



**DESTINATION
GREAT LAKE TAUPŌ**

ANNUAL REPORT

**FOR THE YEAR ENDING
30 JUNE 2017**



GREAT LAKE TAUPŌ

DIRECTORY

Governing Body

Destination Lake Taupō Trust Board

Ray Salter (Chairman)
Kathy Guy
Laura Duncan
Dennis Christian
Glyn Williams (appointed 1 June 2017)
Jonathan Cameron (appointed 1 June 2017)

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

Address

Level 1, 32 Roberts Street, TAUPŌ

Telephone

Phone	[07] 376-0400
email	info@greatlaketaupo.com
website	GreatLakeTaupo.com



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DESTINATION GREAT LAKE TAUPŌ (DGLT) AGM 2017: CHAIRMAN'S REPORT

This year has been another year of significant tourism growth and activity for DGLT. Through 2016 DGLT spent considerable effort developing a new strategic direction. This was last undertaken in 2004/5 and culminated in the 2006-16 Lake Taupō Tourism Strategy. While a number of issues seem to endure over the decades there are new priorities as tourism in the district evolves and new market opportunities arise. The new document (*The Next Big Thing – Destination Great Lake Taupō Strategic Document 2016*) was released to the industry at an industry event in December 2016.

The strategy sets an ambitious goal to position Great Lake Taupō as *the* North Island holiday destination, centred around our natural environment and attractions. When we have achieved this, we believe tourism will become the absolute driving force of economic growth in the Great Lake Taupō district, with tourism spend increasing to \$800 million by 2026. The strategy identifies the need to focus in four key areas:

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

Through 2016/17 DGLT has focussed activity around implementing this strategy.

Tourism in the district now accounts for over \$610 million of direct spending and another \$550 million indirectly (making it a \$1.16 billion industry - this is nearly a third of the district's GDP). However, 65% of this spending still arises through domestic visitation. A key focus of activity has been on encouraging domestic visitation outside school holiday periods, by targeting couples and the new New Zealander market. Domestic visitation for the year is up only slightly, as peak spending/visitation was adversely impacted by poor weather over the peak summer period. However, it is pleasing to see very good domestic growth in spring, late autumn and winter. We are getting a better seasonal spread, albeit slowly.

A key focus of the strategy is also to get a greater share of international arrivals to the district. Strategies for this include greater marketing activity in Australia, promotion of a winter holiday focus and growing long haul international markets (focussed on UK/Europe and the US). A key strategy to support winter growth has been to position both Taupō and Turangi as winter resort towns alongside Whakapapa Skifield. DGLT has partnered with Ruapehu Alpine Lifts, Visit Ruapehu, Tourism NZ and the international travel trade to put in place significant additional winter promotional activity targeting the eastern seaboard of Australia. This has been supported by joint venture activity with Tourism NZ and Auckland International Airport. DGLT has also increased activity alongside Tourism NZ and the Explore Central North Island grouping targeting UK/Europe and the US. It is pleasing, therefore, to see very strong growth rates in international visitation, with US spending up 48%, Australian spending up 18% and UK/Europe spending up 10%.

DGLT has been able to resource this increase in activity (and particularly the increased international effort), but only by prioritising resourcing out of domestic marketing, and by drawing down trust equity. The organisation has, over the last year, operated beyond its resource base. This is not sustainable over the longer term.

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

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

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

The i-SITEs (in both Taupō and Turangi) remain a critical part of the tourism infrastructure in the region (operated by DGLT). DGLT has spent considerable resource both in dollars and staff time lifting the quality of displays, particularly in Taupō i-SITE, and negotiating future improvements (programmed for July/August 2017) for the Turangi centre. However, this is against a landscape of declining sales revenue, due to competition from digital/online booking options. The combination of upgrade costs and declining revenue is another factor that has had a significant impact on trust resources.

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

We also recognise that we would not have been able to deliver such high quality campaigns, famils and other events without strong industry support. Often unrecognised is the in-kind contribution that operators make to these events. While the cash support and partnership money is highly visible in our financial statements as revenue, what is not so well identified or acknowledged is the huge support that we receive throughout the year in terms of engagement, discussion, time and product for famils and other industry events and hosting. The DGLT team estimate that operators support the organisation with \$86,000 worth of contributions that we would otherwise have to buy. On behalf of the organisation I thank the industry for their generosity and support – it makes a big difference to know that they are so supportive and willing to contribute in kind as well as cash.

Two board members, Neil Gestro and Sue Sullivan, retired from the board at the completion of their three-year term in February 2017. Neil and Sue made a huge contribution to the board, bringing a wealth of national and international tourism experience both to the board and the region. I would personally like to acknowledge their contribution and wish them well for the future. Neil and Sue have been replaced on the board by Jonathan Cameron and Glyn Williams, who took up positions on the board from 1 July 2017. As Chairman I welcome Jonathan and Glyn to the board and look forward to the contribution they will bring to discussions over the coming 12 months.

Report to Taupō District Council for 1 July 2016 – 30 June 2017

On behalf of the DGLT Board:

Ray Salter
DGLT Board Chairman
25 August 2017



Independent Auditor's Report

To the readers of Destination Lake Taupō Trust's financial statements and statement of service performance for the year ended 30 June 2017

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

Opinion

We have audited:

- the financial statements of the Trust on pages 21 to 38 that comprise the statement of financial position as at 30 June 2017, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the statement of service performance of the Trust on pages 15 to 20.

In our opinion:

- the financial statements of the Trust:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2017; and
 - its financial performance and cash flows for the year then ended; and
 - comply with generally accepted accounting practice in New Zealand in accordance with generally accepted accounting practice; and
- the statement of service performance of the Trust presents fairly, in all material respects, the Trust's achievements measured against the performance targets adopted for the year ended 30 June 2017.

Our audit was completed on 25 August 2017. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Trustees and our responsibilities relating to the financial statements and the statement of service performance, we comment on other information, and we explain our independence.

Basis for opinion

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

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

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

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

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

The Trustees are also responsible for preparing a statement of service performance for the Trust that is fairly presented. This responsibility arises because the Trust has elected to prepare performance information in accordance with the Public Benefit Entity Standards Reduced Disclosure Regime.

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

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

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

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

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

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

We have agreed to audit the statement of service performance that the Trustees have elected to prepare for the Trust.

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

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

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

- We identify and assess the risk of material misstatement of the financial statements and the statement of service performance, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Trustees.
- We evaluate the appropriateness of the reported service performance within the Trust's framework for reporting its performance.

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

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

Our responsibilities to audit the financial statements arise from the Public Audit Act 2001.

Other information

The Trustees are responsible for the other information. The other information comprises the information included on pages 4 to 5 and pages 9 to 14 but does not include the financial statements and the statement of service performance, and our auditor's report thereon.

