance with the Trust Statement of Intent, DGLT has two main areas of activity, destination marketing and destination management.

## DESTINATION MARKETING:

Destination Great Lake Taupō is a relatively small regional tourism organisation, with limited resources available for marketing. The trust therefore focuses on three main channels for marketing activity; direct to consumer marketing (largely targeting domestic visitors), operation of the two i- SITES, and work alongside the travel trade to promote awareness of the region from long haul international destinations.

Domestic consumer marketing continues to be targeted to key markets of Auckland, Wellington, Hawkes Bay, Bay of Plenty, and Waikato. We have moved away from our traditional approach of two seasonal campaigns (summer and winter) and developed a spring / 'come early for summer' campaign, an autumn campaign, and then a winter campaign to try and bolster visitor numbers in the quieter shoulder and winter seasons (and to avoid focusing growth on the summer period when the region already has good occupancy).

Our 2017 winter domestic winter campaign activity kicked off in May 2017, with various pulses throughout the winter season including a spring push (i.e. winter activity continued through until August/September 2017). Winter 2017 was the first year of the Tourism NZ, RAL, Visit Ruapehu and Taupō collaboration around winter/ski marketing in to Australia (utilising the additional funding provided by Taupō District Council). This campaign activity ran in the months prior to the commencement of the 2017 winter season and so is not covered in this annual report, however the second year of joint venture activity kicked off in February 2018 targeting winter 2018 travel.

For 2018 the joint venture expanded to include an \$850,000 campaign spend, funded in a partnership involving Taupō District, Ruapehu and Rotorua Districts, Ruapehu Alpine Lifts, Auckland International Airport and Tourism NZ (in partnership with Qantas Holidays). Results from Tourism NZ show a significant increase in traffic and engagement (e.g. the Taupō pages on [www.newzealand.com](http://www.newzealand.com) saw a 140% increase in active visits).

Our 2018 domestic autumn campaign activity then kicked off in March 2018, targeting April/May travel. This had a focus on cycling and the campaign was supported with in-region activations delivered in partnership with Town Centre Taupō and Bike Taupō. This was followed by winter domestic campaign activity which launched in May 2018, but will run through winter 2018.

Digital/online marketing remains the focus for our destination marketing. DGLT continues to invest in GreatLakeTaupō.com as the web platform to capture potential visitors, as well as those looking for events, retail and hospitality options and information about the region's assets. The site has been running since 2014 and performance has been very good since that time. There were 1,010,217 website sessions during this period. However, the digital landscape continues to change rapidly. This has included a rapid shift from desktop and tablet to mobile, Google constantly evolving their algorithms for search, and changing technology/user expectation in terms of the look and feel, content and architecture of destination websites. We have commenced work on the look and feel, information architecture, and a platform upgrade for our site, to make sure we respond to these changes and sustain performance levels relative to competitor regions/destinations.

In November 2017 we reviewed our reporting approach for the site. As a result, we are now extracting the 'free Wi-Fi' data and reporting on that separately. We are also working to provide more meaningful

insights – around acquisition, behavior (engagement) and conversion. This will be based on a more holistic view of the purpose of the site, rather than concentrating purely on visitor volume.

Additionally, our social media channels remain important for promotion to visitors. The main channels we are currently utilising are Facebook, Twitter, Instagram, YouTube and Sina Weibo. DGLT currently has 33,251 Facebook followers (up 4%), 6,396 Twitter followers (up 9%), 14,939 Instagram followers (up 9%) and for Sina Weibo we have 3,349 followers (up 9%). YouTube views are at 232,716 from 1 July 2017 to 30 June 2018 (up 153%).

Over the last 12 months DGLT has put considerable effort in to pitching to and attracting media coverage for the region (as distinct from expensive paid media advertising). The region featured in over 650 stories around the world, with an equivalent advertising value (EAV) of more than \$56.7 million. Some key wins included features in Signature Luxury Travel & Style Magazine; Luxury Travel Magazine; Get Lost Magazine; AWOL Magazine; Escape (Australia); Tatler Weddings; Cycling Maven; NZ Mountain Biker; Out & About with Kids; NZ Herald Travel on Sunday (print and online); JetStar Magazine, Kia Ora Magazine; Sounds Good Magazine; UNO Magazine; TV3's The Café; stuff.co.nz; plus many others. The single largest feature included the filming of an episode of the Chinese travel show Chef Nic, which had an equivalent media value of \$49 million and was watched by over 30 million Chinese viewers.

The giant #LOVETAUPO lettering erected on the Taupō lakefront in collaboration with Town Centre Taupō continues to be extremely successful, with the 'Love Taupō' message inspiring a collective catchphrase amongst tourists and locals alike. Originally planned as a playful pop-up concept for major events and festivals around the Great Lake Taupō region, the lettering quickly took on a life of its own on social media with hundreds of visitors sharing their images around the world and inspiring other travelers to the region to seek out the lettering for their 'must do' photo stop. A second pop up set of letters has also been developed for use at events around the district, in collaboration with the Taupō District Council Events Team.

The Official Great Lake Taupō Visitor Guide was republished in December 2017 in collaboration with local firm Ninety-Black and continues to have strong support from local operators, with 100,000 copies produced. These are distributed around Auckland, Rotorua, Wellington and Taupō.

The focus by DGLT in the international market has continued in the 2017/18 year to ensure we capitalise on strong growth in international arrivals in to NZ. Due to the scale and cost of possible activity DGLT has focused activity around Australia, UK/Europe and the North American markets.

Australia is our number one market and the eastern seaboard has been the primary focus. We have hosted and attended a total of 8 training events and shows throughout Australia during this period. In addition to DGLT activity, we have also partnered in the Tour the North campaign, which ran in July/August 2017 in Australia, as a joint venture between Tourism NZ, Flight Centre and the eight regional tourism organisations in the central North Island (targeting spring travel). This campaign followed immediately on the back of winter/ski marketing in 2017 and is planned for the June-August period in 2018. A considerable amount of work has also taken place within the district to increase the amount of Taupō/Turangi product that is 'contracted' with travel wholesalers within Australia, to ensure we have maximum exposure and maximum opportunity for Australian agents to book clients to the Taupō District.

Unlike domestic visitors, international long haul travellers tend to tour across multiple locations. Therefore, our marketing approach for both the UK/Europe market and North American market is undertaken in collaboration with the seven other regional tourism organisations of the central North Island (Hamilton/Waikato, Rotorua, Coromandel, Bay of Plenty, Gisborne, Hawkes Bay and Ruapehu) via a collective called 'Explore Central North Island'. Over the past six months the collective ran a series of sales and training events in both the US and UK/Europe for travel sellers which included promotion and training to over 750 agents throughout 9 countries. There is still opportunity to expand activity offshore, in collaboration with Tourism NZ and Explore Central North Island, but this would require additional resourcing.

