INTERIM REPORT

FOR THE SIX MONTHS ENDING 31 DECEMBER 2018

GREAT LAKE TAUPŌ

DIRECTORY

Governing Body	**Destination Lake Taupō Trust Board** Ray Salter (Chairman) Glyn Williams (Deputy Chairman) Laura Duncan Dennis Christian Jonathan Cameron Torben Landl
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

PERFORMANCE OVERVIEW

This Interim Report consolidates the 6 monthly financial statements for the Destination Great Lake Taupō Trust, an assessment against key performance indicators in the 2018-21 DGLT Statement of Intent, and a report on the Trust's activities (in accordance with Section 13.2(a) of the Trust Deed).

Year to date trends and anecdotal evidence suggest that we are continuing to get growth in both international and domestic tourism, despite a softening in international arrivals to New Zealand. Data suggests strong spring and summer growth, well beyond the target of 4.8% growth in spending as set out in the Statement of Intent. The Monthly Regional Tourism Estimates suggest that in the 12 months ending December 2018 spending is up 5% to $653 million.

This growth is not reflected in commercial accommodation numbers, with total guest nights down by 0.06%. There has been a significant shift (and growth) into private accommodation (via channels like Airbnb) for both domestic and international visitors, resulting in a decrease in numbers staying in commercial accommodation. Much of the expenditure in private accommodation is not captured in either the Monthly Regional Tourism Estimates or Marketview report, so it is likely that the level of tourism growth is still positive (in terms of accommodation spend).

In terms of DGLT activity to support and enable growth, business as usual marketing activity has been maintained through 2018/19 and DGLT is on track to hit most of the key performance indicators in the Statement of Intent. The notable exceptions are the performance indicators relating to i-SITE visitation, and DGLT operator listings. We have been progressively reviewing and removing redundant, duplicated and out of date listings from the website, meaning the total number has decreased. Our strategy with LoveTaupō.com is to pull all tourism operator listings from NewZealand.com therefore anyone not listed on there will not show on LoveTaupō.com. Only retail and F&B businesses are manually loaded to LoveTaupō.com. It is hoped that this approach will remove duplicate and redundant listings. For the i-SITES – there are now 199 local operators stocking brochures in the two i-SITEs. There has been a decrease in accommodation operators displaying brochures due to increasing importance of digital channels for accommodation bookings.

The financial position for the trust will remain tight for 2018/19 and DGLT has budgeted for a year end deficit (to be funded from trust equity). This is despite inflationary adjustments to the TDC grant via the 2018 Long Term Plan, and additional funding for the i-SITEs.

REPORT ON TRUST ACTIVITIES

Implementation of Strategic documents:

Through 2016 DGLT spent considerable effort developing a new strategic direction (*The Next Big Thing* – Destination Great Lake Taupō Strategic Document 2016). This was followed in 2018 by the development of a Bay of Plenty Visitor Economy Strategy (with a specific Taupō chapter). DGLT has spent much of 2018 ensuring activity and investment is aligned to the new strategy direction. This has included a more active role in destination management issues, focusing of marketing activity to target shoulder/winter periods and a specific focus to broaden the range of visitors to the region. The largest single change in direction over this period has been the implementation of a specific winter marketing programme alongside Tourism NZ and Ruapehu Alpine Lifts in Australia (enabled by the extra $100,000 of funding provided by Taupō District Council). In 2018 the focus was on aligning content, imagery and marketing material to reinforce this new direction, and a shift more towards a digital approach for all marketing activity.

Key Highlights:

- Strong industry support over this period, with over 50% of DGLT's in-kind target achieved by YE December, and great attendance at industry events
- Launch of the Love Taupo campaign and refreshed website and social media channels
- Continued growth in tourism spend across the region, up 5% compared to the same period last year.
- Year two of collaborative multi-agency winter campaign into Eastern seaboard of Australia, where Taupo is partnering with Tourism NZ, Auckland International Airport, Ruapehu Alpine Lifts, Visit Ruapehu and Destination Rotorua.

