TAUPŌ

ANNUAL REPORT

FOR THE YEAR ENDING
30 JUNE 2019

GREAT LAKE TAUPŌ

DIRECTORY

Governing Body	**Destination Lake Taupō Trust Board** Ray Salter (Chairman) Cushla Clark Dennis Christian Glyn Williams Jonathan Cameron
General Manager	Jane Wilson
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
Address	Level 1, 32 Roberts Street, TAUPŌ
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DESTINATION GREAT LAKE TAUPŌ (DGLT) AGM 2019: CHAIRMAN'S REPORT

This year has continued a trajectory of very strong tourism growth for the district. Local tourism expenditure is up 7% YE Jun 2019 and now accounts for $684 million of direct spend and approximately $650 million indirectly, making it a $1.3 billion industry. This is more than double the national increase of 3% with a stand-out month in May 19 where the Taupo region had the highest growth across the country (18% vs 5% nationally). This year- end growth in expenditure was driven primarily by an increase in domestic spend (up 7%) and steady growth from the international markets (up 4%).

The value of tourism has grown from $450M in 2013 to its current value this year. This growth represents a compound annual growth rate of 7.1%. This very strong rate of growth is unlikely to continue with forecasts indicating rates of 2-3% annually to 2025. We are seeing global uncertainty affecting international visitation and the domestic economy starting to flatten.

Over two thirds of this spending comes from domestic visitation, largely concentrated in the school holiday periods. This creates capacity issues around seasonality. This has meant concentrating our messaging on a group of potential visitors that have more flexibility on when they travel. Addressing seasonality in the district through this approach is the key to improving profitability of tourism operators, rather than encouraging growth during peak seasons. Marketing activity has targeted travel over the shoulder seasons with the launch of autumn and winter campaigns domestically. We are continuing the Winter Partnership campaign with Ruapehu Alpine Lifts, Visit Ruapehu, Tourism NZ and Auckland International Airport to significantly increase winter promotional activity that targets the eastern seaboard of Australia. This has resulted in strong growth from Australia with expenditure up 13% in the year ending June 2019.

DGLT has also partnered with Tourism NZ and the Explore Central North Island group of Regional Tourism Offices (RTO) to attract visitation from the traditional western markets of UK/Europe and the US. Although visitor arrivals from UK and Europe have softened considerably over the last 12 months the USA continues to show very solid growth, with spend up 33% YE June 2019.

While the marketing of Taupo district as "natures ultimate playground" still resonates with a wide and active audience, it has less appeal to the changing international visitor or to the domestic urban audience. It is therefore crucial for DGLT to continue to work with existing operators, attract new investment and diversify our product offering if we are to remain an appealing and competitive holiday destination. This has necessitated more work alongside existing and new tourism operators (in partnership with Enterprise Great Lake Taupō).

DGLT has carried out a campaign rebranding exercise this year. "Love Taupo" is the new brand and builds on the success of the #LOVETAUPO lettering located on the Taupo lakefront. This pop-up lettering has become such an iconic point of attraction with an unprecedented number of photographs, Instagram images and likes. In addition to the new brand, DGLT has invested heavily in updating the destination website and a new url to www.lovetaupo.com. With the changeover to a new website there has been some loss in organic traffic and a decrease in referrals to operator listings. Addressing these issues has been a high priority and we are working closely with our web agencies to monitor and improve performance. New imagery that reflects the beauty and vastness of our landscapes aims to inspire visitors to stay longer and explore more of our region.

Several regional tourism projects are in the pipeline for applications to the Provincial Growth Fund, with the RAL Sky waka gondola project a key success to date. The official opening of the gondola was held at the end of July 19 and initial performance is very promising. RAL are continuing to streamline operations to provide a unique and engaging experience on the mountain year-round.

The DGLT regional strategy also highlights the importance of sustainable growth. DGLT is increasingly focused on destination management and development issues. As growth continues, the district is starting to experience crowding and capacity issues at key icon sites. DGLT has been increasingly involved in discussions about ensuring that the tourism infrastructure is established to cope with existing and future growth. These changes mean that the role of the RTO is evolving rapidly.

The Turangi and Taupo i-SITEs remain a critical part of the tourism infrastructure in the region. Operated by DGLT, the I- sites are the shopfront for the district and are an important distribution point for international visitors arriving in the region. They continue to operate in a challenging environment, with declining sales revenue as planning and booking are increasingly conducted across digital platforms.

We also know 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. 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. We are seeing a significant step up in famil activity in the district and especially in partnership with Tourism New Zealand. This activity demands significant staff input as well as support from operators. 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.

Taupo District Council reviewed its long-term plan in 2018 and a new plan is now operating that provides direction and investment certainty for the next three years. DGLT has, as a result of changes in the plan, a new funding regime. Two key changes have been made to the funding of DGLT that provide a better long-term funding arrangement. Firstly, the core grant for DGLT will now be inflation adjusted consistent with the local government cost index. Since 2010 when the grant was first established, the grant has lost around 25% of its purchasing power. This deterioration in purchasing power will now no longer occur.

The second major change is the separation of the funding of I-SITES from the rest of the DGLT budget. The reason for this change is to enable the destination marketing activity to occur at a level that is independent of the revenue from the i-SITES. The impact of this change is significant as it means that there is now certainty about the marketing budget for the district. Previously the marketing budget was highly variable on a year by year basis because of the need to ensure that the i-SITES were supported in an environment where their revenue fluctuated depending on the season.

After three years as General Manager, Damian Coutts resigned from DGLT in February 2019 to take up a position with the Department of Conservation. The board has subsequently appointed Jane Wilson to the role in March 2019. Jane brings with her a wealth of tourism and destination marketing experience across Australia and New Zealand, as well as experience in strategy development and relationship management with key stakeholders across the industry. Jane has also been involved in tourism business development and marketing and communications strategy. With established tourism connections, Jane has quickly become familiar with the issues and opportunities for tourism as part of the wider district economy.

