



ANNUAL REPORT

FOR THE YEAR ENDING
30 JUNE 2020



GREAT LAKE TAUPŌ

DIRECTORY

Governing Body

Destination Lake Taupō Trust Board

Ray Salter (Chairman)
Cushla Clark
Dennis Christian
Glyn Williams
Jonathan Cameron
Torben Llandl

General Manager

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The Controller & Auditor General

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CONTENTS

DESTINATION GREAT LAKE TAUPŌ (DGLT) AGM 2020: CHAIRMAN'S REPORT.....	4
AUDIT REPORT.....	7
REPORT ON TRUST ACTIVITIES.....	11
PERFORMANCE OVERVIEW	15
PERFORMANCE MEASURES ACHIEVED	16
SUMMARY OF FINANCIAL STATEMENTS.....	18
STATEMENT OF COMPREHENSIVE REVENUE & EXPENSE.....	19
STATEMENT OF CHANGES IN EQUITY... ..	19
STATEMENT OF FINANCIAL POSITION... ..	20
STATEMENT OF CASHFLOWS... ..	21
NOTES TO THE FINANCIAL STATEMENTS	22

DESTINATION GREAT LAKE TAUPŌ (DGLT) AGM 2020: CHAIRMAN'S REPORT

This year has been one of two halves. In summary, the tourism economy of the district was tracking nicely with strong growth and good summer trading over 2019. We were looking forward to an uptick in the coming winter, building on the previous ski season. That was until COVID-19 became a global pandemic, with profound effects on tourism, and especially destinations such as the Taupō region with over 30% of its economy reliant on tourism.

With COVID-19 being recognised as a threat early by New Zealand, the border was effectively closed to visitors from China on 3 February 2020 with the imposition of a mandatory 14-day quarantine requirement. This decision had widespread ramifications throughout the tourism industry with China being the second largest visitor source market behind Australia. At that time, the Taupō District was comparatively unaffected by this decision as the number of China visitors was comparatively small when compared with our other international markets. As we entered March, the situation was becoming worse with Italy and Iran being affected by a significant number of cases. The New Zealand response was to impose similar restrictions on entry with the 14-day quarantine requirement.

On 20 March 2020, the Prime Minister announced that the border would be closed to all non-New Zealanders. This decision effectively resulted in the end of international visitation to New Zealand. The Taupō region is dependent on international visitors for over one third of its income and this resulted in major concern about the future of tourism in the district for a number of operators.

On 25 March the whole country went into lockdown. This halted all economic activity other than essential services. Tourism is one of the industries that has been most affected by this and consequential decisions. On 27 April New Zealand went to alert level 3 and on 13 May to alert level 2. At this level regional travel was discouraged, however this "rule" was subsequently relaxed.

DGLT's response to the lockdown and the subsequent enabling of domestic travel was to initiate a significant marketing campaign to raise awareness in the domestic market of the Taupō Districts visitor offering. The focus is on those that have the resources and time to travel. Given the lack of aviation capacity, the emphasis was on those within driving distance of the Taupō region. The initial target market was on the young professionals and the older demographic on the assumption that they will have more flexibility and funds to travel and were less risk adverse following lockdown. In addition, there is no spillover to the international market and so the messaging and channel could be concentrated. With a "meet in the middle" emphasis on the messaging, the goal was to target the initial phase of post lockdown desires, namely to reunite with friends and family, and also to get outdoors and enjoy the freedom of experiences and activities that were available.

Funding for the campaign was drawn from planned expenditure on international marketing and trade activity that is essentially unnecessary until the borders reopen.

The campaign received widespread recognition and support. Being in market early post lock-down and using TV was a highly successful approach. This gave the destination a significant head start on raising awareness. Also, DGLT was able to obtain highly discounted rates due to the lack of advertising at the time. The content of the campaign will be used as part of a wider campaign focusing on domestic segments over the coming year.

The overall strategy of concentrating on domestic visitors within driving distance in the first instance and then expanding outwards as more markets become "available" appears to be successful. The next steps are to develop targeted campaigns for specific passion groups that the Taupō tourism offer appeals to. We are very fortunate to have assets that cover a broad spectrum of interests and so Mountain biking, fishing, walking and hiking, and golf are candidates for this approach. In addition, Tourism New Zealand is investing in specific campaigns as well. We anticipate being able to leverage off this activity to promote Taupō district.

Local tourism expenditure to June 2020 is down 10% from the comparable year to June 2018/2019. Both international and domestic spend have been affected by the border closure and lockdown. For the 12 months international spend was down from \$214M to \$187M in the current year. Domestic is down from \$460 to \$420M in the same period. While these figures are dramatic, they approximately represent the spend that occurred in 2017/18, indicating the growth that has occurred in the Taupō District in the tourism economy.

However, for every month that the border is closed we can expect around a \$18M reduction in revenue to the district. As at the writing of this report, there is little sign of the borders reopening in any way that represents a return to "normal" in calendar 2020.

Over two thirds of Taupō's spend comes from domestic visitation, largely concentrated in the school holiday and summer periods. This has meant that the district has captured most of the year's revenue before Covid occurred. With the country coming out of lockdown we have observed high levels of domestic travel – this is partly normal domestic travel, but also there is the opportunity to capture some of the estimated \$9B that New Zealanders spend on international travel. Preliminary retail data for June indicates that Taupō expenditure has bounced back well above last year with an 11% increase. The detailed information indicates that this spend is a combination of visitor spend and resident spend and therefore the future for the visitor economy appears to be positive. Forward bookings for future months are also positive with high level of forward bookings for weekends and school holidays.