Destination Marketing:

Domestic **consumer marketing** continues to target key markets in Auckland, Wellington, Hawkes Bay, Bay of Plenty, and Waikato. Our campaign activity continues to focus on attracting visitors through the shoulder seasons of autumn, winter and spring, with three seasonal campaigns throughout the year. Over the last six months we delivered two campaigns through winter and spring.

The **2018 domestic winter campaign** focused on building awareness of the winter ski holiday experience in Taupō (district), especially for first-timers and high net worth individuals. This campaign formed part of a long-term approach to build awareness of ski in the Central North Island and the unique offerings that surround it (geothermal/hot pools; activities such as hiking, biking and golf; accommodation; great eateries; art and culture, and boutique shopping). The campaign was delivered across two 2-week pulses in June and then again in August. Overall the campaign received more than 5 million impressions and more than 26,000 clicks to the website. The greatest reach was achieved in the Auckland based new New Zealander audiences, with family audiences being close behind.

Our (in-house) **PR/media programme** continues to proactively target New Zealand and Australian-based media to support the positioning of Taupō district as a winter holiday destination. Some key winter editorial wins in this period included Jetstar Magazine (Australia); Out & About with Kids (Australia); Escape (Australia); Outdoor Australia Magazine (Australia); Family Travel (Australia) and My Discoveries (Australia). All these features were a result of our in-house media programme and relationships developed at Travmedia International Media Meet in 2017, which we will again attend in 2019. Media coverage in collaboration with Tourism NZ (which is additional to our inhouse PR/media programme) was valued at $2,298,222 (equivalent advertising value) with 53 stories generated across China, UK, South Korea, Canada, Germany, Argentina, Brazil, USA, Australia, Singapore and the Philippines.

In October we launched a **new campaign brand** 'Love Taupō', supported by new imagery and content. The shift in marketing approach and look and feel, was undertaken to enable us to diversify and appeal to new target markets (couples, young professionals, high net worth individuals and a greater diversity of international travellers) as identified in the 2016 DGLT Strategic Document.

Capturing fresh new imagery (still and moving image) has been a key component of the new campaign look and feel. Our aim has been to capture our regional highlights, showing the vastness and contrast of landscape, in order to generate a sense of wanderlust and ultimately increase length of stay through inspirational imagery. Keeping our image library up-to-date and shooting through the seasons will be part of our ongoing strategy to ensure we profile the region in its best light.

Alongside the new look and feel, we undertook a platform upgrade for the **website**, plus a restructure of the information architecture and a redesign to be aligned with the new 'Love Taupō' campaign brand and strategy. To date we are seeing positive behaviour changes with engagement levels through time on site and pages per session on the increase. We have also integrated inbound marketing software into the website which enables us to capture data from visitors to our website and social media, and market to them based on their individual interests.

To coincide with the launch of LoveTaupō.com we ran a 3-week brand awareness campaign through November to drive traffic to the new site and build brand awareness. This included billboards in Auckland, Hamilton and Rotorua and a digital campaign that included google, programmatic and native display ads, video, and social (Facebook and Instagram). This campaign was one of our most successful to date, with our target audiences showing excellent engagement (including sharing of advertisements).

Additionally, our **social media channels** remain an important component of our marketing mix for promotion to visitors. We focus our attention on Facebook, Twitter, Instagram, YouTube and Weibo. Our Love Taupō channels currently have 35,258 Facebook followers, 6,579 Twitter followers, 15,823 Instagram followers; and 3,356 Weibo fans. YouTube views were 38,662 for the period 1 Jul – 31 Dec 2018.

Our suite of **destination collateral** has undergone a review in terms of look and feel, imagery and content structure. The Official Taupō Visitor Guide was republished in October in collaboration with local firm Ninety-Black and continues to have strong support from local operators. 100,000 copies have been produced and are distributed around Auckland, Rotorua, Wellington and Taupō and through the i-SITE network. Updated tear off pads profiling events, Top 25 experiences, top free experiences, rainy day activities and family experiences were printed and are distributed locally through the i-SITE's and various outlets. Remaining collateral will be produced early in 2019 (shop/taste brochure; Turangi brochure; walks/rides brochure and China brochure).

