

STATEMENT OF PERFORMANCE EXPECTATIONS (SPE) 2022/23

June 2022



100% PURE NEW ZEALAND



Whakatāne
Bay of Plenty

Presented to the House of Representatives pursuant to section 149 of the Crown Entities Act 2004

Contents *Ngā Ihirangi*

STATEMENT OF PERFORMANCE EXPECTATIONS

- 3 FOREWORD
- 4 WHO WE ARE
- 8 STRATEGY AND CONTEXT
- 10 OUR FOCUS FOR 2022/23
- 18 MEASURING OUR SUCCESS
- 20 FINANCIAL INFORMATION

Statement of responsibility *Tauākī haepapa*

This Statement of Performance Expectations (SPE) is submitted by the Board of Directors of Tourism New Zealand (TNZ), pursuant to the Crown Entities Act 2004 (the Act). This SPE sets out the forecast performance of TNZ for the period from 1 July 2022 to 30 June 2023.

TNZ's prospective financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (GAAP) and its audited accounts will comply with the applicable financial reporting standards.

TNZ is responsible for the prospective financial statements contained in this document, including the appropriateness of the underlying assumptions.

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

On behalf of the New Zealand Tourism Board,



Jamie Tuuta
Chair
Tourism New Zealand



Roger Sharp
Deputy Chair
Tourism New Zealand

Our Purpose:

Enrich Aotearoa New Zealand, industry, and manuhiri by inviting exploration in the spirit of manaakitanga

Foreword *Kupu Takamua*

The first year of recovery

As we look towards reopening our borders to the world, we know that the next few years may not be plain sailing. Recovery scenarios are unpredictable, and we'll need to remain flexible to ensure we can respond to emerging risks and opportunities.

While we know there is a need to support recovery, this must be done in a regenerative and sustainable manner. For TNZ, this is about focusing on high-quality tourism and attracting visitors who will stay longer, visit more regions and who are more likely to share values and attributes that positively contribute to New Zealand.

This document references a strategic response that considers that there may be multiple recovery scenarios. It notes a need to continue to support our domestic tourism market as we await an international recovery, recognising that we cannot predict exactly how different markets may scale up, and over what time frame. We need to be able to weather future shocks, and a strong domestic tourism focus – and an ability to market to New Zealanders, who access travel year-round – will help to deliver this.

We are also aware of the need to ensure we monitor and work with others across Government and industry to respond to New Zealander's social licence towards tourism.

The challenge ahead is great. Supporting tourism recovery will not be easy. We are ready to work alongside industry and Government to support a regenerative and sustainable tourism sector.

Te tau whakaora tuatahi

I a tātou e titiro nei ki te whakatuwhera i ō tātou paewhenua ki te ao, e mōhio ana mātou kāore ngā tau kei mua nei i te aroaro e tino māmā. He matawhawhati ngā tirohanga whakaora, ā, me noho hangore mātou kia pai ai tā mātou whakatika i ngā tūraru me ngā āheinga ka puea ake.

Ahakoā ngā hiahia kia tautokotia ngā mahi whakaora, me kōkiri ēnei mahi kia noho mātūtū ai, kia noho toitū ai. Mō te āhua ki a Manaakitanga Aotearoa, he aro pū kē ki te kounga o ana mahi tāpoi, me te tō mai i ngā manuhiri ka roa ake te noho mai, ka nui ake ngā rohe e tirohia ana e rātou, ā, ka whakaponu tahi mai ki ngā uara me ngā āhuatanga hei whakapai ake i a Aotearoa.

Ka tohua e tēnei tuhinga tētahi rautaki whakautu e whai whakaaro ana ki ngā ara whakaora maha. E rārangi mai ana te hiahia kia haere tonu ngā mahi tautoko i ngā māketē tāpoi o tēnei whenua tonu i ēnei wā e ora mai ana hoki ngā māketē o te ao, ā, kia mārama ai hoki e kore e taea te matapae ka pēhea pū ngā māketē rerekē e whanake ake, ā, he aha hoki te matawā. Me taea e tātou te ārai ngā pōrarutanga ki tua, ā, me kaha hoki te aro ki te tāpoitanga o tēnei whenua – mā ngā pūkenga whakatairanga i te hunga haerēre o Aotearoa puta noa i te tau – e tutuki ai ēnei āhuatanga.

