

10 TOURISM NEW ZEALAND
11 ANNUAL REPORT



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CONTENTS ANNUAL 10 REPORT 11

ABOUT TOURISM NEW ZEALAND	01
----------------------------------	-----------

CHAIRMAN'S REPORT	02
--------------------------	-----------

CHIEF EXECUTIVE'S REPORT	03
---------------------------------	-----------

GOVERNANCE AT TOURISM NEW ZEALAND	05
--	-----------

BOARD MEMBERS	06
----------------------	-----------

EXECUTIVE LEADERSHIP TEAM	07
----------------------------------	-----------

STATEMENT OF SERVICE PERFORMANCE	08
---	-----------

OVERVIEW	08
-----------------	-----------

Output One: Marketing	09
-----------------------	----

Output Two: Working with overseas travel trade and airlines	11
--	----

Output Three: Informing and engaging with New Zealand's tourism industry	13
---	----

Output Four: Information for visitors	13
---------------------------------------	----

Output Five: Quality assurance	14
--------------------------------	----

MANAGEMENT STATEMENTS	15
------------------------------	-----------

High Level Outcome	15
--------------------	----

Tourism Industry Outcome One	15
------------------------------	----

Tourism Industry Outcome Two	17
------------------------------	----

Tourism New Zealand Outcome One	17
---------------------------------	----

Tourism New Zealand Outcome Two	18
---------------------------------	----

EQUAL EMPLOYMENT OPPORTUNITIES	20
---	-----------

FINANCIAL STATEMENTS	22
-----------------------------	-----------

Statement of Responsibility	22
-----------------------------	----

Statement of Comprehensive Income	23
-----------------------------------	----

Statement of Changes in Equity	24
--------------------------------	----

Statement of Financial Position	25
---------------------------------	----

Statement of Cash Flows	26
-------------------------	----

NOTES TO THE FINANCIAL STATEMENTS

Note 1 Summary of significant accounting policies	27
---	----

Note 2 Revenue from Crown	34
---------------------------	----

Note 3 Other revenue	34
----------------------	----

Note 4 Other expenses	34
-----------------------	----

Note 5 Total expenditure of parent	35
------------------------------------	----

Note 6 Foreign exchange gains/(losses)	35
--	----

Note 7 Subsidiary companies	36
-----------------------------	----

Note 8 Associate company	37
--------------------------	----

Note 9 Cash	38
-------------	----

Note 10 Receivables	39
---------------------	----

Note 11 Derivative financial instruments	40
--	----

Note 12 Property, plant and equipment	41
---------------------------------------	----

Note 13 Intangible assets	42
---------------------------	----

Note 14 Accommodation bonds	42
-----------------------------	----

Note 15 Creditors and other payables	42
--------------------------------------	----

Note 16 Employee entitlements	43
-------------------------------	----

Note 17 Provisions	43
--------------------	----

Note 18 Foreign exchange reserve	44
----------------------------------	----

Note 19 Reconciliation of surplus/(deficit)	
---	--

to net cash from operating activities	44
---------------------------------------	----

Note 20 Contingencies	45
-----------------------	----

Note 21 Income tax	45
--------------------	----

Note 22 Management of risk	45
----------------------------	----

Note 23 Significant accounting judgements, estimates and assumptions	45
---	----

Note 24 Capital management	45
----------------------------	----

Note 25 Categories of financial assets and liabilities	46
--	----

Note 26 Capital commitments	46
-----------------------------	----

Note 27 Operating commitments	47
-------------------------------	----

Note 28 Related party transactions	47
------------------------------------	----

Note 29 Financial instrument risks	49
------------------------------------	----

Note 30 Remuneration of employees	52
-----------------------------------	----

Note 31 Remuneration of board members	53
---------------------------------------	----

FIVE YEAR FINANCIAL SUMMARY FOR PARENT	54
---	-----------

AUDIT REPORT	55
---------------------	-----------

ABOUT TOURISM NEW ZEALAND

International tourism plays an important role in the New Zealand economy contributing \$9.5 billion, or 18.2 per cent to New Zealand's total export earnings¹. According to the Ministry of Economic Development over 182,000 FTE persons are employed in tourism related businesses which equates to approximately 9.6 per cent of total employment in New Zealand.

Tourism New Zealand was established to market New Zealand as a visitor destination overseas for the long-term benefit of New Zealand. In the year end June 2011, over 2.5 million international travellers visited New Zealand.

Tourism New Zealand's aim is to increase the number of people visiting New Zealand, how long they stay and how much they spend. We work to achieve this by marketing New Zealand to convert interest into travel in key tourism markets. Our work is carried out internationally under the umbrella of the 'New Zealand 100% Pure' campaign which was originally launched in 1999.

We use a mix of methods, including paid media, to identify people considering visiting New Zealand and to inspire them to choose New Zealand as their next destination. Increasingly, digital channels are providing the best platform for us to reach our target audience of 'Active Considerers'.

Public relations is used to promote New Zealand through the medium of events, films, or television. newzealand.com has been redeveloped to make it easy for international consumers to learn about a New Zealand holiday experience using forward thinking design and functionality.

Our trade teams are based in New Zealand and offshore to better connect the New Zealand industry, airlines and offshore product wholesalers and retailers. A key function of the trade teams is to train frontline sales people about New Zealand to help them sell it more effectively to their customers. Alliances with airlines and airports are essential for growing

and sustaining air capacity to New Zealand. We are focused on building on new aviation partnerships and remain committed to deepening long standing connections.

Tourism New Zealand has nine offshore offices, two in New Zealand; and around 120 staff.

Tourism New Zealand is firmly focused on improving tourism's contribution to economic growth for New Zealand.

Our marketing strategy for the 2011/12 year is based on the following priorities:

PRIORITISING MARKETS AND SECTORS

Growth markets and segments are a key focus to ensure a range of visitors are attracted to New Zealand, reflecting the wide needs of our industry. Economic growth in China and high interest in travel to New Zealand from Australia mean both are priority areas. The United Kingdom, United States and Germany also remain important markets to sustain. Focus will also be provided on niche travel areas such as youth, snow, and the fast-growing cruise sector particularly from the US.

MARKETING FOCUSED ON CONVERSION

Research has taught us a lot about the people who we call 'Active Considerers' and our media programme, which includes a strong digital component, ensures we are able to reach them effectively and convert desire to visit New Zealand into a decision to travel.

PARTNERING

Partnerships are another essential component to increasing marketing reach and effectiveness. Tourism New Zealand works with our subsidiary, Qualmark, and through the i-SITE New Zealand visitor network to ensure that once here, visitors have access to good information and local knowledge, quality accommodation, activities and transport.

LEVERAGING LARGE EVENTS

It's also our job to make the most of opportunities offered through significant events in New Zealand. Rugby World Cup 2011 provides the chance to tell the New Zealand story alongside the rugby tournament, creating a legacy of goodwill and demand for New Zealand as a visitor destination. The filming of *The Hobbit* films in New Zealand is another opportunity to raise our country's popularity and increase tourist numbers.

SUPPORTING RECOVERY FROM THE CHRISTCHURCH EARTHQUAKE

The Christchurch earthquake has impacted tourism across New Zealand. Our aim is to support the fastest realistic recovery of New Zealand, the South Island, and Christchurch, from effects of the earthquake.

BUILDING ORGANISATIONAL CAPABILITY

Tourism New Zealand continues to run as a more accountable, outcomes focused organisation. Programmes are underway to strengthen capability and improve employee engagement in order to deliver the organisation's strategy.

¹ Source: Ministry of Economic Development.

CHAIRMAN'S REPORT

GREG MUIR

TOURISM NEW ZEALAND CHAIRMAN



I am pleased to be able to present Tourism New Zealand's Annual Report for 2010/11; my last annual report as Chairman of Tourism New Zealand. When I was appointed for a three-year term back in July 2008, I said I was looking forward to playing a part in the development of one of New Zealand's biggest industries. Three years on, I am pleased with the gains that have been made in what can only be described as an extraordinarily challenging environment for tourism throughout this time.

ONGOING EXTERNAL CHALLENGES

The global financial crisis has underpinned this period and our traditional UK and US markets are still struggling in their economic recovery. This last year under review has also seen a series of natural disasters cause catastrophic loss of life and future burden for not only New Zealand, but also for two of our key tourism markets, namely Japan and Australia. Our thoughts have very much been with all of those affected by the Christchurch earthquakes, Japanese tsunami and Queensland floods. New Zealand tourism operators have faced incredibly difficult times as a result of these disasters and will continue to do so for some time.

Given these challenges, the fact that more people are now visiting New Zealand than ever before and that 2011 June year end arrivals held firm against last year (at 2.5 million), can be viewed very positively.

PROGRESS AGAINST STRATEGY

Although the tourism environment has been significantly impacted by uncontrollable external influences, Tourism New Zealand has been well placed to deal with a rapidly changing tourism landscape and changing visitor demographic by adapting its focus and direction.

In the last year we have seen great progress against Tourism New Zealand's three-year marketing strategy, and the Board has taken particular note of the results from aviation and industry partnership agreements, the digital marketing initiatives undertaken to meet consumer research and booking preferences, the work that has been done to prepare for RWC 2011 and the evolution of 100% Pure New Zealand. The Board has been supportive of the changes to this iconic campaign to focus on the visitor experience and what visitors can do in New Zealand's breath-taking settings.

TOURISM VALUE AND SPEND

Tourism continues to hold position as one of the top two New Zealand economic contributors, along with dairy, despite total international visitor expenditure falling by 6.5 per cent to \$5,564 million (excluding flight revenue) for the year ended June 2011.

The challenge of declining visitor spend is something that Tourism New Zealand is addressing. I am confident that steps the Chief Executive and his team are taking, such as placing greater focus on business events opportunities and influencing the industry to better match the needs of Asian visitors, will bear fruit in the years ahead.

SUPPORT AND FUNDING

The performance of Tourism New Zealand is highly correlated to the support we receive from Government, the tourism industry and key stakeholders. These relationships are strong and given the challenges facing tourism, it is imperative they remain so.

During the year under review Tourism New Zealand received total

funding of \$99 million. This included additional one-off visitor destination funding of \$25 million and joint venture funding of \$5 million, above baseline funding of \$69 million.

As a Crown Entity, Tourism New Zealand recognises the macro-economic environment we operate within and the need for a value for money approach. This will see total funding of \$84 million for the year ahead.

THANKS

During my term as Chairman I have had the privilege of working with Board members who have all been passionate about marketing New Zealand to the world. I would like to thank them for their contribution to Tourism New Zealand.

Finally, on behalf of the Board I would like to extend a sincere thanks to Chief Executive, Kevin Bowler, the Executive Leadership group and the team of skilled Tourism New Zealand staff located around the world. Your efforts have all contributed to New Zealand welcoming more than 2.5 million visitors over the last year to experience this great country of ours.



Greg Muir
Chairman, Tourism New Zealand

CHIEF EXECUTIVE'S REPORT

KEVIN BOWLER

TOURISM NEW ZEALAND CHIEF EXECUTIVE



Attracting visitors to New Zealand during a year of extraordinary events both inside and outside New Zealand certainly presented added challenges for Tourism New Zealand in 2010/11. To achieve parity of international visitor arrivals for the year (2,501,303) compared to 2009/10 is pleasing in light of the circumstances.

AN EXTRAORDINARY YEAR

The most significant event for New Zealand was the tragic February Christchurch earthquake. From a tourism perspective, the considerable impact of the earthquake will remain with the sector for a number of years.

Initially the impact of the earthquake was in terms of preference for New Zealand as a destination. While this affect is diminishing, it remained an issue at year end. The earthquakes continue to have a material effect on South Island visitor numbers, but the loss of quality hotel accommodation in Christchurch will affect the way visitors arrive, depart and move around New Zealand for the foreseeable future.

The unpredictability of nature and its impact on visitor arrivals was also evident on a number of other occasions this past year including the later than usual beginning to the snow season and Chilean ash cloud causing flight disruptions in June.

Overseas, the devastating Japanese tsunami in March and Queensland floods in January also affected arrivals. These events contributed towards Japanese arrivals

being down 6.0 per cent (to 78,559) and Australian arrivals being down 0.7 per cent (to 1,111,192) for the year ended June 2011.

In addition to the challenges that these natural events placed on tourism during the year, adverse economic conditions provided another layer of challenge. Offshore, the continued slow economic recovery for some of our key markets contributed to a significant decline in visitor numbers and will remain a concern in 2011/12. The rising Kiwi dollar made New Zealand relatively more expensive to visit for many markets and the even stronger Australian dollar weakened dual destination demand.

PROGRESSING THE THREE-YEAR MARKETING STRATEGY

Fundamental to the marketing strategy Tourism New Zealand has embarked on is a focus on people 'actively considering' choosing New Zealand for their next overseas journey. Research has conclusively pointed to the fact that there is significant interest in visiting New Zealand in each of our top ten markets and a big gap between this interest and actual travellers; i.e. the gap between 'desire and action'. The Tourism New Zealand marketing strategy is, therefore, aimed at closing this gap by identifying barriers and systematically reducing them.

This strategy has resulted in the use of more targeted media channels, particularly digital media. These include web search, digital display and social media. Digital media has assisted us to reduce wastage and measure performance much more accurately than 'mass media' channels allow. The intermediate goal being to attract active considerers to newzealand.com where they will find relevant and inspiring content as well as the chance to choose a travel seller they can buy from. Measurement focuses on acquisition of site traffic and conversion of traffic to New Zealand travel sellers (onshore and offshore) through the 16 editions of newzealand.com that are offered.

The New Zealand '100% Pure' campaign has been extended to emphasize the range of

activities that can be done in New Zealand's beautiful landscapes. To draw attention to this change we have added the word 'You' to the campaign work and localised it with the most relevant activities and talent in each of our most important markets.

As well as localising and strengthening the campaign work we have also redeveloped newzealand.com to something that is very new, ambitious and bold. The revised site went live for users in June 2011. While it is too early to know how it will perform long term, early indications are favourable for visitation, engagement and most importantly referrals (to travel sellers).

A strong focus on partnerships continues to mature with a range of activity deployed with regional tourism organisations, the aviation sector and travel sellers. Notably these efforts have contributed to new air services starting between New Zealand and Singapore, Malaysia and China during 2010/11.

Tourism New Zealand has continued its strong commitment to working with New Zealand operators offshore through its Kiwi Link programme and through joint attendance at key international travel exhibitions and shows.

Still with a focus on barriers to conversion, Tourism New Zealand has worked collaboratively with Immigration New Zealand to improve access to New Zealand holiday visas, particularly for Chinese visitors. This collaboration has extended to the point where Tourism New Zealand is now co-located with Immigration New Zealand in India and China.

A rising exchange rate puts pressure on international visitor spend and New Zealand is definitely seeing this with total visitor spend falling 6.5 per cent in the year to June 2011. While we continue to partner with luxury travel sellers, such as the Virtuoso group, we are also escalating our focus on business events that attract high value visitors. We look forward to confirmation the International Convention Centre will go ahead as it will assist New Zealand to attract even more of these high value visitors.

ASIA

Without doubt, the shining light for tourism over the past year has been the significant growth in visitor numbers from the Asian region on the back of fast growing economies, a rising middle-class and new air connectivity.

Chinese visitor arrivals increased by 25.2 per cent to 131,648. At this rate of growth, China is likely to overtake the US as New Zealand's third largest tourism market in the next two years. The same is likely to be true of international visitor spend where Chinese visitor spending in New Zealand was one of the few to increase in 2010/11.

Growth in the Asian region was not confined to China alone though. Other Asian countries to show marked visitor growth during the year were Malaysia (up 33.6 per cent to 26,938), India (up 8.2 per cent to 29,332) and Singapore (up 6.2 per cent to 32,281).

Fuelling this increased level of Asian visitor demand have been new aviation connections with New Zealand. In March, Jetstar began flying daily between Singapore and Auckland. In April Air Asia X commenced direct flights between Kuala Lumpur and Christchurch, while China Southern Airlines commenced direct flights to New Zealand from Guangzhou. The three times per week Guangzhou air link is expected to increase to a daily service by the end of 2011.