This year we had two board positions that were advertised as a result of the end of the three-year terms. The council again considered a range of applicants and I am delighted to advise that Dennis Christian has been appointed for a second term. Dennis brings both international experience and deep experience in the backpacker segment in New Zealand. Sadly, we have lost Laura Duncan whose term ended. Laura has recently sold her tourism business and left the district with her family on new adventures. She has been replaced on the board by Cushla Clark, who was appointed in May 2019. Cushla is an experienced tourism operator having run aviation tourism businesses throughout New Zealand. With significant experience in Taupo she is well connected to the industry in the district. As Chairman I welcome Cushla to the board and look forward to the contribution she will bring to discussions over the coming 12 months.

Report to Taupo District Council for 01 July 2018 – 30 June 2019
On behalf of the DGLT Board:

Ray Salter
DGLT Board Chairman
20 August 2019

Independent Auditor's Report

To the readers of Destination Lake Taupō Trust's financial statements and performance information for the year ended 30 June 2019

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 performance information of the Trust on his behalf.

Opinion

We have audited:

- the financial statements of the Trust on pages 19 to 37, that comprise the statement of financial position as at 30 June 2019, the statement of comprehensive revenue and expense, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of the Trust on page 15.

In our opinion:

- the financial statements of the Trust on pages 19 to 37:
    - present fairly, in all material respects:
        - its financial position as at 30 June 2019; and
        - its financial performance and cash flows for the year then ended; and
    - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Standards with reduced disclosure requirements.
- the performance information of the Trust on page 15 presents fairly, in all material respects, the Trust's actual performance compared against the performance targets and other measures by which performance was judged in relation to the Trust's objectives for the year ended 30 June 2019.

Our audit was completed on 30 August 2019. 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 performance information, 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 performance information

The governing body is 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 governing body is also responsible for preparing the performance information for the Trust.

The governing body is responsible for such internal control as they determine is necessary to enable them to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the performance information, the 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 related to going concern and using the going concern basis of accounting, unless the Trustees intend to liquidate the Trust or to cease operations, or has no realistic alternative but to do so.

The Trustee's responsibilities arise from the Local Government Act 2002 and the Trust Deed.

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

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

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

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

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

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

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

- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control.

- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Trust.

- We evaluate the appropriateness of the reported performance information 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 Trust 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 the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Trust to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.

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

Our responsibilities arise from the Public Audit Act 2001.

Other Information

The Trustees are responsible for the other information. The other information comprises the information included on pages 2 to 6, 11 to 14 and 16 to 18, but does not include the financial statements and the performance information, and our auditor's report thereon.

Our opinion on the financial statements and the performance information 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 performance information, 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 performance information 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 2018-19 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 (RTO), 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 continued to focus on driving visitation into the shoulder periods through the release of spring, autumn and winter domestic campaigns.

Our 2019 domestic autumn campaign activity commenced in March 2019 and continued through into April 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, Turangi Tourism Group and Bike Taupō including a very successful Monster Bike Sale and treasure trail hunts along the Great Lake Pathway and Tongariro River Trail.

Digital and online marketing remains the key channel for our destination marketing activity. DGLT launched a new website in October 2018 leveraging the success of the pop- up #LOVETAUPO lettering and acknowledging the high level of search on these words, especially from our international markets. With the changeover to a new url, there has been some loss in organic traffic and referrals to operators. Improving performance is a high priority. We have been working with our digital agencies and web developers to address these issues. Although traffic is down those visiting the site are more highly engaged and the bounce rate continues to decline, indicating once people are arriving on lovetaupo.com they are spending quality time there, and finding what they want. There were 635,283 website sessions from 01 July 2018 to 31 June 2019 compared to 1,010,217 for the same period last year. It is important to also note that previous years statistics included those visiting the site to gain free wifi access. We now extract the 'free Wi-Fi' data and report on that separately. From 01 July 18 – 30 June 2019 there were 30,731 Free wifi sessions compared to 29,073 in the previous year. We are also working to establish more meaningful insights – around acquisition, behavior (engagement) and conversion.

Additionally, our social media channels remain important for promotion to visitors. Facebook, Twitter, Instagram, YouTube and Sina Weibo remain our key platforms. DGLT currently has 36,268 Facebook followers (up 8%), 6,617 Twitter followers (up 6%), 16,559 Instagram followers (up 9%) and for Sina Weibo we have 3,384 followers (up 3%). YouTube views are at 144,000 from 1 July 2018 to 30 June 2019 (down 38%). This decrease was expected following the launch of several new video releases in 2018, highlighting the need to continually refresh and supply new content on these channels.

A key component of our consumer direct activity is to generate positive media coverage for the destination. Inviting relevant media both domestically and internationally to visit the Taupo region and then share their stories with their audience generated an equivalent advertising value (EAV) of more than $22million. The region featured in over 650 stories around the world, including features in Signature Luxury Travel & Style Magazine; Luxury Travel Magazine; NZ Mountain Biker; Out & About with Kids; NZ Herald Travel; JetStar Magazine, Kia Ora Magazine, stuff.co.nz, Sunday Telegraph Australia, Conde Nast Traveller, USA plus many others. Significant video content included Samantha Brown's Places to Love (broadcast), USA - https://samantha-brown.com/episodes/season-2/central-north-island-new-zealand/

and Ben Fogle: New Lives in the Wild (broadcast), UK - https://www.my5.tv/ben-fogle-new-lives-in-the-wild/season-7/episode-2

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 has taken on a life of its own on social media platforms, 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.