Kei te mārama hoki mātou ki ngā mahi aro mātai me ngā kōkiritanga mahi me whāia puta noa i te kāwanatanga me ngā ahumahi kia pai ai te ārahi i ngā mahi i runga i te whakaaetanga a ngā hāpori me te ahumahi o Aotearoa ki ngā mahi tāpoi.

He nui te wero kei mua i te aroaro. Ehara ngā mahi tautoko i te whakaoranga o te ao tāpoi i te mahi māmā. Kei te rite mātou ki te mahi tahi ki ngā ahumahi me te kāwanatanga hei tautoko i tētahi rāngai mātūtū, toitū hoki.

Tō mātou Koronga:

He whakarangatira i a Aotearoa, i ngā ahumahi me ngā manuhiri mā roto i te tūhura ake i te tino wairua o te manaakitanga

Who we are

Our Purpose: Enrich Aotearoa New Zealand, industry, and manuhiri by inviting exploration in the spirit of manaakitanga

TNZ's purpose is to *Enrich Aotearoa New Zealand, industry, and manuhiri by inviting exploration in the spirit of manaakitanga.*

This is defined as a net positive contribution against four capitals:

- Economy – tourism contributes goods and services tax (GST) revenue, creates jobs and increases productivity through regional and seasonal distribution.
- Nature – tourism is sustainable and regenerative and supports the management of New Zealand's natural assets.

- Society – tourism supports regional amenities and creates productive, high-wage, enriching jobs for New Zealanders.
- Culture – tourism respects and champions te ao Māori, brings New Zealanders together and enables us to celebrate who we are on the world stage.

Tourism must enrich New Zealand and the wellbeing of New Zealanders. This means that tourism needs to contribute more to New Zealand than it takes. Tourism must create jobs, restore nature, enhance our heritage, build our national reputation and make us proud. It must inspire and enable us to celebrate who we are, our unique people and place.

TNZ is New Zealand's national destination marketing organisation

As a marketing organisation, TNZ's role is to generate and shape tourism demand.

Our objective under the New Zealand Tourism Board Act 1991 is to:

- Market New Zealand as a destination to maximise long term benefit to New Zealand.
- Develop, implement and promote strategies for tourism.
- Advise the Government and the New Zealand tourism industry on matters relating to the development, implementation and promotion of those strategies.

Our focus over the coming years is to build back the New Zealand tourism sector in a way that supports the Government's tourism strategy and other initiatives that align with the Government's tourism priorities. This will be a multi-year focus, structured around:

- Restarting international tourism as the border opens to international visitors.
- Shaping demand.
- Enriching New Zealand through the contribution of visitors.

Through our work, we seek to influence the quality of international and domestic tourism for the long-term benefit of New Zealand.

The greater the proportion of visitors in New Zealand who have been influenced by TNZ's marketing to dream, plan and book their holidays, the better the economic, social, cultural and environmental outcomes to New Zealand, and New Zealanders.

TNZ's role in New Zealand tourism

As a marketing agency, TNZ does not lead tourism policy, tourism supply interventions, destination management or product development. Tourism policy is led by the Ministry of Business, Innovation and Employment (MBIE). Tourism supply and destination management is the responsibility of other parts of the tourism system.

However, supply and demand must be well connected to achieve good outcomes. To shape demand effectively and in line with Government and sector objectives, TNZ partners with industry, MBIE, the Department of

Conservation (DOC), Regional Tourism Organisations and other agencies to understand and advise on supply side opportunities, challenges, and aspirations. TNZ also provides the 'voice of the visitor', through its understanding and insights into visitors to New Zealand. TNZ is committed to working alongside sector and Government partners to deliver effective collaboration and share insights, working towards the Government's aim of a revitalised and sustainable tourism sector.

Our values

At TNZ we refer to our employees as our global whānau. They are the fabric of TNZ

Our global whānau embrace three core values that underpin how we approach our work at TNZ. For each of our three core values, we have identified characteristics that help us live our values, and a whakatauki that reminds us what the value is about.

To ensure our people can deliver on our FY23 Business Plan, we'll actively work to create an environment that supports our employees to live the characteristics of our values. There will be a strong focus on further developing capability to build momentum, amplifying impact, and ensuring a strong performance focus. We will continue to support our global whānau to develop capability and confidence to embed te ao Māori. We will also ensure safety and wellbeing is embedded into our mahi.