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

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

Independence

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

Other than in our capacity as auditor, 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 2016-19 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 Trust Deed.

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

DESTINATION MARKETING:

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

Direct to consumer activity

Digital marketing

The Trust has taken the decision that it does not have the resources for large scale television or print campaign activity and is starting to prioritise digital experience marketing (web and social media) within the region's marketing strategy. This is triggering significant change to the type of spend / activity within marketing budgets, but it will take several years to fully transition.

Our website GreatLakeTaupo.com sits at the heart of all online activity. Our site is the highest performing RTO website in New Zealand in terms of organic search (for medium sized RTO's), with website sessions growing year on year, up 10.6% to 1,133,417 visits (significantly above the performance target in the SOI). Almost 50% of our web traffic is now coming from mobile, and as such we have focused our attention this year on making our site more mobile responsive in order to meet the demands of our audience.

This year we partnered with Bike Taupō in order to increase the profile of the Great Lake Trail on our website. A full section within GreatLakeTaupo.com, new trail maps and updated content provide riders with better information on how to ride and access the trail. The section has its own URL, with traffic being driven directly to GreatLakeTrail.com for dedicated marketing activity.

This year we also established a winter campaign microsite NorthIslandSkiHoliday.com and supporting social channels (@NorthIslandSki) with fresh new content, video and imagery the key focus for promoting first and foremost, North Island ski, and within that, Taupō and Turangi as the ultimate bases for a snow holiday.

A core part of our digital experience strategy is through our @GreatLakeTaupo and @NorthIslandSki social channels. Our focus over the last 12 months has been threefold:

- Generating and sharing content
- Beginning to engage social influencers in order to build brand awareness and loyalty (engagement as opposed to followers/likes)
- Surprising, delighting and rewarding visitors in the 'experience' and 'share' phase of travel.

In terms of performance over the last year, our @GreatLakeTaupo social channels continue to grow exponentially with 29,200+ Facebook followers (up 52%); 12,400+ Instagram followers (up 113%); 6,000+ Twitter followers (up 14%); and 358 YouTube subscribers.

This year giant lettering was erected on the Taupō lakefront as part of the autumn marketing campaign for DGLT, with the #LOVETAUPO message inspiring a collective catchphrase amongst tourists and locals alike. Originally planned as a playful pop-up concept for major events and festivals around the Great Lake Taupō region, the lettering quickly took on a life of their own on social media with hundreds of visitors sharing their images around the world and inspiring other travelers to the region to seek out the lettering for their 'must do' photo stop.

Media coverage

Over the last 12 months DGLT has put considerable effort in to obtaining earned media coverage for the region (as distinct from expensive paid media advertising). The region featured in over 200 stories around the world, with an equivalent advertising value (EAV) of more than \$15m. Domestically, we were proud to have achieved substantial features in print publications such as NZ Herald, Sunday Herald Travel, North and South, Ski & Snow Magazine, Adventure Magazine, and Hawkes Bay Today.

Collateral

This year DGLT published three new DGLT brochures, including 'Ngatoroirangi' – profiling the Mine Bay Maori Rock Carvings; 'Turangi Tongariro' – an inspirational piece distributed outside of the region; and a Chinese translated brochure profiling the must-do's in the region. Our '10 Great Lake Walks' and '10 Great Lake Rides' brochures remain popular with reprints through the year.

This year for the first time, DGLT partnered with local agency Ninety Black to produce the 'Regional Visitor Guide' and 'Great Lake Taste/Great Lake Shop' brochures. DGLT provide the written content and images and Ninety Black sell the advertising, and complete design, layout, print and distribution on our behalf.

Campaign activity

Our campaign activity continues to target our key domestic markets of Auckland, Wellington, Waikato, Bay of Plenty and Hawkes Bay. Our campaign approach for this year has been around building strong foundations for us to continue to build from over the next three to five years.

We celebrated the 40th anniversary of the Mine Bay Maori Rock Carvings in October 2016 with the carver himself, Matahi Brightwell, present for the duration of the weekend. Tourism New Zealand, in partnership with DGLT, produced a video on the Mine Bay Maori Rock Carvings in time for the anniversary. The video has received more than 387,000 views and over 5400 shares from the Pure New Zealand Facebook page since. We also achieved broadcast coverage of this weekend across Seven Sharp, One News Now and Native Affairs.

We approached our 2017 autumn campaign 'Taupō Autumn Escapes' using research data from the TIA DGiT (Domestic Growth Insight Tool) website to provide insights on audience profile, what they're looking for and how we reach them. In partnership with Town Centre Taupō we also promoted the Shop in Taupō campaign during autumn.

Our 2017 winter campaign 'North Island Ski Holiday' has been about (re)positioning Taupō/Turangi and North Island skiing back in the hearts and minds of domestic snow lovers. Working closely with Ruapehu Alpine Lifts (RAL), off the back of major developments and investment into Whakapapa Ski Area and Happy Valley Snow Park, the campaign targets families, young professionals and new New Zealanders. The focus will shift to building the Australian audience in a second-wave spring 2017 push and 2018 winter marketing activity.

DGLT is also working with the TDC Events team to find opportunities to leverage large scale events as a tool for marketing and promotion of the district. Whilst not strictly campaign activity, these events can provide a useful hook for additional activity and promotion.



i-SITES

Investment in our i-SITES has continued, with facilities maintained in both Taupō and Turangi. Our i-SITES continue to promote the destination and offer services to a huge number of people that visit the district. More than 271,000 people came through the door of the two i-SITES.

With the trend to online information gathering and bookings, visitors are using a much wider range of methods to engage with the operators in the district. This has put increased financial pressure on the i-SITES over a number of years, as visitation and sales decrease, set against increasing costs.

Because of poor weather over the peak summer season the i-SITES have not met targets both in visitation and sales. The 2016/2017 visitor numbers for Taupō i-SITE were 185,085; down 9,745 people (or 5%) compared to 2015/16, while Turangi saw 86,646 visitors; down 10,437 (or 10.7%) compared to 2015/16. The decreased visitor numbers also meant reduced commissioned sales (net \$227,371 down 15.4% in Taupō and \$44,299 down 16.5% in Turangi). There has been a focus on the upgrading of displays and information in the Taupō centre during the 2016/17 year, using additional revenue from sales from 2015/16. This will need to be followed by similar upgrades in Turangi in July/August 2017. These revenue challenges have led to the introduction of new winter opening hours to reduce costs in the quieter season.

Work with the travel trade:

Tourism data tells us that Great Lake Taupō's strengths in the international marketplace lie in New Zealand's more traditional markets - Australia, United Kingdom, Europe (with Germany making up the largest proportion), and the United States.

International marketing is undertaken as part of the Central North Island marketing alliance (Explore Central North Island) and alongside Tourism New Zealand. This takes the form of training and sales calls to wholesale and retail firms so that the region is included in brochures and itineraries and in region takes the form of familiarisation visits.