Throughout the year we have also continued to work closely with NZ based travel trade hosting a greater number of famils in region, as well as attending and hosting an increased number of training sessions

with NZ based agents.

Corporate and business event clients are high value and contribute to the overall economy often in off-peak and shoulder season times. Conference and business event delegates per night spend within the region is approximately \$461 per person per night (CDS Survey Dec 201 – MBIE), this is a significant amount higher than the average domestic holiday visitor. The total number of business events held within the Great Lake Taupō region is currently sitting on 947 year to date, with statistics still to be received from some venues. This is slightly lower than the YE totals for the 2016/17 year, however with numbers still to be received for some venues, is similar to last year. The region is showcased to potential conference and incentive buyers through a range of channels including sales calls, tradeshow and famils. This has included hosting New Zealand based companies to the region over the past 12 months on famils tailored specifically to suit their event requirements and coordinating and running a networking event in Auckland where 18 Taupō based operators joined Destination Great Lake Taupō to showcase the region.

Investment in our i-SITES has continued through the facilities in both Taupō and Turangi. However, the i-SITES are experiencing challenges competing for their share of commission sales; advertising dollars and retail spend from various on-line options and other on-sellers. The visitor numbers for both i-SITES are also down. The Turangi door count has dropped 19.9% to 69,346 and the Taupō centre door count has dropped 20.4% to 147,267. Revenue has also declined. For Taupō, gross commission sales are down 5% while retail sales are down 1.7%. For Turangi commission sales are down 10% while retail sales are down 52.6%.

A key project in the i-SITES over the last 6 months has been the upgrade of the Turangi i-SITE building to incorporate the Volcanic Activity Centre, plus upgrades of displays in the Turangi i-SITE as a result of this building work. The Volcanic Activity Centre is now in the building and operational, and the i-SITE work was completed in June 2018. The inclusion of the Volcanic Activity Centre in the building has helped boost commission revenue significantly for the Turangi i-SITE, while retail sales have been impacted negatively by construction/building work.

## **DESTINATION MANAGEMENT:**

Destination management involves three main areas of focus; investing in people, tourism infrastructure and product development.

Building 'people capability' is critical to ensure the industry remains sustainable both internally and externally. DGLT has put a particular focus through 2017/18 on workshops/seminars for the local industry. In October/November DGLT piloted a series of digital and social media marketing professional development workshops for operators. This involved operators participating in two workshops which were well attended. DGLT has run / organised frontliner training for new staff in the tourism industry on the various activities and attractions in the district. Alongside Enterprise Great Lake Taupō and Town Centre Taupō DGLT has also been part of the group developing the new Taupō Ambassador programme.

DGLT has identified that the development of new attractions/activities, and expansion of existing operations is critical to tourism growth in the region, and important in helping grow shoulder / winter visitation (particularly wet weather activities). DGLT is working closely with various developers looking to establish new tourism opportunities / operations in the district. This has included advice, provision of data and where appropriate advocacy in various statutory processes. DGLT is also supporting existing operators to expand activities / operations.

DGLT has worked alongside Tourism Resource Consultants and the Bay of Connections to develop a Bay of Plenty Visitor Strategy, and a specific Taupō District visitor strategy. These documents outline the key infrastructure necessary to cope with and enable future tourism growth. The strategies will be critical to help unlock central government funding support for critical infrastructure projects. DGLT has also worked with Taupō District Council on the development of funding applications to central government for tourism infrastructure, including recent applications for Spa Park / Otumuheke Stream, Reid's Farm / Hipapatua, the Taupō Airport and Huka Falls. We have continued to work alongside Bike

Taupō and Taupō District Council on the sourcing of funding to develop a shared use cycleway and walkway between Turangi and Taupō.

DGLT is involved in a series of key destination management issues and has been an active part of discussions around management of freedom camping and the Tongariro Crossing in the lead up to the peak summer period.

DGLT works with key partners in the community. We have continued to support District Events, Towncentre Taupō, Go Tongariro and the business community in Mangakino through the year. This support is a mixture of time and resource. These partnerships assist with visitor attraction and provide ongoing capability building. DGLT also informs stakeholders of what is happening within the industry by collecting and sharing useful information/data. DGLT has begun to build a stronger relationship with Ngati Tuwharetoa at various levels. This will be increasingly important given the important role of the tribe, not only as tangata whenua, but as one of the largest landowners and an increasingly important tourism player. DGLT continues to work with the Taupō Airport Authority on air connectivity and data capture.

We have continued our role in managing the regional signage and flags. This year we refreshed the district branded street flags with the roll out of new winter image-based flags and banners in both Turangi and Taupō.

## **OVERVIEW OF TOURISM PERFORMANCE**

Data collection on overall visitor numbers and spending remains a priority for DGLT, as this enables the trust to track the success of marketing and promotion activity. Generally, the data points to good growth in both visitation and spending. The challenge, however, is to make sure that we can continue to leverage our share of international growth, whilst holding existing market share in domestic. We also need to make sure that growth is targeted to shoulder and winter periods, and is spread around the district.

### **Guest nights**

A key measure of tourism performance is total guest nights.

We have received the latest AA Traveller Report, which provides a summary of domestic travel research for each Regional Tourism Organisation. Total domestic guest nights for the district are estimated at 3.3 million for the last 12 months.

MBIE have produced a Regional Economic Activity Report with data on the estimated number of international guest nights (drawn from the international visitor survey). These are estimated by MBIE at 1.3 million guest nights per annum for our region, for the year ended March 2018. This is up from 1.1 million (or 13%) in 2017.

The Commercial Accommodation Monitor tracks and records motel, hotel, backpacker and holiday park guest nights, month-on-month (but not holiday homes or Bed and Breakfasts). The end of year total guest night result (year ending June 2018) was 1,160,941 (up 3.5%). International guest nights rose 5.5% while domestic nights rose only 2.3%. We believe this reflects the ongoing movement by some domestic visitors to private accommodation (see Airbnb data below). This trend (of slow domestic growth) is not reflective of domestic growth as measured by other data sources (e.g. The AA Traveller Report, and spend data). Whilst the international growth rate and overall growth rate have both slowed down, they are still tracking well against many other tourism centres.

It has been traditionally difficult to get accurate data for private accommodation, as it is not covered by the Commercial Accommodation Monitor, and most transactions do not occur via credit cards (meaning the spend is not tracked via the Monthly Regional Tourism Estimates). However, the recent

growth in Airbnb means this data is now possible to track, via a dataset called AirDNA. This shows that Taupō now has over 900 properties in Airbnb. This would suggest more than 400,000 additional guest nights per annum in this new channel.