TNZ is committed to Equal Employment Opportunities and will continue our efforts to be a good employer as measured by the Human Rights Commission seven elements of being a good employer. In addition, we will continue to implement initiatives in the organisation aligned to Papa Pounamu, to ensure our diversity and inclusion practices support Public Service obligations and goals.

Value	COURAGE <i>Māia</i>	CARE <i>Manaaki</i>	CONNECTION <i>Hononga</i>
Whakatauki	Kia kaha, kia māia, kia manawanui <i>Big hearted, dedicated, courageous.</i>	Manaaki whenua, manaaki tangata, haere whaka mua <i>Care for land, care for people, go forward.</i>	Whiria te tāngata, Whiria te kaupapa <i>Weave the people, with purpose.</i>
Characteristics	We are determined, focussed and courageous. Our collective strength ensures impact beyond the ordinary.	We care for the mana (integrity and dignity) of our place and each other as being greater than our own. We strive to enhance mana in everything we do.	We are committed to relationships that are founded on a shared purpose. We value the legacy of the past, present and future. These connections provide strength from which to have impact.

Figure 1: TNZ's values and whakatauki

Operating environment

COVID-19 has fundamentally impacted the New Zealand tourism sector

The challenges to the tourism sector as a result of the global of COVID-19 pandemic have been immense. These remained through the majority of FY22, with the border largely closed to tourism.

The value of tourism to New Zealand

Tourism is a core contributor to New Zealand's economy. Prior to COVID-19, tourism made up 20% of New Zealand exports, and one in ten New Zealanders were employed by the tourism sector directly or indirectly. The visitor economy consists of a large number of New Zealand owned and operated businesses.

Tourism is a dispersed and diverse sector that supports employment and an increased standard of living in all New Zealand communities. Tourism creates an opportunity for New Zealand to share its culture, heritage, and experiences with both domestic and international visitors, and allows New Zealanders and international visitors to experience our extraordinary environmental assets. A successful tourism industry and strong destination brand keeps New Zealand firmly in the hearts and minds of consumers, businesses, and decision makers all over the world, and increases the profile of New Zealand exports.

The tourism sector is highly committed to developing in a way that gives back to the environment. This means tourism needs to give back more than what it takes in the effort to fly to and experience New Zealand. A range

of environmental commitments already exist in the tourism sector, and TNZ is committed to playing its role in partnerships with industry and Government, as well as delivering upon its own commitments as a Crown Agency.

TNZ is highly focussed on attracting high-quality visitors

As New Zealand starts to welcome back international visitors, tourism will contribute to the wider economy not only through support for hospitality and retail, but through increased export capacity. As more airlines reconnect with New Zealand, this will increase access to international airfreight traditionally carried in the hold of the passenger planes. As new routes open, such as Air New Zealand's Auckland to New York route (launching in September 2022), so do new opportunities for our export and services trade, as well as providing increased passenger capacity to and from New Zealand.

As the rebuild of international tourism and air routes begins, TNZ will continue to support the uplift of domestic tourism, encouraging visitors in New Zealand to undertake more high-quality tourism activity, ensuring the foundations for the tourism sector remain strong and are supported through quality domestic demand.

We will continue to ensure New Zealanders' views serve as a foundation for the way TNZ targets and influences visitor audiences. This will be seen first in who and how we target to visit New Zealand, and in our global brand campaigns.

As borders open, demand recovery will be unpredictable and take time

New Zealand's current international aviation links (the availability of connections to international destinations) reached lows of 7% of pre-COVID-19 capacity in 2021, and international travel trade distribution channels have also deteriorated. As a long and ultra-long-haul destination, the shape of tourism will first be defined by which air routes return to service New Zealand, and at what frequency. This will have significant flow on effects for the New Zealand economy. We will see a return first through winter tourism from Australia, with a number of long-haul routes expected to reconnect for seasonal visitation from October 2022.

There is a risk that domestic demand could reduce faster than international demand grows, and it will take time to gauge and measure what the 'right' level of arrivals should look like over the next few years. This underpins just how important it is that we support our domestic sector in FY23 and beyond as recovery continues. As more information on the recovery profile emerges, we will continue to adapt for the potential scenarios that result.

