



INTERIM REPORT

FOR THE SIX MONTHS ENDING 31 DECEMBER 2019

DIRECTORY:

Governing Body:

Destination Lake Taupo Trust Board

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

General Manager:

Jane Wilson

Bankers:

Bank of New Zealand Taupo – Transactional Banking

Auditors:

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The Controller and Auditor General

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PERFORMANCE OVERVIEW

This Interim Report consolidates the 6 monthly financial statements for the Destination Great Lake Taupō Trust, an assessment against key performance indicators in the 2019-22 DGLT Statement of Intent, and a report on the Trust's activities (in accordance with Section 13.2(a) of the Trust Deed).

The data for the first 6 months of the financial year reflects the expected slowdown in visitor arrivals to the Taupo region. Overall growth in visitor spend is just 1% with a decline in domestic spend for the first quarter of -1%. This was largely due to the poor ski season on Mt Ruapehu with August expenditure down 9%. This has been offset to some extent by good growth in international spend especially from the USA market which is up 66% from \$3M to \$5M Jul – Sept 19. The Monthly Regional Tourism Estimates suggest that in the 12 months ending December 2019 spending is up 5% to \$684 million.

With the collection of the commercial accommodation statistics ending in September 2019, guest nights beyond this month are no longer available. A new solution is expected out in early 2020. Guest nights in commercial accommodation YE September were down 4.4%. However, this was expected as the significant shift into private accommodation (via channels like Airbnb) continues to grow rapidly. There are currently over 1500 properties actively listed on Air BnB and growth in revenue generated through this channel is up 120% on the same period last year.

DGLT's marketing strategy as outlined in the Statement of Intent ensures we are on track to meet all but one of our key performance indicators. The notable exception is that relating to i-SITE visitation. Visitation to the I-sites continues to decline as consumer behavior shifts to online channels for both sourcing and booking their travel arrangements.

The financial position for the trust will remain tight for 2019/20 and DGLT has budgeted for a year end deficit primarily due to the declining revenue generated through the two I- sites. This deficit will be met by TDC.

REPORT ON TRUST ACTIVITIES

Implementation of Strategic documents:

In 2016 the DGLT Board updated our district tourism strategy to clearly outline a strategic approach that provided a clear vision for the future. '**Great Lake Taupō – the next big thing**' was reviewed with industry in September 2019 to ensure the document remains relevant and aligns with the recently released TIA and central government tourism strategies.

In an increasingly competitive environment, the recent review with industry confirmed we are heading in the right direction. The review also highlighted the need for DGLT to have a growing role in the destination management space to ensure sustainability sits at the heart of what we do – building a long- term future for our destination that boosts our economy, creates regional prosperity, protects and improves our environment and increases the quality of life and wellbeing for our entire community.

In 2018 the **Bay of Plenty Visitor Economy Strategy** set out key infrastructural priorities required across the region to both cope with and enable tourism growth. The document included a specific Taupō sub regional strategy. DGLT continues to have a contributing role in working with land owners and infrastructure providers to plan for infrastructure upgrades such as the Taupo Airport, the development of the Sky waka gondola at Ruapehu, the review of SH1 roading between Taupo and Turangi and the Tongariro Visitor Management strategy including the development of Ketetahi carpark to improve visitor flow and safety.

Destination Marketing:

Domestic visitors remain the key driver of tourism within the region, accounting for approximately 65% of both guest nights and spend. Over two thirds of our marketing budget is spent on the domestic sector with campaign activity focused on delivering visitors to the region over our slower winter and shoulder periods.

The **2019 domestic winter campaign** ran through June & July 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 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, 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 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 period 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 expected early 2020 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. Our Love Taupō channels currently have 37,758 Facebook followers; 16,945 Instagram followers; 6,698 Twitter followers; and 3,389 Weibo fans. We currently have 830 YouTube subscribers and total views were 60.7k for the period 1 Jul – 31 Dec 2019.

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 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.

Our **International Marketing** activity has continued into our core markets of Australia, UK/Europe and the USA to ensure we maintain our market share and continue to drive inclusion of the Taupo region in a New Zealand holiday itinerary. 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 past six months the collective ran a series of sales and training events in the US, 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. To date in the first half of 19/20 year, SLC has 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.