In late June, TDC advised that it will be reducing the grant for DGLT for the 2020/21 financial year. This decision was made by Council as part of an overall review of expenditure across the whole council and is a result of reduced revenue caused by Covid-19 impacts. This is a disappointing result given that the funding was only restored to a sustainable level and with improved processes in 2018/19. The level of funding available to DGLT for 2020/2021 at \$1.29M is at levels below that provided to the organisation over the last decade. The \$500,000 reduction in the DGLT budget represents nearly a 30% decrease in core funding. In addition, the board considers it prudent to reduce our expectations of revenue from Taupō operators that DGLT might otherwise have anticipated.

In its decision in June TDC also advised that it will be transferring the I-sites to its ownership and merging their operation with the front office functions of the Council. This will result in significant savings for the council. However, the consequential effect is to lose a direct channel to market for the predominantly international visitor market that uses the I-sites. While the board is disappointed about this decision, compared with the alternatives it does mean that there will continue to be two I-sites in the district and a shop front for the operators to continue to sell to visitors. It will require finalization of the separation of the I-sites from DGLT financially and administratively. In addition, it will require DGLT to continue to have a close working relationship with the managerial arrangements put in place by the Council. We would want to ensure that there is close alignment between the I-sites and the marketing being carried out by DGLT into the future.

This reduction in funding, combined with a reduction in scope of the marketing activities of DGLT and the separation of the I-sites from DGLT management has meant that the Board has agreed to undertake a review of the structure and staffing of DGLT to balance the budget and focus on the activities that will deliver the maximum economic benefit to the Taupō District's tourism economy. This process will be carried out in July with an expectation of a reduced core of DGLT staff until the tourism economy recovers. The boards expectation is that the funding will be restored once there is an opportunity to market the destination to potential visitors beyond the domestic market.

The Government has announced that it will provide project funding support to regional tourism organisations in 2020/21 to carry out three key areas of activity. These are: industry capability development, destination management planning and approach and additional resources for domestic marketing. DGLT has made an application for this funding which is specifically targeted at these three activities and therefore is not a substitute for the core funding that has been reduced this year.

This year as a result of COVID we have had the terms of the board members extended into 2021. This has ensured that we have continuity throughout this trying time. I am extremely grateful to my fellow board members in the contribution they have made this year. There have been frequent

meetings well beyond the expectations of the time normally involved in governance. Collectively we have navigated through the crisis of the first half of 2020. But I do not expect that the next year to August 2021 will be any easier for tourism. However, I do expect that the coming year will be one of having to make some very important strategic and tactical decisions to ensure we continue to be effective in promoting the Taupō District as the visitor destination for New Zealanders, and hopefully sometime in the coming year for international visitors as well. The coming year will be busy for the board and the DGLT team.

Report to Taupo District Council for 01 July 2019 – 30 June 2020

On behalf of the DGLT Board:



Ray Salter
DGLT Board Chairman
27 November 2020



Independent Auditor's Report

To the readers of Destination Lake Taupō Trust's financial statements and performance information for the year ended 30 June 2020

The Auditor-General is the auditor of Destination Lake Taupō Trust (the Trust). The Auditor-General has appointed me, Leon Pieterse, 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 36, that comprise the statement of financial position as at 30 June 2020, 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 pages 16 to 17.

In our opinion:

- the financial statements of the Trust on pages 19 to 36:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2020; 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; and
- the performance information of the Trust on pages 16 to 17 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 2020.

Our audit was completed on 27 November 2020. This is the date at which our opinion is expressed.

The basis for our opinion is explained below, and we draw your attention to the impact of Covid-19 on the Trust. 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.

Emphasis of matter – Impact of Covid-19

Without modifying our opinion, we draw attention to the disclosures about the impact of Covid-19 on the Trust as set out in note 22 to the financial statements and pages 16 and 17 of the performance information.

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 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 the performance information for the Trust.

The Trustees are 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 intends 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 Trustees.
- 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 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 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 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 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 1 to 15 and 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: International 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.



Leon Pieterse
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 2019-20 DGLT Statement of Intent, and a report on the Trust's activities (in accordance with Sections 10.9(a) and (c) and 13.2(b) of the Trust Deed.

In accordance with the Trust Statement of Intent, DGLT has four main areas of activity, Destination Marketing, Destination Management, Industry Liaison and Visitor Services.

DESTINATION MARKETING:

Domestic visitors are the key driver of tourism within the region, traditionally accounting for approximately 65% of both guest nights and spend. With the onset of Covid-19 and the closure of international borders domestic visitors have become almost the sole source of visitor spend in the last quarter of the financial year and have delivered \$412 M to the region YE May 2020.

Our marketing communications for the 2019-2020 financial year was severely impacted by the onset of Covid-19 and our activity is split into pre and post covid campaigns.

The domestic winter campaign ran through June & July 2019 over 2 two-week pulses, promoting Taupo as a winter holiday destination with on and off-mountain experiences and excellent accommodation, dining and hospitality options. The campaign targeted our key markets of Auckland, Hamilton, BOP and Hawkes Bay.