With a changing market demographic Tourism New Zealand also commissioned an Asia Visitor Study during the year to determine how New Zealand's current tourism offering met consumer expectations and to identify areas for improvement. The research showed that while Asian visitors were generally happy with their experiences in New Zealand, more could be done. We have commenced work to share these findings with New Zealand operators keen to better meet the needs of Asian visitors through their operations.

AUSTRALIA

Australian visitor arrivals for the year decreased marginally to 1,111,192, but would have been slightly up on last year, had it not been for the 15 days of disrupted flights due to the Chilean ash cloud in June 2011.

Helped by the strength of their currency and expanding air connectivity, Australians tended to travel further afield during 2010. Travel from Australia to the US was up 20.6 per cent, while Indonesia enjoyed a 34.7 per cent increase in visitors in 2010. Tourism New Zealand ran nine major campaigns in Australia during the year. A key aspect of these campaigns was the

level of partnering that was undertaken with regional tourism organisations, airlines and trade organisations, in line with our partnering strategy.

The nine Australian campaigns were more than for any other market, reflecting Australia's continued position as New Zealand's number one visitor market.

It was also appropriate that the next evolution of '100% Pure New Zealand' was launched in Australia, when the 'New Zealand 100% Pure You' consumer marketing campaign went live in January. Other highlights during the year in the Australian market included the placement of the Giant Rugby Ball in Sydney's Circular Quay to promote New Zealand as host of Rugby World Cup 2011, the filming of an Australian *MasterChef* episode in New Zealand, and Tourism New Zealand winning the 'Best Tourist Office - International' award at the Australian Federation of Travel Agents (AFTA) National Travel Industry Awards.

UK AND EUROPE

The United Kingdom, our second largest market, was hardest hit by ongoing global economic turbulence. This accounted for an 11.6 per cent drop in visitors for the year to 220,043. There are no signs that the state of the UK and broader European economy will turn around anytime soon.

We have, therefore, targeted segments that are less susceptible to the macro-economic environment. One of these segments is youth and we entered into a partnership with STA Travel during the year that has been very successful in reaching the youth market and increasing bookings.

The German economy is one of the few in Europe to remain relatively strong and as such annual visitor arrivals showed resilience, increasing by 0.3 per cent to 65,237. Increased funding for promotion, and heightened partnership work with airlines servicing the German market, proved successful and helped to achieve a positive result for the German market.

Greater partnering with airlines also extended to France which helped to cushion the decline in arrivals for our second largest continental European market (down 1.1 per cent to 24,355).

UNITED STATES

In the US market, Tourism New Zealand placed most emphasis on the 'New Zealand 100% Pure You' campaign that ran in the third and fourth quarters of the year. This campaign was undertaken in partnership

with Air New Zealand to ensure a high level of conversion was achieved.

One of the highlights within the US was the filming of two special episodes of *The Biggest Loser - Couples*, in Auckland and Queenstown. The episodes reinforced the reality of a visit to New Zealand to an audience of over 7 million viewers.

Other highlights in the US market were the success of Kiwi Link USA and CNN naming New Zealand as the second best place in the world to be in 2011, with New York on top.

It is worth noting, however, that our third largest market was down 3.0 per cent for the year with 188,150 arrivals. Again this reflected the sluggish state of the world's largest economy.

ACKNOWLEDGEMENTS

I would like to thank the Executive and all Tourism New Zealand staff for their efforts and leadership during this challenging year. Many Tourism New Zealand staff were deeply engaged in the days following both the September and February earthquakes which required enormous amounts of effort. And of course our team in Japan had not only our challenges in New Zealand to deal with, but the effects of a much larger, more devastating event in Japan.

I would also like to acknowledge and thank the Tourism New Zealand Board for their hard work and support through this challenging year; this has been particularly the case with respect to our outgoing Chairman, Greg Muir. Greg has provided Tourism New Zealand with strong governance during his three-year term and I have enjoyed the support Greg and the Board has given me since I joined the organisation.

After a year of change and challenge, Tourism New Zealand has plenty to look forward to in 2011/12. Rugby World Cup 2011 and *The Hobbit* will showcase New Zealand to the world and provide great opportunities to entice more travellers to New Zealand. Tourism New Zealand has already undertaken significant planning and preparation around these, and other opportunities, that will occur in the year ahead. We look forward to working through delivery and seeing results that will build visitor arrivals and economic value from tourism.



Kevin Bowler
Chief Executive, Tourism New Zealand

GOVERNANCE AT TOURISM NEW ZEALAND

The New Zealand Tourism Board (trading as Tourism New Zealand) is a Crown entity established under the New Zealand Tourism Board Act 1991. It is a Crown agency for the purposes of the Crown Entities Act 2004. Tourism New Zealand is governed by a Board appointed by the Minister of Tourism. It is the New Zealand government agency responsible for the marketing of New Zealand as a visitor destination.

TOURISM NEW ZEALAND BOARD

The Board is the governing body of Tourism New Zealand, with the authority in Tourism New Zealand's name to exercise the powers and perform the functions of Tourism New Zealand. All decisions relating to the operation of Tourism New Zealand are made by, or under the authority of, the Board in accordance with the New Zealand Tourism Board Act 1991, and the Crown Entities Act 2004.

In accordance with the New Zealand Tourism Board Act 1991, the Board must have no fewer than five, and no more than nine, members. The Minister's formal line of accountability with Tourism New Zealand is through the Board's Chair. Board appointments are for two or three years, with reappointment permissible for a further term. The composition of the Board reflects a balance of tourism industry and commercial expertise.

The Board meets at least four times a year, including a two-day meeting to review the organisation's ongoing strategic direction. This strategy meeting initiates the business planning process and informs the preparation of the annual Statement of Intent.

DELEGATION

The Board delegates day-to-day management of Tourism New Zealand to the Chief Executive who is directly accountable to the Board through the Chair. Tourism New Zealand's Delegated Authorities Policy is set by the Board and reviewed annually. Appropriate formal processes are in place for reporting back to the Board.

DISCLOSURE OF INTERESTS

The Board is conscious of its obligations to ensure that board members avoid any

conflicts of interest in their decision-making process. The Board ensures that proper process is followed and that members' interests are formally recorded, with any changes or additions being disclosed at the start of each meeting. Members excuse themselves from any discussions in which their duty as a member could be compromised.

INDUCTION AND DEVELOPMENT

Tourism New Zealand introduces each new board member to the organisation through an induction process involving time spent with each member of the Executive and his or her respective team. Members are also encouraged, where appropriate, to attend tourism-related events such as TRENZ, the Inbound Tour Operators Council Conference and other trade and industry events.

Tourism New Zealand expects all its employees and board members to maintain the highest ethical standards. Tourism New Zealand has in place an employee code of conduct which all staff sign on joining the organisation. In accordance with best-practice audit policies, this code of conduct was reviewed during the year. Tourism New Zealand has a formal code of conduct for its board members, which is consistent with the code released by the State Services Commission.

RISK MANAGEMENT FRAMEWORK

Tourism New Zealand manages its risks through a risk management framework; a process that requires it to identify legislative and business risks arising from its strategic direction and operating environment. Tourism New Zealand's risk management policy is reviewed annually by the Audit Committee. The Chief Executive reports six-monthly to the Board on the matter of new or escalated risks and the processes in place to manage these appropriately.

RISK AND ASSURANCE

Tourism New Zealand conducts its own internal audits, often with the involvement of its external auditors. Audits are agreed by the Audit Committee and programmes of work are developed with input by the

external auditors. The results are reported back to the Audit Committee.

RELATIONSHIP WITH SUBSIDIARY COMPANIES

Tourism New Zealand has a controlling interest in two subsidiary companies: a 60 per cent shareholding in Qualmark New Zealand Limited, and, (through the terms and conditions of a relationship agreement that meets the criteria determined in NZ IAS 27 for consolidating investments in subsidiaries), the Visitor Information Network Incorporated (VIN Inc), trading as i-SITE New Zealand.

Three of Tourism New Zealand's Executive Team, including the Chief Executive, are directors of Qualmark and one executive member represents Tourism New Zealand on the i-SITE New Zealand Board. The Board is provided with financial information from each organisation at each board meeting, as well as commentary on performance and significant issues.

BOARD COMMITTEES

Committees of the Board are convened to deal with specific matters and currently include the Audit Committee and Remuneration Committee.

AUDIT COMMITTEE

The Audit Committee meets at least four times a year. It reviews Tourism New Zealand's internal control framework, external audit relationships and engagements, risk management and financial reporting, including International Financial Reporting Standards (IFRS). The committee includes a Board-appointed external member, Gill Cox, a chartered accountant and past president of the New Zealand Institute of Chartered Accountants.

REMUNERATION COMMITTEE

The Remuneration Committee reviews the performance and remuneration of the Chief Executive and senior management. The committee also approves proposed organisation-wide remuneration policies. The committee meets on an ad-hoc basis.

BOARD MEMBERS

GREG MUIR

CHAIRMAN



Greg is retiring from the Tourism New Zealand Board following the completion of his three-year term as Chairman. Greg is currently Managing Director of Tru-Test Ltd and before joining

Tru-Test was the Executive Chairman of Pumpkin Patch Ltd, Chief Executive Officer of the Warehouse Group Ltd and held senior management roles with TNT Australia Pty Ltd and Lion Nathan Ltd. He is also a non-executive Chairman of Pioneer Capital Management Ltd and the Blues S15 Franchise.

MALCOLM JOHNS

DEPUTY CHAIRMAN



Malcolm is Chief Executive of Intercity Group (NZ) Limited, parent company of InterCity and Newmans Coach Lines, Great Sights New Zealand and Fullers Great Sights Bay of Islands.

Malcolm has extensive commercial experience having held senior roles with Discover Canada Holidays, Jasons Travel Media, Tourism Holdings and Hyatt International Hotels and Resorts. Malcolm was reappointed to the New Zealand Tourism Board on 8 October 2010 for a second three-year term.

HENRY VAN ASCH

BOARD MEMBER



Henry van Asch was a co-founder of AJ Hackett Bungy with business partner AJ Hackett before founding Bungy New Zealand in 1997, where he remains a director. Henry oversees

ownership and operation of the Bungy New Zealand Group (which includes AJ Hackett Bungy and Auckland Bungy & Bridge Climb) along with his latest ventures, van Asch Wines and The Winehouse Restaurant. Henry was appointed to the New Zealand Tourism Board on 1 September 2008.

JOHN BARRETT

BOARD MEMBER



John Barrett is Managing Director of Kapiti Island Nature Tours and Kapiti Nature Lodge, a family eco-tourism operation based on Kapiti Island. He is immediate Past Chair of NZ Māori Tourism

Council and Chairman of the Wellington Regional Māori Tourism organisation, Te Ara a Maui. He also sits on the Boards of the Aviation, Tourism & Travel Training Organisation (ATTTO) and a number of non-tourism related organisations. John was reappointed to the New Zealand Tourism Board on 1 February 2010 for a second three-year term.

GLENYS COUGHLAN

BOARD MEMBER



Glenys Coughlan has over 20 years of tourism industry experience, including four years as Chief Executive of the Tourism Industry Association, eight years in senior management

with Air New Zealand and nine years on the board of Te Papa. Glenys is currently the Chief Executive of Positively Wellington Venues, a director of Positively Wellington Tourism, a trustee of the Pacific Asia Travel Association (PATA) New Zealand Trust and a director of Outward Bound. Glenys was reappointed to the New Zealand Tourism Board on 10 April 2009 for a second term.

JENNIE LANGLEY

BOARD MEMBER



Jennie Langley was appointed Independent Chair of the New Zealand Hotel Council (NZHC) in 2007, after four years as Chief Executive Officer. For the last three years she has represented a

trans-Tasman Brewers Association in New Zealand and is a director of her consultancy company, J L Associates Ltd. She has previously held roles

as a director of Positively Wellington Tourism, the New Zealand Wool Board, Opus International Consultants and has served as a local government councillor in Hawke's Bay. Jennie was appointed to the New Zealand Tourism Board on 10 April 2009.

RICHARD LEGGAT

BOARD MEMBER



Richard Leggat has a varied background across business, marketing and e-commerce. He is currently employed in a sales and marketing role for a leading provider

of e-commerce solutions. Richard is the Chairman at BikeNZ, the organisation that supports the development of cycling in New Zealand. He is also a founding committee member of the Eating Disorder Association of New Zealand and Chairs the Parnell District School Board of Trustees. Richard was appointed to the New Zealand Tourism Board on 1 February 2010.

PAUL RICHARDSON

BOARD MEMBER



Paul Richardson is Vice President Accor New Zealand and Fiji and has over 25 years experience in the hospitality and travel industry. After 10 years working with Starwood

Hotels throughout the Asia Pacific region, Paul joined Accor in 2005 before being promoted to his current role in 2007. He is a director of the New Zealand Hotel Council and the Tourism Industry Association. Paul was appointed to the New Zealand Tourism Board on 10 April 2009.

EXECUTIVE LEADERSHIP TEAM

KEVIN BOWLER

CHIEF EXECUTIVE



Kevin Bowler leads Tourism New Zealand. As Chief Executive he has responsibility for the delivery of the organisation's international marketing strategy.

This encompasses driving country brand preference with Tourism New Zealand's target markets and converting interest in New Zealand into travel. Extending Tourism New Zealand's marketing reach through partnering, leveraging major events and building organisational capability are all priorities. Kevin is also a director of Qualmark. His marketing and business leadership experience has spanned FMCG, technology, and media brands in New Zealand and overseas. Before joining Tourism New Zealand in 2010, Kevin was CEO for start-up Yahoo!Xtra, a joint venture between Yahoo! and Telecom New Zealand.

GREGG ANDERSON

GENERAL MANAGER WESTERN LONG HAUL MARKETS



Gregg Anderson oversees Tourism New Zealand's strategy and activities in the Western long haul markets of North America and Europe. His teams, which are based in London and Los Angeles, deliver

trade marketing and international PR activities in selected countries within these two key long-haul regions.

CATHERINE BATES

GENERAL MANAGER BRAND AND INTERNATIONAL PUBLIC RELATIONS



Catherine Bates is responsible for New Zealand's destination brand, international public relations, events and marketing insights. Catherine also oversees the organisation's

consumer travel website, newzealand.com, which has 15 market-specific gateways worldwide.

TIM BURGESS

GENERAL MANAGER AUSTRALIA



Tim Burgess oversees Tourism New Zealand's strategy and activities in Australia. His team delivers trade marketing and international PR activities in this market. Tim joined Tourism New Zealand in

January 2011 from Tourism Bay of Plenty.

SUZANNE CARTER

GENERAL MANAGER PUBLIC AFFAIRS



Suzanne Carter manages Tourism New Zealand's internal and external communication, including the corporate website, e-newsletter and industry road shows, and oversees relationships with

Government, media and other tourism stakeholders. Suzanne also leads Tourism New Zealand's involvement with RWC 2011 and management of the Giant Rugby Ball initiative.

MARK FROOD

GENERAL MANAGER ASIAN MARKETS



Mark Frood oversees Tourism New Zealand's strategy and activities in the Eastern long haul markets of China and North Asia, South East Asia, India and Japan. His teams deliver trade

marketing and international PR activities across these regions.

ESTHER LIVINGSTON

GENERAL MANAGER HUMAN RESOURCES



Esther Livingston is responsible for developing and implementing Tourism New Zealand's human resources management strategy to ensure that the leadership and management of all

elements of the employee lifecycle are aligned to the

organisation's direction. This includes recruitment, capability development and talent management, performance management, remuneration and rewards initiatives for staff based in New Zealand and international offices.

SUE PARCELL

GENERAL MANAGER FINANCE AND IT



Sue Parcell is responsible for managing and leading the financial and accounting functions of Tourism New Zealand, while managing IT infrastructure as well.

Sue also oversees the strategic planning and reporting function.