What is a high-quality visitor?

High-quality visitors are defined by more than the money they spend – we define this audience by the way they contribute to our natural environment, culture, society and economy.

The high-quality visitor is determined by the type of visitor, their scope of activities, travel across seasons and regions, environmental consciousness and engagement with our local culture and communities. TNZ's mindsets approach will better find and target high-quality visitors.

Our four year strategy

Our strategic intentions

Our Statement of Intent outlined three new strategic intentions over 2021 - 2025:

- 1. Build extraordinary value in New Zealand’s destination brand and reputation.**
- 2. Accelerate tourism’s recovery and transition to a more sustainable, productive, and inclusive future.**
- 3. Shape demand to maximise the contribution of international and domestic visitors to the four capitals.**

In FY23 TNZ will leverage our activities to support building back tourism value and productivity, supporting an active, deliberate, and coordinated approach to the return of international tourism that contributes to the economy, culture, society and environment of New Zealand. As noted earlier, this approach will help us manage a range of potential recovery scenarios, as we establish our new normal for tourism in New Zealand.

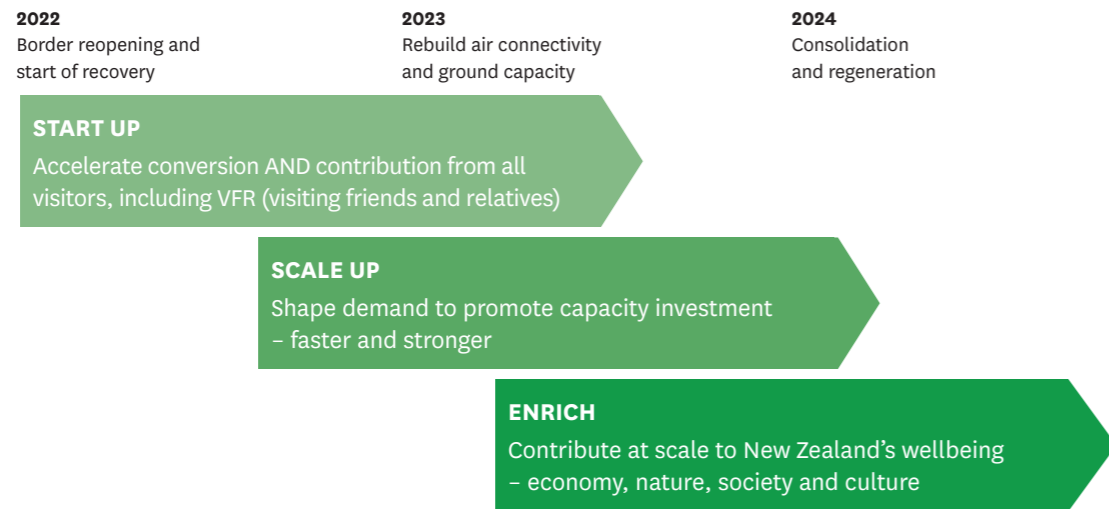


Figure 2: We will achieve success in stages through to 2024 and beyond

TNZ’s focus areas for FY23

- 1. Build brand:** Build desire for a New Zealand holiday, making New Zealand the preferred holiday destination among priority mindsets.
- 2. Accelerate recovery:** Accelerate the first year of New Zealand’s tourism recovery by targeting investment in priority markets.
- 3. Maximise contribution:** Maximise the contribution of domestic and international visitors in New Zealand.
- 4. Toitū, toiroa:** Enable our tourism sector to achieve an enduring and regenerative tourism recovery.

Activity classes

TNZ delivers its work through the following activity groupings:

- Activity one:** Develop and deliver brand and demand driving campaigns to the tourism consumer.
- Activity two:** Build desire, appeal and awareness via New Zealand stories through third party earned content and partnerships.
- Activity three:** Inspire, educate and partner with the trade and tourism sector, along with other sector experts, to spread key tourism and business events

messages and campaign information through their channels.

- Activity four:** Develop, deliver and analyse engaging content and messages, supporting our activity through TNZ-owned channels, including newzealand.com.
- Activity five:** Engage, inform and work with the tourism sector, Government and other agencies in New Zealand to support and strengthen the recovery of the sector.