DGLT continues to partner with Tourism New Zealand on consumer marketing activity – primarily targeting the east coast of Australia. Following our partnership activity with Tourism NZ, RAL and Visit Ruapehu in the 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. Local personalities around New Zealand welcomed the world to a new day through Tourism New Zealand's social channels.

The trade team have also been 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 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 in September.

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.

The Taupo and Turangi i-SITES continue to be impacted by the shift in visitor purchasing behavior to digital platforms. The visitor numbers and sales for both i-SITES are down. For the July – December period the Turangi door count was down 16% to 24,000 and the Taupo I-Site declined 5% to 59,999. Correspondingly revenue is down on the same period last year with total commission sales down 17% across both sites. Following a review of the retail merchandise in Turangi, retail sales are up 12% YE Dec19.

Destination Management:

With visitor numbers expected to reach 2.3M by 2026 there is an increasing need to ensure we manage this growth in a sustainable way that is beneficial not only to the local economy but also to the environment and our regional community.

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. To unlock further tourism funding there is a growing directive from Central Government for RTO's to work more closely with all tourism stakeholders to develop a regional Destination Management plan that will feed into a national strategy. DGLT is currently working closely with TDC, MBIE and Te Kotahitanga o Ngāti Tūwharetoa Trust in conjunction with other local agencies (DOC, Enterprise Great Lake Taupo) to develop a coordinated vision and action plan outlining the tourism future for the Taupō/Tongariro district.

Industry engagement:

Our operators are the backbone of our local industry and as the face of our tourism offering, they are an important source of market intelligence. They also play a critical role in attracting visitors to the region and delivering an exceptional visitor experience once they are here. Getting our team out of the office to meet more regularly with our operators and building industry capability are areas of focus in 2019-20. As a result, we have recently appointed a Business Development Executive to set up a calendar of industry workshops, compile an industry toolkit, arrange monthly DGLT staff famils (where our whole team will meet with operators) and co-ordinate our regular industry functions.

Over 90 operators attended our industry update in September and 30 operators participated in the 'Next Big Thing' Strategic review. We also delivered a digital development workshop for industry with Kyle Mulinder (Barekiwi) in August with 30 attendees. We established a [Love Taupo Tourism Facebook group](#) as a way to engage with industry in real-time. To date we have 110 members.

Our [marketing and advertising prospectus](#) was reviewed for the 2019/20 financial year to highlight consumer marketing, i-Site and trade marketing opportunities all in one document. To date we have achieved 73% of our advertising sales target for digital marketing

The AGM was held in August, and the annual DGLT Christmas and tourism awards function was held for operators in December.

PERFORMANCE AND OTHER MEASUREMENTS

Below is a table outlining the half year measures against targets set for year end 30 June 2020.

Measures of Success –	Measures of Success/Goals	Results/Actuals
Objective 1 – Establish Great Lake Taupō as 'THE NEXT BIG THING'		
<i>Growth in tourism expenditure</i> <i>Measured by the Monthly Regional Tourism Estimates</i>	4.8% annual growth	Total expenditure YE Dec 19: \$684M (+5%) Domestic: \$458M (+2%) International: \$226M (+11%)
Objective 2 – Sustainably manage and develop the destination as an international quality resort style destination		
<i>Visitor experience / satisfaction</i>	Net promoter score of 46 as measured via the AA Travel Monitor	For the year ended December 2019 the Taupo region recorded a Net Promoter Score of 51
Objective 3 – Run an efficient and effective regional tourism organization, strongly supported by the local tourism industry		
<i>Visitation in the Taupō and Turangi i- sites</i>	200,000 visits to Taupō and Turangi i-sites	Jul - 31 Dec YTD Total: 83,397 (-8.9%) Taupō: 59,100 (-5.14%) Turangi: 24,297 (-16.62%)
<i>Support for DGLT collateral</i>	861 listings on www.lovetapu.com 212 local operators stocking brochures in the Taupō and Turangi i- SITES.	With the changeover to lovetapu.com our strategy is to pull all tourism operator listings from NewZealand.com (to avoid issues of out of date listings, and so operators don't have to maintain multiple site listings). Any operator not listed on NewZealand.com will not show on LoveTaupō.com Only retail and F&B businesses have been manually loaded to LoveTaupō.com. 210 local operators stocking brochures in the two i-SITES.
<i>Support for DGLT marketing initiatives</i>	Estimated at \$80,000 of free of charge or in-kind support for marketing promotions activity.	YTD Dec 19: \$83,000 Without the generous support of our industry we would not have been able to deliver our inaugural trade megafamil. This support drove a substantial increase in industry contribution
<i>Industry Stakeholders are satisfied with DGLT performance as measured by Annual Visitor Industry Survey Maintaining consistency is set as the primary performance target</i>	85% Industry satisfaction score	Annual stakeholder survey scheduled for June 2020