JUSTIN WATSON

GENERAL MANAGER MARKETING COMMUNICATIONS



Justin Watson manages the most visible aspect of Tourism New Zealand's marketing activity: its consumer advertising activity. Justin also oversees Tourism New Zealand's business

development activities which include trade marketing, business events, cruise and airline partnerships.

PAUL YEO

GENERAL MANAGER TOURISM OPERATIONS



Paul Yeo oversees Tourism New Zealand's industry and trade relationships, infrastructure and quality covering Qualmark, i-SITES and the China Monitoring

Unit, which monitors the quality of services provided to the Chinese group tour market. He is also responsible for Tourism New Zealand's kaupapa Māori capability.

STATEMENT OF SERVICE PERFORMANCE ¹⁰/₁₁

OVERVIEW

This report covers The New Zealand Tourism Board's (trading as Tourism New Zealand) service performance for the year ending 30 June 2011 against the forecast statement of activities, performance measures and standards set out in Tourism New Zealand's Statement of Intent 2010-13.

Tourism New Zealand's resource allocation decisions were based on the extent to which each proposed activity would contribute towards the delivery of outputs and outcomes described in the 2010/11 Statement of Intent.

In 2010/11, Tourism New Zealand's activities were funded from three appropriations within Vote Tourism:

	2011 Actual \$000s	2011 Budget \$000s	2010 Actual \$000s*
APPROPRIATION 1: MARKETING OF NEW ZEALAND AS A VISITOR DESTINATION			
Crown Revenue ²	\$93,931	\$94,001	\$84,001
Other Revenue ³	\$6,719	\$2,614	\$9,010
Expenses ⁴	\$100,547	\$96,615	\$88,418
APPROPRIATION 2: MARKETING OF NEW ZEALAND AS A VISITOR DESTINATION THROUGH JOINT VENTURES			
Crown Revenue	\$5,000	\$5,000	\$5,000
Expenses	\$4,983	\$5,000	\$4,940
APPROPRIATION 3: IMPLEMENTATION OF THE TOURISM STRATEGY			
Crown Revenue	\$430	\$430	\$430
Expenses	\$430	\$430	\$430
Total Revenue	\$106,080	\$102,045	\$98,441
Total Expenses	\$105,960	\$102,045	\$93,788

*2010 Actuals have been restated due to foreign exchange gains/losses being excluded.

OUTPUT CLASS PERFORMANCE

In 2010/11, Tourism New Zealand delivered the following five output classes from the appropriations:

1. Marketing
2. Working with overseas travel trade and airlines
3. Informing and engaging with New Zealand's tourism industry
4. Information for visitors
5. Quality assurance

² Crown revenue for the year includes an additional \$24.93 million for the marketing of New Zealand as a visitor destination.

³ Other revenue includes bank interest, partner revenue, excludes foreign exchange gains.

⁴ Total expenses exclude foreign exchange losses.

	2011 Actual \$000s	2011 Budget \$000s
APPROPRIATION 1: MARKETING OF NEW ZEALAND AS A VISITOR DESTINATION		
Output Class 1: Marketing	\$68,021	\$59,797
Output Class 2: Working with overseas travel trade and airlines	\$5,107	\$5,869
Output Class 3: Informing and engaging with the New Zealand tourism industry	\$1,386	\$1,934
Output Class 4: Information for visitors	\$4,601	\$6,195
Output Class 5: Quality assurance	\$574	\$783
New Zealand and offshore support costs ⁵	\$20,858	\$22,037
APPROPRIATION 2: MARKETING OF NEW ZEALAND AS A VISITOR DESTINATION THROUGH JOINT VENTURES⁶		
Output Class 1: Marketing	\$4,983	\$5,000
APPROPRIATION 3: IMPLEMENTATION OF THE TOURISM STRATEGY⁷		
Output Class 5: Quality assurance	\$430	\$430
Total	\$105,960	\$102,045

OUTPUT CLASS ONE: MARKETING

Marketing is Tourism New Zealand's largest output expenditure. Tourism New Zealand delivers a range of marketing outputs, which broadly fit into the categories of advertising, international public relations (PR) and market research.

ADVERTISING

The implementation of Tourism New Zealand's three-year marketing strategy, introduced in the latter part of 2009/10, shifted focus from raising awareness of New Zealand through predominately mass media advertising campaigns, towards converting existing levels of awareness in key markets. The strategy focuses on using more digital marketing methods such as; investing in paid search engine advertising, optimising online search results, developing and running online display campaigns, and has an increased focus on joint venture activity with industry partners.

Performance Measure	2010/11 Actual Result	Status
Australia: year round activity	Year round activity delivered	Achieved
Australia: delivery of 4 partnered campaigns	9 partnered campaigns delivered	Achieved
UK: Digital Marketing; continuous search engine marketing and delivery of 2 online display campaigns	6 online display campaigns and continuous search engine marketing delivered	Achieved
UK: delivery of 2 partnered campaigns	1 partnered campaign in the UK was delivered The second partnered campaign scheduled to run in the UK was moved and undertaken in France instead	Substantially achieved
USA: Digital Marketing; continuous search engine marketing and delivery of 2 online display campaigns	2 online display campaigns and continuous search engine marketing delivered	Achieved
USA: partnership work with Air New Zealand and delivery of other partnered campaigns	7 partnered campaigns delivered	Achieved
China: Digital Marketing; continuous search engine marketing and delivery of 2 online display campaigns	3 online display campaigns and continuous search engine marketing delivered	Achieved

⁵ New Zealand and offshore support costs supports the delivery of all five outputs.

⁶ Tourism New Zealand integrated funding from this appropriation into joint venture activities under Outputs One and Two.

⁷ Appropriation Three supports the ongoing implementation of the Qualmark New Zealand environmental accreditation scheme. This was incorporated into Tourism New Zealand's quality assurance activities (see Output Class Five).

China: delivery of 3 partnered campaigns	3 partnered campaigns delivered	Achieved					
Germanic Europe: Digital Marketing; continuous search engine marketing and delivery of 3 online display campaigns	5 online display campaigns and continuous search engine marketing delivered	Achieved					
Germanic Europe: delivery of 2 partnered campaigns	4 partnered campaigns delivered	Achieved					
Japan: Digital Marketing; continuous search engine marketing and delivery of 2 online display campaigns	3 online campaigns and continuous search engine marketing (excluding March 2011, post earthquake) delivered	Achieved					
Japan: delivery of 2 partnered campaigns	4 partnered campaigns delivered	Achieved					
Consumers identify the key campaign messages that Tourism New Zealand aimed to deliver through campaign ⁸	Research showed that key campaign messages successfully reached consumers. The percentage of respondents whose key message take out was on target ranged between 57% and 78% from January 2011 to June 2011.	Achieved					
Potential audience, reach (%) and frequency of campaigns in Australia and China meet the targets set for each campaign	Australia:	Achieved					
	2010/11		1+	2+	3+	Reach ⁹ (000s)	Average Freq. ¹⁰
	Sydney		100%	99%	96%	2,032,000	32.2
	Melbourne		100%	100%	97%	1,954,000	30.98
	Brisbane		100%	96%	91%	1,254,000	22.32
Campaign reach, frequency and audience targets met within Australia in 2010/11 with the exception of campaign activity that was disrupted as a result of the Queensland floods and the Christchurch earthquake							
China: Traditional media in campaigns is not measured for reach and frequency							
Cost of acquisition ¹¹ Search 2011/12 targets: Australia \$1.50-\$2; China \$0.50-\$1; North America \$3.50-\$4.50; UK \$0.50-\$1; Germany \$1.50-\$2.50; Japan \$2-\$3 Display 2011/12 targets: Australia \$3-\$3.50; China \$1-\$1.50; North America \$8-\$10; UK \$3-\$3.50; Germany \$5-\$5.50; Japan \$5.50-\$6 Due to insufficient data, no targets for 2010/11 have been set. For context, targets for 2011/12 have been included.	From search (Quarter 4); Australia \$23.80; China \$13.56; North America \$73.74; UK \$39.87; Germany \$101.69; Japan \$32.50 From display (Quarter 4); Australia \$25.07; China \$50.69; North America \$84.72; UK \$327.65; Germany \$433.06; Japan \$25.40	Achieved					
Rate of referral ¹² Search 2011/12 targets: Australia 7-10%; China 3-5%; North America 7-10%; UK 15-17%; Germany 2-3%; Japan 7-10% Display 2011/12 targets: Australia 12-15%; China 2-3%; North America 12-14%; UK 14-16%; Germany 2-3% Japan 10-12% Due to insufficient data, no targets for 2010/11 have been set. For context, targets for 2011/12 have been included.	From search; Australia 9%; China 6.8%; North America 4.8%; UK 4.5%; Germany 1.8%; Japan 3.8% From display; Australia 13.2%; China 6.17%; North America 5.4%; UK 4.5%; Germany 1.1%; Japan 14.4%	Achieved					

⁸ Results for Q3 and Q4 are based on "100% Pure You" creative which is not comparable with the "Which NZ Are You" campaign that the benchmark in Tourism New Zealand's 2010-13 Statement of Intent was set against. Further to this, the benchmark was based on surveying Interactive Travellers on a pre and post campaign basis, whereas Q4 results are based on the Active Considerer - surveyed on a monthly basis.

⁹ Reach is the number of people who would see the advertisement within a target market.

¹⁰ Average number of times an audience is potentially exposed to an advertising message over a given period.

¹¹ 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.

¹² Referral rate: measures the percentage of people who once drawn to newzealand.com are then delivered to an operator or partner site where actual travel/experiences can be purchased.

INTERNATIONAL PUBLIC RELATIONS

Public Relations activity included investing in targeted international public relations opportunities to raise New Zealand's profile and create an impression in the minds of potential visitors of the kinds of experiences they can have in New Zealand.

Performance Measure	2010/11 Actual Result	Status
Number of international media hosted in New Zealand (400)	498 international media hosted	Achieved
Number of opinion leaders hosted (15)	11 opinion leaders hosted. This target was not met due to a shift in focus with resources being diverted to large-scale broadcast opportunities.	Not achieved
Number of events over \$1 million (1)	Deployment of Giant Rugby Ball in Sydney in Quarter 1	Achieved
Quality of media exposure generated from visiting international media (95% positive comment)	Level of positive comment determined in external review: 96%	Achieved
Amount of coverage achieved: broadcast (minutes); print (number of pages); online (number of web pages) This measure monitors coverage achieved. No specific targets are set for different types of coverage	2010/11 full year result: Broadcast 1,913.87 minutes; Print 948 pages; Online 301 web pages	Achieved
Impressions generated from events over \$1m meet targets specified prior to event commencing	Impression target for Giant Rugby Ball deployment in Sydney 2010 was 10 million. Actual impressions totalled 26 million.	Achieved
Satisfaction of attendees at events over \$1m (maintain at or above 95%)	Satisfaction of attendees at the Giant Rugby Ball: 98% in attendance were satisfied or highly satisfied	Achieved

MARKET RESEARCH

Market Research activities focused on providing core intelligence and evaluation input into the development of marketing campaigns. A key output is the Visitor Experience Monitor, which surveys actual visitor's attitudes.

Performance Measure	2010/11 Actual Result	Status
Number of online Visitor Experience Monitor surveys carried out (6 month target: 2,000, annual target: 4,000)	6 month period July - December 2010: 1,897 6 month period Jan - June 2011: 2,697 Increases to survey length resulted in surveys being under target for the first 6 months. Increasing the pool of respondents resulted in the full year target being met.	Achieved

OUTPUT CLASS TWO: WORKING WITH OVERSEAS TRAVEL TRADE AND AIRLINES

Tourism New Zealand's activities within this output class include joint venture marketing with Regional Tourism Organisations (RTOs) in the Australian market, airlines and other industry partners. Travel trade training and trade event activity is also covered in this output.

JOINT VENTURE MARKETING AND AIRLINES

Joint venture marketing provides a number of opportunities to increase the effectiveness of Tourism New Zealand's activities, including; enabling Tourism New Zealand's messaging to be packaged with something potential visitors can buy, extending marketing reach through matched funding, expanding and maintaining air capacity from key tourism markets. Joint venture activity with RTOs also raises awareness of New Zealand regions in Australia by capturing the appeal of an overseas holiday with the convenience of a short trip.

Performance Measure	2010/11 Actual Result	Status
Contribution from public and private sector partners: Target: \$6m	Contribution from public and private partners: \$6.467m	Achieved
Ratio for RTO joint venture contribution: \$1:\$1	RTO joint venture \$1:\$1	
Development of a suitable campaign Return on Investment (ROI) measure	Campaign ROI methodology agreed and measure incorporated in Statement of Intent 2011-14	Achieved
Monitor and report on the level of air capacity on routes identified as strategic priorities	International inbound capacity to New Zealand grew from 6,218,900 to 6,469,148 seats during the 2010/11 year. This equates to an additional 250,248 seats or a 4% growth.	Achieved

TRAVEL TRADE TRAINING & TRADE EVENTS

A range of methods are used to increase travel seller capability to sell New Zealand, such as; providing online training to the travel trade through newzealand.com/travel/trade, providing familiarisation experiences to overseas travel sellers and maintaining and updating Tourism New Zealand's travel trade website. Tourism New Zealand also organises travel trade events and coordinates participation by the New Zealand tourism sector at international trade shows.

Performance Measure	2010/11 Actual Result	Status
Travel module completions (12,000)	15,476 travel module completions	Achieved
Face-to-face trainings undertaken (no target set, 2010/11 is a benchmarking year)	213 face-to-face trainings delivered; 6,531 participants	Achieved
Webinars delivered (no target set, 2010/11 is a benchmarking year)	38 webinars delivered; 1,844 participants	Achieved
Trade on Tourism New Zealand hosted familiarisations (150)	234 members of trade hosted on familiarisations	Achieved
Trade on self-familiarisations (550)	429 members of the tourism trade participated in self-familiarisations through Tourism New Zealand's Explore programme. The programme is demand driven as it is not promoted by Tourism New Zealand.	Not achieved
International travel seller satisfaction with Tourism New Zealand's trade training activities (no target set, 2010/11 is a benchmarking year) ¹³	Webinar ¹⁴ satisfaction average: 100% Travel module satisfaction average: 100% Face-to-face ¹⁵ training satisfaction average: 97.2% Familiarisation satisfaction: 99.6% Familiarisation satisfaction: 99.6% Overall average: 99.2%	Achieved
Number of major trade events attended by Tourism New Zealand (6)	21 events attended	Achieved
Number of trade events organised and facilitated by Tourism New Zealand (3)	7 events organised/facilitated	Achieved
Percentage of buyers very confident or confident in selling destination New Zealand following attendance of Tourism New Zealand organised and facilitated events, Kiwi Links (80%). Refer to footnote 13.	97.6% confidence rating	Achieved

¹³ Q1 and Q2 results have not contributed to the full year result as the standardised approach to evaluation was not implemented until Q3. As no events were held in Q3, the full year result represents only events held in Q4.

¹⁴ Four webinars conducted within the North American market experienced technical issues preventing satisfaction evaluations from being completed and in turn could not be included in this result.

¹⁵ Satisfaction evaluations from participants in certain training activities in India and Singapore have not been able to be included in the overall satisfaction result for face-to-face trainings due to evaluation forms not being completed or due to the loss of the evaluation forms due to a postage error.

OUTPUT CLASS THREE: INFORMING AND ENGAGING WITH NEW ZEALAND'S TOURISM INDUSTRY

Tourism New Zealand informs and engages with the New Zealand tourism industry by providing a range of publications e.g. e-bulletins, undertaking speaking engagements, workshops and road shows.

PUBLICATIONS, WEBSITES, ENGAGEMENTS AND CULTURAL EDUCATION

Engaging with the tourism industry assists in promoting a collaborative industry and helps the industry to maintain a good understanding of changing markets, Tourism New Zealand's strategy, and key elements around selling the New Zealand tourism product and brand effectively. This leads to increased opportunities to achieve industry outcomes.