The Official Great Lake Taupō Visitor Guide was republished in October 18 and continues to have strong support from local operators, with 100,000 copies produced. These are distributed around Auckland, Rotorua, Wellington and Taupō. Additionally, the Shop/Taste guide was released in time for Easter 2019 and a further Walks/Ride publication is due for publication in Oct 2019.

DGLT's focus internationally remains on the core source markets of UK/Europe, USA and Australia.

Australia is our number one market and the eastern seaboard has been the primary focus. DGLT visits the market several times a year. Key activity included participation in a Tourism New Zealand RTO workshop in Sydney (meeting and training over 25 wholesalers) and leading a trade-mission alongside 8 local operators to Brisbane, Surfers, Sydney and Melbourne. DGLT also continued its partnership with Tourism NZ and other RTO's in two additional campaigns during the 18-19 FY. The North Island Touring campaign aimed at attracting visitation over the spring/early summer period and the launch of 'Winter at its Peak' in Feb 19 positioned the Central North Island as a viable winter holiday option. This was the third year of the Tourism NZ, RAL, Visit Ruapehu, Destination Rotorua and Taupō Winter collaboration utilising the additional funding provided by Taupō District Council. Aimed at beginner skiers the campaign messaging promoted the region as more than just a ski destination offering a broad range of experiences to augment a ski holiday. The campaign exceeded all KPI's with referrals up 349% on the previous year's campaign.

A continuing challenge for the region is to have a significant portfolio of bookable 'trade ready product'. A considerable amount of work has taken place within the district to increase the amount of Taupō/Turangi product that is 'contracted' with Australian travel wholesalers and we now have packages that include a broader range of Ruapehu, Turangi and Taupo operators.

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 Explore Central North Island marketing collective. This is a co-operative marketing alliance including seven other regional tourism organisations of the Central North Island (Hamilton/Waikato, Rotorua, Coromandel, Bay of Plenty, Gisborne, Hawkes Bay and Ruapehu) 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 700 agents across 4 countries. The uncertainty around Brexit has seen a continuing decline in visitor arrivals from the UK over the past 12 months. Despite this decline UK/Europe remains the regions second largest source market, and DGLT has therefore supported ECNI's decision to appoint a local representative based in the UK. The focus is on maintaining and strengthening trade relationships and to ensure that the Central North Island retains its profile and momentum in a challenging market.

There are many additional marketing opportunities in other international markets such as China, India and SE Asia. However, with limited budgets and resource DGLT needs to remain focused on its core source markets to ensure it doesn't dilute the already limited activity we currently undertake.

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 several training sessions and workshops with NZ based agents and inbound tour operators.

Corporate and business event clients are high value and are especially valuable as they often contribute to the local economy in off-peak and shoulder season periods. Conference and business event delegates per night spend within the region is approximately $533 per person per night (CDS Survey Dec 2018 – MBIE). This is significantly higher than both the domestic and international holiday visitors who spend an average of $295 and $397 per night respectively (Freshinfo 2019). The total number of business events held within the Taupō region is currently sitting on 963 year to date, with statistics still to be received from some venues for the months of March-June '19. Currently the YE figure is slightly lower than the final YE totals for the 2017/18 year (which was 1126), however with numbers still to be received for some venues, it is on track to either match or exceed the previous year. The region was showcased to potential conference and incentive buyers through a range of channels including tradeshows and famils. This has included hosting New Zealand based companies to the region, coordinating and running networking events in both Auckland and Wellington alongside Taupo operators as well as attending the Convene C & I Tradeshow in Auckland.

As consumers increasingly plan and book their holiday arrangements online the i-SITES are competing for their share of commission sales, advertising dollars and retail spend. Visitor numbers for both i-SITEs have decreased with foot traffic across both I-sites down 8.5% from 216,613 in 2018 to 198,565 YE June 2019. The Turangi door count has dropped 8.6% to 63,379 and the Taupō door count has dropped 8.2% to 135,186. Revenue has further declined with Taupo gross commission sales down 11.3% although retail sales are up 4.5%. Turangi commission and retail sales are down 11.3% and 12% respectively. The drop in Turangi retail sales is largely a result of the reduction in retail space due to the refurbishment of the Centre in 2018.

DESTINATION MANAGEMENT:

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

Building capability within the industry is critical to ensure the industry remains sustainable and competitive. In partnership with Tourism NZ, DGLT held a training workshop with industry aimed at how to work more effectively with international trade and how best to leverage Tourism NZ's digital platforms.

DGLT has identified that the development of new attractions/activities, and infrastructure is critical to tourism growth in the region. If we are to remain a competitive and inspiring year-round destination, it is essential to diversify our product offering, especially in soft and non-adventure activities. DGLT is working closely with Enterprise Great Lake Taupo to support and establish new tourism opportunities for the district. This has included advice, provision of data and where appropriate advocacy in various statutory processes.

The Provincial Growth Fund (PGF) is one of the key avenues of funding support for tourism projects. DGLT is continuing to work with TDC to promote support for vital redevelopment of the airport infrastructure. Ruapehu Alpine Lifts has been successful through this the PGF to receive a $10M loan in support of their gondola development.

DGLT is involved in a series of key destination management issues and has been an active participant in discussions with Local and Central Government around sustainable tourism growth, roading and infrastructure projects.

DGLT works with key partners in the community. We have continued to support District Events, Towncentre Taupō, the Turangi Tourism Group and the business community in Mangakino. This support is a mixture of time, resource and co-operative marketing activity.

DGLT has begun to build a stronger relationship with Ngati Tuwharetoa at various levels and recognizes their growing interest in tourism and the need to work together to develop a cultural tourism strategy moving forward.