SUMMARY OF FINANCIAL STATEMENTS

DGLT is funded by way of a grant from Taupō District Council of \$1,994,850, paid in quarterly installments. In the first 6 months DGLT has received \$997,425.

In terms of the **Statement of Comprehensive Revenue and Expense**, DGLT is currently showing an operating surplus of \$86,179. This surplus reflects a change in timing of some of our marketing activity with the greater portion of our spend planned for Quarters 3 & 4, as we seek to attract visitors over the shoulder periods.

Revenue from services provided is down on the same period last year, reflecting the continued decline in sales from both I-sites.

The depreciation cost is up significantly from 2018 due to the capitalization of the new lovetaupo.com website.

The Net Assets/Equity is up due to the recovery from TDC of I-Site losses incurred in the June 2019 financial year.

The opening balance of \$293,827 includes capitalization of the website redevelopment costs in 2018/2019.

Statement of Comprehensive Revenue and Expense
For the half-year ended 31 December 2019

	Note	Unaudited Actual For the 6 Months to 31 December 2019 \$	Unaudited Actual For the 6 Months to 31 December 2018 \$	Audited Actual 30 June 2019 \$
Revenue				
Operating grant from Taupo District Council		997,426	975,000	1,950,000
Revenue from services provided	3	290,342	342,590	616,542
Finance revenue	4	5,160	5,654	12,652
Other revenue		-	-	-
Total revenue		1,292,928	1,323,244	2,579,194
Expenditure				
Employee benefit expenses	5	551,178	529,853	1,074,663
Depreciation and amortisation expense	10,11	32,242	12,603	48,319
Finance costs	4	-	-	-
Other expenses	5	623,329	866,125	1,337,009
Total operating expenditure		1,206,749	1,408,581	2,459,991
Operating surplus/(deficit)		86,179	(85,337)	119,203
Total comprehensive revenue and expenses attributable to:				
Destination Lake Taupo Trust		86,179	(85,337)	119,203
		86,179	(85,337)	119,203

Statement of Changes in Net Assets/Equity
For the half-year ended 31 December 2019

	Note	Unaudited Actual For the 6 Months to 31 December 2019 \$	Unaudited Actual For the 6 Months to 31 December 2018 \$	Audited Actual 30 June 2019 \$
Net Assets/Equity at start of the year	6	293,927	174,725	174,725
Total comprehensive revenue and expenses previously reported		86,179	(85,337)	119,203
TDC Grant to cover I-Site losses June 2019 Financial Year		103,996	-	-
Balance at 31 December	6	484,102	89,387	293,927

Statement of Financial Position
As at 31 December 2019

	Note	Unaudited Actual For the 6 Months to 31 December 2019 \$	Unaudited Actual For the 6 Months to 31 December 2018 \$	Audited Actual June 2019 \$
ASSETS				
Cash and cash equivalents	7	448,054	136,331	52,623
Other financial assets		250,000	350,000	250,000
Trade and other receivables	8	27,187	26,617	20,473
Inventories	9	40,750	31,615	29,322
Prepayments		21,738	11,710	27,651
Total current assets		787,729	556,273	380,069
Non-current assets				
Property, plant and equipment	10	96,244	108,687	103,823
Intangible assets	11	103,976	-	122,162
Total non-current assets		200,220	108,687	225,985
Total assets		987,949	664,960	606,054
LIABILITIES				
Current liabilities				
Trade and other payables	12	394,897	427,890	190,532
Employee benefit liabilities	13	96,107	133,713	108,752
Current tax liabilities		7,000	7,000	7,000
Total current liabilities		498,004	568,603	306,284
Non-current liabilities				
Employee benefit liabilities	13	5,843	6,970	5,843
Total non-current liabilities		5,843	6,970	5,843
Total liabilities		503,847	575,573	312,127
Net assets (assets minus liabilities)		484,102	89,387	293,927
EQUITY				
Equity	6	100	100	100
Accumulated funds	6	484,002	89,287	293,827
Total equity		484,102	89,387	293,927