The digital campaign covered off search, display and remarketing through banner ads, google ads, YouTube and Facebook. We saw some pleasing results with 58,326 visitors to lovetaupo.com (+123% on last year's winter campaign). 72% of these visitors were new visitors to the site. The average time on site was 2 minutes 25 secs with 772 click throughs to operator pages on lovetaupo.com. The social campaign received 590.6k impressions, 17.9k clicks and reached 238.7k unique profiles across Facebook and Instagram. The targeting was comprised of lookalikes of our website visitors, email database and page fans. Top performing age groups by clicks were 25-34-year old's (36.6%) and 35-44-year old's (33.4%).

Our [Love spring, Love Taupo](#) video released in September 2019 was supported by a digital remarketing campaign enticing people to engage more with the lovetaupo.com website, discover the spring deals on offer and ultimately convert to bookings. Overall, the campaign received 1.56M impressions, 4.7k clicks, over 32,700 views on YouTube and 11,000 views on Facebook. During the campaign dates the website received a total of 80.2k visitors (both paid and organic traffic). Average time on-site during the campaign was 2 minutes 49 seconds, with a total of 41 operator actions performed (click throughs from banners to operator pages, clicks of the book now, phone or visit website buttons).

In addition to our seasonal campaigns we rolled out our first database acquisition campaign in November 2019, focusing on building a database of highly qualified prospects. Our strategy was to identify a highly targetable niche group of potential visitors through social media, draw them into our database and convert them into a genuine prospect that we can then remarket to further down the track. Our first test market was mountain bikers, with the aim of building a qualified set of prospects for our autumn bike campaign in 2020. With the support of our operators we gave away an ultimate [3-night mountain bike escape](#) including luxury accommodation, two days of mountain biking, white water rafting, sailing and hot pools passes for 6 friends valued at more than \$6,600. The [campaign video](#) was shared through paid and organic activity on Facebook and Instagram with the results significantly exceeding our KPI's. The campaign reached 133.1k people, had 541.7k impressions, received 95.4k engagements and secured more than 8,200 database sign ups. The paid campaign spend was \$7,000 meaning the cost per lead



was \$0.85. Following the campaign, we emailed all unsuccessful entrants offering the prize package to them at a reduced rate (\$4674). To date we have had 2 group bookings meaning the campaign spend has been matched dollar for dollar with regional spend. Our plan is to roll out this campaign format across other highly targetable segments such as fishing and hiking.

Our Post Covid campaign activity has focussed on reactivating the domestic market as cross regional travel was once again permitted at Alert Level 2. A substantial media campaign aimed to kickstart domestic travel to the Taupo region from our key markets of Auckland, Bay of Plenty, Waikato, Hawkes Bay and Wellington went live on 18 May 2020. The campaign included a substantial spend in traditional media including TV, OOH and print which was underpinned with digital and social activations. This campaign proved highly successful with operator feedback indicating that business was up 20-30% on the same period last year. Marketview spend data supported this feedback reporting Taupo regional spend in June was up 3 times the national average.

Post Covid-19 activity also includes collaborations with Tourism New Zealand, Visit Ruapehu and ECNI to inspire domestic visitors to "do something new", take a road trip or pick up a midweek deal – all aiming to keep the tourism economy moving and our operators welcoming as many visitors to the region as possible.

Our in-house PR/media programme continues to proactively target New Zealand and Australian-based media to support the positioning of the Taupō district. Some key editorial wins in this year included coverage in stuff.co.nz, Sunday Star Times, AA Directions, NZ Woman's Weekly, Kia Ora Magazine and participation in a GoPro global product launch in conjunction with Newshub and Urbanlist. Further media were also hosted in August and September with stories in National Geographic Traveller, Ski & Snowboard with Kids, Holidays with Kids – Ski Downunder, Travel & Leisure Magazine, Forbes India, Prime TV, Lonely Planet and Frommer's Guide. Media coverage in collaboration with Tourism NZ (which is additional to our inhouse PR/media programme) was valued at over \$8.5M EAV (equivalent advertising value) with 89 stories generated across Australia, Germany, China, Japan, USA, India, Singapore, Indonesia, Argentina and Hong Kong.

Additionally, our social media channels remain an important component of our marketing mix. We focus our attention on Facebook, Instagram, YouTube, Twitter and Weibo.

With the launch of the lovetaupo.com website and Love Taupo branding in 2018 our suite of destination collateral continues to develop to ensure we present our region in a fresh and compelling way. The Official Taupō Visitor Guide was republished in October 19 in collaboration with local firm Ninety-Black and continues to have strong support from local operators. 100,000 copies have been produced and are distributed around Auckland, Rotorua, Wellington and Taupō and through the i-SITE network. Updated tear off pads profiling events, Top 25 experiences, top free experiences, top walks and rides, rainy day activities and family experiences were also reprinted and are distributed locally through the i-SITE's and various outlets.

Up until our borders closed on 20 March 2020 our International Marketing activity continued into our core markets of Australia, UK/Europe and the USA. Unlike domestic visitors, international travellers tend to tour across multiple locations. Therefore, our marketing approach for both the UK/Europe market and North American market is undertaken in collaboration with the seven other regional tourism organisations of the central North Island (Hamilton/Waikato, Rotorua, Coromandel, Bay of Plenty, Gisborne, Hawkes Bay and Ruapehu) via a collective called 'Explore Central North Island (ECNI)'. Over the 2019-20 year the collective agencies ran a series of sales and training events in the USA, hosting 25 separate events and training over 380 US based agents. ECNI also engaged the services of a UK based representation company based in London, to train and upskill UK based travel agents on the Central North Island regions. In the first half of 19/20 year, SLC conducted 14 training sessions with over 300 UK based agencies and tour operators and has represented the Central North Island regions at 2 separate UK based Tradeshow. Since the onset of Covid-19 face to face training and sales calls has been reduced significantly and our representation contract is in maintenance mode only.

