



Tourism New Zealand

Statement of Performance Expectations

2015/2016

**Presented to the House of Representatives
Pursuant to Section 149 of the
Crown Entities Act 2004**

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Statement of Responsibility

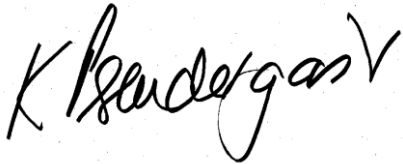
The Board members and the management of Tourism New Zealand are responsible for maintaining systems and processes that support high - quality decision making and service delivery and provide reasonable assurance as to the integrity and reliability of financial reporting.

The Board acknowledges responsibility for the preparation of this Statement of Service Performance, which reflects the strategic direction set out in Tourism New Zealand's Statement of Intent for FY15-18.

The structure and content of this Statement of Service Performance follows the general requirements set out in the Crown Entities Act 2004 and the Public Finance Act 1989. The focus of the Statement of Service Performance is on public accountability and providing a base against which Tourism New Zealand's performance can be assessed.

The performance to be achieved by Tourism New Zealand for the year ending 30 June 2016 that is specified in this Statement of Performance Expectations has been agreed with the Minister for Tourism, who is the Minister responsible for overseeing and managing the Crown's interests in Tourism New Zealand.

On behalf of the New Zealand Tourism Board.



Kerry Prendergast
Chair
Tourism New Zealand



Richard Leggat
Deputy Chair
Tourism New Zealand

Section 1: Introduction

Purpose of this document

The purpose of this Statement of Performance Expectations FY16 is to provide detail on the types of activity that will be delivered by Tourism New Zealand in the FY16 financial year and the expected outputs of that activity.

The Statement of Performance Expectations will be reported on a quarterly basis in a report to the responsible Minister and also in Tourism New Zealand's Annual Report.

This document also briefly describes Tourism New Zealand's Strategic Objectives framework and how the activity delivered by Tourism New Zealand will contribute to the outcomes sought.

Note: For a full description of Tourism New Zealand's strategic intentions, please refer to Tourism New Zealand's Statement of Intent FY15 - FY18.

Role of Tourism New Zealand

International tourism is New Zealand's second largest export sector, with international tourism expenditure of \$10.3 billion for the year end March 2014¹. Understandably, an industry of this magnitude does not grow by itself. In a fiercely contested global tourism marketplace, the New Zealand Tourism Board, trading as Tourism New Zealand, is responsible for ensuring New Zealand remains attractive internationally as a visitor destination.

Tourism New Zealand's mandate is to market New Zealand as an international visitor destination for the long term benefit of New Zealand. Tourism New Zealand aims to improve tourism's contribution to economic growth in New Zealand by growing the value of international visitors to New Zealand.

Tourism New Zealand is a Crown Agent governed by the Crown Entities Act 2004 and was established by the New Zealand Tourism Board Act 1991. Statutory functions under this Act include:

- Develop, implement and promote strategies for tourism.
- Advise the Government and the New Zealand tourism industry on matters relating to the development, implementation and promotion of those strategies.

Tourism New Zealand, as New Zealand's national tourism organisation, is the only entity with the mandate and resources to promote New Zealand across the wide range of international visitor markets which New Zealand seeks to draw on.

Tourism New Zealand's work is carried out primarily through delivery of the '100% Pure New Zealand' campaign through paid, earned and owned media channels. The campaign was conceived in 1999 and has continued to evolve over the past sixteen years to communicate the combination of unique experiences available to people who visit New Zealand, the character of the people of New Zealand, and the spectacular New Zealand landscapes.

¹ Statistics New Zealand Tourism Satellite Account, YE March 2014

How we work with industry NZ Inc. partners and Industry

Building on the priorities and direction set out by the Government and aligning with the collaborative approach of Tourism 2025, there are several areas of collaboration where Tourism New Zealand will dedicate particular focus. These include:

- **Encourage more effective collaboration within the New Zealand tourism industry** – in particular through encouraging collaboration, where appropriate, through activity with regional partners or groups of operators.
- **Continue to adopt a collaborative approach to business events** – with the increase in Governments investment in this area, Tourism New Zealand will work closely with New Zealand Major Events, Regional Convention Bureaus and other key parties to ensure business events activities are well coordinated.
- **Leverage international education** – Tourism New Zealand will actively look to identify and leverage opportunities with the international education sector, this will involve close collaboration with NZ Inc. agencies, in particular Education New Zealand.
- **Continue to contribute to NZ Inc. efforts** – continuing to be involved in supporting the delivery of NZ Inc. country strategies and the tourism focused goals contained within the strategies.
- **Supporting the rebuild of Christchurch** – through working closely with local government and industry partners and providing targeted marketing activity to support the recovery of the Christchurch and Canterbury tourism sector.
- **Share marketing insights** – continuing to focus on sharing Tourism New Zealand market insights with a view to building industry knowledge and capability, in particular in relation to new emerging markets and special interest market segments.
- **Foster innovative and mutually beneficial relationships with airline partners** – partnerships with airlines and airports provide essential foundations for building and sustaining supply-side capacity. Tourism New Zealand will continue to build collaborative relationships with airlines and airports, with a particular focus on its longstanding partner, Air New Zealand.

Section 2: Tourism New Zealand's objective and strategy

This section contains an overview of Tourism New Zealand's objective and the strategy. A more comprehensive outline of Tourism New Zealand's strategy can be found in Tourism New Zealand's Statement of Intent FY15 - FY18.

Tourism New Zealand's high level objective

Tourism New Zealand's strategy and activities seek to contribute to the following high level goal.

- **To increase the value of international visitors to New Zealand**

Growing the value of international visitors requires concerted effort from across the tourism sector. Tourism New Zealand, as a key industry organisation, has a critical role in helping New Zealand reach its goal to maximise the value from international visitors and contribute to the aspirational Tourism 2025 growth target of 6 per cent average value growth through until 2025 reaching a combined (domestic and international) value of \$41B.

Tourism New Zealand strategic priorities

The overarching objective of improving the value derived from the international tourism sector is an industry wide goal that Tourism New Zealand will contribute strongly to. Tourism New Zealand will do this through activity structured around five strategic priorities.