Statement of cashflows

For the half-year ended 31 December 2019

	Unaudited Actual For the 6 Months to 31 December 2019	Unaudited Actual For the 6 Months to 31 December 2018	Audited Actual June 2019
Note	\$	\$	\$
Cash flows from operating activities			
Receipts from customers	317,795	344,053	632,661
Receipts from Taupo District Council operating grant	997,427	975,000	1,950,000
TDC Grant to cover I-Site losses June 2019 Financial Year	103,996	-	-
Finance revenue	5,160	8,302	12,652
Other revenue	-	-	-
Payments to suppliers	(438,246)	(885,173)	(1,606,913)
Payments to employees	(564,671)	(524,933)	(1,095,831)
Interest paid	-	-	-
Net GST received / (paid)	<u>(19,553)</u>	<u>28,558</u>	<u>22,544</u>
Net cash flow from operating activities	<u>401,908</u>	<u>(54,193)</u>	<u>(84,887)</u>
Cash flows from investing activities			
Receipts from sale of property, plant, and equipment	-	-	-
Net increase in investments	-	(100,000)	-
Purchase and development of property, plant and equipment	<u>(6,477)</u>	<u>(10,101)</u>	<u>(18,808)</u>
Purchase and development of intangibles	-	-	(144,307)
	<u>(6,477)</u>	<u>(10,101)</u>	<u>(163,115)</u>
Net cash flow from investing activities	<u>(6,477)</u>	<u>(110,101)</u>	<u>(163,115)</u>
Net increase (decrease) in cash held	395,431	(164,294)	(248,002)
Add cash at start of year	<u>52,623</u>	<u>300,625</u>	<u>300,625</u>
Cash, cash equivalents, and bank overdrafts at the end of the year	7 <u>448,054</u>	<u>136,331</u>	<u>52,623</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.

1 Statement of accounting policies for the half-year ended 31 December 2019

1.1 Reporting entity

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

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

The financial statements of the Trust are for the 6 months ended 31 December 2019. The financial statements were approved by the Board of Trustees on 29th January 2020.

2 Summary of significant accounting policies

2.1 Basis of preparation of half-year financial report

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

Statement of compliance

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

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

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

The financial statements have been prepared in accordance with Tier 1 PBE accounting standards.

These financial statements comply with PBE standards.

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

Measurement base

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

Functional and presentation currency

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

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

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

Vested assets

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

Sales of goods

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

Interest and dividends

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

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

2.5 Leases

(i) Finance leases

Leases

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

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

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

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

(ii) Operating leases

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

2.6 Equity

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

- Accumulated funds

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

2 Summary of significant accounting policies

2.7 Cash and cash equivalents

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

2.8 Financial assets

The Trust classifies its investments as loans and receivables.

Loans and receivables

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

2.9 Trade and other receivables

Trade and other receivables are initially measured at face value, less impairment losses (note 2.13). 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 first-in, first-out principle, and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

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

2.11 Property, plant and equipment

Property, plant, and equipment consist of:

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

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

Valuation methodologies

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

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

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

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

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

Additions

2 Summary of significant accounting policies

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

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.

Subsequent measurement

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

Depreciation

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

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

2 Summary of significant accounting policies

2.12 Intangible assets

Software acquisition and development

Costs that are directly associated with the development of the Love Taupo website are recognised as an intangible asset.

Costs associated with maintaining the website are recognised as an expense when incurred.

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.

2.14 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, long service leave.