### **Tourism Spending**

The key spending metric is the monthly regional tourism estimate (MRTE), produced by MBIE. This provides an estimate of regional monthly and annual expenditure on tourism for both international and domestic consumers. The MRTEs for the year ended May 2018 show tourism spend of \$639 million for Taupō District (up 6% from 2016/17). This data shows domestic spend of \$428 million (up 5.6%) and international spend of \$209 million (up 8.8%).

DGLT is also able to track electronic card transactions as a measure of economic contribution from tourism. Overall retail spending is up across all four quarters of the year as tracked through the Marketview report. The reports for Quarters 1 through 4 (July – end June) showed increases in spending by visitors, which by Quarter 3 accounted for 57% of all retail spend. In Quarter 4 this dropped to 46% reflecting lower visitation in Autumn/Winter.



## DGLT PERFORMANCE MEASURES ACHIEVED

In terms of DGLT activity to support and enable this growth, business as usual marketing activity has been maintained through 2018/19. DGLT has hit most of the key performance indicators in the Statement of Intent, with the exception of those relating to i-SITE performance.

Below is a table outlining the full year measures against performance targets set for year-end 30 June 2018 (based on the 2017-2020 Statement of Intent).

KPI	ANNUAL MEASURE	HOW WE DID
<p><b>Establish the Taupō region as 'THE North Island holiday destination'</b></p>	<p><b><u>Growth in tourism expenditure</u></b>                      Monthly Regional Tourism Estimates                       Direct tourism expenditure increased by 4.8% per annum.                       Quarterly Marketview Report                       Electronic card retail spend by visitors growing by 4.8% per annum.</p>	<p><b>ACHIEVED – total direct tourism expenditure of \$639 million, up 6% (YE June 2018)</b>                      (2017 ACHIEVED - \$596 million direct tourism expenditure, \$405 million domestic spend, \$192 million international spend)</p> <p><b>NOT ACHIEVED – Electronic card retail expenditure of \$323.14 Million, up 3.5%</b>                      (2017 NEW MEASURE - \$311.99 million)</p> <p>This result is at odds with the broader measure of tourism expenditure, which may suggest a move away from credit card use towards prepayment online (particularly for accommodation). For example, food and beverage expenditure, which still largely occurs via electronic card, shows a growth rate of 8%, whereas accommodation has only grown by 2.9%.</p>

	<p><b><u>Visits to i-SITES</u></b></p> <p>260,000 visits to Taupō and Turangi i-SITES, as measured by door counters.</p>	<p><b>NOT ACHIEVED – 216,613 visits to Taupō and Turangi i-SITES.</b> (2017 NOT ACHIEVED – 271,731 visits to Taupō and Turangi i-SITES).</p> <p>The Statement of Intent set a performance target of 260,000 visits to the i-SITES benchmarked off reducing results from the 2015/16 and 2016/17 actual data, on the basis that i-SITES nationally are struggling to maintain visitation and profitability.</p> <p>Door counters at each of the i-SITES measure total patronage/visitation. The year-end total visitation for each i-SITE is as follows:</p> <p>Taupō i-SITE: 147,267 visits (relative to 185,085 visits in 2016/17) Turangi i-SITE: 69,346 visits (relative to 86,646 visits in 2016/17)</p> <p>Refurbishment activity and upgrades to the displays in the Turangi i-SITE will have had an impact on visitation.</p>
	<p><b><u>Website Statistics</u></b></p> <p>1,100,000 annual visits to <a href="http://www.GreatLakeTaupo.com">www.GreatLakeTaupo.com</a> as measured by Google Analytics</p>	<p><b>NOT ACHIEVED – 1,010,217 annual visits to <a href="http://www.GreatLakeTaupo.com">www.GreatLakeTaupo.com</a>.</b> (2017 ACHIEVED – 1,133,417 annual visits)</p> <p>Note, changes were made to the website reporting during the year, and as of 20 November 2017 the traffic to the free Wi-Fi landing page is now recorded separately.</p>
	<p><b><u>Annual Visitor Survey</u></b></p> <p>Domestic Net Promoter Score of 49, as per the AA Domestic Travel Monitor</p>	<p><b>NOT ACHIEVED – net promoter score of 48.</b> (2017 ACHIEVED – net promoter score of 49)</p> <p>The Statement of Intent sets measures around overall visitor satisfaction, assessed annually by using the domestic net promoter score for the region, as compiled by the AA Domestic Travel Survey.</p> <p>While the NPS has dropped to 48, a score around 50 is excellent and the region is still ranked 7<sup>th</sup> highest for domestic destinations in New Zealand.</p>



<p><b>Run an efficient and effective regional tourism organisation, strongly supported by the local tourism industry</b></p>	<p><b><u>Support for DGLT Collateral</u></b></p> <p>Number of operators advertising on <a href="http://www.GreatLakeTaupo.com">www.GreatLakeTaupo.com</a> is maintained or growing.</p>	<p><b>ACHIEVED - 1438 listings on <a href="http://www.GreatLakeTaupo.com">www.GreatLakeTaupo.com</a></b> (2017 NEW MEASURE – 1411 listings on <a href="http://www.GreatLakeTaupo.com">www.GreatLakeTaupo.com</a>)</p> <p>1438 total business listings for shops, accommodation and activity operators on <a href="http://www.GreatLakeTaupo.com">www.GreatLakeTaupo.com</a>.</p> <p>Note: The Statement of Intent uses baseline data of 861 listings (as opposed to the 1411 noted above). This figure was previously achieved by filtering out shop, food and drink listings and only counted 'traditional' tourism operators such as accommodation and activities. We have now recognised that the hospitality sector is also largely impacted by visitors to the region and from 2018 will be including those listings in our measure.</p>
	<p>Number of operators with brochures in the Taupō and Turangi i-SITES is maintained or growing.</p>	<p><b>ACHIEVED - 221 local operators stocking brochures in Taupō and Turangi i-SITES</b> (2017 NEW MEASURE – 212 local operators stocking brochures in Taupō and Turangi i-SITES)</p>
	<p><b><u>Free of charge or in-kind support</u></b></p> <p>\$60,000 free of charge or in-kind support for marketing activity</p>	<p><b>ACHIEVED - \$92,200 of free of charge or in-kind support, against a target of \$60,000</b> (2017 ACHIEVED – Recorded as \$85,995)</p> <p>This support is tracked in a DGLT log. It includes free of charge product offered for famils, as well as discounted product.</p>