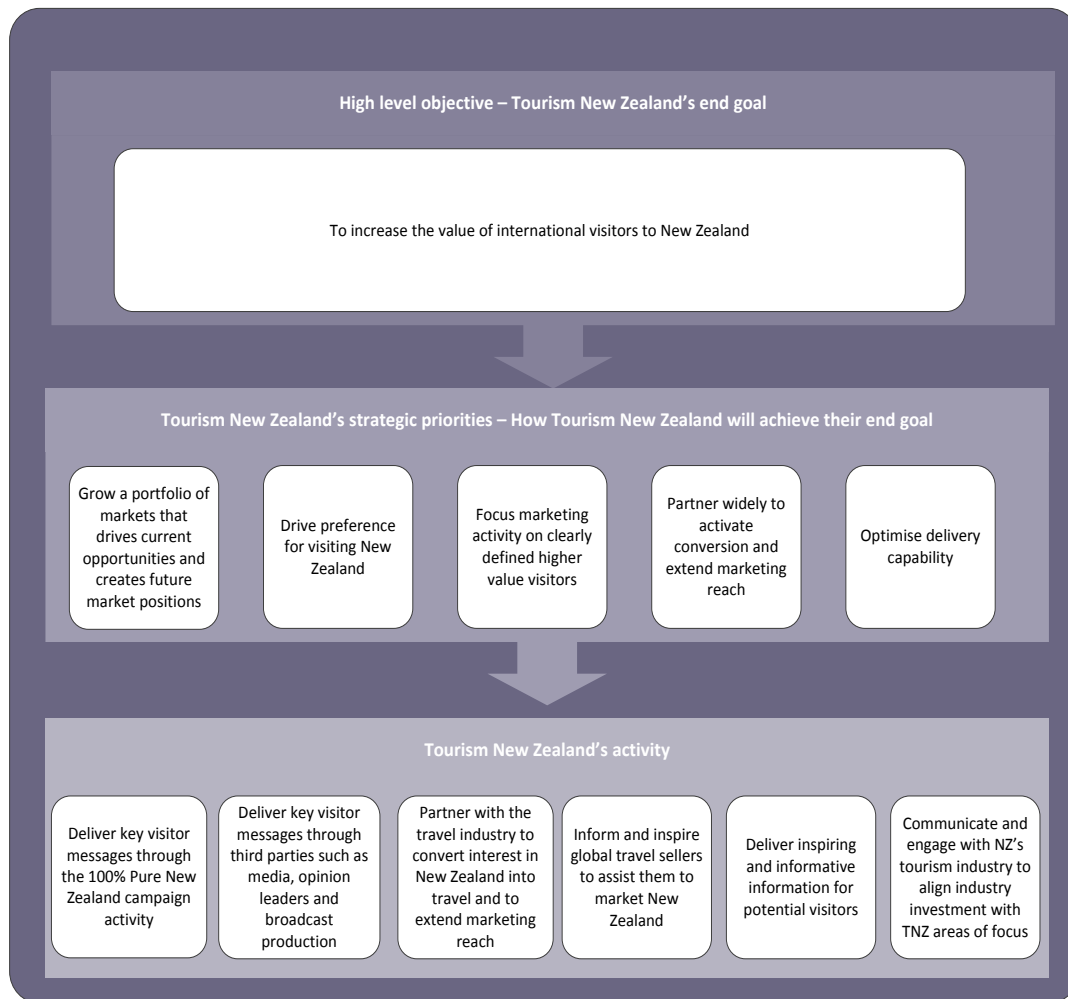
All resource allocation (money, people, time) decisions, market and sector prioritisation decisions and activity and channel decisions will be made with the intention of delivering on these priorities.

Tourism New Zealand's strategic priorities are summarised below.

- **Strategic Priority One: Grow a portfolio of markets that drives current opportunities and creates future market positions** - Tourism New Zealand will deliver activity to grow the value to New Zealand from a prioritised portfolio of visitor markets. A future focus is adopted by investing in selected emerging markets to assist these countries to realise potential value in the medium to long term.
- **Strategic Priority Two: Drive preference for visiting New Zealand** - Tourism New Zealand will deliver strong, positive, emotive and inspiring messaging to drive greater preference for visiting New Zealand in all prioritised markets and segments.
- **Strategic Priority Three: Focus marketing activity on clearly defined higher value visitor** - Ensure campaign messages match the needs of the segments and sectors targeted to drive increased value. Focus on the higher value segments in each market and segment and by encouraging visitors to stay longer and do more while in New Zealand.
- **Strategic Priority Four: Partner widely to activate conversion and extend marketing reach** - Focus on commercial partnerships with aviation and overseas travel sellers and continue our partnership activity with Regional Tourism Organisations (RTOs) to drive preference and conversion oriented activity. Tourism New Zealand will engage with the New Zealand tourism industry and overseas travel sellers to enhance their ability to market New Zealand and drive greater conversion.
- **Strategic Priority Five: Optimise delivery capability** - Optimising the internal delivery capability of Tourism New Zealand through employing the right staff and systems, and assisting with the capability of the industry in delivering a superior experience.

Figure 1 depicts Tourism New Zealand’s strategic objectives framework along with its six core activity areas, which are outlined in more detail in the following section.

Figure 1: Tourism New Zealand’s Strategic Objectives Framework



New Zealand’s success in attracting international visitors in recent years, has resulted in significant growth in both the number of holiday arrivals and stays days². In February 2015 this led to an accommodation occupancy rate of 93.5% in Auckland and 92% in Queenstown³. Effectively, ground capacity reached a point where it is causing latent demand as visitors find themselves unable to book tourism related goods and services such as accommodation and rental vehicles due to availability constraints.

² Visitor arrivals to New Zealand numbered 2.86 million in the December 2014 calendar year, the highest ever annual total, and 5.1 percent higher than December 2013 (International Visitor Arrival, Dec 2014).

³ Hotel Council Data

In the short to medium term, the restrictions on ground capacity are unlikely to be alleviated. Tourism New Zealand is however, dedicated to its goal of increasing the value of international visitors to New Zealand and contributing to the 2025 growth targets.

As there is little opportunity to increase throughput during peak times, over the next financial year, Tourism New Zealand will be redirecting the focus of its activity to drive shoulder season demand (spring and autumn) in order to smooth out demand on ground services. Investment in paid media, public relations, International Media Programme and joint venture projects will occur at significantly different stages of the calendar year than in previous years. In addition, Tourism New Zealand will increase its focus on sectors that are well aligned with the shoulder seasons, including:

- Cycling
- Ski
- Business Events and Incentives
- Backpackers
- Premium (High Net Worth Individuals)
- Golf

Visitor numbers from Australia are the single biggest contributor to peak season demand. Much greater focus will therefore be applied to marketing travel in the shoulder seasons for activities such as North and South Island touring, ski and cycling. Other markets that lend themselves well to promotion of the shoulder seasons, include India, where visitor numbers already peak in May and Indonesia where visitor numbers peak in July/August.

As outlined above, the redirection of Tourism New Zealand's focus is designed to impact on seasonality and build growth in periods with traditionally lower demand. The change has necessitated slight changes in budget allocations and some Key Performance Indicators, as outlined in Section 4. All of the changes remain consistent with the goal of increasing the value of international visitors. Close monitoring and evaluation will ensure Tourism New Zealand is able to judge the effectiveness of these measures in a timely manner.

Section 3: Tourism New Zealand Activity FY16

This section describes Tourism New Zealand's appropriation and the activity that will be delivered in FY16 and how the activity links to Tourism New Zealand's strategic priorities. Some activity may act to advance more than one strategic priority.

The table below summarises Tourism New Zealand's appropriations. This is defined in the Budget 2016 Estimates of Appropriations for Vote Tourism.

Tourism New Zealand's funding is provided from the Vote Tourism appropriation as shown below.

Summary of appropriations	FY15 \$000s	FY16 \$000s
Vote Tourism		
<i>Non-Departmental Output Expenses</i>		
Marketing of New Zealand as a Visitor Destination	113,350	115,850

Tourism New Zealand's activities are grouped into six areas:

- **Activity one:** Deliver key visitor messages through the 100% Pure New Zealand campaign activity.
- **Activity two:** Deliver key visitor messages through third parties such as media, opinion leaders, and broadcast production.
- **Activity three:** Partner with the travel industry to convert interest in New Zealand into travel and to extend marketing reach.
- **Activity four:** Inform and inspire global travel sellers to assist them to market New Zealand.
- **Activity five:** Deliver inspiring and informative information for potential visitors.
- **Activity six:** Communicate and engage with New Zealand's tourism industry to align industry investment with Tourism New Zealand areas of focus.