Following our partnership activity with Tourism NZ, RAL and Visit Ruapehu in the Australian North Island Winter campaign in March 19, we coordinated the rollout of 6 regional videos as part of Tourism



NZ's [Good Morning World campaign](#) launched in June 2019. Local personalities around New Zealand welcomed the world to a new day through Tourism New Zealand's social channels.

The trade team were also busy with many trade famils and training events both in NZ and in the USA and Australia. Twenty-seven inbound travel agents attended our first megafamil in August 19 and a further 100+ travel agents have been welcomed to the region from Australia, UK, Europe, SE Asia, USA. In conjunction with Tourism NZ we have also trained over 100 Australian Kiwi Experience agents in Christchurch and attended training with travel wholesalers in Brisbane, Sydney and Melbourne. Twenty-four Taupo tourism operators joined DGLT in hosting a networking event for 94 trade partners in Auckland prior to lockdown.

Corporate and business event clients are high value and are a key source of revenue often in shoulder season periods. Conference and business event delegates spend per night is approximately twice that of the domestic holiday visitor. The Taupo district has been showcased to potential conference and incentive buyers through a range of channels including networking events and famils. This included working with 5 local operators to host 10 New Zealand based companies to the region on a famil in November 2019.

The Taupo and Turangi i-SITES continued to be affected by the shift in visitor purchasing behavior to digital platforms. This was further impacted as both I-sites closed during lockdown and international visitors dried up. The visitor numbers and sales for both i-SITES are down considerably with total visits reaching 150,039 visitors YE June 2020.

DESTINATION MANAGEMENT:

Destination Management is the coordinated management of all aspects of a destination that contribute to a visitor's experience including access, amenities, attractions, awareness and community attitudes.

DGLT is currently working closely with TDC, MBIE, EGLT and Te Kotahitanga o Ngāti Tūwharetoa Trust in conjunction with other local agencies to develop a coordinated vision and action plan outlining the tourism future for the Taupō district.

Building capability within the industry is critical to ensure the sector remains sustainable, competitive and delivers an exceptional visitor experience. DGLT held a number of training workshops for industry throughout the year with the key focus on building greater skill and expertise in digital marketing. A 10-workshop series aimed to improve knowledge in using social platforms, leveraging google business and developing a custom-made marketing plan. In addition, many tourism operators tapped into the Regional Business Partners Network funding scheme for one – on- one business continuity planning, financial and marketing advice. DGLT also launched a digital drop-in clinic for operators to meet one-on- one with our marketing team to help them upskill in the basics of social media, listing their business on newzealand.com and how to better leverage our campaign activity.

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.

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 bi-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. 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.

10/10

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 May 20, the Taupo region has been severely impacted by Covid-19. Total expenditure is down 10.5% to \$603 million compared to a national decline of 11.3%. Domestic expenditure is down 10.5% to \$412 million with international expenditure also down by 10.7% to \$191 million.

Our core international source markets of USA and Australia showed very strong growth prior to the pandemic with expenditure up over 20% and 8% respectively in the second quarter of the year, with very strong gains from the USA over the winter and autumn periods.

Guest nights:

The Commercial Accommodation Monitor (CAM) tracked and recorded motel, hotel, backpacker and holiday park guest nights, month-on-month. It did 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. The CAM statistics ceased to be collected from September 2019 but will be replaced with the Accommodation Data Programme due for release in August 2020.

It is important to note that holiday home channels such as Air BnB play a significant role in accommodating our guests, with the number of properties listed on the platform increasing from 36 in 2016 to over 1000 in May 2020. Revenue generated on the platform has continued to grow over the last 12 months (excluding the pandemic) and is well used by both domestic and international visitors. 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.

DGLT PERFORMANCE MEASURES:

Measures of Success –	Measures of Success/Goals	Results/Actuals	2018-19 Year
Objective 1 – Grow the value of the local tourism economy			
<p><i>Growth in tourism expenditure</i></p> <p><i>Measured by the Monthly Regional Tourism Estimates</i></p>	4.8% annual growth	<p>Total expenditure YE Jun 20: \$607M (-10%)</p> <p>Domestic: \$420M (-8.5%)</p> <p>International: \$187M (-13%)</p> <p>The results are down on the SPLY due to Covid-19. Lockdown and the closure of international borders significantly impacted visitor arrivals to the region resulting in a 10% decline in revenue.</p>	<p>Total expenditure of \$684M for year ended June 2019 (+7%)</p> <p>Domestic: \$465M (+7%)</p> <p>International: \$219M (+4%)</p>
Objective 2 – Sustainably manage and develop the destination as an international quality resort style destination			
<p><i>Visitor experience / satisfaction</i></p>	Net promoter score of 46 as measured via the AA Travel Monitor	<p>May 2020, the Taupo region recorded a Net Promoter Score of 52.</p> <p>A survey of AA members is conducted monthly and this score measures visitor satisfaction and their propensity to recommend the destination to others. A net promoter score of 52 is considered high as the scores go from -100 to +100. The scores vary month on month but the Taupo district has consistently ranked above the KPI of 46</p>	Net promoter score of 52
Objective 3 – Run an efficient and effective regional tourism organization, strongly supported by the local tourism industry			
<p><i>Visitation in the Taupō and Turangi i-sites</i></p>	200,000 visits to Taupō and Turangi i-sites	<p>Taupo: 106,087 (-21.5% from 135,186)</p> <p>Turangi: 43,952 (-30.6% from 63,379)</p> <p>TOTAL: 150,039 – 24% (from 198,565)</p> <p>Visitation to the I-sites has been severely impacted by Covid – 19. The I-sites were closed from lockdown (20 March 2020) until they reopened on reduced hours at Alert Level 2 on 21 May 20. However, it is also important to note that visitor numbers have been declining over the last 4 years as consumer behaviour moves from face to face enquiry to digital sources.</p>	<p>Taupo: 135,186</p> <p>Turangi: 63,379</p> <p>TOTAL: 198,565</p>
<p><i>Support for DGLT marketing initiatives including famils</i></p>	Estimated at \$80,000 of free of charge or in-kind support	<p>YTD Jun 20:</p> <p>Total In-kind value: \$ 122,141.49 (+26%)</p> <p>Trade famils: \$89,745.49</p> <p>Media famils: \$32,396.00</p> <p>This increase is largely due to the significant support we received from operators for our inaugural trade mega- famil where we had 26 travel agents visit the destination in August 2019.</p>	<p>YTD Jun 19:</p> <p>\$97,000</p>