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

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

Superannuation schemes

Defined contribution schemes

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

2.16 Interest bearing borrowings

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

2.17 Income tax

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

2.18 Budget figures

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

2.19 Advertising costs

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

3 Revenue from Services Provided

	Unaudited Actual For the 6 Months to 31 December 2019 \$	Unaudited Actual For the 6 Months to 31 December 2018 \$	Audited Actual 30 June 2019 \$
<u>Revenue from significant activities</u>			
I-Site operations	225,856	276,223	490,840
Other revenue	3,248	-	-
Marketing fees	<u>61,238</u>	<u>66,367</u>	<u>125,702</u>
Total Operating Revenue	<u>290,342</u>	<u>342,590</u>	<u>616,542</u>
<u>Analysis of I-site Revenue</u>			
Retail sales	74,754	80,277	189,584
less cost of goods sold	<u>(43,849)</u>	<u>(44,224)</u>	<u>(104,767)</u>
Gross margin on retail sales	30,905	36,053	84,817
less stock losses	<u>-</u>	<u>(328)</u>	<u>(1,233)</u>
	30,905	35,725	83,584
I-Site Commissions	89,901	158,193	253,049
I-Site Operator advertising revenue	54,051	27,337	27,420
Other	<u>7,150</u>	<u>10,416</u>	<u>20,787</u>
Total I-site operations revenue	<u>182,007</u>	<u>231,671</u>	<u>384,840</u>

4 Finance revenue and finance costs

	Unaudited Actual For the 6 Months to 31 December 2019 \$	Unaudited Actual For the 6 Months to 31 December 2018 \$	Audited Actual 30 June 2019 \$
Finance revenue			
Interest revenue	<u>5,160</u>	<u>5,654</u>	<u>12,652</u>
Less finance costs			
Interest expense	<u>-</u>	<u>-</u>	<u>-</u>
Net finance costs	<u>5,160</u>	<u>5,654</u>	<u>12,652</u>

5 Operating expenditure

	Unaudited Actual For the 6 Months to 31 December 2019 \$	Unaudited Actual For the 6 Months to 31 December 2018 \$	Audited Actual 30 June 2019 \$
Employee benefit expenses			
Salaries and wages	540,103	504,097	1,067,473
Increase/(decrease) in employee entitlements/liabilities	(4,297)	12,333	(20,977)
Defined contribution plan employer contributions	<u>15,372</u>	<u>13,423</u>	<u>28,167</u>
Total employee benefit expenses	<u>551,178</u>	<u>529,853</u>	<u>1,074,663</u>
Depreciation by asset class:			
Furniture and fittings	14,055	11,887	25,457
Plant & Machinery	<u>-</u>	<u>716</u>	<u>716</u>
Amortisation of intangible assets:			
Website	18,187	-	22,146
Other	<u>-</u>	<u>-</u>	<u>-</u>
Total depreciation and amortisation	<u>32,242</u>	<u>12,603</u>	<u>48,319</u>
Audit fees for financial statements audit	10,452	8,993	17,986
Board meetings fees	18,423	20,000	39,968
Bad debts written off	1,040	-	150
Legal fees	575	3,164	4,256
Taupo District Council indirect costs	89,500	89,500	179,000
Inventory cost of goods sold	43,849	44,224	104,767
Inventory writeoff	-	328	1,233
Advertising	145,565	371,879	402,682
Professional services fees/legal fees	18,885	20,319	37,120
Travel & accommodation	66,899	55,108	99,594
Printing & stationery	18,927	5,723	13,564
Bank fees	14,842	16,323	38,732
Rental	75,636	72,846	151,876
Publicity	4,136	7,245	10,711
Maintenance	6,956	5,840	5,763
Conference fees	1,050	1,040	1,040
Materials and supplies	6,812	17,881	32,390
Insurance	1,220	1,140	2,290
Other grants	-	5,063	5,063
Loss on disposal of property, plant & equipment	-	766	766
Staff expenses	6,439	3,382	9,720
Other expenses	<u>92,123</u>	<u>115,361</u>	<u>178,338</u>
Total other expenses	<u>623,329</u>	<u>866,125</u>	<u>1,337,009</u>

6 Net assets/equity

	Unaudited Actual For the 6 Months to 31 December 2019 \$	Unaudited Actual For the 6 Months to 31 December 2018 \$	Audited Actual 30 June 2019 \$
Trust Equity			
Accumulated funds	<u>484,002</u>	<u>244,483</u>	<u>293,827</u>
Balance at 31 December 2019	<u>484,002</u>	<u>244,483</u>	<u>293,827</u>
Contributed equity			
Equity	<u>100</u>	<u>100</u>	<u>100</u>
Balance at 31 December 2019	<u>100</u>	<u>100</u>	<u>100</u>
Total equity	<u>484,102</u>	<u>244,583</u>	<u>293,927</u>
Accumulated funds			
Balance at 1 July	293,827	174,624	174,624
TDC additional grant for I-Site losses in 2018/19 financial year	103,996	-	-
Surplus/(deficit) for the half-year	<u>86,179</u>	<u>(85,337)</u>	<u>119,203</u>
Balance 31 December	<u>484,002</u>	<u>89,287</u>	<u>293,827</u>