The following section describes these activities in further detail and describes how they contribute to the achievement of TNZ's strategic priorities and objectives.

Activity one: Deliver key visitor messages through the 100% Pure New Zealand campaign activity

Tourism New Zealand's 100% Pure New Zealand campaign is held in high regard and consistent messaging of this proposition has made it one of the most recognised and respected destination campaigns globally.

Tourism New Zealand will continue to drive improvements in balancing the localisation of work with global insights and shared learning from previous work.

Campaign

Tourism New Zealand's target audiences are those who are already actively considering a visit to New Zealand. As Tourism New Zealand's understanding of our principal target audience (characterised as people Actively Considering a trip to New Zealand) has increased, a result of in-market experience and investment in market research, it has become possible to more accurately target activity towards key visitor markets.

Tourism New Zealand activity focuses on reaching Active Considerers primarily via the use of advanced digital marketing tools. Digital marketing allows more accurate audience selection and minimises media wastage. During FY16, the Campaign team's in-market spend will be focussed on targeting the shoulder season with a programme of fully integrated campaign, Public Relations (PR) and trade activity.

Key campaign outputs will include:

- FY16 will see the launch of the 100% Pure New Zealand campaign evolution that leverages the current market momentum and focuses the message on the wide range of activities nearby and the integration of a deeper sense of people & place.

- Through the delivery of Tourism New Zealand’s Maori culture and capability strategy, integration of Maori culture will continue to be built in to marketing activity to leverage New Zealand’s unique cultural position.
- Digital marketing - continue highly targeted and measurable activity including;
 - Investing in paid search engine marketing. i.e. purchasing travel search terms utilised to attract them to newzealand.com.
 - Investing in paid on-line digital display advertising. i.e. purchasing banner and rich media (video) advertisement space on websites that reach the target audience.
 - Search engine optimisation; more targeted communication that leverages the global media partnerships with Google and Facebook, in delivering the right message at the right time.
 - Tightening our activity throughout the consumer decision process via deeper partnership and digital mobile investments.
- Promote New Zealand as a compelling business events destination through business events campaigns in Australia, China, SEA, North America, plus a global campaign targeting association decision makers.
- Specific sector campaign activity targeting special interest activities (walking/hiking, cycling, golf), backpacker and working holiday visitors, and China mono/Free Independent Traveller visitors for more sustainable quality.
- Highly targeted premium campaign activity.
- Use teams in emerging markets to build campaign activity to grow New Zealand’s profile and desirability as a destination.

Campaign activity has close alignment with the Tourism 2025 framework, in particular the themes of:

- Productivity for profit: through driving demand for shoulder travel periods and regional dispersal to smooth out the peak capacity constraints.
- Growing sustainable air connectivity: through joint venture partnership campaigns.
- Targeting for value: through our campaign work in particular as well as special interest campaign activity.

Market Insights

Tourism New Zealand supports the drive for visitor value by carrying out market research to provide intelligence and evaluation into the development of marketing campaigns, providing insights on growth in visitor numbers and visitor value and carrying out research into high value segments.

Tourism New Zealand will source key business data from the core tourism dataset managed by the Ministry of Business, Innovation and Employment, including the Accommodation Survey, International Visitor Survey, International Visitor Arrivals and Regional Tourism Indicators for market trends, intelligence and strategic insight.

In line with the insights theme of Tourism 2025, a focus for Tourism New Zealand is to share information and insights with the tourism industry.

Key Activity includes:

- Increased industry stakeholder engagement/communication of insights through the development of an external Insight hub housed on the Corporate website.

- Active Considerer research – bringing visitor segments to life through psychographic profiles.
- Digital analytics – Active optimisation of newzealand.com and digital campaign through measurement and analysis of digital activity around campaigns and newzealand.com.
- Conducting deep dives into specific segments including distinguishing the attributes and opportunities of the youth market, investigating the drivers of success in the German market, identifying a value proposition for Wellington from an Australian visitor focus, and informing a European marketing strategy.

Market Insights activity is aligned with the Tourism 2025 framework, in particular the themes of:

- Insight – through developing market insight and formulating models for better industry access to information.
- Drive value through outstanding visitor experience: through sharing market insight with industry.
- Providing the industry with actionable insights and information.
- Providing and sharing a deeper understanding of emerging and growing markets to support the industry grow the shoulders and improve conversion.

Link to Tourism New Zealand’s Strategic Priorities

Tourism New Zealand’s campaign and market insights activity is a key vehicle for delivering the brand message in our off-shore markets and delivers against 3 of the 5 Strategic Priorities from the three year marketing strategy:

- Driving preference for New Zealand.
- Focusing marketing activity on clearly defined higher value visitors.
- Partnering widely to activate conversion and extend marketing reach.

The measures and targets that will be used to measure activity performance are outlined in Section 4.

Activity two: Deliver key visitor messages through third parties such as media, opinion leaders, and broadcast production

Public Relations

Communication channels such as PR deliver brand messages through third parties (e.g. opinion leaders, independent media) to drive preference for visiting New Zealand and assist in strengthening conversion of potential visitors into actual visitors.

During FY16, activity will be focused on high value segments and sectors and deliver a program of integrated campaign, PR and trade activity to maximise effectiveness in Tourism New Zealand's key and emerging markets. Activity will include:

- Public Relations activity to build preference levels in our target audience, and support conversion of visitors.
- Hosting of international media, bloggers and opinion leaders.
- Providing support to targeted broadcast production projects that enable Tourism New Zealand to communicate its destination messages through existing broadcast properties with good reach.

- Maximising the opportunities provided by the Film Tourism to open doors for celebrity endorsement, access to high impact broadcast and other PR channels not traditional available to Tourism New Zealand.
- Target, evaluate and secure key influencers (social and opinion leaders) for use in PR and campaign activity to deliver the 100% Pure New Zealand message and deliver marketing reach.
- Taking a deliberate and orchestrated approach to global content development that enables New Zealand stories to be told at scale via the media.
- Seeking out and creating opportunities through third party channels to deliver activity that supports the Christchurch recovery.

Public relations activity is aligned with the Tourism 2025 framework, in particular the themes of:

- Targeting for value: by focusing PR work on growing preference for New Zealand amongst the target audience in key and emerging markets in particular as well as special interest sectors.
- Productivity for profit: through driving regional dispersal and shoulder season travel including through support for and promotion of events.

Link with Tourism New Zealand Strategic priorities

Tourism New Zealand's public relations activity is primarily aimed at achieving:

- Driving preference for New Zealand.

Because of Tourism New Zealand's desire to integrate messages across multiple platforms this output will frequently be part of the following priorities as well:

- Focusing marketing activity on clearly defined higher value visitors.
- Partnering widely to activate conversion and extend marketing reach.

The measures and targets that will be used to measure activity performance are outlined in Section 4.