Robust data is an ongoing challenge. DGLT is working closely with Regional Tourism New Zealand to advocate and lobby Central Government for stronger reporting at a regional level. Visitor numbers, dispersal, expenditure and length of stay data is critical to inform destination management decision making. The recent announcement by StatsNZ to remove the Commercial Accommodation Monitor (following the earlier announcement to discontinue the Business Events statistics) has added pressure

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on MBIE to find a solution to strengthen its reporting around data and insights. Listed as one of the top 4 priorities in the recently released NZ – Aotearoa Government Tourism Strategy's, the industry is looking to Central Government to now deliver on their promise at both a National and Regional level.

OVERVIEW OF TOURISM PERFORMANCE

Current data sources, although limited, provide a trending analysis of performance.

Expenditure:
The key spending metric is the monthly regional tourism estimates (MRTE), produced by MBIE. This provides an estimate of regional monthly expenditure on tourism related products for both international and domestic consumers. In the year ending Jun 19, the Taupo region has performed strongly gaining market share in both international and domestic visitation. Total expenditure is up 7% to $684 million compared to national growth of 3%. Domestic expenditure is up 7% to $465 million with international expenditure increasing by 4% to $219 million.

Our strategy to target visitation in the shoulder periods of winter, spring and autumn is also paying off with much of the domestic growth occurring during these off-peak months. The Taupo region was the top performing region in NZ for May 19 growing at 18% compared to the same period last year. This followed record expenditure of $68 M in April - an increase of 21% YOY.

Our core international source markets of USA and Australia also showed strong returns with expenditure up 33% and 13% respectively – again with visitation growing over the winter and autumn periods.

Guest nights:
The Commercial Accommodation Monitor (CAM) tracks and records motel, hotel, backpacker and holiday park guest nights, month-on-month. It does not include non- commercial accommodation such as B&B, Freedom campers, or peer – to peer booking platforms such as Air BnB. It is estimated that one third of our visitors to the Taupo region stay in commercial accommodation. Just over 1 million guest nights were recorded year ending May 2019. This is a decline of 2% on the same period last year. Domestic nights were flat while International nights declined 5%. It is important to note that Air BnB is playing a significant role in accommodating our guests, with the number of properties listed on the platform increasing from 36 in 2016 to over 1600 in May 2019. Revenue generated on the platform has more than doubled over the last 12 months with strong growth from international markets such as Australia (up 110%). The average length of stay in region remains consistent at 1.8 nights in commercial accommodation although it is expected many domestic visitors are staying for significantly longer periods in non- commercial accommodation such as holiday homes and baches.

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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.

Below is a table outlining the full year measures against performance targets set for year-end 30 June 2019 (based on the 2018-2020 Statement of Intent).

Objective 1 – Establish Great Lake Taupō as 'THE North Island holiday destination', centred around our natural environment and attractions				
As measured by	**Data sources**	**Result**	**YE 2017-18**	**YE 2018-19**
Growth in tourism expenditure	**Monthly Regional Tourism Estimates**	**ACHIEVED:** **Total direct tourism expenditure of $684M for year ended June 2019 (+ 7%)** **Domestic: $465M (+7%)** **International: $219M (+ 4%)**	**Target:** **4.8% annual growth** **Result:** **6.0%**	**Target:** **4.8% annual growth** **Result:** **7% compared to National growth of 3%**
Visitor experience / satisfaction.	**Annual AA Domestic Travel Monitor**	**ACHIEVED:** **2019: Net promoter score of 52**	**Target:** **Net promoter score of 46** **Result: 48**	**Target:** **Net promoter score of 46** **Result: 52**
As measured by	**Data source**	**Result**	**YE 2017-18**	**YE 2018-19**
Visitation numbers in the Taupō and Turangi i-SITEs	**i-SITE door counters**	**NOT ACHIEVED:** **Total visits 198,565 (- 8.5%)** **Taupo: 135,186 visits (-8.2%)** **Turangi: 63,379 (-8.6%)**	**Target:** **260,000 visits** **Result:** **216,613 Visits**	**Target:** **240,00 Visits** **Result:** **198,565 visits**
Support for DGLT collateral	**Number of operators advertising on www.lovetaupo.com** **Number of operators with brochures in the Taupo and Turangi i-SITEs.**	**NOT ACHIEVED:** **586 listings on lovetaupo.com** **The decline in listings is due to the change over to the lovetaupo platform. Many retail/food and beverage operator listings have not yet been loaded we require updated listings from over 500+ Town Centre Taupo members.** **NOT ACHIEVED** **193 Local operators stocking brochures in the Taupo and Turangi i-SITEs.**	**Listing numbers maintained or growing.** **Result:** **874 listings** **221 operator brochures**	**Listing numbers maintained or growing.** **Result:** **586 listings** **193 operator brochures**
Support for DGLT marketing initiatives	*Measured by free of charge or in-kind support for marketing promotions activity.*	**ACHIEVED** **TOTAL:** **$97,000 estimated of in-kind support was received from our industry to support trade and consumer famils/ events.**	**Target:** **$60,000 free of charge or in-kind support for marketing activity**	**Target:** **$70,000** **Result:** **$97,000 (est)**
Stakeholder satisfaction.	*Annual Visitor Industry Survey* *Maintaining consistency is set as the primary performance target*	**NOT ACHIEVED** **2019: 67%** **56 respondents completed the entire survey with a larger number of responses coming from Turangi voicing their extreme dissatisfaction with TDC issues.**	**Result:** **81% Industry satisfaction score** **38 completed surveys received**	**Target:** **85% Industry satisfaction score** **Result:** **67% Industry satisfaction score**

Rationale for performance measures:

The 2018 SOI adopts a new performance measure around growth in tourism expenditure. The purpose of this measure is to track spending as an overall measure of visitor numbers and economic benefit from tourism. This will be tracked through the Monthly Regional Tourism Estimates. This is a dataset published monthly by the Ministry of Business, Innovation and Employment, and it provides an estimate of monthly regional tourism spend. We have adopted a growth target of 4.8% annually. This is consistent with the DGLT Strategic Document and Tourism New Zealand's national targets, which lists increased tourism spend as the key performance indicator. The strategic document identifies a performance target of $800 million by 2026, based on a 4.8% increase year on year.