ACTIVITY CLASSES	FOCUS AREAS FOR 2022/23			
	FA1 Build Brand	FA2 Accelerate Activity	FA3 Maximise Contribution	FA4 Toitū, Toiroa
A1 Brand and demand generating consumer campaigns	●			
A2 Third party earned content and partnerships	●	●	●	
A3 Travel trade and business events		●	●	
A4 TNZ-owned channels, including newzealand.com		●	●	●
A5 Domestic industry, Government and other agencies				●

Focus area one: Build Brand

Build desire for a New Zealand holiday, making New Zealand the preferred holiday destination among priority mindsets

In FY23, TNZ will build desire with those most likely to travel to New Zealand within the year. In parallel we will monitor and continue to build broader appeal and the reputation of New Zealand in the long-term.

In a post COVID-19 world, people are looking for transformative (not transactional) travel experiences like those on offer in New Zealand. New Zealand has something to offer the world that leaves a deep impression long after departing our shores.

While international competition for destinations is higher than ever, we believe New Zealand is poised to deliver on the holiday experience our visitors are looking for.

Therefore, TNZ needs to create work that gets us noticed amongst our competitors, and to build preference for New Zealand. This year will see us take a bold and challenging approach to our work, to get the cut through we need to deliver on the job we have to do.

To do this, we will target audiences with values and mindsets that align with the brand we are showcasing to the world. We use the term mindsets to describe visitor segmentation that looks beyond the demographic, including psychographic attributes, needs and values. We will talk directly to their values and lean into preference

drivers that appeal in our priority markets to our high-quality visitors. In joint ventures and partnerships we will share our high-quality visitor approach and partner where appropriate.

The aim of our brand work will be a primed international audience ready to target with conversion messaging resulting in high-quality visitors arriving in New Zealand, and a domestic audience who continue to see New Zealand as a top destination to travel around.

Why it's important:

Speaking directly to those that have New Zealand as their top destination to visit allows us to maximise the opportunity to convert desire into arrivals to support industry recovery. Through our deep understanding of our audience, we can target and talk to that audience like never before, sharing the parts of New Zealand that appeal most to high-quality visitors.

Continuing to position New Zealand as a top destination for both domestic and international visitors provides the biggest opportunity for the sector to begin to rebuild across 2022/23, confirming our place in the world as a premium destination moving forward.

AUDIENCE: HIGH QUALITY VISITORS	BRAND AND EXPERIENCE: CHALLENGER MINDSET	CHANNEL: MEDIA AND PARTNERSHIPS
<p>We will target high-quality visitors through a psychographic and demographic approach, identifying those most likely to travel to New Zealand in FY23 and targeting them with compelling content.</p> <p>Our high-quality visitor approach has identified two priority international mindsets and three priority domestic mindsets that we will target, and this approach has been incorporated into our channel selection.</p>	<p>This year we will be brave in how we build our brand, and brand experiences on the ground.</p> <p>Our audience insights provide us the opportunity to promote work to potential visitors, based on their personal needs and travel motivations.</p> <p>In FY23, we will launch a new 100% Pure New Zealand global campaign that speaks directly to those priority mindsets through paid, owned, earned and trade channels.</p>	<p>With the whole world re-opening for tourism, we will be strategic in our approach to media and partnerships.</p> <p>We will look to partner with those that can expand our reach who add to our distinctive point of view in the world.</p> <p>We will target those who have New Zealand as a top destination and retarget them again when they are open to seeking more from us and ready to book.</p>

Focus area two: Accelerate Recovery

Accelerate the first year of New Zealand's tourism recovery by targeting investment in priority markets

After two long years, New Zealand's international tourism recovery can begin

The impact of closed borders on our tourism industry has been substantial. New Zealand's border will open to all international visitors by October 2022. However, as other countries have opened up their borders to the world, this has created consumer momentum for travel. New Zealand can take advantage of this momentum by focusing on converting intention to action, and arrivals.

We have an enthused international audience that is ready to travel. Global search traffic, a strong signal for intent to travel, has increased 49% year-on-year, and intention to travel is high across markets (with 60% of consumers wanting to go on holiday overseas). Global research shows that consumers desire holidays that are more meaningful – including longer stays and more connection with the outdoors - and New Zealand as a destination is well placed.