Activity 3: Partner with the travel industry to convert interest in New Zealand into travel and to extend marketing reach

Joint venture activity

Joint venture partnerships play an essential role within Tourism New Zealand's activities. They provide the opportunity to deliver co-ordinated marketing activity and provide the opportunity to package Tourism New Zealand's activity with a product that potential visitors can buy, thereby activating opportunities for conversion. Partnerships extend Tourism New Zealand's marketing reach through attracting more funding by way of cash and in-kind support and assist tourism industry partners by allowing them to leverage Tourism New Zealand's 100% Pure New Zealand campaign, thereby increasing their effectiveness in market. Partnerships will range from high impact campaigns in Australia through to working together on TV production, International Media Programme and visiting trade programmes.

Key outputs include:

- Partnered campaigns; partnering with public and private organisations to deliver campaigns that enable Tourism New Zealand to pair advertising with a travel conversion partners' offers.

Partnership activity with Regional Tourism Organisations

Partnerships with Regional Tourism Organisations (RTOs) will remain important through the duration of the Statement of Intent, focusing on building regional stories (e.g. North Island and South Island touring) and delivering conversion activity to maximise visitor value outcomes for New Zealand.

Tourism New Zealand will also undertake specific collaborative research with RTOs to identify compelling visitor propositions.

These initiatives would support the findings of the Ministry of Business, Innovation and Employment's Regional Growth Studies which identified tourism as an economic development opportunity for certain regions of New Zealand.

Joint venture and partnership activity aligns with the Tourism 2025 strategy, in particular the themes of:

- Targeting for value: through our partnership campaigns that drive conversion of higher value visitors across our markets and sectors.
- Productivity for profit: through driving regional dispersal and shoulder and off season (ski) travel.

Working with aviation sector

Partnerships with airlines and airports provide essential foundations for building and sustaining supply-side capacity.

- Tourism New Zealand partnerships will deliver fully integrated Joint Venture (JV) campaign activity to support filling existing capacity both in long haul and trans-Tasman routes.
- Tourism New Zealand will continue to work closely with airlines to support and build in-bound seat capacity to New Zealand.
- Tourism New Zealand will maintain agreements that have been formed with aviation and airline partners, and seek out new agreements where they are in accordance with Tourism New Zealand's international aviation strategy. Under these agreements partnered marketing campaigns will be carried out that support the aviation routes that are critical to developing tourism.

Working with aviation sector activity aligns with the Tourism 2025 framework, in particular the theme of:

- Growing sustainable air connectivity: through MOU's with Air NZ and other airlines, cooperation with airports and facilitating top to top meetings and with connection to other parts of government and Ministers. Delivering fully integrated JV campaigns with allow flexible timing of activity to build non-peak travel to assist with airline load factors and encourage sustainable airline economics.

Link with Tourism New Zealand Strategic priorities

Tourism New Zealand's joint venture and aviation activity is primarily aimed at achieving:

- Partnering widely to activate conversion and extend marketing reach

The measures and targets that will be used to measure output performance are outlined in Section 4.

Activity 4: Inform and inspire global travel sellers to assist them to market New Zealand

Working with the travel trade

The overseas travel trade is an essential step for many people between considering a trip to New Zealand and deciding to make a booking. Today's visitors use a multi-channel approach for researching and booking travel and the travel trade is active in many of these channels. Tourism New Zealand will deliver

activity to educate, connect and familiarise global travel sellers to market more high value New Zealand holidays.

Activity will be delivered to:

- Generate and convert consumer interest by fully integrating trade offers into partnered marketing campaigns.
- Educate trade to improve product knowledge and increase volume and value of conversions.
- Connect the New Zealand industry with the right trade partners.
- Lead product development (itineraries) in market and facilitate information flow with NZ industry.

Key outputs will include:

- Trade familiarisations, e.g. familiarisation visits to New Zealand for travel company product managers and decision makers.
- Online resources (primarily the 100% Pure New Zealand Specialist Training Programme) to increase the knowledge and sales of travel sellers, including through region and product specific online training modules and product updates.
- Training the trade through such mediums as face to face trainings and virtual channels like webinars.
- Trade Events, e.g. organising trade events and co-ordinating participation by the New Zealand tourism sector at international trade shows.
- Attending international trade shows and facilitating New Zealand operator attendance.
- Tourism New Zealand Roadshows where the Chief Executive, Chair and members of the Core Leadership Team update the industry on Tourism New Zealand's strategic priorities and discuss issues impacting on industry.

Working with the travel trade aligns with the Tourism 2025 framework, in particular the theme of:

- Targeting for value: through activity focused on growing ability of trade offshore and in New Zealand to sell destination New Zealand.

Growing the business events sector

The business events sector is a high value market segment for New Zealand. In addition to delivering a direct contribution to New Zealand's export earnings through international delegate spend, holding international business events in New Zealand acts as an economic development tool by facilitating new international business to business relationships, encouraging knowledge transfer to New Zealand and creating new investment opportunities. Business events are also an attractive way to bring visitors in the shoulder season to address the seasonality of visitor streams.

In the trade space this will include:

- Increasing Tourism New Zealand's presence at global conference and incentive travel trade shows and events.
- Delivery of a business events familiarisation programme with a focus on corporate end users.

Business events activity aligns closely with the Tourism 2025 framework, in particular the themes of:

- Targeting for value: through a focus on growing the volume and value from a higher spending visitor sector.
- Productivity for profit: promoting regional dispersal and shoulder season travel though considering timing of events when deciding on support for and promotion of events.

Building New Zealand's Premium Proposition

The Premium sector's strategy is to improve the awareness of New Zealand as a luxury destination by leveraging strong partnerships with in-market luxury travel sellers as they significantly influence the High Net Worth Individuals (HNWI) in their destination decision making process.

Identified target markets for the premium sector (USA, Australia, UK, Germany, Japan and Hong Kong) are selected for their concentration of HNWI, propensity to travel to New Zealand and their connectivity to New Zealand. Trade marketing activity is comprised of luxury travel trade shows, joint ventures, strategic trade partnerships, training and famil programs and development of effective sales tools.

Link with Tourism New Zealand strategic priorities

Tourism New Zealand's activity in the working with travel trade area is primarily aimed at achieving priority 4:

- Partner widely to activate conversion and extend marketing reach.

Tourism New Zealand's activity in the business events space is primarily aimed at achieving priority 3:

- Focusing marketing activity on clearly defined higher value visitors.

The measures and targets that will be used to measure output performance are outlined in Section 4.

Activity 5: Deliver inspiring and informative information for potential visitors

newzealand.com:

Tourism New Zealand's consumer website performs a dual role. One is as a marketing tool to convert people considering New Zealand into actual travel decisions. The second is to enable visitors to engage with travel sellers to source information and to book.

Key outputs include:

- Embed newzealand.com design refresh with new content format including video to acquire and engage seasonal messaging.
- Further optimise newzealand.com for mobile engagement to boost mobile generated referrals.
- Extract more value from user generated content and facilitate earned social media at scale.

newzealand.com activity aligns with the Tourism 2025 framework, in particular the strategic theme:

- Drive value through outstanding visitor experience: through providing high quality and timely information for international visitors to New Zealand.

i-SITE New Zealand:

Tourism New Zealand also supports the provision of information to visitors through our role with the i-SITE network. i-SITE New Zealand Visitor Centres (80 across New Zealand) provide an information and booking service for attractions, transport, accommodation and events to international and domestic visitors in New Zealand.