<p><i>Industry Stakeholders are satisfied with DGLT performance as measured by Annual Visitor Industry Survey</i> <i>Maintaining consistency is set as the primary performance target</i></p>	<p>85% Industry satisfaction score</p>	<p>76% (+9%) The survey conducted via Survey Monkey was sent out to 333 industry operators across the Taupo District. 71 responses were received. 10% margin of error at 95% confidence level. Dissatisfied comments included the budget cut for DGLT, comments related to TDC issues from Turangi and using the same operators in our marketing activity. Satisfied comments were around the success of the recent domestic campaign and DGLT support during lockdown</p>	<p>67% The survey conducted via Survey Monkey was sent out to 340 industry operators across the Taupo District. 56 responses were received</p>
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Rationale for performance measures:

This 2020 SOI retains a performance measure around growth in tourism expenditure. The purpose of this measure is to track spending as an overall measure of visitor numbers and the economic benefit generated from tourism. This will be tracked through the Monthly Regional Tourism Estimates. This is a dataset published by the Ministry of Business, Innovation and Employment, and it provides an estimate of monthly regional tourism spend. We have adopted a trajectory that represents our best estimate of the post-covid recovery over the next 5 years.

The annual AA Domestic Travel Monitor has been retained to measure domestic visitor satisfaction with the destination. There is currently no data set to measure international satisfaction at a regional level. The key measure therefore is the domestic net promoter score. The net score for 2019/20 has been retained as the measure for 2021-2023.

An additional measure is included to capture 'free of charge' or 'in-kind' contributions by industry including family support, campaign contributions and advertising on DGLT platforms. The estimated contribution from the 2019/20 financial year provides a Pre-Covid benchmark. Our 2020-21 target is an estimate of our expectations of the level of support that may be available as the industry recovers from the pandemic.

SUMMARY OF FINANCIAL STATEMENTS

OVERVIEW

Destination Great Lake Taupo is a Council Controlled Organisation of the Taupo District Council. Funding is primarily provided by a grant from Council. However, DGLT does also receive income from services provided.

STATEMENT OF FINANCIAL PERFORMANCE

Revenue for the year was \$2,575,215, comprised of the TDC grant, interest received and revenue from services provided. Operating expenditure for the year was \$2,804,318 resulting in a deficit of \$229,103. The deficit includes provision for one off restructuring costs that will be incurred as a result in the reduction of the grant.

STATEMENT OF FINANCIAL POSITION

Trust equity has decreased to \$71,824 and the Trust has a working capital position of -\$99,290 which has been covered by a Letter of Comfort from the Council confirming ongoing funding to the Trust.

Report to Taupō District Council for 01 July 2019 – 30 June 2020

Prepared by:



Jane Wilson
DGLT General Manager
27 November 2020

Statement of Comprehensive Revenue and Expense
For the year ended 30 June 2020

		DLTT		
	Note	Actual 2020 \$	SOI 2020 \$	Actual 2019 \$
Revenue				
Operating grant from Taupo District Council		2,098,847	1,994,850	1,950,000
Revenue from services provided	4	465,347	736,678	616,542
Finance revenue	5	8,316	7,800	12,652
Other gains/(losses)		2,705	-	-
Total revenue		2,575,215	2,739,328	2,579,194
Expenditure				
Employee benefit expenses	6	1,174,018	1,236,782	1,074,663
Depreciation and amortisation expense	12,13	63,227	25,660	48,319
Finance costs	5	-	-	-
Other expenses	6	1,565,919	1,476,886	1,337,009
Total operating expenditure		2,803,164	2,739,328	2,459,991
Operating surplus/(deficit) before tax		(227,949)	-	119,203
Income tax (expense)/credit		7,000	-	-
Surplus from continuing operations		(220,949)	-	119,203
Other comprehensive revenue		-	-	-
Total comprehensive revenue and expenses attributable to:				
Destination Lake Taupo Trust		(220,949)	-	119,203

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 2020

		DLTT		
	Note	Actual 2020 \$	SOI 2020 \$	Actual 2019 \$
Net Assets/Equity at start of the year	7	293,927	-	174,725
Total comprehensive revenue and expenses		(220,949)	-	119,203
Balance at 30 June	7	72,978	-	293,927
		-	-	-