The annual AA Domestic Travel Monitor has been retained to measure domestic visitor experience/satisfaction with the destination. There is currently no data set to measure international NPS at a regional level. The key measure therefore is the domestic net promoter score. The net score ranges from -100 to +100 so a score above 50 reflects a very high level of visitor satisfaction.

We have retained the i-SITE door count as a measure, but the performance target is a reduction in visitation below current levels. Trends around i-SITEs nationally suggest that many are struggling to maintain visitation and profitability with a change in consumer behavior towards planning and booking their holiday activities online. Therefore, the performance target is based on reducing market share and performance over time, rather than predicting significant growth.

A new measure was included in 2017 to track support for DGLT collateral. This was retained in 2018. DGLT will track the overall number of operator listings on the website and in the i-SITE. This provides a way to measure the number of operators and the value they place in our marketing material (irrespective of the size of their business).

An additional measure is included to capture 'free of charge' or 'in-kind' contributions by industry. The estimated contribution from the 2017/18 financial year has been added as a benchmark and used as the target for 2018/19. As growth occurs, we anticipate that this level of contribution will increase. As a result, the target increases for 2018/19 and 2019/20.

Changes to performance measures from 2017-2020 SOI:

Changes have been included in performance measures for the 2018-2021 Statement of Intent, reflecting changes to data sets available nationally and the changes outlined in the DGLT Strategic Document.

In 2017/18 DGLT monitored tourism spending using both the Monthly Regional Tourism Estimates (MRTEs), and the quarterly Marketview report, which tracks electronic card retail transactions (but excludes cash, hire-purchase and online methods of payment). Marketview data is now being incorporated as part of the MRTEs, so it is a duplicate to track/report against both measures. On this basis, the Marketview data/performance metric has been deleted from the SOI.

DGLT has deleted the performance measure around i-SITE costs (as measured by net i-SITE expenditure over income) in favour of measuring i-SITE door count. The i-SITE financial performance is measured elsewhere via the annual report.

SUMMARY OF FINANCIAL STATEMENTS

OVERVIEW

Following Taupo District Council's review of its long- term plan in 2018, a new funding regime is now in place for DGLT. This provides greater certainty for DGLT up until 2021. As a result of the changes, DGLT will now be inflation adjusted consistent with the local government cost index. Since 2010 when the funding grant was first established, the annual budget had lost approximately 25% of its purchasing power.

A further change separated the funding for the I-sites from DGLT's budget. With the continued decline in visitor numbers and commission sales at the I-sites, the destination marketing budget was significantly eroded as it off-set these losses. With this change there is now certainty about the marketing budget for the district and ensures a level of independence from the seasonal fluctuations in sales and commissions.

DGLT was funded by way of a grant from Taupō District Council of $1,950,000 (including an additional $200,000 for the I -sites) and generated another $616,542 (gross) of income from sales, commissions and advertising. This is down from $710,414 in 2017/18, reflecting reduced operator advertising and commission sales through the i-SITEs.

The organisation had operating expenditure of $2,459,991 creating a year end surplus of $119,203 and a balance in equity of $293,927. The Trust holds an adequate level of equity to support capital purchases, cover prepayments and to hold a position of positive working capital.

REVENUE

Total gross revenue for the year sits at $2,579,194, comprised of the TDC grant, interest received and revenue from services provided. This figure is $95,271 below the figures submitted in the 2018/19 Statement of Intent and reflects the decrease in commission and retail sales through the I- sites and a reduced level of marketing promotions income from advertising and campaign buy-in.

Continued work with partnership marketing and advertising sales has resulted in income of $125,702. This reflects operator investment in website and brochure advertising, plus trade activity.

I-SITE revenue (from commissions, advertising and retail profit plus online sales) is $490,840. This is less than the 2017/18 result of $517,622, reflecting the reduced foot traffic, ticket and retail 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 2017/18 result.

Employee expenses are down $103,554 reflecting changes in staffing levels at DGLT and the I- sites. With a change in General Manager, DGLT has reviewed I-site rosters and held off replacing staff, taking the opportunity to review resource requirements moving into the new financial year.

Legal fees cover the cost of trademarking the Lovetaupo logo.

An increase in work alongside the international travel trade has created an increase in trade show and sales activity. Conference fees are therefore up due to the costs of registration at the various trade and industry events.

The other notable variation is in Materials and Supplies. The rebrand to lovetaupo required new trade display material, updated TRENZ/Exhibition display stands. Other expenditure was for updating decals at Turangi and Taupo I-sites and replacing the banner arms for the CBD Street flags. We anticipate additional expenditure in 2019/2020 to complete the lovetaupo rebranding of the Taupo i-Site.

STATEMENT OF FINANCIAL POSITION

Current assets and current liabilities have reduced by approximately $250,000 due to a timing difference in payables at 30 June 2019. Trade receivables have been reduced as a result of increased effort in collecting receivables.

Trust equity has increased to $293,927 as a result of a net surplus of $119,203. While total expenditure was in line with the funds received, website development costs are of a capital nature and have been treated as such, resulting in an increase in intangible assets in the Statement of Financial Position. Overall DGLT has a working capital position of $73,785.