Tourism New Zealand has no ownership stake in the 80 i-SITE centres. i-SITE New Zealand is a subsidiary of Tourism New Zealand, governed by a Board of Directors. The subsidiary is the owner of the i-SITE brand

and livery. Tourism New Zealand provides staff, support services, business systems and marketing to raise the profile of the i-SITE network among visitors.

i-SITE New Zealand has established the membership standards that individual centres must achieve to use the i-SITE brand, and become a part of the network of centres. These standards are enforced by site inspections of the centres by Qualmark assessors.

i-SITE New Zealand activity aligns with the Tourism 2025 framework, in particular the strategic theme:

- Drive value through outstanding visitor experience: through providing high quality information and service for international visitors to New Zealand.

Link with Tourism New Zealand strategic priorities

Tourism New Zealand's newzealand.com activity is primarily aimed at achieving priority 2:

- Drive preference for visiting New Zealand

Activity associated with i-SITE is primarily aimed at achieving priority 5

- Optimise delivery capability

The measures and targets that will be used to measure output performance are outlined in Section 4.

Activity six: Communicate and engage with New Zealand's tourism industry to align industry investment with Tourism New Zealand areas of focus

Industry communication, engagement and relationship building

It is important that Tourism New Zealand is completely connected with New Zealand's tourism operators. This is achieved by informing, engaging with and listening to the New Zealand tourism industry. The main goal of this engagement is to ensure alignment between market needs, Tourism New Zealand's marketing programmes, and what is offered in New Zealand. Key outputs include:

- Publications, including the regular delivery of Tourism News e-bulletins, webinars and Annual Report.
- Tourism New Zealand's corporate website (tourismnewzealand.com) which provides the industry with timely information on recent activity through media releases, campaigns and objectives, information on events as well as providing access to research and market analysis.
- Speaking engagements, including industry presentations at conferences and seminars that update industry members on changes within the global industry and the specific consequences this will have within the New Zealand tourism market. These speaking engagements also allow Tourism New Zealand to hear from the industry including any challenges they are facing or opportunities they have identified.
- Working with other parts of Government to streamline processes that facilitate travel for international visitors and identify opportunities to work together in areas where interests overlap including working with Education New Zealand to identify and leverage international education opportunities.
- Developing specific stakeholder relationship plans for key stakeholders to ensure effective two-way conversations with important stakeholders are undertaken.

Industry communication, engagement and relationship building activity aligns with the Tourism 2025 framework, in particular the themes:

- Drive value through outstanding visitor experience: through working with government to improve visitor facilitation e.g. visa and border processes.
- Insight – through providing channels to distribute and receive market insight with and from the wider industry.

Qualmark

Tourism New Zealand owns 60% of Qualmark New Zealand Ltd. The Automobile Association of New Zealand owns the remaining 40%. Tourism New Zealand provides governance and some marketing and administration support for Qualmark. Qualmark currently issues approximately 2,100 quality licences annually, by offering a star grading system for accommodation facilities and an endorsement programme for activities, transport and services. To obtain a Qualmark quality licence, Qualmark undertakes onsite assessments with trained assessors in order to measure the quality of operators' facilities and business practices. This includes health and safety systems and service systems relating to guest care. Businesses are also assessed on their environmental performance. Tourism New Zealand continues to support Qualmark to advance a revitalised Qualmark environmental regime which will help position the industry with both visitors and New Zealanders as a leader in sustaining our environment.

Qualmark aligns with the Tourism 2025 framework through the theme:

- Drive value through outstanding visitor experience: through providing quality assurance for accommodation facilities and an endorsement programme for activities, transport and services for international visitors.

China Market Development Unit

China has rapidly grown to become New Zealand's second largest visitor market by way of arrivals. However, the Chinese visitor market is subject to a number of constraints in terms of realising its potential value to New Zealand with particular quality issues that require attention. Tourism New Zealand, largely through its China Market Development Unit, delivers the following outputs to support Tourism New Zealand's goal to grow the proportion of high quality visitors from China:

- Administering the Approved Destination Status (ADS) programme. This programme licenses New Zealand-based inbound tour operators and tour guides that cater for the Chinese market, and monitors their conduct, performance and quality standards. The unit also assesses new applicants, completes regular compliance monitoring and assessments, and handles complaints and feedback from Chinese group tour visitors.
- Administering the Premier Kiwi Partnership (PKP) programme which seeks to increase the proportion of quality visitors from the China market through providing product development and marketing promotion support to selected Chinese Travel Sellers and New Zealand inbound tour operators in order to reduce the barriers for higher value mono New Zealand product.
- Producing Chinese language visitor information designed to increase China visitor knowledge, including the rights and protections they have if visiting on an ADS tour.
- Engagement with relevant regulatory bodies such as the Ministry of Business, Innovation and Employment in any government to government discussions.

The China Market Development unit aligns with the Tourism 2025 framework, in particular through the themes of:

- Targeting for value: through the PKP programme which is focused on growing the proportion of quality visitors from the China market.
- Drive value through outstanding visitor experience: through ensuring minimum quality standards for visitors from the China market visiting on a ADS approved tour.

Link with Tourism New Zealand strategic priorities

Tourism New Zealand's activity in this area is primarily aimed at achieving priority 5:

- Optimise delivery capability.

Because of Tourism New Zealand's specific work in addressing the quality issues faced by the China market in the attempt to attract a higher value visitor, the activity also contributes to the achievement of priority 3:

- Focusing marketing activity on clearly defined higher value visitors.

The measures and targets that will be used to measure output performance are outlined in Section 4.

Section 4: Tourism New Zealand measures and targets

This section contains measures and targets for Tourism New Zealand's activity for FY16.

Activity One: Deliver key visitor messages through the 100% Pure New Zealand campaign activity.

Activities:

- Campaign
- Market insights

Result/measure	FY15 target	FY16 target
Quantity		
Brand campaign activity delivered - key markets.		
Australia	4 brand campaigns, SEM always on	3 brand campaigns, SEM always on
China	2 brand campaigns, SEM always on	2 brand campaigns, SEM always on
USA	4 brand campaigns, SEM always on	3 brand campaigns, SEM always on
UK	2 brand campaigns, SEM always on	1 brand campaigns, SEM always on
Germany	2 brand campaigns, SEM always on	3 brand campaigns, SEM always on
Japan	2 brand campaigns, SEM always on	2 brand campaigns, SEM always on
Business events campaign activity.	5 brand campaigns	4 brand campaigns, SEM always on
Brand campaign activity delivered - emerging markets.		
India	1 brand campaign, SEM always on	2 brand campaigns, SEM always on
Indonesia	1 brand campaign, SEM always on	2 brand campaigns, SEM always on
Latin America	1 brand campaign, SEM always on	2 brand campaigns, SEM always on
Cost effectiveness		
Cost per engagement ⁴ from display.		
Australia	\$2.00-\$2.50	\$2.00-\$2.50
China	\$1.20-\$1.80	\$1.20-\$1.80
USA	\$1.20-\$1.80	\$1.20-\$1.80
UK	\$1.50-\$2.20	\$1.50-\$2.20
Germany	\$1.50-\$2.20	\$1.50-\$2.20
Japan	\$2.50-\$3.00	\$2.50-\$3.00
Cost per acquisition ⁵ from search.		
Australia	\$1.50-\$2.00	\$2.50-\$3.00
China	\$0.50-\$1.00	\$1.50-\$2.00
USA	\$2.00-\$2.50	\$3.00-\$3.50
UK	\$1.00-\$1.50	\$2.00-\$2.50
Germany	\$1.00-\$1.50	\$2.00-\$2.50
Japan	\$2.50-\$3.00	\$3.50-\$4.00

⁴ Engagement: when an action is taken on an ad. i.e. a click, a play of a TV commercial; some form of an interaction.