The DGLT marketing team received two awards at the **RTONZ 2018 Awards** held in October 2018:

- runner-up in the Best RTO Online Performance 2018 award,
- runner-up in the Best Industry Collaboration 2018 award.

The focus by DGLT in the **international market** has continued in the first six months of the 2018/19 year to ensure we capitalise on strong growth in international arrivals in to NZ. Due to the scale of the complete international market, DGLT has focused activity around Australia, UK/Europe and North America. Unlike domestic visitors, international (especially 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 the US, hosting 14 separate events and training over 440 US based agents. The collective also engaged the services of a UK based representation company based in London, to train and upskill UK based travel agents on the Central North Island regions. To date in the first half of 18/19 year, this company has conducted training sessions with 22 UK based agencies and tour operators and has represented the Central North Island regions at 3 separate UK based Tradeshows.

Within the Australian market planning has been underway for the Tourism NZ Winter Touring campaign alongside Ruapehu and RAL with this campaign going live in Australia in mid-January 2019. A lot of work has been undertaken to ensure Taupō based operators are 'bookable' within the Australian market and we have been working with 'trade ready' Taupō tourism operators to get them contracted with Australian Tour companies and Travel Agents. Work has also been undertaken with the main key 'wholesalers' in the Australia market to get the Taupō district and Taupō operators included within their New Zealand brochures to ensure we are included in the 'dream and plan' process when consumers are planning their New Zealand holidays. We are pleased to now have Taupō operators included and showcased within the main brochures (ie Helloworld, Flightcentre, Qantas Holidays etc).

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 2018 – MBIE), this is a significant amount higher than the average domestic holiday visitor. Unfortunately, the 6-monthly figures for the total number of business events held within the district are not yet available. However, for the first quarter business events were up 8%. The district has been showcased to potential conference and incentive buyers through a range of channels including networking events and famils. This has included hosting New Zealand based companies to the region on famils tailored specifically to suit their event requirements and coordinating and running a series of two networking events in Auckland and Wellington alongside Taupō operators. These events were both successful with 26 Taupō operators joining the Auckland event (125 buyers attending) and 16 Taupō operators joining us at the Wellington event (where over 70 buyers attended).

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 8.4% to 29,143 and the Taupō door count has dropped 10% to 62,402. Revenue has also declined. For Taupō, gross commission sales are down 9.5% - this is across the board while retail sales remain exactly the same as last year. For Turangi commission sales are up 4.5% (due to the Volcanic Activity Centre) while retail sales are down 19%.

Destination Management:

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. DGLT has continued to work alongside Bike Taupō, Go Tongariro and Taupō District Council on the sourcing of funding to develop a shared use cycleway and walkway between Turangi and Taupō.

DGLT has continued to work on 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.

Industry engagement:

Across the period there are hundreds of meetings with individual operators, however in terms of formal (larger) gatherings, DGLT ran its annual industry update in Taupō, ran a session with owners and senior managers to debrief winter activity, and initiated a tourism stakeholder group in the southern lake area. The AGM was held in August, and the annual DGLT Christmas and tourism awards function was held for operators in December (in partnership with Tourism Lake Taupō). In October DGLT and Tourism New Zealand held a training session for operators on how to maximise their opportunities when working with travel trade, and how to optimize their listings on www.newzealand.com. This is especially important as this content pulls through to www.LoveTaupō.com.

PERFORMANCE AND OTHER MEASURES ACHIEVED

Below is a table outlining the half year measures against targets set for yearend 30 June 2019.

Measures of Success –	Measures of Success/Goals	Results/Actuals
Objective 1 – Establish Great Lake Taupō as 'THE North Island holiday destination', centred around our natural environment and attractions		
Growth in tourism expenditure *Measured by the Monthly Regional Tourism Estimates*	**4.8% annual growth**	In the 12 months ending December 2018 spending is up 5% (to $653 million), as measured by the Monthly Regional Tourism Estimates.
Visitor experience / satisfaction	**Net promoter score of 46 as measured via the AA Travel Monitor**	For the year ended December 2018 the Taupo region recorded a Net Promoter Score of 52, as measured by the AA Domestic Travel Monitor.
Objective 2 – Run an efficient and effective regional tourism organization, strongly supported by the local tourism industry		
Visitation in the Taupō and Turangi i-sites	**260,000 visits to Taupō and Turangi i-sites**	Annual result to be reported YE June 2019. Note - at this stage visitation (year to date) is down relative to 2017 and DGLT may not hit the target: Turangi door count: July – Dec 2018 29,143; July – Dec 2017 31,803 Taupō door count: July – Dec 2018 62,402; July – Dec 2017 69,287