Report to Taupō District Council for 1 July 2018 – 30 June 2019
Prepared by:

Jane Wilson
DGLT General Manager
20 August 2019

Statement of Comprehensive Revenue and Expense
For the year ended 30 June 2019

	Note	Actual 2019 $	DLTT SOI 2019 $	Actual 2018 $
Revenue				
Operating grant from Taupo District Council		**1,950,000**	**1,950,000**	1,750,000
Revenue from services provided	4	**616,542**	**716,677**	710,414
Finance revenue	5	**12,652**	**7,788**	5,600
Other gains/(losses)		**-**	**-**	9,600
Total revenue		**2,579,194**	**2,674,465**	2,475,614
Expenditure				
Employee benefit expenses	6	**1,074,663**	**1,178,217**	1,039,144
Depreciation and amortisation expense	12,13	**48,319**	**23,860**	19,022
Finance costs	5	**-**	**-**	1,796
Other expenses	6	**1,337,009**	**1,472,388**	1,438,378
Total operating expenditure		**2,459,991**	**2,674,465**	2,498,340
Operating surplus/(deficit) before tax		**119,203**	**-**	(22,726)
Income tax (expense)/credit		**-**	**-**	75,942
Surplus from continuing operations		**119,203**	**-**	53,216
Other comprehensive revenue		**-**	**-**	-
Total comprehensive revenue and expenses attributable to:				
Destination Lake Taupo Trust		**119,203**	**-**	53,216

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

Statement of Changes in Equity
For the year ended 30 June 2019

	Note	Actual 2019 $	DLTT SOI 2019 $	Actual 2018 $
Net Assets/Equity at start of the year	7	**174,725**	**-**	121,509
Total comprehensive revenue and expenses		**119,203**	**-**	53,216
Balance at 30 June	7	**293,927**	**-**	174,725
		-	**-**	-

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

Statement of Financial Position
As at 30 June 2019

	Note	Actual 2019 $	DLTT SOI 2019 $	Actual 2018 $
ASSETS				
Cash and cash equivalents	8	**52,623**	-	300,625
Other financial assets	11	**250,000**	-	250,000
Trade and other receivables	9	**20,473**	-	59,286
Inventories	10	**29,322**	-	23,558
Prepayments		**27,651**	-	25,201
Total current assets		**380,069**	-	658,670
Non-current assets				
Property, plant and equipment	12	**103,823**	-	111,955
Intangible assets	13	**122,162**	-	-
Total non-current assets		**225,985**	-	111,955
Total assets		**606,054**	-	770,625
LIABILITIES				
Current liabilities				
Trade and other payables	14	**190,532**	-	453,137
Employee benefit liabilities	15	**108,752**	-	128,793
Current tax liabilities		**7,000**	-	7,000
Total current liabilities		**306,284**	-	588,930
Non-current liabilities				
Employee benefit liabilities	15	**5,843**	-	6,970
Total non-current liabilities		**5,843**	-	6,970
Total liabilities		**312,127**	-	595,900
Net assets (assets minus liabilities)		**293,927**	-	174,725
EQUITY				
Contributed equity	7	**100**	-	100
Accumulated funds	7	**293,827**	-	174,625
Total equity		**293,927**	-	174,725

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

Statement of cashflows
For the year ended 30 June 2019

	Note	Actual 2019 $	DLTT SOI 2019 $	Actual 2018 $
Cash flows from operating activities				
Receipts from customers		**632,661**	-	667,516
Receipts from Taupo District Council operating grant		**1,950,000**	-	1,750,000
Finance revenue		**12,652**	-	5,600
Other revenue		**-**	-	11,928
Payments to suppliers		**(1,606,913)**	-	(1,266,799)
Payments to employees		**(1,095,831)**	-	(1,016,010)
Interest paid		**-**	-	(1,796)
Net GST refunded / (paid)		**22,544**	-	19,579
Net cash flow from operating activities		**(84,887)**	-	170,018
Cash flows from investing activities				
Investments made		**(250,000)**	-	(250,000)
Investments matured		**250,000**	-	-
Proceeds from sale of property, plant and equipment		**-**	-	35,074
Purchase and development of property, plant and equipment		**(18,808)**	-	(77,534)
Purchase and development of intangibles		**(144,307)**	-	-
		(163,115)	-	(77,534)
Net cash flow from investing activities		**(163,115)**	-	(292,460)
Net increase (decrease) in cash held		**(248,002)**	-	(122,442)
Add cash at start of year		**300,625**	-	423,067
Cash, cash equivalents, and bank overdrafts at the end of the year	8	**52,623**	-	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.

The accompanying notes form part of these financial statements.

1 Statement of accounting policies for the year ended 30 June 2019

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 2019. The financial statements were approved by the Board of Trustees on 30th August 2019.

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 RDR as it has no public accountability and has total expenses (including grants) of > $2million but < $30million.

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 as it has no public accountability and has total expenses (including grants) of less than $30 million.

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.

2 Summary of significant accounting policies

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.

2.4 Revenue

Revenue is measured at fair value.

Grants

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.

Marketing fees

Marketing fees are fees charged for the advertising and promotion of businesses and tourism operators. This includes but is not limited to website advertising, i-Site TV advertising and other print advertising. Marketing fees are recognised as revenue when DGLT invoices the customer.

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 Summary of significant accounting policies

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

2.7 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 2.13). 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.

No property, plant or equipment owned by DGLT are subject to restrictions in title or have been pledged as security for liabilities. There are also no contractual commitments for the acquisition of plant, property and equipment.

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.

2 Summary of significant accounting policies

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
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.

Disposals
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:

Motor vehicles	4 years	25%
Machinery	4 years	5% - 25%
Computer equipment	4 years	25%
Office equipment	4 - 10 years	8.5% - 30%
Furniture and fittings	2 - 10 years	7% - 33%

2.12 Intangible assets

Intangible assets are initially recorded at cost. Where acquired in a business combination, the cost is the fair value at the date of acquisition. The cost of an internally generated intangible asset represents expenditure incurred in the development phase.