⁵ Acquisition: refers to someone who has been drawn to newzealand.com as a result of seeing and acting on advertising/search initiatives delivered by Tourism New Zealand.

Awareness of 100% Pure New Zealand logo as measured by International Visitor Survey	N/A	At least 50%
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Activity two: Deliver key visitor messages through third parties such as media, opinion leaders, and broadcast production.

Activities:

- Public relations/International media programme

Result/measure	FY15 target	FY16 target
Quantity		
International media hosted from key TNZ markets.		
Total media hosted	220 media visits 250 media outlets	197 media visits 271 media outlets
Media from emerging markets ⁶	30 media visits 35 media outlets	37 media visits 56 media outlets
Media from premium sector.	25 media outlets	28 media visits
Hosted media visits that feature a cultural element.	(at least) 50%	(at least) 50%
Quality		
Equivalent advertising value (EAV) of print, online and broadcast in TNZ markets. ⁷		
Content EAV (Tier 1 & 2 plus emerging markets) ⁸	N/A	\$47.7m
Total EAV all markets.	\$90m	\$90.65m
EAV premium sector international media programme.	\$2.5m	\$2.7m

Activity three: Partner with the travel industry to convert interest in New Zealand into travel and to extend marketing reach.

Activities:

- Joint venture activity
- Partnership activity with Regional Tourism Organisations

Result/measure	FY15 target	FY16 target
Quantity		
Key markets partnership ⁹ campaign activity.		
Australia	8 partnered campaigns	13 partnered campaigns
China	6 partnered campaigns	4 partnered campaigns
USA	6 partnered campaigns	7 partnered campaigns

⁶ Emerging markets: India, Indonesia and Latin America

⁷ Equivalent advertising value (EAV) results are not always available for all activity; so results will underestimate the actual value.

⁸ New measure

⁹ Partnered campaigns link TNZ activity with an offer through a partner, brand campaigns are not directly linked with a partner and typically drive activity to newzealand.com

Result/measure	FY15 target	FY16 target
UK	4 partnered campaigns	4 partnered campaigns
Germany	4 partnered campaigns	3 partnered campaigns
Japan	4 partnered campaigns	2 partnered campaigns
Emerging markets partnership campaign activity delivered.		
India	2 partnered campaigns	2 partnered campaigns
Indonesia	2 partnered campaigns	2 partnered campaigns
Latin America	2 partnered campaigns	3 partnered campaigns
Quality		
Campaign return on investment. (ROI) ¹⁰		
Australia	1:5	1:5
China	1:5	1:5
USA	1:5	1:5
UK	1:5	1:5
Germany	1:5	1:5
Japan	1:5	1:5
Quality		
Value of partnership contributions.	\$21m	\$22m

Activity four: Inform and inspire global travel sellers to assist them to market New Zealand.

Activities:

- Working with the travel trade

Result/measure	FY15 target	FY16 target
Quantity		
Successful travel module completions.		
Total all markets	20,000	21,000
Emerging markets	5,000	5,500
Trade on TNZ hosted famils.		
Total	600	650
Total emerging markets	80	95
Business events	80	80
Premium sector	50	65
Trade famils that feature a cultural element.	at least 75%	at least 75%
Major trade events attended by TNZ.		
Total all Markets	Minimum of 25	Minimum of 30
Business events	8	8

¹⁰ ROI is calculated by: (passengers booked) x (average visitor spend for market)/campaign spend. This generates a ratio that shows for every dollar we spent we generated 'x' amount of value. Note: ROI relates to campaign spend only and is not intended to represent a ROI for overall Tourism New Zealand activity.

Result/measure	FY15 target	FY16 target
Premium sector events	7	13
Major trade events organised and facilitated by TNZ.	Minimum of 8	Minimum of 10
Quality		
Number of travel company advocates ¹¹	160	185
Maintain the number of travel agents who are '100% Pure New Zealand Specialists'.		
Total all Markets	1000	1200
Emerging markets	120	150

- International Business Events
 - Conferences
 - Incentives

Result/measure	FY15 target	FY16 target
Quantity		
Bids supported through the Conference Assistance Programme (CAP) Fund	50	60
Quality		
Success rate for bids supported through CAP fund.	60%	60%
Estimated value ¹² of bids supported through CAP fund.	\$85m	\$90m

Result/measure	FY15 target	FY16 target
Quantity		
Incentive bids supported (TNZ only tracks incentive bids for 50pax or higher or with an estimated value of more than 200,000 NZD (excl. air fare)).		
China	40	150
USA (North America)	50	
Peninsular South East Asia	50	
Quality		
Value of incentive bids converted.	\$25m	\$26m

¹¹ Two types of 'Advocates' exist; Travel Agent Advocates and Travel Company Advocates. To qualify as a Travel Agent Advocate they must have successfully completed the 100% Pure New Zealand specialist programme. To qualify as a Travel Company Advocate the company must have a formal partnership agreement and a regular contact plan must be place and fulfill a set of criteria such as key staff on familiarisation, attendance at TRENZ or have a certain amount of 100% Pure NZ Specialist in their company.

¹² Estimated value: Estimate will differ to the actual result, which is likely to be realised several years later e.g. less/more delegates arrive.

Activity five: Deliver inspiring and informative information for potential visitors.

Activities:

- newzealand.com
- i-SITE New Zealand

Result/measure	FY15 target	FY16 target
Quantity		
Average number of total visits to newzealand.com per month.	1,700,000	1,700,000
Average monthly 'active visits' to newzealand.com ¹³	754,000	793,000
Average monthly referrals to industry via newzealand.com ¹⁴	236,000	236,000
Level of user satisfaction with i-SITE maintained or increases	At or above 9.0/10	At or above 9.0/10
Increase the Proportion of guest nights provided by Qualmark commercial accommodation	Increase from base of 55%	Increase from base of 55%

Activity six: Communicate and engage with New Zealand's tourism industry to align industry investment with Tourism New Zealand areas of focus.

Activities:

- Industry communication, engagement and relationship building
- China Market Development Unit

Result/measure	FY15 target	FY16 target
Quantity		
Registrations for New Zealand tourism industry webinars.	720 people registered for at least 1 webinar	720 people registered for at least 1 webinar
Stakeholder engagement through presentations at both industry and TNZ organised events ¹⁵	Minimum of 30 presentations to New Zealand tourism industry.	Minimum of 30 presentations to New Zealand tourism industry.
Quality		
TNZ communications (website/e-newsletter/webinars etc.) add value to Tourism industry stakeholders' activities.	75% of surveyed stakeholders rate TNZ's communication as very good or excellent.	85% of surveyed stakeholders rate TNZ's communication as very good or excellent.

¹³ Active visits: A visit where the visitor interacts with the site's content or functionality.

¹⁴ Referrals: the number of people who, once drawn to newzealand.com from paid search or display digital activity, are then delivered to an operator or partner site where travel/experiences can be purchased.

¹⁵ Includes: Roadshows delivered by the Chief Executive and/or Chair of Tourism New Zealand, presentations given by Executive Leadership Team to NZ industry e.g. roadshows/conferences.