Australia is our number one market and has been the primary focus of activity. Increased Australian activity has seen us host and attend a total of 8 training events and shows throughout Australia with a primary focus on the eastern seaboard.

In addition to DGLT activity, we have also partnered with other regions, Tourism NZ and the travel trade on a series of promotional campaigns within Australia. The Tour the North campaign ran in July/August 2016 as a joint venture between Tourism NZ, Flight Centre and the eight regional tourism organisations in the central North Island (targeting spring travel). This was followed in April 2017 by a collaboration with Auckland International Airport, Emirates and Flight Centre targeting winter holidays. Funding made available by Taupō District Council, Ruapehu District Council, Ruapehu Alpine Lifts and Tourism NZ has also enabled significant ski promotion in Australia through April/May 2017 and then again in July 2017.

A considerable amount of work has also taken place within the district to increase the amount of Taupō/Turangi product that is 'contracted' with travel wholesalers within Australia, to ensure we have maximum exposure and maximum opportunity for Australian agents to book clients to the Taupō District.

This past year saw us increase our activity both in the United States and also within New Zealand with US agent training and famil hosting. The US travellers are a very high yield visitor for the district and our more niche offerings are a huge drawcard for the US traveller (such as Trout fishing, golf and our premium/high end lodges). This focus on the US market followed similar work in UK/Europe in 2015/16.

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

In accordance with the DGLT strategy we have continued investigation into ways to promote the region for Chinese visitation. This has included production of tailored collateral and attendance at the China Travel Service Chinese Travel Show.

In the **business events** space, promotion of the district for business events and incentive/reward travel has continued with the region represented at the two main business events tradeshows (Convene and Meetings), as well as direct sales calls, famil hosting and a Lake Taupō specific networking function coordinated and hosted alongside the regions key operators.

DESTINATION MANAGEMENT:

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

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

DGLT is also becoming more active on key tourism or destination management issues. This means participating in management plan review processes, significant resource management issues and DGLT participated in the Council initiated working group on the issue of freedom camping. DGLT has also been working closely with iwi and the Department of Conservation on changes to the Tongariro Alpine Crossing.

DGLT has led a body of work to develop a Great Lake Taupō Visitor Strategy (as part of a wider Bay of Plenty Regional Visitor Strategy) focused on the infrastructure necessary to support tourism growth. This work will be complete in August 2017.

DGLT continues to work with key partners in the community. DGLT has begun to build a stronger relationship with **Ngati Tuwharetoa** at various levels. This will be increasingly important given the important role of the tribe, not only as tangata whenua, but as one of the largest landowners and an increasingly important tourism player. DGLT continues to work with the Taupō Airport Authority on **air connectivity** and data capture.

DGLT has continued to support District Events, Towncentre Taupō, Go Tongariro and the business community in Mangakino through the year. This support is a mixture of time and resource. These partnerships assist with visitor attraction and provide ongoing capability building. DGLT also informs stakeholders of what is happening within the industry by collecting and sharing useful data.

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

Building 'people capability' is also critical to ensure the industry remains sustainable both internally and externally. DGLT has put a particular focus through 2016/17 on workshops/seminars for the local industry. This has included a wananga on local stories / cultural knowledge, training on the history of the Mine Bay Maori Rock Carvings, Qualmark, and upcoming changes at Whakapapa Skifield. We also ran a frontliner training event in December 2016 to introduce new staff to activities/attractions in the district.

OVERVIEW OF TOURISM PERFORMANCE

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

Guest nights

A key measure of tourism performance is total guest nights. Since May 2016 DGLT has been able to obtain data from SPARK, through a dataset called QRIOUS Voyager. This dataset uses anonymous mobile location data to track day and overnight visitors, and to provide an overall measure of guest nights (commercial and private accommodation). Total guest nights are estimated at approximately 3.26 million (up approximately 8%) for the 12-month period (for the year ended June 2017), based off approximately 1.38 million guests. We have also received the latest AA Traveller Report, which provides a summary of domestic travel research for each Regional Tourism Organisation. Total domestic guest nights for the district are estimated at 3,139,200 for the last 12 months. MBIE have produced a Regional Economic Activity Report with data on the estimated number of international guest nights (drawn from the international visitor survey). These are estimated by MBIE at 1,305,006 guest nights per annum for our region, for the year ended March 2017. This is up from 1,163,842 (or 12%) in 2016.

The Commercial Accommodation Monitor tracks and records motel, hotel, backpacker and holiday park bed nights, month-on-month (but not holiday homes or Bed and Breakfasts). The end of year total bed night result (year ending June 2017) was 1,122,115 (up 8.4%) against a target of 1,007,855 guest nights. This represents significant growth beyond peak accommodation levels in 2007/8. Of note, international guest nights rose 19.8%, while domestic nights, as measured by the Commercial Accommodation Monitor, rose only 2.8%. This reflects the impact of poor peak/summer weather conditions and a movement by some domestic visitors to private accommodation. This trend is not reflective of domestic growth as measured by other data sources (QRIOUS, The AA Traveller Report, and spend data), which suggests domestic growth rates of 7-8%. The strong international growth rate is significant, as for a number of years the district has tracked above national growth levels for international, but significantly behind the main tourism destinations. A growth rate of 19.8% for international, and overall growth rate of 8.4% benchmarks well against other tourism centres. Rotorua is up 5.3%, with international up 7.3%, Queenstown is up 4.0% with international up 6.5%, Wanaka is up 6.7% with international up 10.8% and Hawkes Bay is up 11.2% with international up 11.1%.

Until recently most of our growth had been arising out of peak summer periods. However, the strong growth in international means growth is now occurring strongly in shoulder periods, particularly spring and late autumn. We have been focussed for some time on growth rates in motel accommodation, as this represents 48% of total district commercial accommodation capacity. It is encouraging to see growth rates of 12.9% and 10.0% in hotel and motel accommodation respectively. Another significant change is high growth rates over summer in holiday parks (13.6%). We have also been concerned that increased length of stay may be buffering a lack of growth in arrivals (total visitors as opposed to guest nights), so it is pleasing to see guest arrivals also up 12.5%. The only concerning trend in the commercial accommodation data is around commercial backpackers. Total backpack guest nights are down 2.9% for the year. The backpack sector is attributing this reduction to a combination of poor weather during the summer peak period as well as a trend towards freedom camping.

Tourism Spending

The key spending metric is the monthly regional tourism estimate (MRTE), produced by MBIE. This provides an estimate of regional monthly and annual expenditure on tourism for both international and domestic consumers.

The MRTEs for the year ended June 2017 show tourism spend of \$612 million for Taupō District (up from \$548 million in 2015/16). This data shows domestic spend of \$397 million (up 5.5%) and international spend of \$215 million (up 17.2%).