	<p><b>Annual Visitor Industry Survey</b></p> <p>80-85% Industry stakeholders are satisfied with DGLT performance as measured by Annual Visitor Industry Survey.</p> <p>Maintaining consistency is listed as the primary performance target.</p>	<p><b>ACHIEVED – The average score is 94.6%</b> (2017 ACHIEVED – The average score was 82.6%)</p> <p>The Statement of Intent sets measures around the degree of industry satisfaction with DGLT performance. This is assessed annually via survey.</p> <p>The annual visitor industry survey was completed in June 2018. The following results were achieved:</p> <ul style="list-style-type: none"> <li>o Marketing to domestic visitors (97.1% satisfaction)</li> <li>o Marketing to international visitors (97.1%)</li> <li>o Marketing C&amp;I activity (92.3%)</li> <li>o Website performance in marketing the region (97.1%)</li> <li>o Social media performance (94.1%)</li> <li>o Work with travel trade (93.3%)</li> <li>o Taupō i-SITE performance (93.5%)</li> <li>o Turangi i-SITE performance (92.9%)</li> <li>o Industry engagement (93.9%)</li> </ul> <p>The average score across the 9 categories is 94.6%.</p>
	<p><b>i-SITE profitability</b></p> <p>Investment by ratepayers of \$280,000.</p> <p>i-SITE investment (or cost) is measured by net expenditure over income. This excludes capital improvements.</p>	<p><b>ACHIEVED – Net cost of \$249,071</b> (2017 ACHIEVED – net cost of \$235,523).</p> <p>The target is a loss (or investment) of \$280,000 or better. The loss was better than the target, with an overall cost figure of \$249,071. This figure continues to deteriorate due to competition from digital / online booking channels. This includes a net cost of \$111,726 for Taupō and \$137,345 for Turangi.</p>

# SUMMARY OF FINANCIAL STATEMENTS

## OVERVIEW

The 2017/18 financial year has been challenging for the Trust. Funding from Taupō District Council has remained static for a number of years. In addition, total revenue from advertising, partnerships, commissions, and sales has declined significantly. This has created the need for significant reprioritisation and cost cutting (to minimise the year end overspend).

DGLT was funded by way of a grant from Taupō District Council of \$1,750,000 and generated another \$710,414 (gross) of income from sales, commissions and advertising. This is down from \$849,526 in 2016/17, reflecting reduced operator advertising and commissioned sales through the i-SITES, plus changes to the advertising approach for the regional visitor guide.

DGLT has worked hard to increase efficiencies and has reduced marketing activity to minimise the level of year end overspend, and the consequential erosion of Trust equity. The organisation spent \$2,498,340 creating a year end deficit of \$22,726. The deficit was smaller than projected partially due to the release of the 2013 income tax provision of \$75,942 in to the balance sheet, boosting Trust equity from \$121,509 to \$174,725. The Trust needs to hold a significant level of equity to support capital purchases, to support some winter marketing activity that was deferred from June 2018 to July /August 2018, to cover prepayments and to hold a position of positive working capital.

In 2015 the Trust received a three-year contract for service from Taupō District Council. This puts a contract in place from 1 July 2015 through to 30 June 2018 and provided certainty of earnings of \$1,750,000 per annum for that period. A new three-year contract for service was provided in July 2018 for the three-year period through until 30 June 2021.

## REVENUE

Total gross revenue for the year sits at \$2,475,614, comprised of the TDC grant, interest received and other revenue. This revenue also includes marketing promotions income and revenue from commissions, advertising and retail profit, but is a gross figure.

Continued work with partnership marketing / advertising programmes has resulted in income of \$192,792. This reflects operator investment in website and brochure advertising, plus trade activity. This is below the 2016/17 figure of \$246,065, due to changes in the way visitor guide advertising is collected. In 2017 DGLT partnered with local publishing company 90Black to produce the guide. 90Black now collect the advertising revenue (not DGLT), but also carry the costs of design, printing and distribution, creating a significant net saving for the Trust.

I-SITE revenue (from commissions, advertising and retail profit plus online sales) is \$408,974 net (or \$517,622 gross). This is less than the 2016/17 result (of \$449,113). This reflects reduced visitation (foot traffic), ticket sales and net commissions through both i-SITES.

## EXPENDITURE

There are some variations in the Annual Report relative to the Statement of Intent and the 2016/17 result.

Employee expenses are down slightly reflecting staff vacancies, as well as reduced employee costs associated with i-SITES. Depreciation expenses are also down due to disposal of a DGLT motor vehicle. The costs of goods sold are down reflecting reduced retail sales in both i-SITES. The other key reductions in expenditure relate to the visitor guide as noted above. The outsourcing of the publication has significantly reduced printing, materials and supplies costs.

Advertising costs are up slightly relative to 2016/17, as savings from the visitor guide allowed expanded advertising activity. Professional services fees are up due to design costs associated with the Turangi i-SITE, design costs associated with advertising, plus additional investment in photography/videography.

An increase in work alongside the international travel trade has created an increase in trade show and sales activity. Conference fees, plus travel/accommodation are therefore up due to the costs of entry to (and attendance at) the various trade / sales events.

The other notable variation is in building rental costs. These have increased, with corresponding reductions in utility costs, reflecting a shift to a new lease structure where outgoings are bundled into lease costs.

### **STATEMENT OF FINANCIAL POSITION**

The fixed assets have increased this financial year reflecting upgrades to the Taupō i-SITE, which has had a corresponding impact on the cash position.

As noted above, Trust equity increased from \$121,509 to \$174,725, because of the release of a large proportion of the income tax provision. This mitigated a year end deficit of \$22,726 and enabled significant capital purchases associated with the Turangi i-SITE.

The Trust is holding this level of equity to support capital purchases programmed for 2018/19 and because a significant proportion of marketing activity has been deferred from June 2018 to July/August 2018. Overall DGLT has a working capital position of \$69,740.