Performance Measure	2010/11 Actual Result	Status
Number of e-bulletins published quarterly (6)	24 e-bulletins published (average 6 per quarter)	Achieved
Total visits to Tourism New Zealand's corporate website , tourismnewzealand.com, (maintained at 20,000 average per month)	Annual monthly average visits: 37,260	Achieved
Average time spent per person on Tourism New Zealand's corporate website (maintain over 2 minutes)	Annual monthly average spent on corporate website: 2 minutes 21 seconds	Achieved
Open rate of e-bulletins (maintain over 30%)	Average open rate: 35.8%	Achieved

OUTPUT CLASS FOUR: INFORMATION FOR VISITORS

Tourism New Zealand's activities within this output class include utilising newzealand.com, Tourism New Zealand's consumer website, to connect and engage with potential visitors to New Zealand and ensuring that i-SITEs meet the quality standards that are a membership requirement.

i-SITE

i-SITE New Zealand is a subsidiary of Tourism New Zealand, and the subsidiary is the owner of the i-SITE brand and livery. Tourism New Zealand provides staff, support services, business systems, training to local i-SITE network staff, and marketing for the i-SITE network. Tourism New Zealand does not hold an ownership stake in any i-SITE centres.

Performance Measure	2010/11 Actual Result	Status
Number of i-SITEs assessed against network membership standards and 'mystery shopped' (40 assessed, 40 mystery shopped)	2010/11 full year result: Number of i-SITEs assessed against network: 43 Number of i-SITEs mystery shopped: 42	Achieved
Level of user satisfaction with i-SITE service (maintain above 8.6/10)	2010/11 full year result: User satisfaction: 8.6/10	Achieved

OUTPUT CLASS FIVE: QUALITY ASSURANCE

QUALMARK

Tourism New Zealand owns 60 per cent of the subsidiary organisation, Qualmark New Zealand Ltd, along with the Automobile Association of New Zealand. Tourism New Zealand provides funding, governance and some marketing support for Qualmark. Qualmark provides quality assurance services to around 2,300 New Zealand tourism businesses and assesses those businesses that carry the Qualmark logo on their environmental performance as part of encouraging responsible tourism¹⁶.

Performance Measure	2010/11 Actual Result	Status
Annual number of Qualmark licence holders (average of over 2,300)	2010/11 full year result: Quarter 1: 2,303; Quarter 2: 2,313; Quarter 3: 2,319; Quarter 4: 2,325	Achieved
Qualmark licensees' satisfaction with Qualmark programme/service (increase from 52% base)	Qualmark licensee's satisfaction with Qualmark programme/service for 2010/11 was 48.6%. This compares with 52% in 2009. A range of factors are expected to have contributed to the licensee's satisfaction target not being met, including; the changed economic conditions in 2010, compared to late 2009 when the original survey was undertaken, and the release of Qualmark's new direction in December 2010, which received varied feedback and reactions from the industry. The implementation of the planned new direction, together with other initiatives, is expected to lead to improved satisfaction levels in 2011/12. Tourism New Zealand is seeking to see improve licensee satisfaction levels of 65% in 2011/12.	Not Achieved

APPROVED DESTINATION STATUS (ADS)

The Chinese tourist market has particular quality issues that require attention. The Approved Destination Status (ADS) Monitoring Unit, operated by Tourism New Zealand, licenses New Zealand-based Inbound Tour Operators that cater for the Chinese market, and monitors their conduct, performance and quality standards. The ADS Monitoring Unit assesses new applicants, completes regular compliance monitoring and assessments, and handles complaints and feedback from Chinese Group Tour visitors.

Performance Measure	2010/11 Actual Result	Status
Number of ADS 'spot checks' and 'mystery shopped' operators annually (100 spot checks and 20 mystery shops)	2010/11 full year result: Number of spot checks: 213 Number of mystery shops: 20	Achieved
Applications for ADS renewals processed within timeframes (within 30 days of all relevant material being received by Tourism New Zealand)	2010/11 full year result: ADS renewal applications processed within 30 days: 18/18 applications processed in timeframes on receipt of all information	Achieved

¹⁶ Activities associated with the ongoing implementation of Qualmark's environmental accreditation scheme are funded out of Output Class Three: Implementation of the Tourism Strategy.

MANAGEMENT STATEMENTS ¹⁰/₁₁

This section describes the performance of outcomes to which the outputs described in the Statement of Service Performance contribute.

HIGH LEVEL OUTCOME: THE VALUE ADDED TO THE NEW ZEALAND ECONOMY FROM INTERNATIONAL VISITORS IS INCREASED

Tourism New Zealand activities contribute to the success of this outcome. Success is also influenced by a number of variables outside the control of Tourism New Zealand and the wider tourism industry.

In 2010/11, a number of factors contributed to a challenging environment for the tourism sector. The earthquakes in Christchurch, natural disasters in Australia and Japan, and a rising New Zealand dollar coupled with continued slow economic recovery in some of New Zealand's key tourism markets, all provided downward pressure on the value of international visitors to the New Zealand economy. This was balanced, to a degree, with strong growth in visitor arrivals from the China and South East Asia markets.

The table below provides a summary of some of the key contributions that international visitors made to the New Zealand economy during the 2010 calendar year ¹⁷.

MEASURE	2009	2010	TREND
Tourism contribution to GDP	8.8%	8.7%	Decrease
Tourism contribution to employment	9.6%	9.6%	No change
International tourism expenditure in New Zealand	\$9.39b	\$9.54b	Increase
Tourism's contribution to GST earnings	\$1.62b	\$1.66b	Increase

TOURISM INDUSTRY OUTCOME ONE: INTERNATIONAL VISITOR EXPENDITURE IN NEW ZEALAND, FROM TOURISM NEW ZEALAND'S MARKETS, INCREASES DUE TO CHANGES IN INTERNATIONAL VISITOR ARRIVALS, LENGTH OF STAY AND SPEND PER DAY

The number of visitors to New Zealand and the amount they spend depends on a range of variables, including (but not limited to):

- Tourism New Zealand's marketing activities
- The impact of significant events both in New Zealand and in target markets
- Exchange rates and the general economic conditions in countries of origin
- The marketing activities of competing destinations and the efforts of other national tourism offices
- Airline scheduling decisions, seat capacity on air routes and ticket pricing

In 2010/11, strong growth in total visitor numbers from China (+25.2%) and South East Asia (+11.6%), was balanced by the continued decline in visitors from the UK (-11.2%) and flat results in other key markets.

Overall, a decline (-2.6%) in international holiday visitors was observed for the year ended 30 June 2011 and total visitor arrivals were the same as the previous period, 2.49 million¹⁸.

¹⁷ Source: Tourism Satellite Account, Statistics New Zealand.

¹⁸ Country visitor arrival figures are derived from samples, total arrivals based on country samples, differs slightly from total actual arrivals of 2,501,303. Source: International Visitor Arrivals (IVA), Statistics New Zealand.

Visitor arrivals from Tourism New Zealand's top target markets are set out below:

TARGET MARKET	YEAR ENDED 30 JUNE 2009	YEAR ENDED 30 JUNE 2010	YEAR ENDED 30 JUNE 2011	GROWTH RATE JUNE 2010/11(%)
Australia	1,007,860	1,119,437	1,111,192	-0.7%
UK	262,378	248,930	220,043	-11.6%
US	196,787	194,008	188,150	-3.0%
China	107,541	105,190	131,648	25.2%
South East Asia ¹⁹	75,877	80,273	89,252	11.2%
Germany	62,837	65,021	65,237	0.3%
Japan	88,474	83,587	78,559	-6.0%
Other	597,141	593,125	605,741	2.1%
Total - All markets	2,398,895	2,489,571	2,489,822	0.0%

International visitor expenditure ²⁰ for the year ended 30 June 2011 was \$5.564 billion, representing a 6.5% decrease over the previous year. China and South East Asia experienced growth in visitor expenditure for the year, with other key Tourism New Zealand markets showing a decline. The rising New Zealand dollar, resulting in New Zealand being relatively more expensive to visit for many markets, is believed to have contributed to a reduction in visitor spend.

Visitor expenditure by Tourism New Zealand's top target markets is set out below:

TARGET MARKET	YEAR ENDED 30 JUNE 2009 (NZ\$M)	YEAR ENDED 30 JUNE 2010 (NZ\$M)	YEAR ENDED 30 JUNE 2011 (NZ\$M)	GROWTH RATE JUNE 2010/11(%)
Australia	1,637	1,743	1,642	-5.87%
UK	826	706	576	-18.4%
US	607	514	443	-13.9%
China	312	365	410	12.4%
South East Asia	169	222	240	8.1%
Germany	240	276	236	-14.4%
Japan	422	355	268	-24.4%
Other	1,948	1,995	1,989	0.3%
Total - All markets	5,992	5,953	5,564	-6.5%

¹⁹ Includes: Thailand, Singapore, Malaysia and Indonesia.

²⁰ Source: International Visitor Arrivals (IVA), Statistics New Zealand, International Visitor Survey (IVS), Ministry of Economic Development.

²¹ Source: Visitor Experience Monitor, Tourism New Zealand.

TOURISM INDUSTRY OUTCOME TWO: VISITORS HAVE A HIGH QUALITY EXPERIENCE IN NEW ZEALAND THAT MEETS OR EXCEEDS THEIR EXPECTATIONS

Visitors to New Zealand during 2010/11 remained very satisfied with their New Zealand holiday, rating their experience on average 9.0 out of 10. Almost all visitors (97%) also state that they are likely or very likely to recommend New Zealand if asked by someone else ²¹.

MARKET	HIGHLY SATISFIED WITH NEW ZEALAND EXPERIENCE		LIKELY TO RECOMMEND NEW ZEALAND	
	2010/11 ACTUAL	TREND	2010/11 ACTUAL	TREND
All markets	89%	-2%	96%	-1%
Australia	90%	-2%	97%	-2%
US	95%	+1%	97%	No change
UK	95%	+1%	98%	1%
China	88%	+2%	94%	-2%

TOURISM NEW ZEALAND OUTCOMES

Tourism New Zealand's output classes in 2010/11 were carefully selected for the contribution they would make to the achievement of the following organisation-specific outcomes:

Tourism New Zealand Outcome One – Conversion: Tourism New Zealand's target audiences' desire to visit New Zealand and rate of conversion to travel is increased.

Tourism New Zealand Outcome Two – Information and satisfaction: Visitor spending and satisfaction is increased through access to information that encourages activity and use of quality assured tourism services.

These outcomes, which are outlined in more detail in Tourism New Zealand's Statement of Intent 2010/11, have been developed to support the High Level outcome and wider tourism industry outcomes.

Measures used to monitor the effect of Tourism New Zealand outputs on the outcomes are described below.

TOURISM NEW ZEALAND OUTCOME ONE: CONVERSION

CONNECTION AND ENGAGEMENT

Tourism New Zealand monitors levels of connection and engagement with target audiences by measuring how many people are drawn into the first stage of the 'path to purchase' via digital media, and the depth of engagement with these people. The numbers of visitors to newzealand.com who then link to operator websites are also tracked to provide an indication of increased intention to book trips.

MEASURES	2010/11 ACTUAL	2010/11 TARGET	2009/10 ACTUAL
Unique visits to newzealand.com from; search engine result, Tourism New Zealand paid ads, and other links	1,011,479	1,000,000	610,000
newzealand.com average monthly referrals to operator sites	126,099	150,000	100,000
Size of the Tourism New Zealand Facebook fan base over time	402,010	300,000	114,000

Comment: The measures for connection and engagement showed strong growth. While the number of referrals to operator websites did not reach the initial target, significant growth over the previous period did take place. In addition to the 126,099 referrals from newzealand.com, a number of the partnered promotions that occurred during 2010/11 drove referrals directly to partner sites.

PROPORTION OF ACTIVE CONSIDERERS WHO CONSIDER NEW ZEALAND THEIR FIRST OR SECOND PREFERRED DESTINATION

Tourism New Zealand utilises resources to target a group of consumers called 'Active Considerers' (ACs). Active Considerers are aware of New Zealand, and they are already actively considering New Zealand as a destination for their next overseas trip. To help gauge the impact marketing spend is having on the level of preference Active Considerers have for New Zealand over other competing destinations, Tourism New Zealand undertakes monthly campaign tracking within key markets. Tourism New Zealand's focus is on increasing the number of Active Considerers who consider New Zealand their first or second most preferred destination.

MEASURES	ACTIVE CONSIDERERS WHO CONSIDER NEW ZEALAND THEIR FIRST OR SECOND PREFERRED DESTINATION (OCTOBER 2010- JUNE 2011)	ACTIVE CONSIDERERS WHO CONSIDER NEW ZEALAND THEIR FIRST OR SECOND PREFERRED DESTINATION (INITIAL BENCHMARK - STATEMENT OF INTENT)
Australia	50%	58%
UK	61%	45%
US	48%	53%
China	70%	82%
Japan	59%	69%
Germany	57%	62%

Comment: The preliminary benchmarks contained in the Statement of Intent were based on a small sample and have been reset for 2011/12. The initial preference benchmarks were not met for most key markets. One market, the UK, did outperform the initial preference benchmark and this is likely to be linked to the Rugby World Cup 2011. It is also clear from the drop in preference for their next trip, that the Christchurch earthquakes have affected preference for New Zealand.

STRATEGIC ALLIANCES

Joint venture activity – Tourism New Zealand tracks the monetary value of co-funded marketing activity as a measure of the increased 'buying power' that is obtained through strategic alliances. In 2010/11, joint venture funds committed to coordinated marketing activity with Tourism New Zealand totalled \$6.467m (target \$6m) and the joint venture marketing target of \$1:\$1 contributions from Regional Target Organisations was also met.

Air capacity – Airline scheduling decisions, seat capacity on air routes and ticket pricing all play a crucial role in tourism outcomes. International inbound capacity to New Zealand grew from 6,218,900 to 6,469,148 seats during the 2010/11 year. This equates to an additional 250,248 seats or a 4 per cent growth.

TOURISM NEW ZEALAND OUTCOME TWO: INFORMATION AND SATISFACTION

INFORMATION FOR VISITORS

Tourism New Zealand monitors the utilisation of i-SITEs and the level of expenditure of those who visit an i-SITE, as well as the satisfaction variances between those who utilise i-SITEs and quality assured products and services, and those who do not. This assesses the impact that our focus on information services and quality assurance has on maximising visitor spend and improving overall levels of satisfaction to be evaluated.

Performance Measure	2010/11 Target	2010/11 Actual Result	Status
Number of i-SITE visitors as a percentage of holiday visitors	Maintain at or above 55.5%	54.6%	Not achieved
Average transaction value of a i-SITE visitor	2009/10: \$114.80 2010/11: \$120.59	2009/10 result: \$126 2010/11 not available	2010/11 result pending completion of survey
Average total expenditure attributable to i-SITE visitors increases	\$3,803.50	Average expenditure of i-SITE users: \$3,174 Average expenditure of non-i-SITE users: \$1,949	Not achieved
Satisfaction of overall tourism experience for i-SITE visitors compared to other visitors	Maintain at or above 9/10	Satisfaction of i-SITE visitors: 9.0/10 Satisfaction of non-i-SITE visitors: 8.9/10	Achieved

Comment: The results show i-SITE usage is currently declining. A reason for this is holiday tourists becoming more confident in booking transport, accommodation and activities via the internet. Repeat visitation to New Zealand is also increasing which may reduce i-SITE usage, as tourists become more familiar with travelling in New Zealand. Average expenditure has been declining from most markets. Australian visitors are also making up an increasing share of tourism expenditure. Australians spend much less per person than other tourists due to their short length of stay and this influences total average expenditure.

QUALITY ASSURANCE

Performance Measure	2010/11 Target	2010/11 Actual Result	Status
Satisfaction of visitors who used Qualmark services compared to non-Qualmark services	Maintain at or above 9/10 and above satisfaction levels of non-Qualmark users	Satisfaction of Qualmark users: 9/10 Satisfaction of non-Qualmark users: 8.9/10	Achieved
Level of satisfaction of Chinese visitors	Maintain at or above 8.6/10	Satisfaction of Chinese visitors: 8.8/10	Achieved

EQUAL EMPLOYMENT OPPORTUNITIES ¹⁰/₁₁

Under Section 151 (1)(g) of the Crown Entities Act, Tourism New Zealand is required to provide information about compliance with obligations to be a good employer, including our Equal Employment Opportunities (EEO) Programme.