DGLT has used this data to commission an economic impact assessment for tourism. This analysis shows total revenue from tourism in the district of approximately \$1,161 million, comprised of \$612 million of direct spending and \$549 million of flow on (or multiplier) impact. This analysis suggests an estimated total employment impact of 6,555 persons and 28% of the total district GDP.

DGLT is also able to track electronic card transactions as a measure of economic contribution from tourism. Overall retail spending is up consistently across all four quarters of the year as tracked through the Marketview report. The reports for Quarters 1 through 4 (July – end June) showed significant increases in spending by visitors, which by Quarter 3 accounted for 58% of all retail spend. In Quarter 4 this dropped to 50% reflecting lower visitation in Autumn/Winter (although this still reflected strong growth in key tourism spending categories relative to the same period in 2015/16).

Conferences / Business Events

The other key metric around tourism is the number of conferences and business events held in the district. These are an important part of our industry, as they create mid-week out of peak spend, create high yield for the economy and help with brand/destination awareness. The total number of events held in the district in the 2016/17 year has continued to rise slightly by 2%. This has been a steady increase over the past 5 years, however while seeing an increase in event numbers, the number of delegates attending these events and therefore room nights associated with these events has declined slightly indicating the meeting size and duration is likely decreasing. Looking forward, the increase in international visitor numbers in the region has potential to begin displacing business events in the future as competition rises for accommodation in this popular accommodation sector of hotels and resorts.



DGLT PERFORMANCE MEASURES ACHIEVED

In terms of DGLT activity to support and enable this growth, business as usual marketing activity has been maintained through 2016/17. DGLT has hit most of the key performance indicators in the Statement of Intent, with the exception of those relating to i-SITE performance.

Below is a table outlining the full year measures against performance targets set for year-end 30 June 2017 (based on the 2016-19 Statement of Intent).

KPI	ANNUAL MEASURE	HOW WE DID
Build a thriving tourism economy	<p><u>Commercial Accommodation Monitor</u></p> <p>1,007,855 commercial guest nights as measured by CAM (YE June 2017)</p> <p>Average Length of Stay as measured by CAM 1.7-1.75</p>	<p>ACHIEVED – 1,122,115 commercial guest nights and 1.79 average length of stay. (2016 ACHIEVED – 1,035,350 commercial guest nights and 1.86 average length of stay)</p> <p>The commercial accommodation monitor tracks and records motel, hotel, backpacker and holiday park bed nights, month-on-month. This information is collated by Statistics New Zealand and our end of year total bed night result was 1,122,115 against a target of 1,007,855. International guest nights rose 19.8% to 405,080. Domestic guest nights rose 2.8% to 717,034.</p> <p>Our region continued to experience good length of stay across the year, at 1.79nights, according to the Statistics New Zealand data. This has dropped relative to 2015/16 reflecting the strong growth in international visitation (with their trend towards shorter length of stay).</p>
	<p><u>Visits to i-SITEs</u></p> <p>280,000 visits to Taupō and Turangi i-SITEs, as measured by door counters.</p>	<p>NOT ACHIEVED – 271,731 visits to Taupō and Turangi i-SITEs. (2016 ACHIEVED – 291,244 visits to Taupō and Turangi i-SITEs).</p> <p>Door counters at each of the i-SITEs measure total patronage/visitation. The year-end total visitation for each i-SITE is as follows:</p> <p>Taupō i-SITE: 185,085 visits (relative to 194,610 visits in 2015/16)</p>

		<p>Turangi i-SITE: 86,646 visits (relative to 96,634 visits in 2015/16)</p> <p>The Statement of Intent set a performance target of 280,000 visits to the i-SITES benchmarked off 2014/15 and 2015/16 actual data, on the basis that i-SITES nationally are struggling to maintain visitation and profitability.</p> <p>Unfortunately, the trend towards/competition from digital devices, combined with poor weather over the peak summer period, mean the performance results for both i-SITES were worse than predicted.</p>
	<p><u>Website Statistics</u></p> <p>800,000 annual visits to www.GreatLakeTaupo.com as measured by Google Analytics</p>	<p>ACHIEVED – 1,133,417 annual visits to www.GreatLakeTaupo.com. (2016 ACHIEVED – 1,026,832 annual visits)</p> <p>The website statistics have been growing exponentially year on year. This year, visits were up 10.4% from last year.</p> <p>The website has achieved a total of 1,133,417 visits over the year, with an average of 94,451 visits per month.</p> <p>Priority is on improving content and search optimisation, which contributes to 73.7% of the total traffic.</p>
	<p><u>Annual Visitor Survey</u></p> <p>80% willingness to recommend Taupō region in Annual Visitor Survey</p>	<p>ACHIEVED – 96.2% willingness to recommend. (2016 ACHIEVED – 94.6%)</p> <p>The Statement of Intent sets measures around overall visitor satisfaction, assessed annually via survey. The KPI for the visitor survey is 80% preparedness to recommend Taupō as a destination.</p> <p>The survey is distributed to local tourism operators (and both local i-SITES) and they ask customers to complete the survey through June 2017. 397 survey responses were received.</p> <p>Survey questions are rolled over year to year to provide comparable data. Respondents are asked the following questions:</p> <ul style="list-style-type: none"> • Where are you from?

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		<ul style="list-style-type: none"> • Main reason for coming? • Accommodation type? • Would you recommend the destination? • Has there been something memorable or outstanding about your time in the region? <p>Respondent's comments are also recorded where possible to give greater context/insight.</p> <p>The second to last question (would you recommend Great Lake Taupō as a holiday destination) is the key KPI in the Statement of Intent. The measure is 80%.</p> <p>The score from the June 2017 survey is 96.2%.</p>
	<p><u>Special interest group marketing</u></p> <p>Establish further insights and market size information for the Bike and Fishing special interest groups by YE June 2017</p>	<p>ACHIEVED – Annual (bike) track counter data collected. Annual (fishing) license data collected. (2016 ACHIEVED – Bike track counter and fishing license data collected)</p> <p>Research has shown that visitor who participate in special interest activities spend more and stay longer than the average visitor.</p> <p>DGLT identified a focus on the biking and fishing special interest groups as the priorities for 2016/17.</p> <p>The focus was on getting the target audience of visitors to consider Taupō/Turangī as an option for their interest and then to visit. The measure for 2015/16 was to establish current and future market size for cycling / biking and for fishing.</p> <p>DGLT is trying to establish the current use of existing trails and road use from larger events. Very few of the existing trails have accurate track counter data. DGLT has received annual Great Lake Trail and Craters Mountain Bike Park counter data from Bike Taupō. These track counters show that the highest growth is on trails around existing tourism assets and Taupō township. This is helping focus bike marketing strategies for 2017/18.</p> <p>The Department of Conservation has provided fishery license data for the Taupō Sports Fishery as a gauge of participation trends (in the trout fishery). For the 2016/17 financial year license sale revenue increased to \$1,348,182 (from \$1,302,677), up approximately 3%. This is reflective of license</p>