Subsequent to initial recognition, intangible assets with finite useful lives are recorded at cost, less any amortisation and impairment losses and are reviewed annually for impairment losses. Amortisation of intangible assets is provided on a straight-line basis that will write off the cost of the intangible asset to estimated residual value over their useful lives. Assets with indefinite useful lives are not amortised but are tested, at least annually, for impairment and are carried at cost less accumulated impairment losses.

Realised gains and losses arising from the disposal of intangible assets are recognised in statement of comprehensive income in the year in which the disposal occurs.

Website

Website development costs recognised as assets are amortised using the straight line method over their estimated useful lives (not exceeding 8 years).

2 Summary of significant accounting policies

Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in the surplus or deficit.

The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows:

Class of intangible asset	Estimated useful life	Amortisation rates
Website	4 years	25%

2.13 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.

Cash generating assets are those assets that are held for the primary objective of generating a commercial return. Value in use is the present value of expected future cash flows.

Non-cash generating assets are those assets that are not held with the primary objective of generating a commercial return. The value in use for non-cash generating assets is the the depreciated replacement cost

2.14 Financial Liabilities

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

2.15 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

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

2.16 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.

2.17 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.

2.18 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 Summary of significant accounting policies

2.19 Advertising costs

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

3 Critical accounting estimates and judgements

In preparing the financial statements DGLT made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4 Revenue from Services Provided

	DGLT Actual 2019 $	Actual 2018 $
Revenue from significant activities		
I-Site operations	**490,840**	517,622
Marketing fees	**125,702**	192,792
Total revenue from services provided	**616,542**	710,414

The i-Site Operations revenue (including stock movement) is shown below:

Analysis of I-site Revenue		
Retail sales	**189,584**	186,959
less cost of goods sold	**(104,767)**	(106,026)
Gross margin on retail sales	**84,817**	80,933
less stock losses	**(1,233)**	(2,622)
	83,584	78,311
I-Site Commissions	**253,049**	252,573
I-Site Operator advertising revenue	**27,420**	32,310
Other	**20,787**	45,780
Total I-site operations revenue	**384,840**	408,974

5 Finance revenue and finance costs

	DLTT Actual 2019 $	Actual 2018 $
Finance revenue		
Interest revenue	**12,652**	5,600
Less finance costs		
Interest expense	**-**	1,796
Net finance costs	**12,652**	3,804

6 Operating expenditure

	DLTT	
	Actual 2019 $	Actual 2018 $
Employee benefit expenses		
Salaries and wages	**1,067,473**	993,809
Increase/(decrease) in employee entitlements/liabilities	**(20,977)**	19,588
Defined contribution plan employer contributions	**28,167**	25,747
Total employee benefit expenses	**1,074,663**	1,039,144
Depreciation by asset class:		
Motor vehicles	**-**	-
Furniture and fittings	**25,457**	15,669
Machinery	**716**	3,353
Amortisation of intangible assets:		
Website Development	**22,146**	-
Total depreciation and amortisation	**48,319**	19,022
Audit fees for financial statements audit	**17,986**	17,634
Board meeting fees	**39,968**	43,065
Bad debts written off	**150**	1,249
Legal fees	**4,256**	572
Taupo District Council indirect costs	**179,000**	179,000
Inventory cost of goods sold	**104,767**	106,026
Inventory writeoff	**1,233**	2,622
Advertising	**402,682**	537,261
Professional services fees/legal fees	**37,120**	43,796
Travel & accommodation	**99,594**	110,321
Printing & stationery	**13,564**	18,351
Bank fees	**38,732**	37,521
Rental	**151,876**	148,678
Publicity	**10,711**	14,600
Maintenance	**5,763**	7,352
Conference fees	**67,178**	55,527
Materials and supplies	**32,390**	10,615
Insurance	**2,290**	2,115
Other grants	**5,063**	-
Loss on disposal of property, plant & equipment	**766**	2,759
Staff expenses	**9,720**	6,012
Other expenses	**112,200**	93,302
Total other expenses	**1,337,009**	1,438,378

7 Net assets/equity

	DLTT Actual 2019 $	Actual 2018 $
Trust Equity		
Accumulated funds	293,827	174,625
Balance as at 30 June	293,827	174,625
Contributed equity		
Equity	100	100
Balance as at 30 June	100	100
Total equity	293,927	174,725
Accumulated funds		
Balance as at 1 July	174,624	121,409
Surplus/(deficit) for the year	119,203	53,216
Balance as at 30 June	293,827	174,625

8 Cash and cash equivalents

	DLTT Actual 2019 $	Actual 2018 $
Cash at bank and in hand	9,496	4,873
Call deposits	43,127	45,752
Term deposits with maturities of less than three months	-	250,000
Total cash and cash equivalents used in statement of cashflows	52,623	300,625

9 Trade and other receivables

	DLTT Actual 2019 $	Actual 2018 $
Trade receivables	6,039	21,051
Net debtors	6,039	21,051
Other	4,641	5,898
GST refund	9,793	32,337
	14,434	38,235
Total current net trade and other receivables	20,473	59,286
Total debtors and other receivables from exchange transactions	6,039	21,051
Total current net trade and other receivables from non-exchange transactions	14,434	38,235

9 Trade and other receivables

Total current net trade and other receivables	**20,473**	59,286

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 2019 are detailed below:

	DLTT	
	Actual 2019 $	Actual 2018 $
Current	**1,278**	8,280
Past due 1-30 days	**3,218**	-
Past due 31-60 days	**345**	1,750
Past due 61+ days	**1,198**	11,021
Total receivables	**6,039**	21,051