Support for DGLT collateral	**861 listings on www.greatlakeTaupō.com** **212 local operators stocking brochures in the Taupō and Turangi i-SITEs.**	This will be reported YE June 2019. With the changeover to LoveTaupō.com we do not yet have the reporting functionality to generate a total listing number. Our strategy with the newly configured website (LoveTaupō.com) is to pull all tourism operator listings from NewZealand.com (to avoid issues of out of date listings, and so operators don't have to maintain multiple site listings). Any operator not listed on NewZealand.com will not show on LoveTaupō.com unless manually loaded. Only retail and F&B businesses have been manually loaded to LoveTaupō.com. 199 local operators stocking brochures in the two i-SITEs. There has been a decrease in accommodation operators displaying brochures.
Support for DGLT marketing initiatives	**Estimated at $70,000 of free of charge or in-kind support for marketing promotions activity.**	$41,277 in-kind contributions year to date. Note – the busy period for famils occurs in the second half of the financial year, so it is expected that DGLT will hit or exceed the target of $70,000 by year end.
Industry Stakeholders are satisfied with DGLT performance as measured by Annual Visitor Industry Survey Maintaining consistency is set as the primary performance target	**85% Industry satisfaction score**	Annual stakeholder survey scheduled for June 2019

SUMMARY OF FINANCIAL STATEMENTS

There are two notable variations in the **Statement of Comprehensive Revenue and Expense**. DGLT is funded by way of a grant from Taupō District Council of $1,750,000, paid in quarterly installments. In the first 6 months DGLT has received $975,000. This is up from $875,000 for the same period in 2017/18, reflecting the additional funding for the i-SITEs provided via the 2018 Long Term Plan.

In terms of the overall financial position, DGLT is currently showing an operating deficit (or overspend) of $85,337. This reflects planned (and approved) additional marketing activity, which will continue at year end and will be funded through a further draw down of trust equity. It also reflects a higher than budgeted loss in the i-SITEs (as noted below).

In relation to the **Statement of Financial Position**, the value of DGLT assets is up relative to December 2017, reflecting recent upgrades to the Turangi i-SITE. The liabilities have decreased, due to the release of much of the income tax provision in June 2018.

As part of the **notes to the financial report**, there are variations worth highlighting. For revenue it should be noted that:

- i-SITE revenue is down, including commission sales, retail sales and operator advertising. This reflects reduced visitation as well as competition from other digital booking channels and continues the trend over recent years. While expenditure is relatively static, the declining revenue means the overall loss for the two i-SITEs has increased.
- Marketing fees are down relative to the same period last year, reflecting late timing of website sales due to changes to the site (including changes to the type and number of advertising opportunities).

The notable expenditure variations in the 6-month interim report include:

- Advertising expenditure, which is up relative to the same period last year. This reflects later timing of 2018 domestic winter marketing (which shifted in to the reporting period), a larger spring marketing campaign and a heavy investment in both imagery and the website.
- Professional services fees/consultants costs, which are down, reflecting a redirection of expenditure to advertising cost codes.
- Conference fees, which are up relative to 2017, due to increased sales activity and attendance at trade show events.
- Materials and supplies costs, which have increased due to costs associated with the Turangi i-SITE, and DGLT collateral / brochures.