Set out below is a work place profile for Tourism New Zealand as at 30 June 2011.

	Executive Management	Direct reports to executive managers or staff with responsibility for specific output areas	Other Managers with Staff Responsibility (4th Tier)	Professional and Support Staff
NZ EUROPEAN				
Male	60%	33%		7%
Female	40%	48%	33%	37%
MĀORI				
Male		4%		3%
Female		4%		1%
PACIFIC PEOPLES				
Male				
Female				1%
ASIAN (INC SOUTH ASIAN)				
Male		4%	17%	4%
Female		7%	33%	29%
OTHER				
Male				
Female			17%	18%

Women and people of Asian descent continue to be well represented at all levels in the organisation. Tourism New Zealand continues to support the development and growth of Māori staff and to facilitate this has:

- Continued to support the secondment of a Māori staff member to another organisation to provide career development opportunities
- Provided an extended period of leave to a Māori employee to enable this person to complete tertiary study
- Promoted and permanently employed an employee completing the one year Māori Graduate Programme

This area will remain one of focus for the 2011/2012 year.

LEADERSHIP, ACCOUNTABILITY AND CULTURE

Tourism New Zealand remains committed to being a good employer and as such to managing and leading all staff fairly and properly in all aspects of their employment. This includes people in our offshore offices where there are different jurisdictional requirements and statutory minima in the areas of Equal Employment Opportunities.

Our Executive Leadership Team and broader management group is committed to demonstrating leadership and accountability in all areas of EEO and, from an EEO perspective, this means a commitment to, and activity in, the following areas.

RECRUITMENT, SELECTION AND INDUCTION

Our recruitment and selection procedure has been developed to ensure that all prospective employees are given the opportunity to participate equally in the recruitment process. Our selection process typically involves a structure competency and behaviourally based interviews, a second less formal interview, detailed reference checking, a screening tool, and for senior positions, a psychometric assessment tools are all

validated and support EEO principles. Tourism New Zealand also provides appropriate support for Māori and Pacific peoples and people with English as a second language during the recruitment and selection process.

EMPLOYEE DEVELOPMENT, PROMOTION AND EXIT

Tourism New Zealand has an active management and leadership development programme. In terms of organisational capability, effective leadership including understanding and knowledge of kaupapa and tikanga Māori continue to be areas of focus. Te Wiki o Te Reo Māori and Matariki are also actively supported by Tourism New Zealand with a planned programme to provide additional skills training and learning opportunities.

We also have a talent management programme in place, and this focuses on nurturing and growing key talent within the organisation regardless of gender, ethnicity or any other demographic factor.

Other training and development needs are identified on an individual basis and are agreed between the manager and employee. Development programmes are selected based on individual development needs.

FLEXIBILITY AND WORK DESIGN

Tourism New Zealand has an active programme of supporting flexible working arrangements and job design to assist employees to manage different aspects of work life balance. We continue to:

- Support staff with disabilities through work place design changes, and accommodating individual needs in the work place
- Support parents in their return to work by offering part time and gradual return to full time arrangements, and flexitime to accommodate child care needs
- Support expectant parents by granting additional paid time away from work to attend appointments associated with the pregnancy

- Support staff with responsibilities for child and eldercare by offering flexible working arrangements

REMUNERATION, RECOGNITION AND CONDITIONS

The annual salary review and internal promotions are based on individual skills and experience, and recognise performance regardless of ethnicity, gender or physical ability.

Individuals identified as not meeting the requirements of their role are provided with support, training and development where required to assist them to achieve success in their role.

HARASSMENT AND BULLYING PREVENTION

Tourism New Zealand has a strictly adhered to policy and procedure for dealing with work place harassment and bullying. In the 12 months, there have been no reported allegations relating to harassment and/or bullying.

SAFE AND HEALTHY ENVIRONMENT

Tourism New Zealand has a good and safe working environment, and we have published and well understood policies with regard to this, which have actively encouraged staff involvement. Additional support for people has over the last 12 months included specialist work place assessments and the provision of special equipment to ensure that employees are able to contribute effectively in all aspects of their working life.

FINANCIAL STATEMENTS ¹⁰/₁₁

Statement of Responsibility

In terms of the Crown Entities Act 2004, the Board is responsible for the preparation of the New Zealand Tourism Board's financial statements and statement of service performance, and for the judgments made in them.

The Board of New Zealand Tourism Board has the responsibility for establishing, and has established, a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

In the Board's opinion, these financial statements and statement of service performance give a true and fair view of the financial position and operation of the New Zealand Tourism Board Group for the year ended 30 June 2011.

The Members of the New Zealand Tourism Board and Group authorised these financial statements for issue on 1 September 2011.

Signed on behalf of the Board:



G. Muir
Chairman
(resigned
15 August 2011)
1 September 2011



K. Prendergast
Chairman
(appointed
15 August 2011)
1 September 2011



M. Johns
Deputy Chairman
1 September 2011

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2011

	Notes	GROUP			PARENT		
		2011	2011	2010	2011	2011	2010
		Actual	Budget	Actual	Actual	Budget	Actual
		\$000s	\$000s	\$000s	\$000s	\$000s	\$000s
INCOME							
Revenue from Crown	2	99,361	99,431	89,431	99,361	99,431	89,431
Interest income		252	293	219	252	290	219
Other revenue	3	8,186	4,399	11,037	6,467	2,324	8,791
Total Income		107,799	104,123	100,687	106,080	102,045	98,441
EXPENDITURE							
Other expenses	4	107,104	103,512	95,236	105,397	101,498	93,156
Depreciation & amortisation	12,13	650	611	723	563	547	632
Share of associate's deficit	8	-	-	3	-	-	-
Total Expenditure	5	107,754	104,123	95,962	105,960	102,045	93,788
Net Operating Surplus/(Deficit) before Foreign Exchange and Taxation		45	-	4,725	120	-	4,653
FOREIGN EXCHANGE							
Foreign exchange gains/(losses) on derivative financial instruments	6	(510)	-	1,148	(510)	-	1,148
Other foreign exchange gains/(losses)	6	(186)	-	(322)	(186)	-	(322)
Total foreign exchange gains/(losses)		(696)	-	826	(696)	-	826
Income tax expense	21	-	-	-	-	-	-
Net Surplus/(Deficit) for the year		(651)	-	5,551	(576)	-	5,479
Other comprehensive income/(expense)		-	-	-	-	-	-
Total comprehensive income/(expense) for the year		(651)	-	5,551	(576)	-	5,479
Net Surplus/(Deficit) for the year is attributable to:							
Non-controlling interest	7	46	-	(12)	-	-	-
Owners of the parent		(697)	-	5,563	(576)	-	5,479
		(651)	-	5,551	(576)	-	5,479
Total comprehensive income/(expense) for the year is attributable to:							
Non-controlling interest	7	46	-	(12)	-	-	-
Owners of the parent		(697)	-	5,563	(576)	-	5,479
		(651)	-	5,551	(576)	-	5,479

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2011

		PARENT			
		Shareholders Equity \$000s	Foreign Exchange Reserve \$000s	Retained Earnings \$000s	Total \$000s
	Notes				
Balance at 1 July		1,805	4,800	(74)	6,531
Net surplus/(deficit) for the year		-	-	(576)	(576)
Transfer from Retained Earnings to Foreign Exchange Reserve	18	-	(186)	186	-
Total comprehensive income/(expense) for the year		-	(186)	(390)	(576)
Balance at 30 June		1,805	4,614	(464)	5,955

		GROUP				
		Shareholders Equity \$000s	Foreign Exchange Reserve \$000s	Retained Earnings \$000s	Non- Controlling Interest \$000s	Total \$000s
	Notes					
Balance at 1 July		1,805	4,800	(117)	51	6,539
Net surplus/(deficit) for the year		-	-	(697)	46	(651)
Transfer from Retained Earnings to Foreign Exchange Reserve	18	-	(186)	186	-	-
Total comprehensive income/(expense) for the year		-	(186)	(511)	46	(651)
Balance at 30 June		1,805	4,614	(628)	97	5,888

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2010

		PARENT			
		Shareholders Equity \$000s	Foreign Exchange Reserve \$000s	Retained Earnings \$000s	Total \$000s
	Notes				
Balance at 1 July		1,805	-	(753)	1,052
Net surplus/(deficit) for the year		-	-	5,479	5,479
Transfer from Retained Earnings to Foreign Exchange Reserve	18	-	4,800	(4,800)	-
Total comprehensive income/(expense) for the year		-	4,800	679	5,479
Balance at 30 June		1,805	4,800	(74)	6,531

		GROUP				
		Shareholders Equity \$000s	Foreign Exchange Reserve \$000s	Retained Earnings \$000s	Non- Controlling Interest \$000s	Total \$000s
	Notes					
Balance at 1 July		1,805	-	(880)	63	988
Net surplus/(deficit) for the year		-	-	5,563	(12)	5,551
Transfer from Retained Earnings to Foreign Exchange Reserve	18	-	4,800	(4,800)	-	-
Total comprehensive income/(expense) for the year		-	4,800	763	(12)	5,551
Balance at 30 June		1,805	4,800	(117)	51	6,539

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2011

	Notes	GROUP			PARENT		
		2011 Actual	2011 Budget	2010 Actual	2011 Actual	2011 Budget	2010 Actual
		\$000s	\$000s	\$000s	\$000s	\$000s	\$000s
CURRENT ASSETS							
Cash	9	10,608	7,040	6,398	10,473	7,000	6,254
Receivables	10	2,430	630	3,378	2,062	600	3,278
Prepayments & other current assets		744	1,000	1,395	729	1,000	1,378
		13,782	8,670	11,171	13,264	8,600	10,910
NON-CURRENT ASSETS							
Property, plant and equipment	12	2,430	1,788	1,750	2,404	1,784	1,683
Intangible assets	13	57	-	42	-	-	-
Investment in associate	8	1	5	1	-	-	-
Accommodation bonds	14	390	500	482	390	500	482
		2,878	2,293	2,275	2,794	2,284	2,165
Total Assets		16,660	10,963	13,446	16,058	10,884	13,075
CURRENT LIABILITIES							
Creditors and other payables	15	8,389	3,330	5,239	8,120	3,179	4,998
Employee entitlements	16	496	580	616	450	550	577
Invoiced in advance		462	-	221	108	-	168
Provisions	17	303	303	333	303	303	303
Derivative financial instruments	11	1,122	-	498	1,122	-	498
		10,772	4,213	6,907	10,103	4,032	6,544
Total Liabilities		10,772	4,213	6,907	10,103	4,032	6,544
Net Assets		5,888	6,750	6,539	5,955	6,852	6,531
EQUITY							
Equity attributable to equity holders of the parent							
Shareholder's Equity		1,805	1,805	1,805	1,805	1,805	1,805
Retained Earnings		(628)	145	(117)	(464)	247	(74)
Foreign Exchange Reserve	18	4,614	4,800	4,800	4,614	4,800	4,800
Parent interests		5,791	6,750	6,488	5,955	6,852	6,531
Non-controlling interests	7	97	-	51	-	-	-
Total Equity		5,888	6,750	6,539	5,955	6,852	6,531

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2011

	Notes	GROUP			PARENT		
		2011 Actual \$000s	2011 Budget \$000s	2010 Actual \$000s	2011 Actual \$000s	2011 Budget \$000s	2010 Actual \$000s
CASH FLOWS FROM OPERATING ACTIVITIES							
Crown revenue	2	99,361	99,431	89,431	99,361	99,431	89,431
Interest received		244	293	220	244	290	220
Other revenue		9,616	4,399	7,731	7,864	2,324	5,498
Payments to suppliers and employees		(104,193)	(105,403)	(93,090)	(102,450)	(103,325)	(90,898)
Goods and services tax (net)		(333)	-	(18)	(374)	-	(6)
Net cash from operating activities	19	4,695	(1,280)	4,274	4,645	(1,280)	4,245
Cash flows from investing activities							
Sale of property, plant and equipment		7	-	-	5	-	-
Repayment of accommodation bonds		169	-	3	169	-	3
Purchase of property, plant and equipment		(1,397)	(620)	(213)	(1,369)	(620)	(208)
Purchase of intangible assets		(33)	-	(51)	-	-	-
Payments for accommodation bonds		(119)	-	-	(119)	-	-
Net cash outflow from investing activities		(1,373)	(620)	(261)	(1,314)	(620)	(205)
Net increase/(decrease) in cash held		3,322	(1,900)	4,013	3,331	(1,900)	4,040
Effect of exchange rates on foreign currency balances		888	-	(1,432)	888	-	(1,432)
Opening cash brought forward		6,398	8,940	3,817	6,254	8,900	3,646
Cash at end of year	9	10,608	7,040	6,398	10,473	7,000	6,254

The notes and accounting policies on pages 27 to 53 form part of and are to be read in conjunction with these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 1

SUMMARY OF SIGNIFICANT 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. As such, Tourism New Zealand's ultimate parent is the New Zealand Crown.

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 except as follows:

In 2009 and 2010 various amendments to NZ IFRS were issued as part of the Annual Improvements Project, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions and application dates for each amendment. The adoption of the following amendments resulted in changes to accounting policies but did not have an impact on the financial position or performance of the Group.

Reference	Title	Application date of standard	Application date for Group
Improvements to NZ IFRSs	Amendments to NZ IFRS arising from the Annual Improvements Project (2009) NZ IAS 1, NZ IAS 7, NZ IAS 17, NZ IAS 18, NZ IAS 36 & NZ IAS 39	1 January 2010	1 July 2010
Improvements to NZ IFRSs	Amendments to NZ IFRS arising from the Annual Improvements Project (2010) NZ IFRS 3, NZ IFRS 7, NZ IAS 21, NZ IAS 28, NZ IAS 32 & NZ IAS 39	1 July 2010	1 July 2010

(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 2011. These are outlined in the table below.