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

10 Inventories

	DLTT	
	Actual 2019 $	Actual 2018 $
Commercial inventories		
- held for use in the provision of services	**29,322**	23,558
Total inventory	**29,322**	23,558

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

11 Other financial assets

	DLTT	
	Actual 2019 $	Actual 2018 $
At beginning of year	**250,000**	-
Additions	**-**	250,000
At end of year	**250,000**	250,000

	DLTT	
	Actual 2019 $	Actual 2018 $
Current portion		
Short term bank deposits with maturities of 4-12 months	**250,000**	250,000
Total current portion	**250,000**	250,000

12 Property, plant and equipment

DLTT 2019	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 30 Jun 2019 $	Accumulated depreciation 30 Jun 2019 $	Carrying amount 30 June 2019 $
Operating assets									
Furniture and fittings	111,957	(22,732)	89,225	15,979	(766)	(16,933)	125,690	(37,780)	87,910
Office and computer equipment	59,786	(37,056)	22,730	2,829	-	(9,241)	62,614	(46,701)	15,913
Total DLTT	**171,743**	**(59,788)**	**111,955**	**18,808**	**(766)**	**(26,174)**	**188,304**	**(84,481)**	**103,823**

DLTT 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 $
Operating assets									
Furniture and fittings	53,761	(20,421)	33,340	66,827	(1,726)	(8,813)	111,957	(22,732)	89,225
Office and computer 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)	-	-	-	-
Total DLTT	**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)

13 Intangible assets

Movements in the carrying value for each class of intangible asset are as follows:

	Website	Total
Year ended 30 June 2019		
Opening net book amount	-	-
Additions	144,308	144,308
Amortisation charge **	(22,146)	(22,146)
Closing net book amount	122,162	122,162
At 30 June 2019		
Cost	144,308	144,308
Accumulated amortisation and impairment	(22,146)	(22,146)
Net book amount	122,162	122,162

** Amortisation of $22,146 (2018: $nil) is included in depreciation and amortisation expense in the statement of comprehensive income.

14 Trade and other payables

	DLTT Actual 2019 $	Actual 2018 $
Trade payables	**102,985**	323,985
Accrued expenses	**82,030**	127,847
Provision for ACC	**1,625**	1,305
Revenue in advance	**3,892**	-
Total creditors and other payables	**190,532**	453,137
Total creditors and other payables from exchange transactions	**184,995**	451,832
Total creditors and other payables from non-exchange transactions	**5,537**	1,305
Total current creditors and other payables from exchange and non-exchange transactions	**190,532**	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.

15 Employee benefit liabilities

	DLTT Actual 2019 $	Actual 2018 $
Current portion		
Accrued pay	**8,348**	7,413
Annual leave	**93,039**	114,872
Long service leave & lieu days	**7,365**	6,508
Total current portion	**108,752**	128,793
Non-current portion		
Long service leave actuarial accrual	**5,843**	6,970
Total non-current portion	**5,843**	6,970
Total employee entitlements	**114,595**	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 1.23% (2018 1.78%) and an inflation factor of 2% (2018 2%) were used.

16 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 of $1,950,000 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.

Key management personnel

	DLTT	
	Actual 2019 $	Actual 2018 $
Council members		
Remuneration (Trustees)	**39,968**	43,065
Remuneration	**6**	6
Senior Management		
Remuneration (GM & SMT)	**415,135**	391,825
Remuneration	**4**	4
Total full-time equivalent personnel	**455,103**	434,890
Total key management personnel compensation	**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.

17 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:

	DLTT	
	Actual 2019 $	Actual 2018 $
Payable no later than one year	**18,000**	18,000
Total non-cancellable operating leases	**18,000**	18,000

This lease relates to one year's rental for Turangi I-Site.

18 Contingencies

As at 30 June 2019 the Trust had no contingent liabilities or assets (2018: $nil).

19 Financial instruments

Financial instrument categories

Assets	Held for trading $	Assets at fair value through surplus or deficit $	Loans and receivables $	Available for sale $	Total $
DLTT 2019					
Cash and cash equivalent	-	-	52,623	-	52,623
Receivables	-	-	6,039	-	6,039
Other financial assets:					
Term Deposits	-	-	250,000	-	250,000
Total assets	-	-	308,662	-	308,662
DLTT 2018					
Cash and cash equivalent	-	-	300,625	-	300,625
Receivables	-	-	21,051	-	21,051
Total assets	-	-	321,676	-	321,676

Liabilities	Held for trading $	Liabilities at fair value through surplus or deficit $	Measured at amortised cost $	Total $
DLTT 2019				
Payables and accruals	-	-	198,949	198,949
Total liabilities	-	-	198,949	198,949
DLTT 2018				
Payables and accruals	-	-	453,958	453,958
Total liabilities	-	-	453,958	453,958

20 Events after balance date

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

21 Explanation of major variances against budget

Explanations for major variations from the DGLT's budget figures in the SOI are as follows:

Statement of comprehensive revenue and expense	**DLTT 2019 $**
Budget - surplus before tax	**-**
Employee benefit expenses - lower than expected personnel costs due to delays in filling vacancies, reduced working hours for some permanent positions and less casual hours employed	103,554
Revenue from services provided - Lower than budgeted revenue from commission sales due to higher use of online booking via personal devices.	(100,135)
Finance Revenue - higher interest revenue due to greater emphasis being placed on term investments and yield.	4,864
Depreciation and amortisation expense - higher charges due to website development and other asset purchases not budgeted for.	(24,459)
Other expenses - favourable due to website development expenses being capitalised. Website development spend had been budgeted in operations.	144,308
Other expenses - rebranding expenses for consumables	(8,929)
Actual - surplus before tax	**119,203**