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		<p>numbers. The long-term trend is for short stay licences to be declining against previous levels, but this has flattened out recently due to increased tourism numbers. There is an opportunity, therefore to increase marketing to shorter stay visitors. DGLT will be working with DOC (as the managers of the fishery) on possible marketing options to respond to this.</p>
<p>Grow tourism product and experiences to enhance the destination</p>	<p><u>Tourism spending</u></p> <p>Increase total expenditure in 'Other Tourism Product' and 'Cultural, Recreation and Gambling' to \$57,680,000</p>	<p>ACHIEVED – Total expenditure of \$71 million (2016 NOT MEASURED – Total expenditure of \$64 million)</p> <p>The Monthly Regional Tourism Estimates are produced by MBIE. They provide an annual and monthly estimate of tourism expenditure in the regions. Expenditure is available as a total figure, but is also categorised by expenditure type. The 'other tourism product' and 'cultural, recreation and gambling' categories are measured in the SOI as a way to track growth in spending in tourism product and experiences (as opposed to spending on accommodation, food and beverage or other retail). Expenditure is up 9% in these categories relative to 2015/16.</p>
<p>Commitment to effective stakeholder engagement and participation</p>	<p><u>Stakeholder engagement</u></p> <p>Stakeholder meetings held in 2016/17 are well attended and supported by industry participants and sectors</p> <p>50 separate stakeholder interactions per month across different mediums</p>	<p>ACHIEVED – Stakeholder meetings held (including minimum 50 interactions per month). (2016 ACHIEVED - 50+ meetings/month)</p> <p>The SOI sets a primary objective that DGLT should be seen as listening and collaborative (with the local tourism industry). This is measured by KPIs around the number of stakeholder meetings held, and the level of industry participation.</p> <p>DGLT holds a variety of events throughout the year, ranging from small group workshops with select groups of operators through to events which the whole industry are invited to. The number of events is expansive and too long to list in this report, but is held in a log by DGLT.</p> <p>The bottom line measure is around the volume of interactions per month. The KPI is a minimum of 50 stakeholder interactions per month across different mediums. This was exceeded over the course of the year. This is tracked using a DGLT log.</p>

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	<p><u>Annual Visitor Industry Survey</u></p> <p>80-85% Industry stakeholders are satisfied with DGLT performance as measured by Annual Visitor Industry Survey.</p> <p>Maintaining consistency is listed as the primary performance target.</p>	<p>ACHIEVED – The average score is 82.6% (2016 ACHIEVED – The average score was 92%)</p> <p>The Statement of Intent sets measures around the degree of industry satisfaction with DGLT performance. This is assessed annually via survey.</p> <p>The annual visitor industry survey was completed in June 2017. The following results were achieved:</p> <ul style="list-style-type: none"> ○ Marketing to domestic visitors (83.8% satisfaction) ○ Marketing to international visitors (81.1%) ○ Marketing C&I activity (83.3%) ○ Website performance in marketing the region (81.6%) ○ Social media performance (86.7%) ○ Work with travel trade (90.9%) ○ Taupō i-SITE performance (86.1%) ○ Turangi i-SITE performance (69.6%) ○ Industry engagement (80.6%) <p>The average score across the 9 categories is 82.6%.</p>
	<p><u>Partnerships Income</u></p> <p>\$150,000 contributed from key visitor industry participants for DGLT JVs.</p>	<p>ACHIEVED - Marketing promotions income of \$246,065 against a target of \$150,000 (2016 ACHIEVED - \$242,374 against a target of \$170,000)</p> <p>Continued work with partnership marketing programmes to build the destination profile has resulted in marketing promotions income of \$246,065. This is relative to an SOI KPI target of \$150,000.</p>
	<p><u>Free of charge or in-kind support</u></p> <p>\$60,000 free of charge or in-kind support for</p>	<p>ACHIEVED - \$85,995 of free of charge or in-kind support, against a target of \$60,000 (2016 NOT MEASURED – But recorded as \$79,165)</p> <p>This support is tracked in a DGLT log. It includes free of charge product offered for famils, as well as discounted product.</p>

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	marketing activity	
Fiscal responsibility in the way we do business	<p><u>i-SITE costs</u></p> <p>Net i-SITE cost of \$207,500 for both Taupō and Turangi i-SITEs (as measured by net i-SITE expenditure over income).</p>	<p>NOT ACHIEVED – Net cost of \$235,523 (2016 NOT MEASURED – but net cost of \$138,120).</p> <p>The target in the 2015-2018 SOI was i-SITE revenue. This target was changed in the 2016-19 SOI to focus on i-SITE costs, as this enables DGLT to put equal focus on revenue and expenditure.</p> <p>DGLT did not hit the cost target of \$207,500. Competition from digital / online booking channels, combined with poor weather over the summer period, meant overall commission sales were down significantly. DGLT attempted to reduce expenditure as much as possible, but the net cost for both i-SITEs was \$235,523. This includes a net cost of \$103,490 for Taupō and \$132,033 for Turangi.</p>

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SUMMARY OF FINANCIAL STATEMENTS

OVERVIEW

The 2016/17 financial year has been challenging for the Trust. Funding from Taupō District Council has remained static for a number of years. In addition, total revenue from advertising, partnerships, commissions, and sales has declined significantly (against 2015/16 actuals). This has created the need for significant reprioritisation and cost cutting (to minimise the year end overspend).

DGLT was funded by way of a grant from Taupō District Council of \$1,750,000 and generated another \$849,546 (gross) of income from sales, commissions and advertising. This is down from \$941,727 in 2015/16, reflecting reduced operator advertising through the i-SITES and reduced commissioned sales through the i-SITES.

DGLT has worked hard to increase efficiencies, has reduced marketing spend and has cut staffing costs to minimise the level of year end overspend, and the consequential erosion of Trust equity. The organisation spent \$2,619,802, creating a year end deficit of \$17,770. This has reduced Trust equity from \$139,279 to \$121,509. The Trust needs to hold this level of equity to support capital upgrades in the Turangi i-SITE for July/August 2017, and to support some winter marketing activity that was deferred from June 2017 to July/August 2017.

Discussions were held with the Department of Inland Revenue around the charitable/tax exempt status of the Trust. The Trust Deed was amended in June 2015 based on a recommendation from IRD, to clarify the winding up provisions. This amendment was approved and registered by the Registrar of Charities, and then endorsed by IRD. However, discussions were ongoing in relation to the retrospective application for the release of income tax provision from the Trust balance sheet (of \$82,942). The Trust expects to be able to release the majority of this provision from the balance sheet in 2017/18 and will use this funding to support upgrades in the Turangi i-SITE and to replace Trust equity.