Statement of Comprehensive Revenue and Expense
For the half-year ended 31 December 2018

	Note	**Unaudited Actual For the 6 Months to 31 December 2018 $**	Unaudited Actual For the 6 Months to 31 December 2017 $	Audited Actual 30 June 2018 $
Revenue				
Operating grant from Taupo District Council		**975,000**	875,000	1,750,000
Revenue from services provided	3	**342,590**	423,075	710,414
Finance revenue	4	**5,654**	388	5,600
Other revenue		**-**	-	9,600
Total revenue		**1,323,244**	1,298,463	2,475,614
Expenditure				
Employee benefit expenses	5	**529,853**	512,119	1,039,144
Depreciation and amortisation expense	10	**12,603**	10,271	19,022
Finance costs	4	**-**	-	1,796
Other expenses	5	**866,125**	652,999	1,438,378
Total operating expenditure		**1,408,581**	1,175,389	2,498,340
Income tax (expense)/credit		**-**	-	75,942
Operating surplus/(deficit)		**(85,337)**	123,074	53,216
Total comprehensive revenue and expenses attributable to:				
Destination Lake Taupo Trust		**(85,337)**	123,074	53,216
		(85,337)	123,074	53,216

Statement of Changes in Net Assets/Equity
For the half-year ended 31 December 2018

	Note	**Unaudited Actual For the 6 Months to 31 December 2018 $**	Unaudited Actual For the 6 Months to 31 December 2017 $	Audited Actual 30 June 2018 $
Net Assets/Equity at start of the year	6	**174,725**	121,509	121,509
Total comprehensive revenue and expenses previously reported		**(85,337)**	123,074	53,216
Balance at 31 December	6	**89,387**	244,583	174,725

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

Statement of Financial Position
As at 31 December 2018

	Note	**Unaudited Actual For the 6 Months to 31 December 2018 $**	Unaudited Actual For the 6 Months to 31 December 2017 $	Audited Actual June 2018 $
ASSETS				
Cash and cash equivalents	7	**136,331**	769,650	300,625
Other financial assets		**350,000**	-	250,000
Trade and other receivables	8	**26,617**	26,017	59,286
Inventories	9	**31,615**	32,790	23,558
Prepayments		**11,710**	24,583	25,201
Total current assets		**556,273**	853,040	658,670
Non-current assets				
Property, plant and equipment	10	**108,687**	76,470	111,955
Total non-current assets		**108,687**	76,470	111,955
Total assets		**664,960**	929,510	770,625
LIABILITIES				
Current liabilities				
Trade and other payables	11	**427,890**	472,795	453,137
Employee benefit liabilities	12	**133,713**	125,766	128,793
Current tax liabilities		**7,000**	82,942	7,000
Total current liabilities		**568,603**	681,503	588,930
Non-current liabilities				
Employee benefit liabilities	12	**6,970**	3,424	6,970
Total non-current liabilities		**6,970**	3,424	6,970
Total liabilities		**575,573**	684,927	595,900
Net assets (assets minus liabilities)		**89,387**	244,583	174,725
EQUITY				
Equity	6	**100**	100	100
Accumulated funds	6	**89,287**	244,483	174,625
Total equity		**89,387**	244,583	174,725

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

Statement of cashflows
For the half-year ended 31 December 2018

	Note	**Unaudited Actual For the 6 Months to 31 December 2018 $**	Unaudited Actual For the 6 Months to 31 December 2017 $	Audited Actual June 2018 $
Cash flows from operating activities				
Receipts from customers		**344,053**	486,478	667,516
Receipts from Taupo District Council operating grant		**975,000**	875,000	1,750,000
Finance revenue		**8,302**	388	5,600
Other revenue		**-**	-	11,928
Payments to suppliers		**(885,173)**	(464,178)	(1,266,799)
Payments to employees		**(524,933)**	(496,991)	(1,016,010)
Interest paid		**-**	-	(1,796)
Net GST received / (paid)		**28,558**	(86,307)	19,579
Net cash flow from operating activities		**(54,193)**	314,390	170,018
Cash flows from investing activities				
Receipts from sale of property, plant, and equipment		**-**	35,074	35,074
Net increase in investments		**(100,000)**	-	(250,000)
Purchase and development of property, plant and equipment		**(10,101)**	(2,881)	(77,534)
Net cash flow from investing activities		**(110,101)**	32,193	(292,460)
Net increase (decrease) in cash held		**(164,294)**	346,583	(122,442)
Add cash at start of year		**300,625**	423,067	423,067
Cash, cash equivalents, and bank overdrafts at the end of the year	7	**136,331**	769,650	300,625

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.