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

Statement of Financial Position
As at 30 June 2020

		Actual 2020 \$	DLTT SOI 2020 \$	Actual 2019 \$
ASSETS				
Cash and cash equivalents	8	312,278	-	52,623
Other financial assets	11	-	-	250,000
Trade and other receivables	9	114,101	-	20,473
Inventories	10	37,245	-	29,322
Prepayments		23,711	-	27,651
Total current assets		<u>487,335</u>	-	<u>380,069</u>
Non-current assets				
Property, plant and equipment	12	86,545	-	103,823
Intangible assets	13	85,987	-	122,162
Total non-current assets		<u>172,532</u>	-	<u>225,985</u>
Total assets		<u>659,867</u>	-	<u>606,054</u>
LIABILITIES				
Current liabilities				
Trade and other payables	14	473,165	-	190,532
Employee benefit liabilities	15	112,306	-	108,752
Current tax liabilities		-	-	7,000
Total current liabilities		<u>585,471</u>	-	<u>306,284</u>
Non-current liabilities				
Employee benefit liabilities	15	1,418	-	5,843
Total non-current liabilities		<u>1,418</u>	-	<u>5,843</u>
Total liabilities		<u>586,889</u>	-	<u>312,127</u>
Net assets (assets minus liabilities)		<u>72,978</u>	-	<u>293,927</u>
EQUITY				
Contributed equity	7	100	-	100
Accumulated funds	7	72,878	-	293,827
Total equity		<u>72,978</u>	-	<u>293,927</u>

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

Statement of cashflows
For the year ended 30 June 2020

	Actual 2020 \$	DLTT SOI 2020 \$	Actual 2019 \$
Cash flows from operating activities			
Receipts from customers	446,708	-	632,661
Receipts from Taupo District Council operating grant	2,098,847	-	1,950,000
Finance revenue	8,316	-	12,652
Other revenue	2,705	-	-
Payments to suppliers	(1,286,144)	-	(1,606,913)
Payments to employees	(1,173,735)	-	(1,095,831)
Interest paid	-	-	-
Net GST refunded / (paid)	(76,029)	-	22,544
Net cash flow from operating activities	20,668	-	(84,887)
Cash flows from investing activities			
Investments made	-	-	(250,000)
Investments matured	250,000	-	250,000
Proceeds from sale of property, plant and equipment	-	-	-
Purchase and development of property, plant and equipment	(11,013)	-	(18,808)
Purchase and development of intangibles	-	-	(144,307)
Net cash flow from investing activities	238,987	-	(163,115)
Net increase (decrease) in cash held	259,655	-	(248,002)
Add cash at start of year	52,623	-	300,625
Cash, cash equivalents, and bank overdrafts at the end of the year	312,278	-	52,623

Note

8

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 2020

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 2020. The financial statements were approved by the Board of Trustees on 27th November 2020.

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.

This is dependant on continuing support from the Taupo District Council. On the 17th June 2020 Council passed resolution TDC202006/C01 agreeing to fund the Trust for the next 12 months.

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.

2 Summary of significant accounting policies

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.

2.4 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

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

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

Additions

2 Summary of significant accounting policies

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

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.

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:

Office and computer 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).

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.

2 Summary of significant accounting policies

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.

Long-term employee entitlements

Employee benefits that are due to be settled beyond 12 months after the end of the period in which the employee renders the related service, such as long service leave and retirement gratuities, have been calculated on an actuarial basis. The calculations are based on:

- likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement, and contractual entitlement information; and
- the present value of the estimated future cash flows.

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 previously confirmed the Trust is 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.

2.19 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

Revenue from significant activities

I-Site operations
 Other revenue
 Marketing fees
Total revenue from services provided

DGLT	
Actual 2020 \$	Actual 2019 \$
360,124	490,840
11,248	-
93,975	125,702
<u>465,347</u>	<u>616,542</u>

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

Analysis of I-site Revenue

Retail sales
 less cost of goods sold
 Gross margin on retail sales
 less stock losses

 I-Site Commissions
 I-Site Operator advertising revenue
 Other
Total I-site operations revenue

144,342	189,584
<u>(81,738)</u>	<u>(104,767)</u>
62,604	84,817
<u>(3,860)</u>	<u>(1,233)</u>
58,744	83,584
152,356	253,049
51,453	27,420
11,973	20,787
<u>274,526</u>	<u>384,840</u>

5 Finance revenue and finance costs

Finance revenue
 Interest revenue
Less finance costs
 Interest expense
Net finance costs

DLTT	
Actual 2020 \$	Actual 2019 \$
8,316	12,652
-	-
<u>8,316</u>	<u>12,652</u>

6 Operating expenditure

	DLTT	
	Actual 2020 \$	Actual 2019 \$
Employee benefit expenses		
Salaries and wages	1,196,120	1,067,473
Increase/(decrease) in employee entitlements/liabilities	(55,091)	(20,977)
Defined contribution plan employer contributions	32,989	28,167
Total employee benefit expenses	1,174,018	1,074,663
Depreciation by asset class:		
Office equipment	8,318	9,241
Furniture and fittings	18,733	16,216
Machinery	-	716
Amortisation of intangible assets:		
Website Development	36,176	22,146
Total depreciation and amortisation	63,227	48,319
Audit fees for financial statements audit	18,525	17,986
Board meeting fees	39,308	39,968
Bad debts written off	1,040	150
Legal fees	575	4,256
Taupo District Council indirect costs	179,000	179,000
Inventory cost of goods sold	81,738	104,767
Inventory writeoff	3,860	1,233
Advertising	689,144	402,682
Professional services fees/legal fees	52,362	37,120
Travel & accommodation	96,792	99,594
Printing & stationery	27,275	13,564
Bank fees	28,052	38,732
Rental	157,159	151,876
Publicity	5,546	10,711
Maintenance	8,999	5,763
Conference fees	22,201	67,178
Materials and supplies	17,068	32,390
Insurance	2,451	2,290
Other grants	-	5,063
Loss on disposal of property, plant & equipment	1,240	766
Staff expenses	8,453	9,720
Other expenses	125,131	112,200
Total other expenses	1,565,919	1,337,009