TNZ performance as an NTO add value to Tourism industry stakeholder activities.	N/A	80% of surveyed stakeholders rate TNZ's performance as very good or excellent
ADS Coach Tours Spot Checked	100 spot checks	120 spot checks

Section 5: Forecast financial information

Statement of accounting policies

(a) Basis of preparation

Tourism New Zealand is a Crown entity as defined by the Crown Entities Act 2004 and is domiciled in New Zealand.

Tourism New Zealand's financial statements have been prepared in accordance with New Zealand generally accepted accounting practice and the requirements of the Crown Entities Act 2004. The financial statements have been prepared on a historical cost basis modified by the revaluation of certain assets and liabilities as identified in this statement of accounting policies.

For the purposes of financial reporting, Tourism New Zealand is classified as a Public Benefit Entity.

(b) Statement of compliance

The financial statements have been prepared in accordance with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards as appropriate for public benefit entities.

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000). The functional currency is New Zealand dollars.

(c) New accounting standards and interpretations

(i) Changes in accounting policy and disclosure

The accounting standards and policies are consistent with those of the previous financial year.

(ii) Accounting standards and interpretations issued but not yet effective

Standards and interpretations that have recently been issued or amended but are not yet effective have not been adopted by Tourism New Zealand for the annual reporting period ending 30 June 2014. These are outlined in the table below..

PBE Standards for Tier 1 and Tier 2 Public Sector Entities

In March 2011, the Accounting Standards Review Board (the predecessor body to the External Reporting Board) announced its decision to adopt a multi-standards approach to financial reporting in New Zealand. As a consequence, a package of PBE Standards issued, applicable for Tier 1 and Tier 2 public sector PBEs and consists of the following standards:

- Standard XRB A1 Accounting Standards Framework, which is the overarching standard that sets out the accounting standards framework;
- A suite of 39 PBE Standards; and

- The Public Benefit Entities (conceptual) Framework.

The new PBE Standards are based on International Public Sector Accounting Standards, which are themselves based on IFRS. Therefore major changes to accounting policies are not expected. Nevertheless, there are some potentially significant differences and also a range of smaller differences between the PBE Standards and NZ IFRS. Examples of potential significant differences could include:

PBE Standards with no equivalent NZ IFRS:

- PBE IPSAS 23 Revenue from Non-Exchange Transactions, which prescribes requirements for accounting for revenue from non-exchange transactions;
- PBE IPSAS 32 Service Concession Arrangements: Grantor, which prescribes the accounting for service concession arrangements by the grantor.

Differences between equivalent standards:

- PBE IPSAS 20 Related Party Disclosures, exempts all transactions between related parties (except key management personnel remuneration) that occur on arm's length terms and conditions from disclosure, and provides a potentially wider definition of key management personnel compared to NZ IFRS 24 Related Party Disclosures.

Early adoption of PBE Standards by Tier 1 and Tier 2 public sector PBEs is not permitted.

Application date of standard: 1 July 2014

Impact on Group financial statements: The application of this standard will have an impact on certain disclosures in the Group financial statements.

Application date for Group: 1 July 2014

NZ IFRS 9 (2010) Financial Instruments

NZ IFRS 9 (2010) supersedes NZ IFRS 9 (2009). The requirements for classifying and measuring financial liabilities were added to NZ IFRS 9 as issued in 2009. The existing NZ IAS 39 Financial Instruments: Recognition and Measurement requirements for the classification of financial liabilities and the ability to use the fair value option have been retained.

However, where the fair value option is used for financial liabilities, the change in fair value is accounted for as follows:

- The change attributable to changes in credit risk are presented in other comprehensive income (OCI);
- The remaining change is presented in profit or loss;
- If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.

Application date of standard: 1 January 2015

Impact on Group financial statements: The initial application of this standard is not expected to have any impact on the financial position or performance of the Group.

Application date for Group: 1 July 2015

NZ IFRS 9 (2009) Financial Instruments

NZ IFRS 9 (2009) includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the IASB's project to replace NZ IAS 39. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of NZ IAS 39. The revised Standard introduces a number of changes to the accounting for financial assets, the most significant of which includes:

- Two categories for financial assets being amortised cost or fair value;
- Removal of the requirement to separate embedded derivatives in financial assets;
- Strict requirements to determine which financial assets can be classified as amortised cost or fair value. Financial assets can only be classified as amortised cost if (a) the contractual cash flows from the instrument represent principal and interest and (b) the entity's purpose for holding the instrument is to collect the contractual cash flows;
- An option for investments in equity instruments which are not held for trading to recognise fair value changes through other comprehensive income with no impairment testing and no recycling through profit or loss on derecognition;
- Reclassifications between amortised cost and fair value no longer permitted unless the entity's business model for holding the asset changes;
- Changes to the accounting and additional disclosures for equity instruments classified as fair value through other comprehensive income.

Application date of standard: 1 January 2015

Impact on Group financial statements: The initial application of this standard is not expected to have any impact on the financial position or performance of the Group.

Application date for Group: 1 July 2015

(d) Basis of consolidation

The consolidated financial statements comprise the financial statements of New Zealand Tourism Board trading as Tourism New Zealand and its subsidiaries as at 30 June each year (the Group).

Subsidiaries are combined using the purchase method of combination. The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which Tourism New Zealand has control.

Business combinations that occurred prior to the date of transition to NZ IFRS have not been restated retrospectively.

(e) Investment in associate

The Group's investment in associate is accounted for under the equity method of accounting in the consolidated financial statements.

An associate is an entity in which the Group has significant influence and which is not a subsidiary nor a joint venture.

The annual financial statements of the associate are used by the Group to apply the equity method. The reporting dates of the associate and the Group are identical and both use consistent accounting policies.

The investment in the associate is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate, less any impairment in value. The consolidated income statement reflects the Group's share of the results of operations of the associate.

Where there has been a change recognised directly in the associate's equity, the Group recognises its share of any changes and discloses this, when applicable in the consolidated statement of changes in equity.

(f) Foreign currency

Transactions denominated in foreign currency are recorded in NZ Dollars by applying exchange rates that approximate rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date.

Exchange gains and losses are recognised in the Statement of Comprehensive Income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

(g) Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Office equipment	5 years
Motor vehicles	4 – 5 years
Furniture and fittings	5 – 8 years
Computer equipment	3 years

Leasehold improvements Up to term of the lease

Realised gains and losses arising from the disposal of property, plant and equipment are recognised in the Statement of Comprehensive Income in the period in which the transaction occurs..

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount. Losses resulting from impairment are reported in the Statement of Comprehensive Income.

(h) Intangible assets

Intangible assets are recorded at cost at acquisition. Where there is no active market for these assets, or they are determined to hold no future economic benefit, they are written off in the year of acquisition. Tourism New Zealand has no intangible assets with an infinite life.

The useful life of Intangible assets are estimated at between 3 and 8 years.

Research and development costs are expensed as incurred.

(i) Inventories

Inventories are valued at the lower of cost and net realisable value.

(j) Trade and other receivables

Trade receivables are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

(k) Cash and cash equivalents

Cash and short-term deposits in the Statement of Financial Position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

(l) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Statement of Comprehensive Income net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(m) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the Statement of Comprehensive Income on a straight-line basis over the lease term.

The Group does not enter into finance leases.

(n) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Grants received from the Crown

Grants received from the Crown are recognised as revenue on receipt.