NOTES TO FINANCIAL REPORTS

1 Statement of accounting policies for the half-year ended 31 December 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 6 months ended 31 December 2018. The financial statements were approved by the Board of Trustees on 29th January 2019.

2 Summary of significant accounting policies

2.1 Basis of preparation of half-year financial report

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 1 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 in 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 the 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 commencement of the lease term, finance leases are recognised as assets and liabilities in the consolidated 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 Trust as measured by the value of total assts less total liabilities. Equity is disaggregated and classified into a number of reserves to enable clearer identification of the specific uses The Trust makes of it's accumulated surpluses. The equity of The Trust 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 first-in, first-out 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.

Additions

2 Summary of significant accounting policies

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% - 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, 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

Defined contribution schemes

2 Summary of significant accounting policies

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.

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

	Unaudited Actual For the 6 Months to 31 December 2018 $	Unaudited Actual For the 6 Months to 31 December 2017 $	Audited Actual 30 June 2018 $
Revenue from significant activities			
I-Site operations	**276,223**	337,998	517,622
Other revenue	**-**	9,600	-
Marketing fees	**66,367**	75,477	192,792
Total Operating Revenue	**342,590**	423,075	710,414
Analysis of I-site Revenue			
Retail sales	**80,277**	94,104	186,959
less cost of goods sold	**(44,224)**	(48,171)	(106,026)
Gross margin on retail sales	**36,053**	45,933	80,933
less stock losses	**(328)**	-	(2,622)
	35,725	45,933	78,311
I-Site Commissions	**158,193**	160,831	252,573
I-Site Operator advertising revenue	**27,337**	56,260	32,310
Other	**10,416**	26,803	45,780
Total I-site operations revenue	**231,671**	289,827	408,974

4 Finance revenue and finance costs

	Unaudited Actual For the 6 Months to 31 December 2018 $	Unaudited Actual For the 6 Months to 31 December 2017 $	Audited Actual 30 June 2018 $
Finance revenue			
Interest revenue	**5,654**	388	5,600
Less finance costs			
Interest expense	**-**	-	1,796
Net finance costs	**5,654**	388	3,804

5 Operating expenditure

	Unaudited Actual For the 6 Months to 31 December 2018 $	Unaudited Actual For the 6 Months to 31 December 2017 $	Audited Actual 30 June 2018 $
Employee benefit expenses			
Salaries and wages	**504,097**	483,139	993,809
Increase/(decrease) in employee entitlements/liabilities	**12,333**	16,562	19,588
Defined contribution plan employer contributions	**13,423**	12,418	25,747
Total employee benefit expenses	**529,853**	512,119	1,039,144
Depreciation by asset class:			
Furniture and fittings	**11,887**	8,581	15,669
Plant & Machinery	**716**	1,690	3,353
Total depreciation and amortisation	**12,603**	10,271	19,022
Audit fees for financial statements audit	**8,993**	7,817	17,634
Board meetings fees	**20,000**	22,065	43,065
Bad debts written off	**-**	-	1,249
Legal fees	**3,164**	572	572
Taupo District Council indirect costs	**89,500**	89,500	179,000
Inventory cost of goods sold	**44,224**	48,171	106,026
Inventory writeoff	**328**	-	2,622
Advertising	**371,879**	174,615	537,261
Professional services fees/legal fees	**20,319**	51,366	43,796
Travel & accommodation	**55,108**	58,067	110,321
Printing & stationery	**5,723**	5,477	18,351
Bank fees	**16,323**	15,351	37,521
Rental	**72,846**	71,509	148,678
Publicity	**7,245**	4,786	14,600
Maintenance	**5,840**	4,527	7,352
Conference fees	**51,791**	37,508	55,527
Materials and supplies	**17,881**	5,533	10,615
Insurance	**1,140**	1,058	2,115
Other grants	**5,063**	-	-
Loss on disposal of property, plant & equipment	**766**	-	2,759
Staff expenses	**3,382**	4,927	6,012
Other expenses	**64,610**	50,150	93,302
Total other expenses	**866,125**	652,999	1,438,378