**Report to Taupō District Council for 1 July 2017 – 30 June 2018**

Prepared by:



Damian Coutts  
DGLT General Manager  
28 August 2018

**Statement of Comprehensive Revenue and Expense**  
For the year ended 30 June 2018

	Note	Actual 2018 \$	DGLT SOI 2018 \$	Actual 2017 \$
<b>Revenue</b>				
Operating grant from Taupo District Council		1,750,000	1,750,000	1,750,000
Revenue from services provided	3	710,414	737,676	849,546
Finance revenue	4	5,600	2,370	2,486
Other gains/(losses)		9,600	-	-
<b>Total revenue</b>		<b>2,475,614</b>	<b>2,490,046</b>	<b>2,602,032</b>
<b>Expenditure</b>				
Employee benefit expenses	5	1,039,144	967,070	1,092,155
Depreciation and amortisation expense	11	19,022	26,162	37,751
Finance costs	4	1,796	-	33
Other expenses	5	1,438,378	1,496,814	1,489,863
<b>Total operating expenditure</b>		<b>2,498,340</b>	<b>2,490,046</b>	<b>2,619,802</b>
<b>Operating surplus/(deficit)</b>		<b>(22,726)</b>	<b>-</b>	<b>(17,770)</b>
Income tax (expense)/credit		75,942	-	-
<b>Total comprehensive revenue and expenses attributable to:</b>				
Destination Lake Taupo Trust		53,216	-	(17,770)

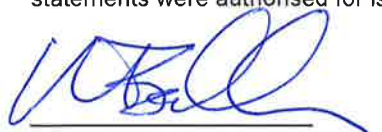
Summary of significant accounting policies and the accompanying notes form part of these financial statements.

**Statement of Changes in Net Assets/Equity**  
For the year ended 30 June 2018


	Note	Actual 2018 \$	DGLT SOI 2018 \$	Actual 2017 \$
<b>Net Assets/Equity at start of the year</b>	6	121,509	-	139,279
Total comprehensive revenue and expenses previously reported		53,216	-	(17,770)
<b>Balance at 30 June</b>	6	<b>174,725</b>	<b>-</b>	<b>121,509</b>
		-	-	-

Summary of significant accounting policies and the accompanying notes form part of these financial statements.

The financial statements of The Destination Lake Taupo Trust are for the year ended 30 June 2018. The financial statements were authorised for issue by the Trust Board on 28 August 2018.



Ray Salter  
CHAIRPERSON



TRUSTEE



**Statement of Financial Position**  
As at 30 June 2018

	Note	Actual 2018 \$	DGLT SOI 2018 \$	Actual 2017 \$
<b>ASSETS</b>				
Cash and cash equivalents	7	300,625	-	423,067
Other financial assets	10	250,000	-	-
Trade and other receivables	8	59,286	-	37,617
Inventories	9	23,558	-	32,890
Prepayments		25,201	-	7,695
<b>Total current assets</b>		<b>658,670</b>	<b>-</b>	<b>501,269</b>
<b>Non-current assets</b>				
Property, plant and equipment	11	111,955	-	81,676
<b>Total non-current assets</b>		<b>111,955</b>	<b>-</b>	<b>81,676</b>
<b>Total assets</b>		<b>770,625</b>	<b>-</b>	<b>582,945</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Trade and other payables	12	453,137	-	265,865
Employee benefit liabilities	13	128,793	-	109,205
Current tax liabilities		7,000	-	82,942
<b>Total current liabilities</b>		<b>588,930</b>	<b>-</b>	<b>458,012</b>
<b>Non-current liabilities</b>				
Employee benefit liabilities	13	6,970	-	3,424
<b>Total non-current liabilities</b>		<b>6,970</b>	<b>-</b>	<b>3,424</b>
<b>Total liabilities</b>		<b>595,900</b>	<b>-</b>	<b>461,436</b>
<b>Net assets (assets minus liabilities)</b>		<b>174,725</b>	<b>-</b>	<b>121,509</b>
<b>EQUITY</b>				
Contributed equity	6	100	-	100
Accumulated funds	6	174,625	-	121,409
<b>Total equity</b>		<b>174,725</b>	<b>-</b>	<b>121,509</b>

Summary of significant accounting policies and the accompanying notes form part of these financial statements.

**Statement of cashflows**  
For the year ended 30 June 2018

	Actual 2018 \$	DGLT SOI 2018 \$	Actual 2017 \$
Note			
<b>Cash flows from operating activities</b>			
Receipts from customers	667,516	-	850,828
Receipts from Taupo District Council operating grant	1,750,000	-	1,750,000
Finance revenue	5,600	-	2,486
Other revenue	11,928	-	-
Payments to suppliers	(1,266,799)	-	(1,491,291)
Payments to employees	(1,016,010)	-	(1,067,695)
Interest paid	(1,796)	-	(33)
Net GST refunded / (paid)	19,579	-	13,676
<b>Net cash flow from operating activities</b>	<u>170,018</u>	<u>-</u>	<u>57,971</u>
<b>Cash flows from investing activities</b>			
Proceeds from sale of property, plant and equipment	35,074	-	-
Term deposits with a maturity of less than 12 months	(250,000)	-	-
Purchase and development of property, plant and equipment	(77,534)	-	(39,753)
<b>Net cash flow from investing activities</b>	<u>(292,460)</u>	<u>-</u>	<u>(39,753)</u>
<b>Net increase (decrease) in cash held</b>	<b>(122,442)</b>	<b>-</b>	<b>18,218</b>
Add cash at start of year	<u>423,067</u>	<u>-</u>	<u>404,849</u>
<b>Cash, cash equivalents, and bank overdrafts at the end of the year</b>	<b>7</b> <u>300,625</u>	<u>-</u>	<u>423,067</u>

The GST (net) component of cash flows from operating activities reflects the net GST paid to and received from the Inland Revenue Department. The GST (net) component has been presented on a net basis, as the gross amounts do not provide meaningful information for financial statement purposes and to be consistent with the presentation basis of the other primary financial statements.

*The accompanying notes form part of these financial statements.*

# **1 Statement of accounting policies for the year ended 30 June 2018**

## **1.1 Reporting entity**

The Destination Lake Taupo Trust ("the Trust") is a Council Controlled Organisation of Taupo District Council, by virtue of the Council's right to appoint the Board of Trustees. Governance is provided by the Trust Board as per the Destination Lake Taupo Trust deed. The relevant legislation governing the Trust's operations includes the LGA. The financial statements of the Destination Lake Taupo Trust have been prepared in accordance with the provisions of section 68 and section 69 of the Local Government Act 2002.

The primary objective of the Trust is to promote the Great Lake Taupo region to the domestic and international visitor market with the specific intention of growing this market, rather than for making a financial return. Accordingly, the Trust has designated itself as a public benefit entity for financial reporting purposes.

The financial statements of the Trust are for the year ended 30 June 2018. The financial statements were approved by the Board of Trustees on 28th August 2018.

## **2 Summary of significant accounting policies**

### **2.1 Basis of preparation**

The financial statements have been prepared on a Going Concern basis, and the accounting policies have been applied consistently throughout the period.

#### **Statement of compliance**

The financial statements of the Trust have been prepared in accordance with the requirements of the Local Government Act 2002, which includes the requirement to comply with New Zealand generally accepted accounting practice (NZGAAP).

They comply with NZ PBE IPSAS as appropriate for public benefit entities.