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

REVENUE

Total gross revenue for the year sits at \$2,602,032, comprised of the TDC grant, interest received and other revenue of \$849,546 (for services provided). This includes marketing promotions income and revenue from commissions, advertising and retail profit, but is a gross figure.

Continued work with partnership marketing / advertising programmes has resulted in income of \$246,065. This reflects operator investment in campaign activity, plus website and brochure advertising. This is above the 2015/16 figure of \$242,374 and the SOI budget. This is mainly due to an increase in partnership opportunities (relative to previous years).

I-SITE revenue (from commissions, advertising and retail profit plus online sales) is \$449,113 (net). This is less than the SOI target of \$473,700 and the 2015/16 result (of \$546,026). This reflects reduced visitation (foot traffic), ticket sales and net commissions through both i-SITES. Commission sales were down 15.4% in Taupō and 16.5% in Turangi (relative to 2015/16), while visitation was down 5% in Taupō and 10.7% in Turangi.

EXPENDITURE

There are some variations in the Annual Report relative to the Statement of Intent and the 2015/16 result.

Employee expenses are up caused by an increase in employee numbers, as well as costs associated with leave liabilities. As noted in the 6-month interim report DGLT staffing levels increased by 1.5 FTEs during the year, to increase organisational capacity, and thereby reduce use of external contractors (professional services). While employee expenses have increased, this has resulted in a corresponding reduction in consultant costs / professional services fees.

Continued operator advertising and industry investment has enabled additional campaign and marketing activity.

However, the late arrival of snow in the 2017 winter means that a significant proportion of winter marketing activity has been deferred to July 2017 (and outside of this financial year).

Publicity, professional services fees and other expenses are all down significantly, reflecting a redirection of spending to advertising cost codes.

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 entry to the various trade / sales events.

Overall the net cost of the i-SITEs is significantly above both performance target and financial planning levels in the SOI. This reflects relatively fixed costs but reduced income as noted above. The two sites cost \$235,523 to operate in 2017/18 against a target of \$207,500.

Bank fees associated with the i-SITEs are also up significantly reflecting changes to the Taupō District Council banking contract.

STATEMENT OF FINANCIAL POSITION

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

As noted above, Trust equity decreased from \$139,279 to \$121, 509. The Trust is holding this level of equity to support capital purchases programmed for 2017/18 and because a significant proportion of marketing activity has been deferred from June 2017 to July/August 2017 (due to the late arrival of snow).

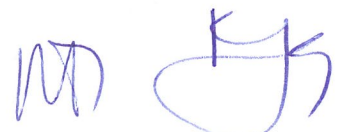
In addition, the Trust continues to hold provision for income tax for 2016/17 on the balance sheet (of \$82,942).

Report to Taupō District Council for 1 July 2016 – 30 June 2017

Prepared by:



Damian Coutts
DGLT General Manager
25 August 2017



Statement of Comprehensive Revenue and Expense
For the year ended 30 June 2017

	Note	Actual 2017 \$	DGLT SOI 2017 \$	Actual 2016 \$
Revenue				
Operating grant from Taupo District Council		1,750,000	1,750,000	1,750,000
Revenue from services provided	3	849,546	835,796	941,727
Finance revenue	4	2,486	7,000	11,294
Total revenue		<u>2,602,032</u>	<u>2,592,796</u>	<u>2,703,021</u>
Expenditure				
Employee benefit expenses	5	1,092,155	1,026,289	975,473
Depreciation and amortisation expense	10	37,751	28,572	30,928
Finance costs	4	33	-	-
Other expenses	5	1,489,863	1,537,935	1,620,502
Total operating expenditure		<u>2,619,802</u>	<u>2,592,796</u>	<u>2,626,903</u>
Operating surplus/(deficit) before tax		<u>(17,770)</u>	-	<u>76,118</u>
Total comprehensive revenue and expenses attributable to:				
Destination Lake Taupo Trust		<u>(17,770)</u>	-	<u>76,118</u>
		<u>(17,770)</u>	-	<u>76,118</u>

Statement of Changes in Net Assets/Equity
For the year ended 30 June 2017

	Note	Actual 2017 \$	DGLT SOI 2017 \$	Actual 2016 \$
Net Assets/Equity at start of the year	6	139,279	-	63,155
Total comprehensive revenue and expenses previously reported		(17,770)	-	76,118
Effect of correction of rounding in prior years		-	-	6
Balance at 30 June	6	<u>121,509</u>	-	<u>139,279</u>


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

Statement of Financial Position
As at 30 June 2017

	Note	Actual 2017 \$	DGLT SOI 2017 \$	Actual 2016 \$
ASSETS				
Cash and cash equivalents	7	423,067	-	404,849
Trade and other receivables	8	37,617	-	55,274
Inventories	9	32,890	-	35,182
Prepayments		7,695	-	27,250
Total current assets		501,269	-	522,555
Non-current assets				
Property, plant and equipment	10	81,676	-	79,672
Total non-current assets		81,676	-	79,672
Total assets		582,945	-	602,227
LIABILITIES				
Current liabilities				
Trade and other payables	11	265,865	-	291,839
Employee benefit liabilities	12	109,205	-	84,651
Current tax liabilities		82,942	-	82,942
Total current liabilities		458,012	-	459,432
Non-current liabilities				
Employee benefit liabilities	12	3,424	-	3,516
Total non-current liabilities		3,424	-	3,516
Total liabilities		461,436	-	462,948
Net assets (assets minus liabilities)		121,509	-	139,279
EQUITY				
Contributed equity	6	100	-	100
Accumulated funds	6	121,409	-	139,179
Total equity		121,509	-	139,279

The financial statements of The Destination Lake Taupō Trust are for the year ended 30 June 2017. The financial statements were authorised for issue by the Trust Board on 25th August 2017.


Ray Salter
CHAIRPERSON


TRUSTEE

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



Statement of cashflows
For the year ended 30 June 2017

	Actual 2017 \$	DGLT SOI 2017 \$	Actual 2016 \$
Note			
Cash flows from operating activities			
Receipts from customers	850,828	-	955,875
Receipts from Taupo District Council operating grant	1,750,000	-	1,750,000
Finance revenue	2,486	-	11,294
Payments to suppliers	(1,491,291)	-	(1,532,190)
Payments to employees	(1,067,695)	-	(1,019,129)
Interest paid	(33)	-	-
Net GST received	<u>13,676</u>	-	<u>22,968</u>
Net cash from (used in) operating activities	<u>57,971</u>	-	<u>188,818</u>
Cash flows from investing activities			
Purchase and development of property, plant and equipment	<u>(39,753)</u>	-	<u>(12,527)</u>
Net cash flow from investing activities	<u>(39,753)</u>	-	<u>(12,527)</u>
Net increase (decrease) in cash held	18,218	-	176,291
Add cash at start of year	<u>404,849</u>	-	<u>228,556</u>
Cash, cash equivalents, and bank overdrafts at the end of the year	7 <u>423,067</u>	-	<u>404,847</u>

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

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

1 Statement of accounting policies for the year ended 30 June 2017

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 2017. The financial statements were approved by the Board of Trustees on 25th August 2017.