6 Net assets/equity

	Unaudited Actual For the 6 Months to 31 December 2018 $	Unaudited Actual For the 6 Months to 31 December 2017 $	Audited Actual 30 June 2018 $
Trust Equity			
Accumulated funds	**89,287**	244,483	174,625
Balance at 31 December 2018	**89,287**	244,483	174,625
Contributed equity			
Equity	**100**	100	100
Balance at 31 December 2018	**100**	100	100
Total equity	**89,387**	244,583	174,725
Accumulated funds			
Balance at 1 July	**174,624**	121,409	121,409
Surplus/(deficit) for the half-year	**(85,337)**	123,074	53,216
Balance 31 December	**89,287**	244,483	174,625

7 Cash and cash equivalents

	Unaudited Actual For the 6 Months to 31 December 2018 $	Unaudited Actual For the 6 Months to 31 December 2017 $	Audited Actual 30 June 2018 $
Cash at bank and in hand	**8,758**	43,357	4,873
Call deposits	**127,573**	726,293	45,752
Term deposits with maturities of less than three months	**-**	-	250,000
Total cash and cash equivalents used in statement of cashflows	**136,331**	769,650	300,625

8 Trade and other receivables

	Unaudited Actual For the 6 Months to 31 December 2018 $	Unaudited Actual For the 6 Months to 31 December 2017 $	Audited Actual 30 June 2018 $
Trade receivables	19,685	25,610	21,051
Net debtors	19,685	25,610	21,051
Other	3,153	407	5,898
GST refund	3,779	-	32,337
	6,932	407	38,235
Total current net trade and other receivables	26,617	26,017	59,286
Total debtors and other receivables from exchange transactions	19,685	25,610	21,051
Total current net trade and other receivables from non-exchange transactions	6,932	407	38,235
Total current net trade and other receivables	26,617	26,017	59,286

The status of receivables as at 31 December 2018 are detailed below:

	Unaudited Actual For the 6 Months to 31 December 2018 $	Unaudited Actual For the 6 Months to 31 December 2017 $	Audited actual 2018 $
Current	18,292	4,165	8,280
Past due 1-30 days	1,014	649	-
Past due 31-60 days	207	5,913	1,750
Past due 61+ days	172	14,883	11,021
Impairment	-	-	-
Total individual impairment	19,685	25,610	21,051

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

9 Inventories

	Unaudited Actual For the 6 Months to 31 December 2018 $	Unaudited Actual For the 6 Months to 31 December 2017 $	Audited Actual 30 June 2018 $
Commercial inventories			
- held for use in the provision of services	**31,615**	32,790	23,558
Total inventory	**31,615**	32,790	23,558

No inventories are pledged as security for liabilities (June 2018 $nil).

10 Property, plant and equipment

December 2018	Cost 1 Jul 2018 $	Accumulated depreciation 1 Jul 2018 $	Carrying amount 1 Jul 2018 $	Current year additions (+ gains) $	Current year disposals (+ losses) $	Current year depreciation $	Cost 31 Dec 2018 $	Accumulated depreciation 31 Dec 2018 $	Carrying amount 31 Dec 2018 $
Operating assets at cost									
Office furniture and fittings	111,957	(22,329)	89,628	10,102	(773)	(7,687)	119,813	(28,543)	91,270
Plant and equipment	59,786	(37,459)	22,327	-	-	(4,910)	59,785	(42,368)	17,417
Motor Vehicles	-	-	-	-	-	-	-	-	-
Total DGLT 31 December 2018	171,743	(59,788)	111,955	10,102	(773)	(12,597)	179,598	(70,911)	108,687