The financial statements of the Trust have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP'). They comply with Public Sector Public Benefit Entity Standards (PS PBE Standards).

The financial statements have been prepared in accordance with Tier 2 PBE accounting standards.

These financial statements comply with PBE standards.

The Trust has adopted External Reporting Board Standard A1 Accounting Standards Framework (FP Entities & PS PBEs Update) (XRB A1). XRB A1 establishes a PBE tier structure and outlines which suit of accounting standards entities in different tiers must follow. The Trust is a Tier 2 PBE.

#### **Measurement base**

The financial statements have been prepared on a historical cost basis except for certain classes of assets and liabilities which are recorded at fair value. These are detailed in the specific policies below.

#### **Functional and presentation currency**

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest dollar. The functional currency of the Trust is New Zealand dollars.

#### **Changes in accounting policies**

There have been no changes in accounting policies

### **2.2 Foreign currency transactions**

The functional and presentation currency is New Zealand dollars. Transactions in foreign currencies are translated at the foreign exchange rate ruling on the day of the transaction.

### **2.3 GST**

The financial statements have been prepared exclusive of GST, except for trade and other receivables and trade and other payables. Where GST is not recoverable as an input tax it is recognised as part of the related asset or expense.

Commitments and contingencies are disclosed exclusive of GST.

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



## 2 Summary of significant accounting policies

### 2.4 Revenue

Revenue is measured at fair value.

All grants (including the grant from Taupo District Council) and bequests received, including non-monetary grants at fair value, shall be recognised as revenue when there is reasonable assurance that:

- (a) the entity will comply with the conditions accounting to them; and
- (b) the grants will be received.

#### Vested assets

Where a physical asset is acquired for nil or nominal consideration, the fair value of the asset received is recognised as revenue.

#### Sales of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer.

#### Interest and dividends

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

No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

### 2.5 Leases

#### (i) Finance leases

##### Leases

Leases in which substantially all of the risks and rewards of ownership transfer to the lessee are classified as finance leases. At inception, finance leases are recognised as assets and liabilities on the Statement of Financial Position at the lower of the fair value of the leased property and the present value of the minimum lease payments. Any additional direct costs of the lease are added to the amount recognised as an asset. Subsequently, assets leased under a finance lease are depreciated as if the assets are owned.

At the start of the lease term, finance leases are recognised as assets and liabilities in the balance sheet at the lower of the fair value of the leased item or the present value of the minimum lease payments.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term, so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Net financing costs comprise interest payable on borrowings calculated using the effective interest rate method, foreign exchange losses, and losses on derivative instruments that are recognised in the Statement of Comprehensive Revenue and Expense. The interest expense component of finance lease payments is recognised in the Statement of Comprehensive Revenue and Expense using the effective interest rate method.

#### (ii) 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 in the Statement of Comprehensive Revenue and Expense as an integral part of the total lease expense.

### 2.6 Equity

Equity is the community's interest in the DGLT as measured by the value of total assets less total liabilities. Equity is disaggregated and classified into a number of reserves to enable clearer identification of the specified uses DGLT makes of its accumulated surpluses. The equity of DGLT is made up of the following components:

- Accumulated funds

Equity is the community's interest in the Trust, and is measured as the difference between total assets and total liabilities

## 2 Summary of significant accounting policies

### 2.7 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits, and other short term highly liquid investments with maturities of less than three months.

### 2.8 Financial assets

The Trust classifies its investments as loans and receivables.

#### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments, which 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. After initial recognition they are measured at amortised cost using the effective interest method. Gains and losses when the asset is impaired or derecognised are recognised in the Statement of Comprehensive Revenue and Expense.

### 2.9 Trade and other receivables

Trade and other receivables are initially measured at face value, less impairment losses (note 2.12). A provision for impairment of receivables is established when there is objective evidence that the Trust will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the carrying amount and the present value of the estimated future cashflows, discounted using the effective interest method.

### 2.10 Inventory

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The cost of inventories is based on the weighted average principle, and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

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

### 2.11 Property, plant and equipment

Property, plant, and equipment consist of:

Operational assets – These include plant and equipment, and motor vehicles.

Property, plant and equipment are shown at cost or valuation, less accumulated depreciation and impairment losses.

#### Valuation methodologies

Those asset classes that are revalued, are revalued on a three yearly valuation cycle. All other asset classes are carried at depreciated historical cost. The carrying values of all assets not revalued in any year are reviewed at each balance date to ensure that those values are not materially different to fair value.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

Increases in the carrying amounts arising on revaluation of an asset class are credited to revaluation reserves in shareholders' equity. To the extent that the increase reverses a decrease previously recognised in the surplus or deficit, the increase is first recognised in the surplus or deficit. Decreases that reverse previous increases of the same asset class are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the class; all other decreases are charged to the surplus or deficit.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Trust and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the surplus or deficit during the financial period in which they are incurred.

Borrowing costs are not capitalised as part of the cost of an asset. They are recognised as an expense in the period in which they are incurred.

## 2 Summary of significant accounting policies

### Additions

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

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

### Transfers

When the use of a property changes from owner-occupied to investment property, the property is reclassified to investment property at its fair value at the date of the transfer.

### Subsequent measurement

Subsequent to initial recognition, classes of PP&E are accounted for as set out below. Depreciation is charged on a straight-line basis at rates calculated to allocate the cost or valuation of an item of PP&E, less any residual value over its remaining useful life.

### Depreciation

Depreciation is provided on a straight-line basis on all property, plant, and equipment other than land, at rates that will write-off the cost (or valuation) of the assets to their estimated residual values over their useful lives. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

Machinery	4 years	5% - 25%
Computer Equipment	4 years	25%
Office equipment	4-10 years	8.5%-50%
Motor Vehicles	4 years	25%
Furniture and fittings	2-10 years	7%-33%

### Additions

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

### Disposals

Gains and losses on disposal are determined by comparing proceeds with carrying amount. These are included in the surplus or deficit. When revalued assets are sold, the amounts included in other reserves in respect of those assets are transferred to retained earnings.

### 2.12 Impairment

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

If an asset's carrying amount exceeds its recoverable amount, the asset is regarded as impaired and the carrying amount is written-down to the recoverable amount. The total impairment loss is recognised in the surplus or deficit. The reversal of an impairment loss is recognised in the surplus or deficit.

### 2.13 Financial Liabilities

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

### 2.14 Employee entitlements

Provision is made in respect of the Trust's liability for salaries and wages accrued up to balance date, annual leave, and long service leave.