7 Cash and cash equivalents

	Unaudited Actual For the 6 Months to 31 December 2019 \$	Unaudited Actual For the 6 Months to 31 December 2018 \$	Audited Actual 30 June 2019 \$
Cash at bank and in hand	2,866	8,758	9,496
Call deposits	195,188	127,573	43,127
Term deposits with maturities of less than three months	<u>250,000</u>	<u>-</u>	<u>-</u>
Total cash and cash equivalents used in statement of cashflows	<u>448,054</u>	<u>136,331</u>	<u>52,623</u>

8 Trade and other receivables

	Unaudited Actual For the 6 Months to 31 December 2019 \$	Unaudited Actual For the 6 Months to 31 December 2018 \$	Audited Actual 30 June 2019 \$
Trade receivables	<u>19,371</u>	19,685	<u>6,039</u>
Net debtors	<u>19,371</u>	<u>19,685</u>	<u>6,039</u>
Other	7,816	3,153	4,641
GST refund	<u>-</u>	<u>3,779</u>	<u>9,793</u>
	<u>7,816</u>	<u>6,932</u>	<u>14,434</u>
Total current net trade and other receivables	<u>27,187</u>	<u>26,617</u>	<u>20,473</u>
Total debtors and other receivables from exchange transactions	<u>19,371</u>	<u>19,685</u>	<u>6,039</u>
Total current net trade and other receivables from non-exchange transactions	<u>7,816</u>	<u>6,932</u>	<u>14,434</u>
Total current net trade and other receivables	<u>27,187</u>	<u>26,617</u>	<u>20,473</u>

The status of receivables as at 31 December 2019 are detailed below:

	Unaudited Actual For the 6 Months to 31 December 2019 \$	Unaudited Actual For the 6 Months to 31 December 2018 \$	Audited actual 2019 \$
Current	44,477	18,292	-
Past due 1-30 days	6,838	1,014	-
Past due 31-60 days	225	207	-
Past due 61+ days	5,193	172	-
Impairment	<u>-</u>	<u>-</u>	<u>-</u>
Total individual impairment	<u>56,733</u>	<u>19,685</u>	<u>-</u>

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

9 Inventories

	Unaudited Actual For the 6 Months to 31 December 2019 \$	Unaudited Actual For the 6 Months to 31 December 2018 \$	Audited Actual 30 June 2019 \$
<i>Commercial inventories</i>			
- held for use in the provision of services	<u>40,750</u>	<u>31,615</u>	<u>29,322</u>
Total inventory	<u>40,750</u>	<u>31,615</u>	<u>29,322</u>

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

10 Property, plant and equipment

December 2019	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 31 Dec 2019 \$	Accumulated depreciation 31 Dec 2019 \$	Carrying amount 31 Dec 2019 \$
Operating assets at cost									
Office furniture and fittings	125,690	(37,780)	87,910	5,157	-	(9,431)	130,847	(47,211)	83,636
Plant and equipment	62,614	(46,701)	15,913	1,319	-	(4,624)	63,933	(51,325)	12,608
Total DGLT 31 December 2019	188,304	(84,481)	103,823	6,476	-	(14,055)	194,780	(98,536)	96,244

December 2018	Cost 1 Jul 2018 \$	Accumulated depreciation 1 Jul 2018 \$	Carrying amount 1 Jul 2019 \$	Current year additions (+ gains) \$	Current year disposals (+ losses) \$	Current year depreciation \$	Cost / revaluation 31 Dec 2018 \$	Accumulated depreciation 31 Dec 2018 \$	Carrying amount 31 Dec 2018 \$
Operating assets at cost									
Office furniture and fittings	111,957	(22,732)	89,225	10,102	(773)	(7,687)	119,813	(28,543)	91,270
Plant and equipment	59,786	(37,056)	22,730	-	-	(4,910)	59,785	(42,368)	17,417
Motor Vehicles	-	-	-	-	-	-	-	-	-
Leasehold improvements	-	-	-	-	-	-	-	-	-
Total DGLT 31 December 2018	171,743	(59,788)	111,955	10,102	(773)	(12,597)	179,598	(70,911)	108,687