7 Net assets/equity

	DLTT	
	Actual 2020 \$	Actual 2019 \$
Trust Equity		
Accumulated funds	72,878	293,827
Balance as at 30 June	<u>72,878</u>	<u>293,827</u>
Contributed equity		
Equity	100	100
Balance as at 30 June	<u>100</u>	<u>100</u>
Total equity	<u>72,978</u>	<u>293,927</u>
Accumulated funds		
Balance as at 1 July	293,827	174,624
Surplus/(deficit) for the year	(220,949)	119,203
Balance as at 30 June	<u>72,878</u>	<u>293,827</u>

8 Cash and cash equivalents

	DLTT	
	Actual 2020 \$	Actual 2019 \$
Cash at bank and in hand	1,500	9,496
Call deposits	310,778	43,127
Term deposits with maturities of less than three months	-	-
Total cash and cash equivalents used in statement of cashflows	<u>312,278</u>	<u>52,623</u>

9 Trade and other receivables

	DLTT	
	Actual 2020 \$	Actual 2019 \$
Trade receivables	28,098	6,039
Net debtors	<u>28,098</u>	<u>6,039</u>
Other	181	4,641
GST refund	85,822	9,793
	<u>86,003</u>	<u>14,434</u>
Total current net trade and other receivables	<u>114,101</u>	<u>20,473</u>
Total debtors and other receivables from exchange transactions	<u>28,098</u>	<u>6,039</u>
Total current net trade and other receivables from non-exchange transactions	<u>86,003</u>	<u>14,434</u>

9 Trade and other receivables

Total current net trade and other receivables

114,101	20,473
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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 2020 are detailed below:

	DLTT	
	Actual 2020 \$	Actual 2019 \$
Current	717	1,278
Past due 1-30 days	11,177	3,218
Past due 31-60 days	-	345
Past due 61+ days	16,204	1,198
Total individual impairment	28,098	6,039

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

10 Inventories

Commercial inventories

- held for use in the provision of services

Total inventory

	DLTT	
	Actual 2020 \$	Actual 2019 \$
	37,245	29,322
Total inventory	37,245	29,322

No inventories are pledged as security for liabilities (2019 \$nil).

11 Other financial assets

At beginning of year
Disposals (sale and redemption)
At end of year

	DLTT	
	Actual 2020 \$	Actual 2019 \$
	250,000	250,000
	(250,000)	-
	-	250,000

Current portion
Short term bank deposits with maturities of 4-12 months
Total current portion

	DLTT	
	Actual 2020 \$	Actual 2019 \$
	-	250,000
	-	250,000

12 Property, plant and equipment

DLTT 2020	Cost 1 Jul 2019 \$	Accumulated depreciation 1 Jul 2019 \$	Carrying amount 1 Jul 2019 \$	Current year additions (+ gains) \$	Current year disposals (+ losses) \$	Current year depreciation \$	Cost 30 Jun 2020 \$	Accumulated depreciation 30 Jun 2019 \$	Carrying amount 30 June 2020 \$
Operating assets									
Furniture and fittings	125,690	(37,780)	87,910	5,157	-	(18,733)	130,847	(56,513)	74,334
Office and computer equipment	52,614	(46,701)	15,913	5,854	(1,238)	(8,318)	63,582	(51,371)	12,211
Total DLTT	188,304	(84,481)	103,823	11,011	(1,238)	(27,051)	194,429	(107,884)	86,545
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 Jun 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

There is no provision for impairment this year (2019 \$nil)

13 Intangible assets

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

	Website \$	Total \$
Year ended Actual 2019		
Opening net book amount	-	-
Additions	144,308	144,308
Amortisation charge **	<u>(22,146)</u>	<u>(22,146)</u>
Closing net book amount	<u>122,162</u>	<u>122,162</u>
At Actual 2019		
Cost	144,308	144,308
Accumulated amortisation and impairment	<u>(22,146)</u>	<u>(22,146)</u>
Net book amount	<u>122,162</u>	<u>122,162</u>
Year ended 30 June 2020		
Opening net book amount	122,162	122,162
Additions	-	-
Amortisation charge **	<u>(36,175)</u>	<u>(36,175)</u>
Closing net book amount	<u>85,987</u>	<u>85,987</u>
At 30 June 2020		
Cost	144,308	144,308
Accumulated amortisation and impairment	<u>(58,321)</u>	<u>(58,321)</u>
Net book amount	<u>85,987</u>	<u>85,987</u>

** Amortisation of \$36,175 (2019: \$22,146) is included in depreciation and amortisation expense in the statement of comprehensive income.