2 Summary of significant accounting policies

2.1 Basis of preparation

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

Statement of compliance

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

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

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

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

These financial statements comply with PBE standards.

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

Measurement base

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

Functional and presentation currency

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

Changes in accounting policies

There have been no changes in accounting policies

2.2 Foreign currency transactions

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

2.3 GST

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

Commitments and contingencies are disclosed exclusive of GST.

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

2 Summary of significant accounting policies

2.4 Revenue

Revenue is measured at fair value.

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

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

Vested assets

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

Sales of goods

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

Interest and dividends

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

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

2.5 Leases

(i) Finance leases

Leases

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

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

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

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

(ii) Operating leases

Payments made under operating leases are recognised in the surplus or deficit on a straight-line basis over the term of the lease. Lease incentives received are recognised in the Statement of Comprehensive Revenue and Expense as an integral part of the total lease expense.

2.6 Equity

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

- Accumulated funds

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

2 Summary of significant accounting policies

2.7 Cash and cash equivalents

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

2.8 Financial assets

The Trust classifies its investments as loans and receivables.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments, which are not quoted in an active market. They are included in current assets except for maturities greater than 12 months after the balance date, which are included in non-current. After initial recognition they are measured at amortised cost using the effective interest method. Gains and losses when the asset is impaired or derecognised are recognised in the Statement of Comprehensive Revenue and Expense.

2.9 Trade and other receivables

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

2.10 Inventory

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

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

2.11 Property, plant and equipment

Property, plant, and equipment consist of:

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

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

Valuation methodologies

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

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

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

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

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

2 Summary of significant accounting policies

Additions

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

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

Transfers

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

Subsequent measurement

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

Depreciation

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

Machinery	4 years	25%
Computer Equipment	4 years	25%
Office equipment	4-10 years	13.33%-25%
Infrastructural assets	4-10 years	10%-25%
Furniture and fittings	2-10 years	10%-50%

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.

Depreciation

Depreciation on assets is calculated using either the straight line or the diminishing value method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives. The useful lives and associated depreciation rates of assets to be depreciated have been estimated as follows:

2 Summary of significant accounting policies

Class of asset depreciated	Estimated useful life	Depreciation rates
Operational assets:		
Machinery	4 yrs	5% - 50% SL
Computer equipment	4 yrs	25% SL
Office equipment	4 - 10 yrs	13.33% - 25% SL
Furniture & fittings	2 - 10 yrs	10% - 50% SL
Vehicles	4 - 10 yrs	10% - 25% SL

2.12 Impairment

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

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

2.13 Financial Liabilities

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

2.14 Employee entitlements

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

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

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

Superannuation schemes

Defined contribution schemes

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

2.15 Interest bearing borrowings

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

2.16 Income tax

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

2.17 Budget figures

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

2.18 Advertising costs

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

3 Revenue from Services Provided

	DGLT	
	Actual	Actual
	2017	2016
	\$	\$
<u>Revenue from significant activities</u>		
I-Site operations	602,931	699,349
Other revenue	550	4
Marketing fees	<u>246,065</u>	<u>242,374</u>
Total Operating Revenue	<u>849,546</u>	<u>941,727</u>
<u>Analysis of I-site Revenue</u>		
Retail sales	249,437	266,978
less cost of goods sold	<u>(147,368)</u>	<u>(148,998)</u>
Gross margin on retail sales	102,069	117,980
less stock losses	<u>(6,450)</u>	<u>(4,321)</u>
	95,619	113,659
I-Site Commissions	274,873	321,699
I-Site Operator advertising revenue	46,350	76,668
Other	<u>32,271</u>	<u>34,004</u>
Total I-site operations revenue	<u>449,113</u>	<u>546,030</u>

4 Finance revenue and finance costs

	DGLT	
	Actual	Actual
	2017	2016
	\$	\$
Finance revenue		
Interest revenue	<u>2,486</u>	11,294
Less finance costs		
Interest expense	<u>33</u>	-
Net finance costs	<u>2,453</u>	<u>11,294</u>

5 Operating expenditure

	DGLT	
	Actual 2017 \$	Actual 2016 \$
Employee benefit expenses		
Salaries and wages	1,042,218	994,308
Increase/(decrease) in employee entitlements/liabilities	24,462	(43,656)
Defined contribution plan employer contributions	25,475	24,821
Total employee benefit expenses	<u>1,092,155</u>	<u>975,473</u>
Depreciation by asset class:		
Motor vehicles	19,366	19,419
Furniture and fittings	15,033	8,147
Machinery	3,352	3,362
Total depreciation and amortisation	<u>37,751</u>	<u>30,928</u>
Audit fees for financial statements audit	17,394	17,000
Board meeting fees	37,793	40,157
Bad debts written off	155	244
Legal fees	3,629	-
Taupo District Council indirect costs	179,000	179,000
Inventory cost of goods sold	147,368	148,998
Inventory writeoff	6,450	4,321
Advertising	476,754	172,125
Professional services fees/legal fees	37,915	332,187
Travel & accommodation	80,660	80,645
Printing & stationery	76,132	96,879
Bank fees	49,497	36,287
Minimum lease payments under operating leases	1,706	2,559
Rental	125,037	127,289
Publicity	8,302	54,099
Maintenance	11,561	16,170
Electricity and gas	13,801	14,846
Conference fees	48,724	30,009
Materials and supplies	38,100	73,230
Vehicle running costs	(11,267)	(8,181)
Insurance	5,437	5,090
Loss on disposal of property, plant & equipment	-	628
Staff expenses	8,361	8,269
Other expenses	127,354	188,651
Total other expenses	<u>1,489,863</u>	<u>1,620,502</u>

The variations in Professional Fees and Advertising are due to the reclassification of work undertaken by specific suppliers

6 Net assets/equity

	DGLT	
	Actual 2017 \$	Actual 2016 \$
Trust Equity		
Accumulated funds	<u>121,409</u>	<u>139,179</u>
Balance at 30 June 2017	<u>121,409</u>	<u>139,179</u>
Contributed equity		
Equity	<u>100</u>	<u>100</u>
Balance at 30 June 2017	<u>100</u>	<u>100</u>
Total equity	<u>121,509</u>	<u>139,279</u>
Accumulated funds		
Balance at 1 July	139,179	63,061
Surplus/(deficit) for the year	<u>(17,770)</u>	<u>76,118</u>
Balance 30 June	<u>121,409</u>	<u>139,179</u>