June 2019	Cost 1 Jul 2018 \$	Accumulated depreciation 1 Jul 2018 \$	Carrying amount 1 Jul 2019 \$	Current year additions (+ gains) \$	Current year disposals (+ losses) \$	Current year depreciation \$	Cost / revaluation 30 June 2019 \$	Accumulated depreciation 30 June 2019 \$	Carrying amount 30 June 2019 \$
Operating assets At cost & valuation									
Office furniture and fittings	111,957	(22,732)	89,225	15,979	(766)	(16,933)	125,690	(37,780)	87,910
Plant and equipment	59,786	(37,056)	22,730	2,829	-	(9,241)	62,614	(46,701)	15,913
Motor vehicles	-	-	-	-	-	-	-	-	-
Total DGLT 30 June 2019	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)

11 Intangible assets

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

	Website	Total
	\$	\$
Half-year ended 31 December 2019		
Opening net book amount	122,163	122,163
Amortisation charge **	<u>(18,187)</u>	<u>(18,187)</u>
Closing net book amount	<u>103,976</u>	<u>103,976</u>
At 31 December 2019		
Cost	144,309	144,309
Accumulated amortisation and impairment	<u>(40,333)</u>	<u>(40,333)</u>
Net book amount	<u>103,976</u>	<u>103,976</u>

** Amortisation of \$18,187 (2019: \$22,146) is included in depreciation and amortisation expense in the statement of comprehensive income.

12 Trade and other payables

	Unaudited Actual For the 6 Months to 31 December 2019 \$	Unaudited Actual For the 6 Months to 31 December 2018 \$	Audited Actual 30 June 2019 \$
Trade payables	152,070	236,098	102,985
Accrued expenses	226,467	191,306	82,030
Provision for ACC	706	486	1,625
Revenue in advance	-	-	3,892
GST payable	15,654	-	-
Total creditors and other payables	<u>394,897</u>	<u>427,890</u>	<u>190,532</u>
Total creditors and other payables from exchange transactions	<u>378,517</u>	<u>426,909</u>	<u>184,995</u>
Total creditors and other payables from non-exchange transactions	<u>16,380</u>	<u>981</u>	<u>5,537</u>
Total current creditors and other payables from exchange and non-exchange transactions	<u>394,897</u>	<u>427,890</u>	<u>190,532</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.

13 Employee benefit liabilities

	Unaudited Actual For the 6 Months to 31 December 2019 \$	Unaudited Actual For the 6 Months to 31 December 2018 \$	Audited Actual 30 June 2019 \$
Current portion			
Accrued pay	-	-	8,348
Annual leave	90,182	129,556	93,039
Long service leave & lieu days	5,925	4,157	7,365
Total current portion	<u>96,107</u>	<u>133,713</u>	<u>108,752</u>
Non-current portion			
Long service leave actuarial accrual	5,843	6,970	5,843
Total non-current portion	<u>5,843</u>	<u>6,970</u>	<u>5,843</u>
Total employee entitlements	<u>101,950</u>	<u>140,683</u>	<u>114,595</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 2.12% (June 2019 2.12%) and an inflation factor of 2% (June 2019 2%) were used.

14 Related party transactions

The Destination Lake Taupo Trust (the Trust) is a Council Controlled Organisation of Taupo District Council and received a significant amount of operating grants 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

	Unaudited Actual For the 6 Months to 31 December 2019 \$	Unaudited Actual For the 6 Months to 31 December 2018 \$	Audited Actual 2019 \$
<i>Councillors</i>			
Remuneration (Trustees)	18,423	20,000	39,968
Full-time equivalent members	6	6	6
<i>Senior Management</i>			
Remuneration (GM & SMT)	217,985	205,250	415,135
Full-time equivalent members	4	4	4
Total key management personnel compensation	236,408	225,250	455,103
Total full-time equivalent personnel	10	10	10

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

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

15 Capital & operational commitments and operating leases

Non-cancellable operating leases as lessee:

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

	Unaudited Actual For the 6 Months to 31 December 2019 \$	Unaudited Actual For the 6 Months to 31 December 2018 \$	Audited Actual 30 June 2019 \$
Payable no later than one year	18,000	18,000	18,000
Total non-cancellable operating leases	18,000	18,000	18,000

31 December 2019 relates to one year's rental for Turangi I-Site

16 Events after balance date

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