NOTE 1 (CONTINUED)

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
Improvements to NZ Equivalents to IFRS (2010)	Amendments to New Zealand Accounting Standards arising from the Annual Improvements Project (2010)	<p>The amendments to some Standards result in accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes are expected to have no or minimal effect on accounting except for the following:</p> <p>The amendments to NZ IFRS 7 emphasises the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instruments.</p> <ul style="list-style-type: none"> • The amendments to quantitative and credit risk disclosures are, as follows: <ul style="list-style-type: none"> - Clarify that only financial assets whose carrying amount does not reflect the maximum exposure to credit risk need to provide further disclosure of the amount that represents the maximum exposure to such risk - Remove the requirement to specifically disclose financial assets renegotiated to avoid becoming past due or impaired <p>The amendments to NZ IAS 1 clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements.</p> <p>The amendments to NZ IAS 34 provides guidance to illustrate how to apply disclosure principles in NZ IAS 34 and add disclosure requirements around:</p> <ul style="list-style-type: none"> • The circumstances likely to affect fair values of financial instruments and their classification • Transfers of financial instruments between different levels of the fair value hierarchy • Changes in classification of financial assets • Changes in contingent liabilities and assets 	1 January 2011	The initial application of these standards are not expected to have any impact on the financial position or performance of the Group.	1 July 2011
NZ IAS 24	Related Party Disclosures (Revised 2009)	<p>The revised NZ IAS 24 simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition, including:</p> <p>(a) The definition now identifies a subsidiary and an associate with the same investor as related parties of each other;</p> <p>(b) Entities significantly influenced by one person and entities significantly influenced by a close member of the family of that person are no longer related parties of each other; and</p> <p>(c) The definition now identifies that, whenever a person or entity has both joint control over a second entity and joint control or significant influence over a third party, the second and third entities are related to each other.</p> <p>A partial exemption is also provided from the disclosure requirements for government-related entities. Entities that are related by virtue of being controlled by the same government can provide reduced related party disclosures.</p>	1 January 2011	Disclosure change only. The initial application of this standard is not expected to have any impact on the financial position or performance of the Group.	1 July 2011

NOTE 1 (CONTINUED)

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
NZ IFRS 7	Amendments to NZ IFRS 7 <i>Financial Instruments: Disclosures</i>	<p>The amendments to NZ IFRS 7 enhance the transparency of disclosure requirements for the transfer of financial assets.</p> <p>For transferred financial assets that are derecognised in their entirety but where the entity has a continuing involvement in them, the amendments require disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognised assets.</p> <p>For transferred financial assets that are not derecognised in their entirety, the amendments require disclosure of information that enables users of financial statements to understand the relationship between those assets which are not derecognised and their associated liabilities.</p> <p>All the information will need to be presented in a single note in an entity's financial statements.</p>	1 July 2011	Disclosure change only. The initial application of this standard is not expected to have any impact on the financial position or performance of the Group.	1 July 2011
NZ IFRS 9	Financial instruments	<p>NZ IFRS 9 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 Financial Instruments: Recognition and Measurement.</p> <p>These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of NZ IAS 39.</p> <p>The revised Standard introduces a number of changes to the accounting for financial assets, the most significant of which includes:</p> <ul style="list-style-type: none"> • 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 • Reclassifications between amortised cost and fair value no longer permitted unless the entity's business model for holding the asset changes. 	1 January 2013	The initial application of this standard is not expected to have any impact on the financial position or performance of the Group.	1 July 2013
NZ IFRS 9 (2010)	Financial Instruments	<p>NZ IFRS 9 (2010) superseded NZ IFRS 9 (2009). The requirements for classifying and measuring financial liabilities were added to NZ IFRS 9. The existing 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:</p> <ul style="list-style-type: none"> • The change attributable to changes in credit risk are presented in other comprehensive income (OCI) • The remaining change is presented in profit or loss <p>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.</p>	1 January 2013	The initial application of this standard is not expected to have any impact on the financial position or performance of the Group.	1 July 2013

NOTE 1 (CONTINUED)

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
NZ IFRS 11	Joint Arrangements	NZ IFRS 11 replaces NZ IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities – Non-monetary Contributions by Ventures. NZ IFRS 11 uses the principle of control in NZ IFRS 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition NZ IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations themselves are accounted for by recognising the share of those assets and obligations. Joint ventures that give the venturers a right to the net assets are accounted for using the equity method. This may result in a change in the accounting for joint arrangements.	1 January 2013	The initial application of this standard is not expected to have any impact on the financial position or performance of the Group.	1 July 2013
FRS 44	New Zealand Additional Disclosures	FRS 44 is a consequence of the joint Trans-Tasman Convergence project of the Australian Accounting Standards Board (AASB) and Financial Reporting Standards Board (FRSB). This standard relocates New Zealand specific disclosures from other standards to one place and revises disclosures in the following areas: (a) Compliance with NZ IFRS (b) The statutory basis or reporting framework for financial statements (c) Audit fees (d) Reconciliation of net operating cash flow to profit (loss) (e) Elements in the statement of service performance	1 July 2011	Disclosure change only. The initial application of this standard is not expected to have any impact on the financial position or performance of the Group.	1 July 2011
Harmonisation Amendments	Amendments to NZ IFRS to Harmonise with IFRS and Australian Accounting Standards [NZ IAS 1, 7, 8, 12, 16, 20, 28, 31, 34 and 40]	These amendments (a) Remove the disclosures which have been relocated to FRS 44 (b) Harmonise audit fee disclosure requirements in NZ IFRS 1 with AASB 101 (c) Introduce the option to use the indirect method of reporting cash flows in NZ IAS 7 (d) Remove some NZ-specific disclosures	1 January 2011	Disclosure change only. The initial application of these standards are not expected to have any impact on the financial position or performance of the Group.	1 July 2011

NOTE 1 (CONTINUED)**(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 company, 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. Unrealised losses are eliminated unless costs cannot be recovered.

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.

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 of 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.

NOTE 1 (CONTINUED)

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.

NOTE 1 (CONTINUED)**(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 remeasured 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

Pension Liabilities. Obligations for contributions to defined contribution retirement plans are recognised in the Statement of Comprehensive Income as they fall due.

Other Employee Entitlements. Employee entitlements to 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.

(S) CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent assets and contingent liabilities are recorded in the Notes to the Financial Statements at the point at which the contingency is evident. Contingent liabilities are disclosed if the possibility that they will crystallise is not remote. Contingent assets are disclosed if it is probable that the benefits will be realised.

(T) SEGMENT REPORTING

Tourism New Zealand's primary function is to market New Zealand as a tourism destination. To achieve this, Tourism New Zealand maintains offices in a number of overseas countries. However, all Tourism New Zealand's activities are co-ordinated from New Zealand.

GROUP

PARENT

NOTE 2**REVENUE FROM CROWN**

	2011 \$000s	2010 \$000s	2011 \$000s	2010 \$000s
Baseline Funding	70,379	70,301	70,379	70,301
<i>During the year, additional funding was provided by the Crown for the following:</i>				
Additional Crown Funding	30,675	20,377	30,675	20,377
Qualmark New Zealand Ltd	484	484	484	484
Total revenue received from the Crown	101,538	91,162	101,538	91,162
Less GST	2,177	1,731	2,177	1,731
Net revenue received from the Crown	99,361	89,431	99,361	89,431

NOTE 3**OTHER REVENUE**

	2011 \$000s	2010 \$000s	2011 \$000s	2010 \$000s
Sales & Partnership income	8,181	11,036	6,465	8,790
Sale of property, plant and equipment	5	1	2	1
Total other revenue	8,186	11,037	6,467	8,791

NOTE 4**OTHER EXPENSES INCLUDE:****PERSONNEL EXPENSES**

Number of permanent and fixed term staff	130	134	123	125
	2011 \$000s	2010 \$000s	2011 \$000s	2010 \$000s
Salaries and wages	13,155	12,775	12,392	11,963
Employer superannuation contributions	222	254	208	231
Increase/(decrease) in employee entitlements (note 16)	(71)	(10)	(76)	(10)
Other personnel expenses	1,224	1,133	1,188	1,124
	14,530	14,152	13,712	13,308
Personnel costs for New Zealand and Offshore Staff were:	2011 \$000s	2010 \$000s	2011 \$000s	2010 \$000s
New Zealand Personnel Expenses – Tourism New Zealand	8,101	7,211	8,101	7,189
New Zealand Personnel Expenses – Subsidiaries	818	844	-	-
Offshore Personnel Expenses	5,611	6,097	5,611	6,119
	14,530	14,152	13,712	13,308
	2011	2010	2011	2010
Number of ceased staff paid compensation or other benefits	15	4	14	2
	2011 \$000s	2010 \$000s	2011 \$000s	2010 \$000s
Compensation or other benefits paid to ceased staff	499	175	480	120

	GROUP		PARENT	
NOTE 4 (CONTINUED)				
	2011 \$000s	2010 \$000s	2011 \$000s	2010 \$000s
AUDITOR'S REMUNERATION				
Amounts received or due and receivable by Ernst & Young New Zealand for:				
The audit of the financial report of the Tourism New Zealand Group	86	84	73	74
Other services	1	18	-	18
	87	102	73	92
Amounts received or due and receivable by auditors other than Ernst & Young New Zealand for:				
The audit of the financial report of subsidiary entities	5	4	-	-
	92	106	73	92
	2011 \$000s	2010 \$000s	2011 \$000s	2010 \$000s
OTHER EXPENSES				
Loss on disposal of property, plant and equipment	1	1	-	1
Lease expense	2,210	2,466	2,135	2,291
Remuneration of board members of Parent (See also note 31)	208	222	208	222

NOTE 5**TOTAL EXPENDITURE OF PARENT**

	2011 \$000s	2010 \$000s
Total expenditure by geographic region:		
Australia	20,176	16,197
North America	16,769	14,995
UK & Europe	14,697	14,126
Japan	4,684	6,923
Asia	18,488	11,191
Other markets	106	107
New Zealand (a)	31,040	30,249
Total Expenditure of Parent	105,960	93,788

(a) New Zealand expenditure includes costs that apply to all markets and across a number of campaigns including the 100% Pure New Zealand Campaign, the International Media Programme and the newzealand.com website.

NOTE 6**FOREIGN EXCHANGE GAINS/(LOSSES)**

	2011 \$000s	2010 \$000s	2011 \$000s	2010 \$000s
Unrealised gains/(losses) on derivative financial instruments	(1,122)	(498)	(1,122)	(498)
Realised gains/(losses) on derivative financial instruments	612	1,646	612	1,646
Foreign exchange gains/(losses) on derivative financial instruments	(510)	1,148	(510)	1,148
Other foreign exchange gains/(losses)	(186)	(322)	(186)	(322)
Total foreign exchange gains/(losses)	(696)	826	(696)	826

GROUP

PARENT

NOTE 7

SUBSIDIARY COMPANIES

	Interest Held		Interest Held	
	2011	2010	2011	2010
Qualmark New Zealand Limited	60%	60%	60%	60%
Visitor Information Network Incorporated (trading as i-SITE NZ)	0%	0%	0%	0%

The financial year-end of both subsidiaries is 30 June.

Tourism New Zealand has a 60% shareholding in Qualmark New Zealand Limited with the other 40% held by the New Zealand Automobile Association. Tourism New Zealand has control of Visitor Information Network Incorporated (VIN Inc), trading as i-SITE New Zealand, effective 21 August 2002.

Qualmark New Zealand Limited is New Zealand Tourism's official quality agency. It is a government-private sector partnership between Tourism New Zealand and New Zealand Automobile Association.

Qualmark licenses professional and trustworthy New Zealand tourism businesses to use the Qualmark® - tourism's official quality mark - to help international and domestic travellers select places to stay, things to do and ways to get around.

Qualmark's core activities are based around determining the eligibility of businesses to enter the licensing system. This is achieved by way of assessment, promoting and working with Qualmark® licensees and working closely with other organisations and sectors within the tourism industry. By doing so, quality standards are raised and New Zealand tourism businesses improved based on best-practice.

The assets, liabilities, revenue and deficit/surplus of Qualmark New Zealand which are included in the financial statements are as follows:

	2011	2010	2011	2010
	\$000s	\$000s	\$000s	\$000s
Current assets	356	175	-	-
Non-current assets	26	67	-	-
	382	242	-	-
Current liabilities	546	285	-	-
Non-current liabilities	-	-	-	-
	546	285	-	-
Net assets	(164)	(43)	-	-
Revenue	1,974	2,876	-	-
Surplus/(deficit)	(121)	88	-	-

GROUP

PARENT

NOTE 7 (CONTINUED)

Tourism New Zealand and i-SITE New Zealand have a relationship agreement that recognises the importance of having an effective and high quality network of visitor information centres, dedicated to delivering free, comprehensive and objective information.

The terms and conditions of the relationship agreement mean that Tourism New Zealand meets the criteria determined in NZ IAS 27 for consolidating investments in subsidiaries.

The i-SITE brand creates a distinctive look, which distinguishes the official network from other information centres. The i-SITE Visitor Centres provide on-the-ground information to ensure the visitor experience is as enjoyable as possible.

The assets, liabilities, revenue and deficit/surplus of Visitor Information Network Incorporated which are included in the financial statements are as follows:

	2011 \$000s	2010 \$000s	2011 \$000s	2010 \$000s
Current assets	163	86	-	-
Non-current assets	57	42	-	-
	220	128	-	-
Current liabilities	123	77	-	-
Non-current liabilities	-	-	-	-
	123	77	-	-
Net assets	97	51	-	-
Revenue	563	761	-	-
(Deficit)/surplus	46	(12)	-	-

NOTE 8**ASSOCIATE COMPANY**

	2011 \$000s	2010 \$000s	2011 \$000s	2010 \$000s
The New Zealand Way Limited	1	1	-	-

The financial year-end of The New Zealand Way Limited is 30 June.

Tourism New Zealand has a 50% shareholding in The New Zealand Way Limited. This Company is the operating entity of a joint venture between Tourism New Zealand and New Zealand Trade & Enterprise.

The New Zealand Way Brand provides marketing opportunities to those companies which meet quality and environmental standards.

The Brand is promoted as a mark of outstanding quality, superior service and unique New Zealand characteristics.

There were no impairment losses relating to the investment in associate and no capital commitments or other commitments relating to the associate.

The following table illustrates summarised information of the investment in The New Zealand Way Limited:

	2011 \$000s	2010 \$000s	2011 \$000s	2010 \$000s
SHARE OF ASSOCIATE'S BALANCE SHEET:				
Current assets	1	4	-	-
Current liabilities	-	3	-	-
Net assets	1	1	-	-
SHARE OF ASSOCIATE'S REVENUE AND (DEFICIT)/SURPLUS:				
Revenue	-	31	-	-
(Deficit)/surplus	-	(3)	-	-
Carrying amount at beginning of year	1	4	-	-
Carrying amount at end of year	1	1	-	-

GROUP

PARENT

NOTE 9
CASH

	2011 \$000s	2010 \$000s	2011 \$000s	2010 \$000s
CASH HOLDINGS:				
Cash at bank and in hand	2,089	1,304	1,974	1,165
Call accounts - foreign currencies	4,151	4,914	4,151	4,914
Call accounts - New Zealand dollar	4,368	180	4,348	175
	10,608	6,398	10,473	6,254

Cash at bank and in hand generally earns interest at floating rates based on daily bank deposit rates.

Call account deposits are made depending on the immediate cash requirements of the Group, and earn interest at the respective money market call rates.

	2011 \$000s	2010 \$000s	2011 \$000s	2010 \$000s
CASH HOLDINGS BY CURRENCY:				
New Zealand Dollar	4,946	571	4,811	427
United States Dollar	425	958	425	958
British Pound	619	493	619	493
Australian Dollar	1,117	1,744	1,117	1,744
European Euro	1,494	1,763	1,494	1,763
Japanese Yen	242	72	242	72
Singapore Dollar	411	86	411	86
Canadian Dollar	713	450	713	450
Indian Rupee	238	80	238	80
Other Asian Currencies	403	181	403	181
	10,608	6,398	10,473	6,254

	2011 \$000s	2010 \$000s	2011 \$000s	2010 \$000s
CASH HOLDINGS BY BANK:				
HSBC Bank	5,221	3,547	5,086	3,419
National Bank of New Zealand	2,675	1,408	2,675	1,408
ASB Bank	141	1,222	141	1,222
Bank of New Zealand	2,470	190	2,470	174
Tokyo Mitsubishi	101	31	101	31
	10,608	6,398	10,473	6,254

The fair value of cash and cash equivalents is \$10,608,000 (2010: \$6,398,000).

GROUP

PARENT

NOTE 10
RECEIVABLES

	2011 \$000s	2010 \$000s	2011 \$000s	2010 \$000s
Receivables	2,432	3,390	2,062	3,289
Less: Provision for impairment	(2)	(12)	-	(11)
	2,430	3,378	2,062	3,278

Trade receivables are non-interest bearing and are generally on 30-day terms. The carrying value of receivables approximates their fair value. As at 30 June 2011 and 2010, all overdue receivables have been assessed for impairment and appropriate provisions applied, as detailed below:

	PARENT					
	2011 Gross \$000s	2011 Impairment \$000s	2011 Net \$000s	2010 Gross \$000s	2010 Impairment \$000s	2010 Net \$000s
Not past due	1,509	-	1,509	3,107	-	3,107
Past due 1 - 30 days	311	-	311	167	-	167
Past due 31 - 60 days	242	-	242	-	-	-
Past due 61 - 90 days	-	-	-	3	-	3
Past due > 91 days	-	-	-	12	(11)	1
	2,062	-	2,062	3,289	(11)	3,278

	GROUP					
	2011 Gross \$000s	2011 Impairment \$000s	2011 Net \$000s	2010 Gross \$000s	2010 Impairment \$000s	2010 Net \$000s
Not past due	1,871	-	1,871	3,169	-	3,169
Past due 1 - 30 days	312	-	312	168	-	168
Past due 31 - 60 days	242	-	242	26	-	26
Past due 61 - 90 days	7	(2)	5	3	-	3
Past due > 91 days	-	-	-	24	(12)	12
	2,432	(2)	2,430	3,390	(12)	3,378

The provision for impairment has been calculated based on expected losses determined by an analysis of losses in previous periods and a review of specific debtors.