Importantly, we have 96 million consumers worldwide in our active consider pool, with 69% willing to travel to New Zealand within six months of the border opening.

76% of our Active Considerer audience resides in Australia, the United States of America (USA) and China, with 60% of all visitors to New Zealand coming from these markets. Top box preference and pent-up demand is strong across all three.

Knowing this, we will:

- **Build scale:** focusing on Australia, the USA and China to maximise our impact and results.
- **Communicate:** ensuring the needs of core markets are at the centre of our global media and partnership strategy, amplifying our share of voice and partnership opportunities.
- **Phase our marketing investment:** maximising the early stages of recovery through markets and time periods where our impact will be greatest.

CONSUMER EXPERIENCES	AIRLINES	TRADE
<p>We will expand our connections at all points on the consumer travel journey to remove barriers to conversion, creating maximum value and unrivalled experience. We will leverage global and local partnerships creating scale and desire.</p>	<p>We will build demand quickly to support airline conversion, supporting capacity to scale, routes to be launched and product investment. We will implement new approaches to support demand such as data sharing and segmentation.</p>	<p>We will support the renewed need for agents to manage high-friction travel requirements with high-impact partnerships to maximise reach and scale. We will work with travel trade to mitigate the significant disruption in the category with extensive knowledge and capability training.</p>

Portfolio principles

We will maintain a portfolio approach in FY23. Australia, USA, China, Domestic and Business Events are our core markets. These markets represent the largest value (past and future) to New Zealand, and where we need on-going focus and investment.

We are committed to maintaining and investing in a broader portfolio. The Rest of World markets require agility to capitalise on those opportunities that present the highest value, given the priority of the spend will be with our core markets in the foreseeable future.

We will prioritise impact from core markets in the first stage, while positioning our Rest of World portfolio for the second stage of recovery.

Australia	USA	China
New Zealand Domestic	Business Events	Rest of World

Figure 3: We will adapt our portfolio approach to markets to support tourism recovery

Core markets

AUSTRALIA

Opportunity: Grow value of ‘first to fly’ international market, maximising visitor contribution and accelerating New Zealand recovery.

As New Zealand’s single largest source market for visitors pre-COVID-19, the reopening of the trans-Tasman border initiates the return of international visitors and will accelerate our recovery. Australians are ‘cautiously’ returning to travel internationally and increasing in numbers as more destinations open and confidence in travel grows.

New Zealand has increased “first preference” ahead of borders opening in 2022 and is in a strong position to convert pent-up demand into bookings and travel. The New Zealand winter and ski season provides the first significant opportunity to generate commercial impact for regions and tourism operators through the high-value Australian ski audience.

In addition to the winter and ski season, by understanding priority mindset drivers and motivators, TNZ builds desire for a New Zealand holiday. The ‘always on’ earned and paid media approach works to grow Australian visitation and value throughout the year, maximising their contribution to the visitor economy.

Building confidence in New Zealand as a destination is essential for both consumers and airlines. A strong domestic market in Australia and late border opening compared to other international destinations has delayed the return of network capacity and consumer demand, and there is a need to scale up trade, airline and airport partnerships at pace.

UNITED STATES OF AMERICA (USA)

Opportunity: Leverage strong travel demand and airline connectivity for New Zealand Summer 2022/23.

The USA economy is re-bounding. USA consumers have high levels of savings and are starting to treat COVID-19 as endemic, meaning consumers are shifting their approach to travel and most restrictions have lifted. Our audience in the USA is primed to visit New Zealand.

Strong airline partnerships in the USA will be key to maximising summer 2022/23, with all carriers expected to return by the end of FY23. TNZ has partnered with airports and airlines to rebuild connectivity across the region. We will collaborate to provide key insights and intelligence for network planning partners as they determine routes and schedules.

With a focus on building and converting demand for FY23 peak season and beyond, our major activities will be to:

- Fuel desire among US consumers to accelerate conversion for peak summer 2022-2023 arrivals.
- Support travel trade to restart and convert pent up demand from high quality target audiences.
- Partner with airlines and airports to rebuild connectivity and future capacity.

CHINA

Opportunity: Build New Zealand destination preference to convert for Lunar New Year 2023.