December 2017	Cost 1 Jul 2017 $	Accumulated depreciation 1 Jul 2017 $	Carrying amount 1 Jul 2018 $	Current year additions (+ gains) $	Current year disposals (+ losses) $	Current year depreciation $	Cost / revaluation 31 Dec 2017 $	Accumulated depreciation 31 Dec 2017 $	Carrying amount 31 Dec 2017 $
Operating assets at cost									
Office furniture and fittings	53,761	(20,421)	33,340	-	-	(5,351)	53,761	(25,772)	27,989
Plant and equipment	50,514	(27,652)	22,862	2,880	-	(4,920)	53,394	(32,572)	20,822
Motor Vehicles	77,393	(51,919)	25,474	-	(25,474)	-	-	-	-
Leasehold improvements	-	-	-	27,659	-	-	27,659	-	27,659
Total DGLT 31 December 2017	181,668	(99,992)	81,676	30,539	(25,474)	(10,271)	134,814	(58,344)	76,470

June 2018	Cost 1 Jul 2017 $	Accumulated depreciation 1 Jul 2017 $	Carrying amount 1 Jul 2018 $	Current year additions (+ gains) $	Current year disposals (+ losses) $	Current year depreciation $	Cost / revaluation 30 June 2018 $	Accumulated depreciation 30 June 2018 $	Carrying amount 30 June 2018 $
Operating assets At cost & valuation									
Office furniture and fittings	53,761	(20,421)	33,340	66,827	(1,726)	(8,813)	111,957	(22,329)	89,628
Plant and equipment	50,514	(27,652)	22,862	10,707	(1,033)	(10,209)	59,786	(37,459)	22,327
Motor vehicles	77,393	(51,919)	25,474	-	(25,474)	-	-	-	-
Total DGLT 30 June 2018	181,668	(99,992)	81,676	77,534	(28,233)	(19,022)	171,743	(59,788)	111,955

There is no provision for impairment this year (2018 $nil)

11 Trade and other payables

	Unaudited Actual For the 6 Months to 31 December 2018 $	Unaudited Actual For the 6 Months to 31 December 2017 $	Audited Actual 30 June 2018 $
Trade payables	**236,098**	268,495	323,985
Accrued expenses	**191,306**	200,902	127,847
Provision for ACC	**486**	388	1,305
GST payable	**-**	3,010	-
Total creditors and other payables	**427,890**	472,795	453,137
Total creditors and other payables from exchange transactions	**426,909**	469,397	451,832
Total creditors and other payables from non-exchange transactions	**981**	3,236	1,305
Total current creditors and other payables from exchange and non-exchange transactions	**427,890**	472,633	453,137

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.

12 Employee benefit liabilities

	Unaudited Actual For the 6 Months to 31 December 2018 $	Unaudited Actual For the 6 Months to 31 December 2017 $	Audited Actual 30 June 2018 $
Current portion			
Accrued pay	**-**	-	7,413
Annual leave	**129,556**	124,494	114,872
Long service leave & lieu days	**4,157**	1,272	6,508
Total current portion	**133,713**	125,766	128,793
Non-current portion			
Long service leave actuarial accrual	**6,970**	3,424	6,970
Total non-current portion	**6,970**	3,424	6,970
Total employee entitlements	**140,683**	129,190	135,763

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 2.12% (June 2018 2.12%) and an inflation factor of 2% (June 2018 2%) were used.

13 Related party transactions

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

13 Related party transactions

Key management personnel

	Unaudited Actual For the 6 Months to 31 December 2018 $	Unaudited Actual For the 6 Months to 31 December 2017 $	Audited Actual 2018 $
Councillors			
Remuneration (Trustees)	**20,000**	22,065	43,065
Full-time equivalent members	**6**	6	6
Senior Management			
Remuneration (GM & SMT)	**205,250**	195,817	391,825
Full-time equivalent members	**4**	4	4
Total key management personnel compensation	**225,250**	217,882	434,890
Total full-time equivalent personnel	**10**	10	10

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.

14 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:

	Unaudited Actual For the 6 Months to 31 December 2018 $	Unaudited Actual For the 6 Months to 31 December 2017 $	Audited Actual 30 June 2018 $
Payable no later than one year	**18,000**	18,000	18,000
Total non-cancellable operating leases	**18,000**	18,000	18,000

31 December 2018 relates to one year's rental for Turangi I-Site

15 Events after balance date

There were no significant events after balance date that require reporting.