Receivables for the Group include GST/VAT refunds comprising 38% (13% in 2010) of total receivables as follows:

	2011 \$000s	2010 \$000s	2011 \$000s	2010 \$000s
GST Refund due from NZ Inland Revenue Department	684	308	679	305
GST Refund due from Australian Taxation Office	116	26	116	26
Consumption Tax Refund from Japan Tax Office	97	72	97	72
VAT Refund due from UK Customs & Excise	25	23	25	23
	922	429	917	426

NOTE 11**DERIVATIVE FINANCIAL INSTRUMENTS**

Tourism New Zealand uses foreign exchange instruments in order to manage its exposure to fluctuations in foreign currency exchange rates on normal operating activities. The instruments are matched with anticipated future cash flows in foreign currencies. Tourism New Zealand does not use financial instruments for speculative purposes. At balance date Tourism New Zealand had 59 (2010: 51) foreign exchange contracts maturing at various dates over the next 12 months. The contracts are designated as held for trading financial instruments with fair value gains or losses recognised in the Statement of Comprehensive Income.

	2011 \$000s	2010 \$000s	2011 \$000s	2010 \$000s
FOREIGN CURRENCY FORWARD EXCHANGE CONTRACTS:				
Foreign exchange contracts at 30 June – Sell Value	52,718	58,999	52,718	58,999
Fair value Derivatives in Loss	(1,122)	(498)	(1,122)	(498)
Foreign exchange contracts at 30 June	51,596	58,501	51,596	58,501
FOREIGN EXCHANGE CONTRACTS BY CURRENCY:				
United States Dollar	21,763	21,500	21,763	21,500
British Pound	4,439	6,256	4,439	6,256
Australian Dollar	14,690	13,463	14,690	13,463
European Euro	4,984	6,736	4,984	6,736
Japanese Yen	3,723	4,353	3,723	4,353
Canadian Dollar	-	2,566	-	2,566
Thai Baht	-	468	-	468
Singapore Dollar	1,997	1,476	1,997	1,476
Hong Kong Dollar	-	184	-	184
Indian Rupee	-	1,499	-	1,499
Total	51,596	58,501	51,596	58,501

	GROUP		PARENT	
NOTE 12				
PROPERTY, PLANT AND EQUIPMENT				
	2011	2010	2011	2010
	\$000s	\$000s	\$000s	\$000s
ALL PROPERTY, PLANT AND EQUIPMENT				
At cost	7,302	6,201	7,016	5,781
Accumulated depreciation	(4,872)	(4,451)	(4,612)	(4,098)
Net carrying amount	2,430	1,750	2,404	1,683
PROPERTY, PLANT AND EQUIPMENT BY ASSET CLASS:				
Furniture and fittings				
At cost	1,228	1,197	1,196	1,156
Accumulated depreciation	(681)	(579)	(671)	(540)
Net carrying amount of furniture and fittings	547	618	525	616
Leasehold improvements				
At cost	1,956	1,982	1,956	1,872
Accumulated depreciation	(1,364)	(1,330)	(1,364)	(1,220)
Net carrying amount of leasehold improvements	592	652	592	652
Office equipment				
At cost	662	640	662	640
Accumulated depreciation	(581)	(539)	(581)	(539)
Net carrying amount of office equipment	81	101	81	101
Motor vehicles				
At cost	61	61	61	61
Accumulated depreciation	(54)	(42)	(54)	(42)
Net carrying amount of motor vehicles	7	19	7	19
Computer equipment				
At cost	3,395	2,321	3,141	2,052
Accumulated depreciation	(2,192)	(1,961)	(1,942)	(1,757)
Net carrying amount of computer equipment	1,203	360	1,199	295
Total property, plant and equipment	2,430	1,750	2,404	1,683
ALL PROPERTY, PLANT AND EQUIPMENT RECONCILIATION				
At 1 July, net of accumulated depreciation	1,750	2,240	1,683	2,096
Additions	1,314	233	1,286	228
Disposals and write back of depreciation	(2)	(9)	(2)	(9)
Depreciation charge for the year	(632)	(714)	(563)	(632)
At 30 June, net of accumulated depreciation	2,430	1,750	2,404	1,683
DEPRECIATION BY ASSET CLASS:				
Furniture and fittings	131	130	126	128
Leasehold improvements	145	241	145	241
Office equipment	52	52	52	52
Motor vehicles	12	12	12	12
Computer equipment	292	279	228	199
Total Depreciation	632	714	563	632

GROUP

PARENT

NOTE 13**INTANGIBLE ASSETS**

	2011 \$000s	2010 \$000s	2011 \$000s	2010 \$000s
INTANGIBLE ASSETS				
At cost	84	51	-	-
Accumulated amortisation	(27)	(9)	-	-
Net carrying amount	57	42	-	-
INTANGIBLE ASSETS RECONCILIATION				
At 1 July, net of accumulated amortisation	42	-	-	-
Additions	33	51	-	-
Amortisation charge for the year	(18)	(9)	-	-
At 30 June, net of accumulated amortisation	57	42	-	-

Intangible assets are the Visitor Information Network Incorporated's Public Campaign and Extranet websites.

NOTE 14**ACCOMMODATION BONDS**

Accommodation bonds are refundable deposits or key money paid for the lease of office and housing premises.

	2011 \$000s	2010 \$000s	2011 \$000s	2010 \$000s
Japan	193	174	193	174
Asia	197	308	197	308
	390	482	390	482

NOTE 15**CREDITORS AND OTHER PAYABLES**

Payables are non-interest bearing and are normally settled on 30-day terms, therefore the carrying value of creditors and other payables approximates their fair value.

	2011 \$000s	2010 \$000s	2011 \$000s	2010 \$000s
Creditors	4,651	1,234	4,566	1,195
Accrued expenses	3,738	4,005	3,554	3,803
	8,389	5,239	8,120	4,998

GROUP

PARENT

NOTE 16**EMPLOYEE ENTITLEMENTS**

	2011 \$000s	2010 \$000s	2011 \$000s	2010 \$000s
Annual Leave	495	543	449	504
Retirement Leave	-	63	-	63
Long Service Leave	-	2	-	2
Sick Leave	1	8	1	8
	496	616	450	577

Retirement leave and long service leave was paid out during the year and therefore there is no longer any future obligation.

NOTE 17**PROVISIONS**

Tourism New Zealand has a number of potential future restoration costs relating to make good clauses on office rental leases. The provision recognises the present value of expected future payments for amounts in relation to make good.

The provision relates to seven Tourism New Zealand offices and is expected to be incurred over the next nine years.

A restructuring provision of \$30,000 in 2010 was for the reorganisation of subsidiary Qualmark's operations and management structure. This was completed in 2011.

	2011 \$000s	2010 \$000s	2011 \$000s	2010 \$000s
PROVISIONS ARE REPRESENTED BY:				
Lease make good	303	303	303	303
Restructuring Provision	-	30	-	-
Total Provisions	303	333	303	303
MOVEMENTS IN THE PROVISIONS ARE AS FOLLOWS:				
Balance at 1 July	333	303	303	303
Additional provisions made	-	30	-	-
Amounts used	(26)	-	-	-
Unused amounts reversed	(4)	-	-	-
Balance at 30 June	303	333	303	303

GROUP

PARENT

NOTE 18**FOREIGN EXCHANGE RESERVE**

Tourism New Zealand funds its overseas offices and operations in the local currency of that office or operation. Some of the surplus/(deficit) arising from foreign currency movements are held in reserve to finance changes in the New Zealand dollar cost of maintaining a consistent level of funding to those overseas offices or operations.

	2011 \$000s	2010 \$000s	2011 \$000s	2010 \$000s
MOVEMENTS IN RESERVE IS AS FOLLOWS:				
Balance at 1 July	4,800	-	4,800	-
Transfer from Retained Earnings to Foreign Exchange Reserve	(186)	4,800	(186)	4,800
Balance at 30 June	4,614	4,800	4,614	4,800

NOTE 19**RECONCILIATION OF SURPLUS/(DEFICIT) TO NET CASH FROM OPERATING ACTIVITIES**

	2011 \$000s	2010 \$000s	2011 \$000s	2010 \$000s
Net surplus/(deficit)	(651)	5,551	(576)	5,479
ADD/(LESS) NON-CASH ITEMS				
Depreciation and amortisation	650	723	563	632
Share of associate's deficit	-	3	-	-
Net (gains)/losses on derivative financial instruments	510	(971)	510	(971)
Net foreign exchange (gains)/losses	(775)	1,432	(775)	1,432
Total non-cash items	385	1,187	298	1,093
ADD/(LESS) ITEMS CLASSIFIED AS INVESTING OR FINANCING ACTIVITIES				
Net Loss/(Gain) on disposal of assets	(4)	-	(2)	-
Net Loss/(Gain) on foreign currency accommodation bonds	43	20	43	20
Total items classified as investing or financing activities	39	20	41	20
ADD/(LESS) MOVEMENTS IN WORKING CAPITAL ITEMS				
Debtors and other receivables	947	(2,777)	1,216	(2,761)
Prepayments	651	(778)	649	(775)
Payables & accruals	3,233	1,503	3,204	1,651
Provisions	(30)	30	-	-
Invoiced in advance	241	61	(60)	61
Employee entitlements	(120)	(523)	(127)	(523)
Net movements in working capital items	4,922	(2,484)	4,882	(2,347)
Net cash from operating activities	4,695	4,274	4,645	4,245

NOTE 20**CONTINGENCIES**

Uncalled Share Capital – Tourism New Zealand has provided a written undertaking to the Board of Qualmark New Zealand Ltd to provide ongoing financial support sufficient to enable Qualmark to meet its obligations when they fall due. Tourism New Zealand

has assessed the likelihood of being required to significantly increase the level of funding to Qualmark as low. Additionally Tourism New Zealand's shareholding in Qualmark is uncalled. If called, Tourism New Zealand would be liable to contribute \$60,000.

NOTE 21**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.

The Group has tax losses unrecognised that can be used to offset future assessable income of \$305,695 (2010: \$195,114).

NOTE 22**MANAGEMENT OF RISK**

Tourism New Zealand has developed a risk management framework and has undertaken a full risk assessment of its business. Management is required to sign off on a half yearly basis that no new exposures have arisen and that existing risks are being properly managed. Written policies and procedures exist covering those aspects of business which have the potential to generate risk for Tourism New Zealand. Adherence to these policies minimises potential risk to Tourism New Zealand. Employees are required as part of employment contracts to adhere to Tourism New Zealand policies and procedures.

Tourism New Zealand carries comprehensive insurance covering all normal business risks including Public Liability. Tourism New Zealand has purchased insurance to provide Board members and Officers Liability, Employers Liability and Professional Indemnity cover for Board members and employees. Tourism New Zealand also provides cover for its staff for offshore travel. Insured values are reviewed annually and adjusted to reflect changes in business operations.

NOTE 23**SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. These judgements and estimates are based on historical experience and other factors that are reasonable under the circumstances and form the basis for the carrying values of assets and liabilities. Actual results may differ from these estimates under different assumptions and conditions.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions have been made.

MAKE GOOD PROVISION

A provision has been made for a number of potential future restoration costs relating to make good clauses on seven office rental leases. The calculation of this provision requires assumptions such as the extent, if any, that Landlords will enforce the make good clauses in the leases and building and demolition cost estimates. These uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision recognised for each lease is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for make good are recognised in the balance sheet by adjusting both the expense or asset and provision. The related carrying amounts are disclosed in note 17.

NOTE 24**CAPITAL MANAGEMENT**

Tourism New Zealand's capital is its equity, which comprises accumulated funds and other reserves. Equity is represented by net assets.

Tourism New Zealand is subject to the financial management and accountability provisions of the Crown Entities Act 2004, which impose restrictions in relation to borrowings, acquisition of securities, issuing guarantees and indemnities and the use of derivatives.

Tourism New Zealand manages its equity as a by-product of prudently managing revenues, expenses, assets, liabilities, investments and general financial dealings to ensure that Tourism New Zealand effectively achieves its objectives and purpose, whilst remaining a going concern.

GROUP

PARENT

NOTE 25**CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES**

The carrying amounts of financial assets and liabilities in each of the NZ IAS 39 categories are as follows:

	2011 \$000s	2010 \$000s	2011 \$000s	2010 \$000s
FINANCIAL ASSETS:				
Cash and cash equivalents	10,608	6,398	10,473	6,254
Debtors	1,508	2,949	1,145	2,852
Total Loans and receivables	12,116	9,347	11,618	9,106
FAIR VALUE THROUGH PROFIT AND LOSS:				
Derivative financial instrument liabilities	1,122	498	1,122	498
OTHER FINANCIAL LIABILITIES:				
Creditors	4,651	1,234	4,566	1,195
Invoiced in advance	462	221	108	168
Total other financial liabilities	5,113	1,455	4,674	1,363

NOTE 26**CAPITAL COMMITMENTS**

	2011 \$000s	2010 \$000s	2011 \$000s	2010 \$000s
Total capital expenditure contracted for at balance date but not provided for in the financial statements	191	17	191	17

GROUP

PARENT

NOTE 27**OPERATING COMMITMENTS**

Operating commitments include non-cancellable lease payments for premises, motor vehicles and office equipment and non-cancellable contracts for services like equipment maintenance and public relations.

	2011 \$000s	2010 \$000s	2011 \$000s	2010 \$000s
Operating Commitments payable after balance date on:				
<i>Non-Cancellable Accommodation Leases:</i>				
Up to One Year	1,775	1,856	1,775	1,839
One to Two Years	1,550	1,215	1,550	1,215
Two to Five Years	2,649	2,339	2,649	2,339
Over Five Years	2,244	2,856	2,244	2,856
	8,218	8,266	8,218	8,249
<i>Non-Cancellable Motor Vehicle & Equipment Leases</i>				
Up to One Year	102	176	97	150
One to Two Years	38	111	34	106
Two to Five Years	25	78	25	73
Over Five Years	-	-	-	-
	165	365	156	329
<i>Non-Cancellable Contracts for Goods & Services</i>				
Up to One Year	2,622	1,432	2,622	1,432
One to Two Years	503	6	503	6
Two to Five Years	-	-	-	-
Over Five Years	-	-	-	-
	3,125	1,438	3,125	1,438
Total Commitments	11,508	10,069	11,499	10,016

NOTE 28**RELATED PARTY TRANSACTIONS**

Tourism New Zealand is a wholly owned entity of the Crown which has the ability to significantly influence its role. The Crown is Tourism New Zealand's major source of revenue.

Tourism New Zealand enters into transactions with government departments, state-owned enterprises and other Crown entities. Those transactions that occur within a normal supplier or client relationship on terms and conditions no more or less favourable than those which it is reasonable to expect Tourism New Zealand would have adopted if dealing with that entity at arm's length in the same circumstances have not been disclosed as related party transactions.

Tourism New Zealand also enters into transactions with its subsidiaries and associate. These transactions occur within a normal supplier or client relationship on terms and conditions no more or less favourable than those which it is reasonable to expect Tourism New Zealand would have adopted if dealing with that entity at arm's length. The following table provides the total amount of transactions that were entered into with these related parties.

NOTE 28 (CONTINUED)

	Transaction value year ended 30 June		Balance outstanding year ended 30 June	
	2011 \$000s	2010 \$000s	2011 \$000s	2010 \$000s
RELATED PARTY AND TRANSACTION				
Subsidiary – Qualmark New Zealand Limited:				
Shareholder income provided by Tourism New Zealand	509	910	-	-
Purchases from Tourism New Zealand	117	113	-	-
Sales to Tourism New Zealand	2	2	-	-
Subsidiary – Visitor Information Network Inc:				
Shareholder income provided by Tourism New Zealand	250	450	-	-
Sales to Tourism New Zealand	2	3	-	-
Associate – The New Zealand Way Limited:				
Shareholder income provided by Tourism New Zealand	-	31	-	-

Tourism New Zealand also enters into transactions with board members and entities over which they have control or significant influence. These transactions occur within a normal supplier or client relationship on terms and conditions no more or less favourable than those which it is reasonable to expect Tourism New Zealand would have adopted if dealing with that entity at arm's length. The following table provides the total amount of transactions that were entered into with these related parties.