China is expected to be the last of the core markets to open for travel, given the ongoing closed status of the Chinese border. However, over the longer term, it remains an important market for New Zealand tourism.

Preference for New Zealand among TNZ’s Chinese target audience remains very high with 91% claimed intent to travel to New Zealand within six months of border opening. Although China’s borders are currently closed for outbound leisure travel, we are planning to accelerate conversion out of China once travel between China and New Zealand is possible.

In preparation for demand conversion, a FY23 focus will be on rebuilding and increasing capacity for major airlines from Shanghai, Guangzhou, and Beijing in partnership with New Zealand airports and travel trade.

TNZ’s activities for the Chinese market include:

- Intensifying preference for New Zealand through brand building campaigns. Content will remain on brand but be distinctly China relevant.
- Connecting and maintaining engagement with high value and supportive partners.
- Remaining agile in responding to China’s reopening with appropriate tactics, partnerships, and innovative thinking.
- Creating excitement by celebrating China’s reopening with New Zealand.

In the event that the Chinese border does not open in FY23, our focus will remain brand-building activity in anticipation of a future opening.

BUSINESS EVENTS

With new venues and academics keen to connect with the world, New Zealand has never been better placed to attract international business events.

New Zealand conference hosts are eager to bid for business events. New conference venues across New Zealand are set to enable the next tier of events, including Te Pae - Christchurch (now) Takina - Wellington (2023), and the New Zealand International Conference Centre - Auckland (2025 expected).

New Zealand delivers business events with strong social impacts, and our conferences deliver more than just economic benefits. Our research shows that the world is ready to meet, share knowledge and do business in New Zealand. Businesses are looking for safe and secure destinations with the wow factor, and we will leverage this interest in FY23.

We will build our international Business Events brand in both conference and incentive markets. This will include telling our story of authenticity and expertise through content profiles and presenting our new infrastructure options through media and key messages.

REST OF WORLD

Our Rest of World focus will be on keeping our brand alive in the hearts and minds of consumers.

The Rest of World markets TNZ will invest in FY23 are United Kingdom, Germany, Japan, Korea, Singapore, and India. These markets will not have the same level of relative spend as core markets but in aggregate remain very important to visitor return and sector recovery.

The areas of focus in Rest of World markets will be:

- Building brand recognition.
- Targeting consumer activity to enable conversion for New Zealand Summer 2022/23 peak and off-peak.
- Developing and executing joint campaigns with airline partners, to convert demand from high quality visitors.
- Accelerating conversion by working in partnership with top tier tour operators to kickstart recovery.
- Reconnecting New Zealand industry with local market buyers through trade events/familiarisation visits.

NEW ZEALAND

Our New Zealand approach will help to stabilise any uneven recovery scenarios, and focus on New Zealanders desire for year-round travel opportunities.

More information on our New Zealand domestic approach, which will be focused around increasing the value of domestic tourism through high-quality tourism activity, is outlined in Focus Area Three: Maximise Contribution.

Focus area three: Maximise Contribution

Maximise the contribution of domestic and international visitors in New Zealand

Domestic has played a key role by sustaining the sector

Over the last two years, the domestic tourism market has grown approximately 20% relative to pre-COVID-19 levels. New Zealanders have taken up the opportunity to ‘do something new’ over this period. While not enough to fill the gap left by international visitors, the resilience of domestic demand, along with TNZ marketing and Government support, have been a key factor in sustaining the sector until borders open.

There is still a job to be done in the short term to help sustain the tourism sector through the initial stages of recovery. We will continue our work in the New Zealand domestic market to help us prepare for a range of international recovery scenarios.

Domestic will continue to play a role in enriching New Zealand

The domestic tourism market can play a larger role over the longer term, helping us to build back a thriving tourism sector that is more inclusive, resilient and sustainable.

We will continue to encourage New Zealanders to do more in off-peak seasons - when fewer international visitors would typically visit New Zealand - delivering regional and seasonal productivity. This work will link in with the destination management plans of Regional Tourism Organisations, ensuring we are making the most of regional and seasonal opportunities.

Greater participation by New Zealanders in domestic tourism also improves the resilience of social licence for tourism. New Zealanders who participate in tourism and see what we have to offer to the world, also express greater support for international visitors.
(New Zealanders’ Views of Tourism Research, March 2022)

How we will transition from sustaining to enriching

We will transition to a longer-term model which maximises the contribution of all visitors – both domestic and international – while they are on the ground in New Zealand. To do this, TNZ will target visitors in New Zealand to engage in high quality tourism experiences.