Long service leave, where there is already actual entitlement, is accrued at actual entitlement using current rates of pay. In addition, there is an actuarial assessment of value for which entitlement has not yet been reached. This assessment uses current rates of pay taking into account years of service, years to entitlement and the likelihood staff will reach the point of entitlement. These estimated amounts are discounted to their present value.

Liabilities for annual leave are accrued on an actual entitlement basis, using current rates of pay.

### Superannuation schemes

## **2 Summary of significant accounting policies**

### **Defined contribution schemes**

Obligations for contributions to defined contribution superannuation schemes are recognised as an expense in the surplus or deficit when incurred.

### **2.15 Interest bearing borrowings**

Borrowings are initially recognised at their fair value. After initial recognition, all borrowings are measured at amortised cost using the effective interest method.

### **2.16 Income tax**

The IRD has recently confirmed the Trust is now exempt from income tax under sections CW 40 of the Income Tax Act 2007. The IRD has advised that the exemption is not back-dated, and applies from the date that the trust deed was amended on 12 June 2015.

The Trust's tax advisor has advised that it is their view that it is now appropriate to remove the tax provision for the 2013 year. The Trust has therefore reversed the accrual made for deferred tax for this year.

### **2.17 Budget figures**

The budget figures are those approved by the Board in the Statement of Intent and in complying with sections 64, 66, and 67 of the Local Government Act 2002.

### **2.18 Advertising costs**

Advertising costs are expensed when the related service has been rendered.

### 3 Revenue from Services Provided

	DGLT	
	Actual 2018 \$	Actual 2017 \$
<b><u>Revenue from significant activities</u></b>		
I-Site operations	517,622	602,931
Other revenue	-	550
Marketing fees	<u>192,792</u>	<u>246,065</u>
<b>Total Operating Revenue</b>	<b><u>710,414</u></b>	<b><u>849,546</u></b>
<b>Analysis of I-site Revenue</b>		
Retail sales	186,959	249,437
less cost of goods sold	<u>(106,026)</u>	<u>(147,368)</u>
Gross margin on retail sales	80,933	102,069
less stock losses	<u>(2,622)</u>	<u>(6,450)</u>
	78,311	95,619
I-Site Commissions	<u>252,573</u>	<u>274,873</u>
I-Site Operator advertising revenue	32,310	46,350
Other	<u>45,780</u>	<u>32,271</u>
<b>Total I-site operations revenue</b>	<b><u>408,974</u></b>	<b><u>449,113</u></b>

### 4 Finance revenue and finance costs

	DGLT	
	Actual 2018 \$	Actual 2017 \$
<b>Finance revenue</b>		
Interest revenue	<u>5,600</u>	<u>2,486</u>
<b>Less finance costs</b>		
Interest expense	<u>1,796</u>	<u>33</u>
<b>Net finance costs</b>	<b><u>3,804</u></b>	<b><u>2,453</u></b>

## 5 Operating expenditure

	DGLT	
	Actual 2018 \$	Actual 2017 \$
<b>Employee benefit expenses</b>		
Salaries and wages	993,809	1,042,218
Increase/(decrease) in employee entitlements/liabilities	19,588	24,462
Defined contribution plan employer contributions	25,747	25,475
<b>Total employee benefit expenses</b>	<u>1,039,144</u>	<u>1,092,155</u>
<b>Depreciation by asset class:</b>		
Motor vehicles	-	19,366
Furniture and fittings	15,669	15,033
Machinery	3,353	3,352
<b>Total depreciation and amortisation</b>	<u>19,022</u>	<u>37,751</u>
Audit fees for financial statements audit	17,634	17,394
Board meeting fees	43,065	37,793
Bad debts written off	1,249	155
Legal fees	572	3,629
Taupo District Council indirect costs	179,000	179,000
Inventory cost of goods sold	106,026	147,368
Inventory writeoff	2,622	6,450
Advertising	537,261	476,754
Professional services fees/legal fees	43,796	37,915
Travel & accommodation	110,321	80,660
Printing & stationery	18,351	76,132
Bank fees	37,521	49,497
Minimum lease payments under operating leases	-	1,706
Rental	148,678	125,037
Publicity	14,600	8,302
Maintenance	7,352	11,561
Electricity and gas	-	13,801
Conference fees	55,527	48,724
Materials and supplies	10,615	38,100
Vehicle running costs	-	(11,267)
Insurance	2,115	5,437
Loss on disposal of property, plant & equipment	2,759	-
Staff expenses	6,012	8,361
Other expenses	93,302	127,354
<b>Total other expenses</b>	<u>1,438,378</u>	<u>1,489,863</u>

## 6 Net assets/equity

	DGLT Actual 2018 \$	Actual 2017 \$
<b>Trust Equity</b>		
Accumulated funds	<u>174,625</u>	<u>121,409</u>
<b>Balance at 30 June 2018</b>	<u>174,625</u>	<u>121,409</u>
<b>Contributed equity</b>		
Equity	<u>100</u>	<u>100</u>
<b>Balance at 30 June 2018</b>	<u>100</u>	<u>100</u>
<b>Total equity</b>	<u>174,725</u>	<u>121,509</u>
<b>Accumulated funds</b>		
Balance at 1 July	121,409	139,179
Surplus/(deficit) for the year	<u>53,216</u>	<u>(17,770)</u>
<b>Balance 30 June</b>	<u>174,625</u>	<u>121,409</u>

## 7 Cash and cash equivalents

	DGLT Actual 2018 \$	Actual 2017 \$
Cash at bank and in hand	4,873	1,300
Call deposits	45,752	421,767
Term deposits with maturities of less than three months	<u>250,000</u>	<u>-</u>
<b>Total cash and cash equivalents used in statement of cashflows</b>	<u>300,625</u>	<u>423,067</u>

## 8 Trade and other receivables

	DGLT Actual 2018 \$	Actual 2017 \$
Trade receivables	<u>21,051</u>	<u>24,095</u>
<b>Net debtors</b>	<u>21,051</u>	<u>24,095</u>
Other	5,898	764
GST refund	<u>32,337</u>	<u>12,758</u>
	<u>38,235</u>	<u>13,522</u>
<b>Total current net trade and other receivables</b>	<u>59,286</u>	<u>37,617</u>
Total debtors and other receivables from exchange transactions	<u>21,051</u>	<u>24,095</u>
Total current net trade and other receivables from non-exchange transactions	<u>38,235</u>	<u>13,522</u>

## 8 Trade and other receivables

**Total current net trade and other receivables** 59,286 37,617

Debtors and other receivables are non-interest bearing and receipt is normally on 30 day terms, therefore the carrying value of debtors and other receivables approximates their fair value.