14 Trade and other payables

	DLTT	
	Actual 2020 \$	Actual 2019 \$
Trade payables	372,223	102,985
Accrued expenses	91,962	82,030
Provision for ACC	1,973	1,625
Revenue in advance	7,007	3,892
Total creditors and other payables	473,165	190,532
Total creditors and other payables from exchange transactions	464,185	184,995
Total creditors and other payables from non-exchange transactions	8,980	5,537
Total current creditors and other payables from exchange and non-exchange transactions	473,165	190,532

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 2020 \$	Actual 2019 \$
Current portion		
Accrued pay	5,745	8,348
Annual leave	44,771	93,039
Long service leave & lieu days	542	7,365
Provision for Redundancies	61,248	-
Total current portion	112,306	108,752
Non-current portion		
Long service leave actuarial accrual	1,418	5,843
Total non-current portion	1,418	5,843
Total employee entitlements	113,724	114,595

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 \$2,098,847 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

	DLTT	
	Actual 2020 \$	Actual 2019 \$
<i>Council members</i>		
Remuneration (Trustees)	39,308	39,968
Remuneration	6	6
<i>Senior Management</i>		
Remuneration (GM & SMT)	420,755	415,135
Remuneration	4	4
Total full-time equivalent personnel	460,063	455,103
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 2020 \$	Actual 2019 \$
Payable no later than one year	-	18,000
Total non-cancellable operating leases	-	18,000

2019 lease relates to one year's rental for Turangi I-Site.

18 Contingencies

As at 30 June 2020 the Trust had no contingent liabilities or assets (2019: \$nil).

19 Financial instruments

Financial instrument categories

Assets	Assets at fair value				Total \$
	Held for trading \$	through surplus or deficit \$	Loans and receivables \$	Available for sale \$	
DLTT 2020					
Cash and cash equivalent	-	-	312,278	-	312,278
Receivables	-	-	28,098	-	28,098
Other financial assets:					
Term Deposits	-	-	-	-	-
Total assets	<u>-</u>	<u>-</u>	<u>340,376</u>	<u>-</u>	<u>340,376</u>
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	<u>-</u>	<u>-</u>	<u>308,662</u>	<u>-</u>	<u>308,662</u>
Liabilities	Liabilities at fair value			Total \$	
	Held for trading \$	through surplus or deficit \$	Measured at amortised cost \$		
DLTT 2020					
Payables and accruals	-	-	473,165	473,165	
Total liabilities	<u>-</u>	<u>-</u>	<u>473,165</u>	<u>473,165</u>	
DLTT 2019					
Payables and accruals	-	-	198,949	198,949	
Total liabilities	<u>-</u>	<u>-</u>	<u>198,949</u>	<u>198,949</u>	

20 Events after balance date

Due to the effect of Covid-19 on tourism in New Zealand the decision was made by the Taupo District Council to cut the amount of the grant to DGLT in the 2021 financial year and to move both I-Sites back to Council control. This cut in funding has led the DGLT board to undertake a restructure of the marketing division which has led to staff redundancies. Consultation regarding the redundancies started in the current reporting period and took effect in July 2020. As such a provision has been made in the current financial year for redundancy payments as per the individual employment contracts.

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 2020 \$	DLTT 2019 \$
Budget - surplus before tax	-	-
Employee benefit expenses - less than budgeted due to on call staff not working during lockdown and smaller visitor numbers after lockdown. Please note that as this classification includes the provision for redundancies the true variation is \$125,430	62,764	-
Revenue from services provided - Lower than budgeted revenue from both commission sales and marketing sales due to Covid 19.	(271,333)	-
Other income - greater than budget due to receipts from insurance claims	3,221	-
Grant from Taupo District Council - higher than budgeted due to timing of extra I-Site funding for the 2019 financial year and the grant to cover 2020 I-Site losses	103,997	-
Depreciation and amortisation expense - higher charges due to website development amortisation not budgeted for.	(37,566)	-
Other expenses - higher than budgeted due to extra advertising expenses in response to Covid 19	(90,186)	-
Other expenses - reversal of provision for income tax not budgeted	7,000	-
Actual - surplus before tax	<u>(222,103)</u>	<u>-</u>

22 Covid-19

The impact on the financial statements of Covid-19 has most noticeably been seen in the revenue from I-Site operations. Prior to the lockdown on the 25th of March the Taupo & Turangi I-Sites had year to date net income of \$253k combined. With income at zero when lockdown was implemented and the I-Sites not reopening until the 18th of May net income of approximately \$53k was lost, based on sales for the same period last year, and full year net income was \$274k combined. The full year net income for the I-Sites for 2019 was \$385k.

With borders closed and most New Zealanders not wanting to travel outside their region there was a downturn in net sales of \$18.5k for the months of May & June compared to sales for the same period last year. Taupo I-Site also gave credits of \$3.5k to advertisers in June for the period that the I-Site was closed.

With most costs at the I-Sites being fixed there was only a small decrease in expenses for the period from lockdown to 30 June, being a decrease in wages for on call staff.

The marketing side of the Trust increased advertising expenses by \$220k, compared to the Statement of Intent, to roll out a Television campaign in June to encourage New Zealanders to visit the Taupo region.

All receivables have been reviewed and we believe that all receivables outstanding as at balance date are recoverable.

An impairment assessment was carried out for the Love Taupo website and a decision was made not to impair this asset. We do not believe that any of the Trust's other assets require an impairment assessment to be undertaken.

23 Going Concern

The financial statements have been prepared on the basis that the Trust is a going concern. The Trust is dependent upon the continued financial support of Taupo District Council in order to continue as a going concern. Taupo District Council has provided a letter of comfort to the Trustees that outlines the Council will continue to provide support to the Trust to ensure it remains a going concern.