7 Cash and cash equivalents

	DGLT	
	Actual 2017 \$	Actual 2016 \$
Cash at bank and in hand	1,300	2,420
Call deposits	<u>421,767</u>	<u>402,429</u>
Total cash and cash equivalents used in statement of cashflows	<u>423,067</u>	<u>404,849</u>

8 Trade and other receivables

	DGLT	
	Actual 2017 \$	Actual 2016 \$
Trade receivables	<u>24,095</u>	<u>28,043</u>
Net debtors	<u>24,095</u>	<u>28,043</u>
Other	764	797
GST refund	<u>12,758</u>	<u>26,434</u>
	<u>13,522</u>	<u>27,231</u>
Total current net trade and other receivables	<u>37,617</u>	<u>55,274</u>
Total debtors and other receivables from exchange transactions	<u>24,095</u>	<u>28,043</u>
Total current net trade and other receivables from non-exchange transactions	<u>13,522</u>	<u>27,231</u>
Total current net trade and other receivables	<u>37,617</u>	<u>55,274</u>

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 2017 are detailed below:

	DGLT	
	Actual 2017 \$	Actual 2016 \$
Current	10,572	15,764
Past due 1-30 days	5,616	1,406
Past due 31-60 days	2,963	9,052
Past due 61+ days	4,944	1,821
Total individual impairment	<u>24,095</u>	<u>28,043</u>

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

9 Inventories

	DGLT	
	Actual 2017 \$	Actual 2016 \$
<i>Commercial inventories</i>		
- held for use in the provision of services	32,890	35,182
Total inventory	<u>32,890</u>	<u>35,182</u>

No inventories are pledged as security for liabilities (2016 \$nil).

10 Property, plant and equipment

DGLT 2017	Cost 1 Jul 2016 \$	Accumulated depreciation 1 Jul 2016 \$	Carrying amount 1 Jul 2016 \$	Current year additions (+ gains) \$	Current year disposals (+ losses) \$	Current year depreciation \$	Cost 30 Jun 2017 \$	Accumulated depreciation 30 Jun 2017 \$	Carrying amount 30 Jun 2017 \$
Operating assets									
Office furniture and fittings	24,363	(12,160)	12,203	29,398	-	(8,261)	53,761	(20,421)	33,340
Plant and equipment	40,158	(17,529)	22,629	10,357	-	(10,124)	50,514	(27,652)	22,862
Motor vehicles	77,393	(32,553)	44,840	-	-	(19,366)	77,393	(51,919)	25,474
Total DGLT	141,914	(62,242)	79,672	39,755	-	(37,751)	181,668	(99,992)	81,676
DGLT 2016	Cost 1 Jul 2015 \$	Accumulated depreciation 1 Jul 2015 \$	Carrying amount 1 Jul 2015 \$	Current year additions (+ gains) \$	Current year disposals (+ losses) \$	Current year depreciation \$	Cost 30 Jun 2016 \$	Accumulated depreciation 30 Jun 2016 \$	Carrying amount 30 Jun 2016 \$
Operating assets									
Office furniture and fittings	25,698	(8,418)	17,280	-	(628)	(4,449)	24,363	(12,160)	12,203
Plant and equipment	27,631	(10,469)	17,162	12,527	-	(7,060)	40,158	(17,529)	22,629
Motor vehicles	77,393	(13,134)	64,259	-	-	(19,419)	77,393	(32,553)	44,840
Total DGLT	130,722	(32,021)	98,701	12,527	(628)	(30,928)	141,914	(62,242)	79,672

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

11 Trade and other payables

	DGLT	
	Actual 2017 \$	Actual 2016 \$
Trade payables	138,775	157,443
Accrued expenses	125,256	132,141
Provision for ACC	1,433	1,395
Revenue in advance	401	860
Total creditors and other payables	<u>265,865</u>	<u>291,839</u>
Total creditors and other payables from exchange transactions	<u>264,031</u>	<u>289,584</u>
Total creditors and other payables from non-exchange transactions	<u>1,834</u>	<u>2,255</u>
Total current creditors and other payables from exchange and non-exchange transactions	<u>265,865</u>	<u>291,839</u>

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

	DGLT	
	Actual 2017 \$	Actual 2016 \$
Current portion		
Accrued pay	3,148	(2,770)
Annual leave	98,521	74,984
Long service leave & lieu days	7,536	12,437
Total current portion	<u>109,205</u>	<u>84,651</u>
Non-current portion		
Long service leave actuarial accrual	3,424	3,516
Total non-current portion	<u>3,424</u>	<u>3,516</u>
Total employee entitlements	<u>112,629</u>	<u>88,167</u>

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 1.97% (2016 2.12%) and an inflation factor of 2% (2016 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 operating grant from the Council to deliver its objectives as specified in the Trust Deed. All transactions with related parties have been conducted at arms length.

Key management personnel

	DGLT	
	Actual 2017 \$	Actual 2016 \$
<i>Board</i>		
Remuneration (Trustees)	37,793	40,157
Remuneration	<u>6</u>	<u>6</u>
<i>Senior Management</i>		
Remuneration (GM & SMT)	397,481	407,562
Remuneration	<u>4</u>	<u>4</u>
Total full-time equivalent personnel	435,274	447,719
Total key management personnel compensation	<u>10</u>	<u>10</u>

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. The variance between the current year and previous year is mainly due to the change of Marketing Manager, and the retirement of two Trustees, and there being a period where full remuneration was not being paid for these roles.

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:

	DGLT	
	Actual 2017 \$	Actual 2016 \$
Payable no later than one year	<u>114,581</u>	<u>114,581</u>
Total non-cancellable operating leases	<u>114,581</u>	<u>114,581</u>

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

15 Financial instruments

The Destination Lake Taupo Trust has minimal risk exposure associated with financial instruments.

Financial instrument categories

Assets	Assets at fair value				Total \$
	Held for trading \$	through surplus or deficit \$	Loans and receivables \$	Available for sale \$	
DGLT 2017					
Cash and cash equivalent	-	-	423,067	-	423,067
Receivables and prepayments	-	-	24,859	-	24,859
Total assets	-	-	447,926	-	447,926
DGLT 2016					
Cash and cash equivalent	-	-	404,849	-	404,849
Receivables and prepayments	-	-	28,840	-	28,840
Total assets	-	-	433,689	-	433,689
Liabilities	Liabilities at fair value			Measured at amortised cost \$	Total \$
	Held for trading \$	through surplus or deficit \$			
DGLT 2017					
Payables and accruals	-	-		265,401	265,401
Total liabilities	-	-		265,401	265,401
DGLT 2016					
Payables and accruals	-	-		278,566	278,566
Total liabilities	-	-		278,566	278,566

16 Events after balance date

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