The status of receivables as at 30 June 2018 are detailed below:

	DGLT	
	Actual 2018 \$	Actual 2017 \$
Current	8,280	10,572
Past due 1-30 days	-	5,616
Past due 31-60 days	1,750	2,963
Past due 61+ days	<u>11,021</u>	<u>4,944</u>
<b>Total individual impairment</b>	<u>21,051</u>	<u>24,095</u>

The Trust holds no collateral as security or other credit enhancements over receivables that are either past due or impaired.

## 9 Inventories

	DGLT	
	Actual 2018 \$	Actual 2017 \$
<i>Commercial inventories</i>		
- held for use in the provision of services	<u>23,558</u>	<u>32,890</u>
<b>Total inventory</b>	<u>23,558</u>	<u>32,890</u>

No inventories are pledged as security for liabilities (2017 \$nil).

## 10 Other financial assets

	DGLT	
	Actual 2018 \$	Actual 2017 \$
At beginning of year	-	-
Additions	<u>250,000</u>	-
<b>Current portion</b>		
Short term bank deposits with maturities of 4-12 months	<u>250,000</u>	-
<b>Total current portion</b>	<u>250,000</u>	-



## 11 Property, plant and equipment

DGLT 2018	Cost 1 Jul 2017 \$	Accumulated depreciation 1 Jul 2017 \$	Carrying amount 1 Jul 2017 \$	Current year additions (+ gains) \$	Current year disposals (+ losses) \$	Current year depreciation \$	Cost 30 Jun 2018 \$	Accumulated depreciation 30 Jun 2018 \$	Carrying amount 30 Jun 2018 \$
<b>Operating assets</b>									
Office furniture and fittings	53,761	(20,421)	33,340	66,827	(1,726)	(8,813)	111,957	(22,732)	89,225
Plant and equipment	50,514	(27,652)	22,862	10,707	(1,033)	(10,209)	59,786	(37,056)	22,730
Motor vehicles	77,393	(51,919)	25,474	-	(25,474)	-	-	-	-
<b>Total DGLT</b>	<b>181,668</b>	<b>(99,992)</b>	<b>81,676</b>	<b>77,534</b>	<b>(28,233)</b>	<b>(19,022)</b>	<b>171,743</b>	<b>(59,788)</b>	<b>111,955</b>
<b>DGLT 2017</b>	<b>Cost 1 Jul 2016 \$</b>	<b>Accumulated depreciation 1 Jul 2016 \$</b>	<b>Carrying amount 1 Jul 2016 \$</b>	<b>Current year additions (+ gains) \$</b>	<b>Current year disposals (+ losses) \$</b>	<b>Current year depreciation \$</b>	<b>Cost 30 Jun 2017 \$</b>	<b>Accumulated depreciation 30 Jun 2017 \$</b>	<b>Carrying amount 30 Jun 2017 \$</b>
<b>Operating assets</b>									
Office furniture and fittings	24,363	(12,160)	12,203	29,398	-	(8,261)	53,761	(20,421)	33,340
Plant and equipment	40,158	(17,529)	22,629	10,357	-	(10,124)	50,514	(27,652)	22,862
Motor vehicles	77,393	(32,553)	44,840	-	-	(19,366)	77,393	(51,919)	25,474
<b>Total DGLT</b>	<b>141,914</b>	<b>(62,242)</b>	<b>79,672</b>	<b>39,755</b>	<b>-</b>	<b>(37,751)</b>	<b>181,668</b>	<b>(99,992)</b>	<b>81,676</b>

There is no provision for impairment this year (2016 \$nil)

## 12 Trade and other payables

	DGLT	
	Actual 2018 \$	Actual 2017 \$
Trade payables	323,985	138,775
Accrued expenses	127,847	125,256
Provision for ACC	1,305	1,433
Revenue in advance	-	401
<b>Total creditors and other payables</b>	<b>453,137</b>	<b>265,865</b>
Total creditors and other payables from exchange transactions	451,832	264,031
Total creditors and other payables from non-exchange transactions	1,305	1,834
<b>Total current creditors and other payables from exchange and non-exchange transactions</b>	<b>453,137</b>	<b>265,865</b>

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

## 13 Employee benefit liabilities

	DGLT	
	Actual 2018 \$	Actual 2017 \$
<b>Current portion</b>		
Accrued pay	7,413	3,148
Annual leave	114,872	98,521
Long service leave & lieu days	6,508	7,536
<b>Total current portion</b>	<b>128,793</b>	<b>109,205</b>
<b>Non-current portion</b>		
Long service leave actuarial accrual	6,970	3,424
<b>Total non-current portion</b>	<b>6,970</b>	<b>3,424</b>
<b>Total employee entitlements</b>	<b>135,763</b>	<b>112,629</b>

The present value of retirement gratuities and long service leave obligations depend on a number of factors that are determined on an actuarial basis. Two key assumptions used in calculating this liability include the discount rate and the salary inflation figure. Any changes in these assumptions will affect the carrying amount of the liability.

A discount factor of 1.78% (2017 1.97%) and an inflation factor of 2% (2017 2%) were used.

## 14 Related party transactions

The Destination Lake Taupo Trust (the Trust) is a Council Controlled Organisation of Taupo District Council and received a significant operating grant from the Council to deliver its objectives as specified in the Trust Deed. All transactions with related parties have been conducted at arms length.

### Key management personnel

	DGLT	
	Actual 2018 \$	Actual 2017 \$
<i>Board members</i>		
Remuneration (Trustees)	43,065	37,793
Remuneration	<u>6</u>	<u>6</u>
<i>Senior Management</i>		
Remuneration (GM & SMT)	391,825	397,481
Remuneration	<u>4</u>	<u>4</u>
<b>Total full-time equivalent personnel</b>	<b>434,890</b>	<b>435,274</b>
<b>Total key management personnel compensation</b>	<b><u>10</u></b>	<b><u>10</u></b>

Due to the difficulty in determining the full-time equivalent for Board Members, the fulltime equivalent figure is taken as the number of Board Members.

Key management personnel includes the Trustees, General Manager, and the senior management team.

## 15 Capital & operational commitments and operating leases

### Non-cancellable operating leases as lessee:

The Destination Lake Taupo Trust leases property, plant and equipment in the normal course of its business. The future aggregate minimum lease payments to be paid under non-cancellable operating leases are as follows:

	DGLT	
	Actual 2018 \$	Actual 2017 \$
Payable no later than one year	<u>18,000</u>	<u>114,581</u>
<b>Total non-cancellable operating leases</b>	<b><u>18,000</u></b>	<b><u>114,581</u></b>

This lease relates to one year's rental for Turangi I-Site (2017 1/32 Roberts Street, Taupo I-Site, and Turangi I-Site).