	Transaction value year ended 30 June		Balance outstanding year ended 30 June	
	2011 \$000s	2010 \$000s	2011 \$000s	2010 \$000s
RELATED PARTY AND TRANSACTION				
<i>Income has been received by Tourism New Zealand from:</i>				
G Coughlan (Director): Positively Wellington Tourism – Income received by Tourism New Zealand for joint advertising campaigns and other tourism related services.	43	297	-	-
P Bingham (Director): Air New Zealand Limited – Income received by Tourism New Zealand for joint advertising campaigns and other tourism related services.	-	247	-	-
P Richardson (Vice President): Accor Hospitality NZ and Fiji. (Director): Tourism Industry Association – Income received by Tourism New Zealand for tourism related services.	11	18	-	-
M Johns (Chief Executive): Intercity Group (NZ) Limited – Income received by Tourism New Zealand for tourism related services.	5	5	-	-
<i>Payments have been made by Tourism New Zealand to:</i>				
P Bingham (Director): Air New Zealand Limited. (Chair): Christchurch & Canterbury Marketing Ltd – Provision of travel and tourism related services to Tourism New Zealand.	-	634	-	-
J Barrett (Managing Director): Kapiti Island Alive & Kapiti Nature Lodge. (Director): Aviation/Tourism/Travel Training Organisation (ATTTO) – Provision of tourism related services to Tourism New Zealand.	-	21	-	-
M Johns (Chief Executive): Intercity Group (NZ) Limited – Provision of travel services to Tourism New Zealand.	-	1	-	-
P Richardson (Director): Tourism Industry Association & (Director): Tainui Auckland Airport Hotel – Provision of tourism related services to Tourism New Zealand.	279	-	-	-
G Coughlan (Director): Positively Wellington Tourism & (CE): Wellington Venues Ltd – Provision of tourism related service to Tourism New Zealand and joint advertising campaigns.	1,312	-	-	-

NOTE 28 (CONTINUED)

	PARENT	
	2011 \$000s	2010 \$000s
KEY MANAGEMENT PERSONNEL COMPENSATION		
Salaries and other short-term employee benefits	2,199	2,049
Other long-term benefits	9	63
Termination benefits	89	98
Total key management personnel compensation	2,297	2,210

Key management personnel includes all board members, the Chief Executive and 8 (2010: 7) members of the Executive Team.

NOTE 29**FINANCIAL INSTRUMENT RISKS**

Tourism New Zealand's activities expose it to a variety of financial instrument risks, including market risk, credit risk and liquidity risk. Tourism New Zealand has a series of policies to manage the risks associated with financial instruments and seeks to minimise exposure from financial instruments. These policies do not allow any transactions that are speculative in nature.

MARKET RISK

Interest rate risk - Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in interest rates. Tourism New Zealand is exposed to interest rate risk on its cash balances. Refer to note 9 for cash balances exposed to interest rate risk.

Interest rate risk sensitivity analysis - As at 30 June 2011, if interest rates on cash balances had increased/decreased by 0.5% (50 basis points) with all other variables held constant, the deficit/surplus and other comprehensive income would have changed as follows:

	Surplus/(deficit) higher/(lower)		Other comprehensive income higher/(lower)	
	2011 \$000s	2010 \$000s	2011 \$000s	2010 \$000s
Group				
+ 0.5% (50 basis points) (2010: +0.5%)	23	19	-	-
- 0.5% (50 basis points) (2010: -0.5%)	(23)	(19)	-	-
Parent				
+ 0.5% (50 basis points) (2010: +0.5%)	22	18	-	-
- 0.5% (50 basis points) (2010: -0.5%)	(22)	(18)	-	-

NOTE 29 (CONTINUED)

Currency risk – Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

As a result of significant operations around the world, Tourism New Zealand is required to enter into transactions denominated in foreign currencies. As a result of these activities, Tourism New Zealand is exposed to foreign currency risk on its foreign denominated cash balances, receivables, creditors and other payables, and derivative instruments.

It is Tourism New Zealand's policy to manage foreign currency risks arising from contractual commitments and liabilities by entering into foreign exchange forward contracts to cover the foreign currency exposure.

Currency risk sensitivity analysis – Tourism New Zealand is subject to volatility in financial performance associated with foreign currency rates. As at 30 June 2011, if the NZ Dollar had increased/decreased by 5% against various foreign currencies used by Tourism New Zealand with all other variables held constant, the deficit/surplus and other comprehensive income would have changed as follows:

	Surplus/(deficit) higher/(lower)		Other comprehensive income higher/(lower)	
	2011 \$000s	2010 \$000s	2011 \$000s	2010 \$000s
Group				
NZD to various currencies +5% (2010: +5%)	2,685	2,791	-	-
NZD to various currencies -5% (2010: -5%)	(2,429)	(3,006)	-	-
Parent				
NZD to basket of currencies +5% (2010: +5%)	2,685	2,791	-	-
NZD to basket of currencies -5% (2010: -5%)	(2,429)	(3,006)	-	-

This movement is attributable to foreign exchange gains/losses on translation of forward foreign exchange contracts and other foreign currency denominated assets and liabilities.

CREDIT RISK

Credit risk is the risk that a third party will default on its obligations to Tourism New Zealand, causing Tourism New Zealand to incur a loss.

Tourism New Zealand has no significant concentrations of credit risk, as it has a small number of credit customers and only places funds with registered banks. With respect to foreign exchange instruments, Tourism New Zealand reduces its risk by limiting the counter parties to major trading banks and does not expect to incur any significant losses as a result of non performance by these counter parties.

Tourism New Zealand's maximum credit exposure for each class of financial instrument is represented by the total carrying amount of cash (note 9), net debtors (note 10) and derivative financial instruments (note 11). There is no collateral held as security against these financial instruments, including those instruments that are overdue or impaired.

LIQUIDITY RISK

Liquidity risk is the risk that Tourism New Zealand will encounter difficulty raising liquid funds to meet commitments as they fall due. Tourism New Zealand has no significant concentrations of liquidity risk. Tourism New Zealand annually agrees a funding schedule with the Crown which matches the estimated timing of its commitments and close out of market positions.

The following liquidity risk disclosures reflect all contractually fixed pay-offs, repayments and interest resulting from recognised financial and derivative financial instrument liabilities as of 30 June 2011. The timing of cash flows for liabilities is based on the contractual terms of the underlying contract.

NOTE 29 (CONTINUED)

	< 6 months \$000s	6-12 months \$000s	Total \$000s
GROUP – YEAR END 30 JUNE 2011			
FINANCIAL LIABILITIES			
Creditors	(4,651)	-	(4,651)
Derivative financial instrument liabilities – gross settled			
Inflows	30,993	20,012	51,005
Outflows	(31,599)	(20,528)	(52,127)
	(606)	(516)	(1,122)
Net outflow	(5,257)	(516)	(5,773)
PARENT – YEAR END 30 JUNE 2011			
FINANCIAL LIABILITIES			
Creditors	(4,566)	-	(4,566)
Derivative financial instrument liabilities – gross settled			
Inflows	30,993	20,012	51,005
Outflows	(31,599)	(20,528)	(52,127)
	(606)	(516)	(1,122)
Net outflow	(5,172)	(516)	(5,688)
GROUP – YEAR END 30 JUNE 2010			
FINANCIAL LIABILITIES			
Creditors	(1,234)	-	(1,234)
Derivative financial instrument liabilities – gross settled			
Inflows	37,338	20,526	57,864
Outflows	(37,743)	(20,619)	(58,362)
	(405)	(93)	(498)
Net outflow	(1,639)	(93)	(1,732)
PARENT – YEAR END 30 JUNE 2010			
FINANCIAL LIABILITIES			
Creditors	(1,195)	-	(1,195)
Derivative financial instrument liabilities – gross settled			
Inflows	37,338	20,526	57,864
Outflows	(37,743)	(20,619)	(58,362)
	(405)	(93)	(498)
Net outflow	(1,600)	(93)	(1,693)

Fair value risk

The Group can apply various methods in estimating the fair value of a financial instrument. The methods comprise:

- Level 1 – the fair value is calculated using quoted prices in active markets;
- Level 2 – the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

c) Level 3 – the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

Derivative financial instruments are classified as Level 2 and are valued using observable market inputs.

There were no transfers between Level 1 and Level 2 during the year.

NOTE 30**REMUNERATION OF EMPLOYEES**

During 2010/2011 33 (2010: 35) employees received remuneration and benefits which exceeded \$100,000 per annum as follows:

\$	2011	2010
100,000 – 109,999	6	5
110,000 – 119,999	3	4
120,000 – 129,999	4	5
130,000 – 139,999	4	1
140,000 – 149,999	1	4
150,000 – 159,999	3	1
160,000 – 169,999	2	1
170,000 – 179,999	1	-
180,000 – 189,999	1	2
190,000 – 199,999	-	2
200,000 – 209,999	1	3
210,000 – 219,999	-	1
220,000 – 229,999	1	1
230,000 – 239,999	2	-
250,000 – 259,999	1	-
280,000 – 289,999	1	2
290,000 – 299,999	-	-
300,000 – 309,999	-	1
330,000 – 339,999	1	-
380,000 – 389,999	-	1
410,000 – 419,999	-	1
460,000 – 469,999	1	-
	33	35

Note: A number of Tourism New Zealand employees are based offshore and are paid in local currency at appropriate remuneration levels within the respective countries. This remuneration has been translated at the exchange rates of forward exchange contracts used to cover this expenditure. Termination payments, where applicable, have also been included in the remuneration totals above - refer to note 4 for more details of these payments.

The main reason for the decrease in employees earning over \$100,000 between 2010 and 2011 was the movement in exchange rates and some employees have not been employed for the full period.

PARENT

NOTE 31**REMUNERATION OF BOARD MEMBERS**

	2011 \$000s	2010 \$000s
Board members earned the following fees during the year:		
G Muir (Chairman)	60	60
M Johns (Deputy Chairman)	25	22
G Coughlan	20	20
J Barrett	20	20
H van Asch	20	20
J Langley	20	20
P Richardson	20	20
R Leggat	20	7
S Morgan	3	7
S Johnstone	-	14
P Bingham	-	12
	208	222

Changes in board members: S Morgan resigned on 21 July 2010. The terms of S Johnstone and P Bingham expired 16 January 2010.

FIVE YEAR FINANCIAL SUMMARY FOR PARENT

STATEMENT OF FINANCIAL POSITION

	2007 Actual \$000s	2008 Actual \$000s	2009 Actual \$000s	2010 Actual \$000s	2011 Actual \$000s
CURRENT ASSETS					
Cash	3,272	5,077	3,646	6,254	10,473
Receivables	1,135	1,286	517	3,278	2,062
Prepayments & other current assets	2,884	1,018	603	1,378	729
Derivative financial instruments	-	1,514	-	-	-
	7,291	8,895	4,766	10,910	13,264
NON-CURRENT ASSETS					
Property, plant and equipment	1,609	1,943	2,096	1,683	2,404
Accommodation bonds	275	343	494	482	390
	1,884	2,286	2,590	2,165	2,794
Total Assets	9,175	11,181	7,356	13,075	16,058
CURRENT LIABILITIES					
Creditors and other payables	3,900	3,893	3,325	4,998	8,120
Income in advance	54	310	107	168	450
Provisions	220	303	303	303	108
Employee entitlements	754	891	1,100	577	303
Derivative financial instruments	2,526	20	1,469	498	1,122
	7,454	5,417	6,304	6,544	10,103
Total Liabilities	7,454	5,417	6,304	6,544	10,103
Net Assets	1,721	5,764	1,052	6,531	5,955
EQUITY					
Shareholder's equity	1,805	1,805	1,805	1,805	1,805
Retained earnings	(84)	3,959	(753)	(74)	(464)
Foreign Exchange Reserve	-	-	-	4,800	4,614
Total Equity	1,721	5,764	1,052	6,531	5,955

STATEMENT OF COMPREHENSIVE INCOME

INCOME					
Revenue from Crown	74,246	75,071	76,251	89,431	99,361
Interest	859	707	382	219	252
Other revenue	4,243	4,630	2,996	8,791	6,467
	79,348	80,408	79,629	98,441	106,080
EXPENDITURE					
Other expenses	78,653	81,285	80,898	93,156	105,397
Depreciation, Amortisation & Impairment	738	602	680	632	563
	79,391	81,887	81,578	93,788	105,960
Net foreign exchange gains/(losses)	(4,511)	5,522	(2,763)	826	(696)
Net Surplus (Deficit) & total comprehensive income	(4,554)	4,043	(4,712)	5,479	(576)

The 2008 financial year was Tourism New Zealand's first set of financial statements to be prepared in accordance with New Zealand International Financial Reporting Standards (NZ IFRS). The comparative figures for 2007 have been restated accordingly to NZ IFRS.

AUDIT REPORT

TO THE READERS OF NEW ZEALAND TOURISM BOARD AND GROUP'S FINANCIAL STATEMENTS AND STATEMENT OF SERVICE PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2011



The Auditor-General is the auditor of the New Zealand Tourism Board (the Board) and Group. The Auditor-General has appointed me, Grant Taylor, using the staff and resources of Ernst & Young, to carry out the audit of the financial statements and statement of service performance of the Board on her behalf.

WE HAVE AUDITED:

- the financial statements of the Board on pages 23 to 53, that comprise the statement of financial position as at 30 June 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and notes to the financial statements that include accounting policies and other explanatory information; and
- the statement of service performance of the Board on pages 8 to 14.

OPINION

In our opinion:

- the financial statements of the Board on pages 23 to 53:
 - comply with generally accepted accounting practice in New Zealand; and
 - give a true and fair view of the Board's:
 - financial position as at 30 June 2011; and
 - financial performance and cash flows for the year ended on that date.
- the statement of service performance of the Board on pages 8 to 14:
 - complies with generally accepted accounting practice in New Zealand; and
 - gives a true and fair view, for each class of outputs for the year ended 30 June 2011, the Board's
 - service performance compared with the forecasts in the statement of forecast service performance for the financial year; and
 - actual revenue and output expenses compared with the forecasts in the statement of forecast service performance at the start of the financial year.

Our audit was completed on 1 September 2011. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Board members and our responsibilities, and we explain our independence.

BASIS OF OPINION

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements and statement of service performance are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements and statement of service performance. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements and statement of service performance. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and statement of service performance, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Board's

preparation of the financial statements and statement of service performance that fairly reflect the matters to which they relate. We consider internal control in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Board's members;
- the adequacy of all disclosures in the financial statements and statement of service performance; and
- the overall presentation of the financial statements and statement of service performance.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and statement of service performance. We have obtained all the information and explanations we have required and we believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

RESPONSIBILITIES OF THE BOARD MEMBERS

The Board members are responsible for preparing financial statements and a statement of service performance that:

- comply with generally accepted accounting practice in New Zealand;
- give a true and fair view of the Board's financial position, financial performance and cash flows; and
- give a true and fair view of its service performance.

The Board members are also responsible for such internal control as is determined necessary to enable the preparation of financial statements and a statement of service performance that are free from material misstatement, whether due to fraud or error.

The Board members' responsibilities arise from the Crown Entities Act 2004, the Financial Reporting Act 1993 and the New Zealand Tourism Board Act 1991.

RESPONSIBILITIES OF THE AUDITOR

We are responsible for expressing an independent opinion on the financial statements and statement of service performance and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001 and the Crown Entities Act 2004.

INDEPENDENCE

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the New Zealand Institute of Chartered Accountants.

Other than the audit, we have no relationship with or interests in the Board.

Grant Taylor
Ernst & Young
On behalf of the Auditor-General
Wellington, New Zealand



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