Sale of goods and services

Revenue from the supply of goods and services is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably. Risks and rewards are considered passed to the buyer at the time of delivery of the goods to the customer.

Revenue from the supply of services is recognised on a straight line basis over the specified period for the service unless an alternative method better represents the stage of completion of the transaction.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

(o) Income tax

Tourism New Zealand is exempt from income tax under the New Zealand Tourism Board Act 1991. Tourism New Zealand's subsidiaries are subject to income tax.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the Statement of Financial Position date.

Deferred income tax is provided on all temporary differences at the Statement of Financial Position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- When the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- When the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- When the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each Statement of Financial Position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each Statement of Financial Position date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the Statement of Financial Position date.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

(p) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- Where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(q) Financial instruments

Tourism New Zealand uses derivative financial instruments such as foreign currency contracts to manage its exposure to foreign exchange risk arising from its operational activities. Tourism New Zealand does not hold or issue these financial instruments for trading purposes. Tourism New Zealand has not adopted hedge accounting.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at each balance date. Movements in the fair value of derivative financial instruments are recognised in the Statement of Comprehensive Income.

Foreign exchange gains and losses resulting from the settlement of derivative financial instruments and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

Cash and cash equivalents include cash on hand, cash in transit, bank accounts and deposits with a maturity of no more than three months from date of acquisition.

The fair value of forward exchange contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

(r) Employee Benefits

Other Employee Entitlements: Employee entitlements for salaries and wages, annual leave, long service leave, retiring leave and other similar benefits are recognised in the Statement of Comprehensive Income when they accrue to employees. Employee entitlements to be settled within 12 months are reported at

the amount expected to be paid. The liability for long-term employee entitlements is reported as the present value of the estimated future cash flows.

Termination Benefits: Termination benefits are recognised in the Statement of Comprehensive Income only where there is a demonstrable commitment to either terminate employment prior to normal retirement date or to provide such benefits as a result of an offer to encourage voluntary redundancy. Termination benefits settled within 12 months are reported at the amount expected to be paid, otherwise they are reported as the present value of the estimated future cash flows.

Statement of significant assumptions

Assumptions underlying the financial statements include:

- Crown funding is assured at least at the levels stated for the period of this Statement.
- No amount has been included for gains or losses on foreign exchange derivatives as these cannot be estimated because of uncertainty surrounding exchange rates over the three year period. There is a risk that movements in exchange rates can result in volatility in financial performance as fair value movements on derivatives are recognised.
- There is a risk that movements in exchange rates can have a significant effect on the spending power of Tourism New Zealand. To mitigate this risk as far as possible a Foreign Exchange Reserve is included in the Forecast Statement of Financial Position. The Reserve is designed to preserve the spending power of Tourism New Zealand during periods of adverse movements in exchange rates.
- The net asset position of subsidiaries will not change significantly over the three years.

Forecast Financial Statements

Statement of Comprehensive Income	Group		Parent	
	2014/15 \$000s	2015/16 \$000s	2014/15 \$000s	2015/16 \$000s
Income				
Revenue from Crown	113,350	115,850	113,350	115,850
Interest income	103	85	100	85
Other revenue	4,179	6,287	2,164	4,604
Total Income	117,632	122,222	115,614	120,539
Expenditure				
Other expenses	116,981	121,557	114,979	119,489
Depreciation & amortisation	651	924	635	900
Share of associate's deficit	-	-	-	-
Total Expenditure	117,632	122,481	115,614	120,389
Net Operating Surplus/(Deficit) before Foreign Exchange and Taxation	-	-	-	-
Foreign Exchange				
Foreign exchange gains/(losses) on derivative financial instruments	-	-	-	-
Other foreign exchange gains/(losses)	-	-	-	-
Total foreign exchange gains/(losses)	-	-	-	-
Income tax expense	-	-	-	-
Net Surplus/(Deficit) for the year	-	-	-	-
Other comprehensive income/(expense)	-	-	-	-
Total comprehensive income/(expense) for the year	-	-	-	-
Net Surplus/(Deficit) for the year is attributable to:				
Non-controlling interest	-	-	-	-
Owners of the parent	-	-	-	-
Total comprehensive income/(expense) for the year is attributable to:				
Non-controlling interest	-	-	-	-
Owners of the parent	-	-	-	-

Statement of Financial Position	Group		Parent	
	2014/15 \$000s	2015/16 \$000s	2014/15 \$000s	2015/16 \$000s
Current Assets				
Cash	6,242	6,290	6,000	6,000
Receivables	1,509	870	1,299	600
Prepayments and other current assets	1,188	1,105	1,188	1,100
Derivative financial instruments	-	-	-	-
	8,939	8,265	8,487	7,700
Non-current Assets				
Property, plant and equipment	1,227	890	1,222	885
Intangible assets	4	1,207	-	1,128
Investment in associate	1	-	-	-
Accommodation bonds	342	350	342	350
	1,574	2,447	1,564	2,363
Total Assets	10,513	10,712	10,051	10,063
Current Liabilities				
Creditors and other payables	2,539	3,187	2,425	3,000
Employee entitlements	522	683	472	655
Invoiced in advance	150	152	-	20
Provisions	288	270	288	270
Derivative financial instruments	152	1,766	152	1,766
	3,651	6,058	3,337	5,711
Total Liabilities	3,651	6,058	3,337	5,711
Net Assets	6,862	4,654	6,714	4,352
Equity				
Shareholder's Equity	1,805	1,805	1,805	1,805
Foreign Exchange Reserve	4,613	4,117	4,613	4,117
Retained earnings	347	(1,495)	296	(1,570)
Parent interests	6,765	4,427	6,714	4,352
Non-controlling interests	97	227	-	-
Total Equity	6,862	4,654	6,714	4,352

Statement of Cash Flows	Group		Parent	
	2014/15 \$000s	2015/16 \$000s	2014/15 \$000s	2015/16 \$000s
Cash flows from operating activities				
Crown revenue	113,350	115,850	113,350	115,850
Interest received	103	85	100	85
Other revenue	4,179	6,322	2,164	4,489
Payments to suppliers and employees	(117,482)	(121,759)	(115,464)	(119,974)
Goods and services tax (net)	-	-	-	-
Net cash from operating activities	150	498	150	450
Cash flows from investing activities				
Sale of property, plant and equipment	-	-	-	-
Repayment of accommodation bonds	-	-	-	-
Purchase of property, plant and equipment	(450)	(450)	(450)	(450)
Purchase of intangible assets	-	-	-	-
Payments for accommodation bonds	-	-	-	-
Net cash outflow from investing activities	(450)	(450)	(450)	(450)
Net increase/(decrease) in cash held	-	-	-	-
Effect of exchange rates on foreign currency balances	-	-	-	-
Opening cash brought forward	6,242	6,242	6,000	6,000
Cash at end of year	6,242	6,290	6,000	6,000

Statement of Changes in Equity	Group		Parent	
	2014/15 \$000s	2015/16 \$000s	2014/15 \$000s	2015/16 \$000s
Balance at 1 July	6,862	4,654	6,714	4,352
Net surplus/(deficit) for the year	-	-	-	-
Transfer from Retained Earnings to Foreign Exchange Reserve	-	-	-	-
Total comprehensive income/(expense) for the year	-	-	-	-
Balance at 30 June	6,862	4,654	6,714	4,352



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