The target audience for this focus area will include both international and domestic visitors while they are experiencing New Zealand ‘in-country’. We will focus our marketing efforts on promoting activities those that make holidays memorable and extraordinary and contribute the most to New Zealand.

This focus area will provide benefit through:

- Ensuring that all visitors in New Zealand can have transformative, engaging holiday experiences.
- Visitors spending more, on average, and on high-quality tourism products.
- Providing year-round opportunities for travel through enhanced seasonality and regional dispersal.
- Stronger brand advocacy by international visitors and more resilient social licence from New Zealanders participation in domestic tourism.

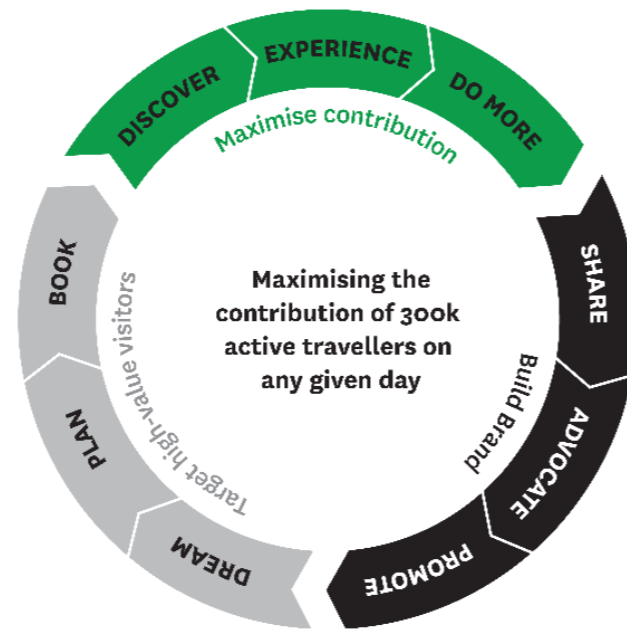


Figure 4: After our audience has dreamed, planned, and booked their trip, we have a further opportunity to maximise their contribution while on holiday in New Zealand

Focus area four: Toitū, Toiroa

Enable our tourism sector to achieve an enduring and regenerative tourism recovery

Focus areas one to three detail the specific ways we will deliver against our strategic intentions. These are our ‘market-facing’ focus areas. TNZ’s greatest sustainability impact will come from its ability as a marketer, as it provides a strong ability to influence and shape the drive for sustainability across the sector. However, to maximise the value we can achieve for New Zealand tourism, we need to draw upon a rich set of enablers to support

The four enablers

1. Embedding te ao Māori into the TNZ way of working

A focus on being enduring and regenerative means a focus on the ongoing success of our Māori sector partners to deliver on our regenerative tourism future. As we move into FY23, we will continue to build upon our internal capability, as well as identifying opportunities to authentically and meaningfully incorporate te ao Māori into our brand.

We have spent the last year introducing and embracing our Rautaki Māori programme and work continues into 2022-2023 to embed this within our operations. This involves not only internal cultural capability within TNZ but is also focused on how TNZ can incorporate an authentic expression of te ao Māori in our external brand. Alongside our advisors, we aim to continue our journey to becoming a culturally inclusive organisation (as demonstrated

this work, and to empower the tourism sector through information, insights, and awareness.

Toitū, Toiroa means enduring and regenerative

Focus area four is based on four key enablers and ensuring that TNZ markets New Zealand in a way that helps drive an enduring and regenerative tourism recovery.

through our Reo Plan) and one that is able to promote and deliver value for Māori tourism, and the manaakitanga that our sector can deliver for the world.

Our Rautaki Māori objectives are listed below and will continue to underpin TNZ’s activity.

1. Our global whānau and organisation are empowered through our overarching te ao Māori strategy.
2. TNZ has built strong and enduring partnerships that enrich New Zealand and supports its work.
3. TNZ is better informed of the deeper insights into the Māori tourism system.
4. Our brand and content reflect a deeper cultural value set (through story telling).

2. Tiaki – Care for New Zealand

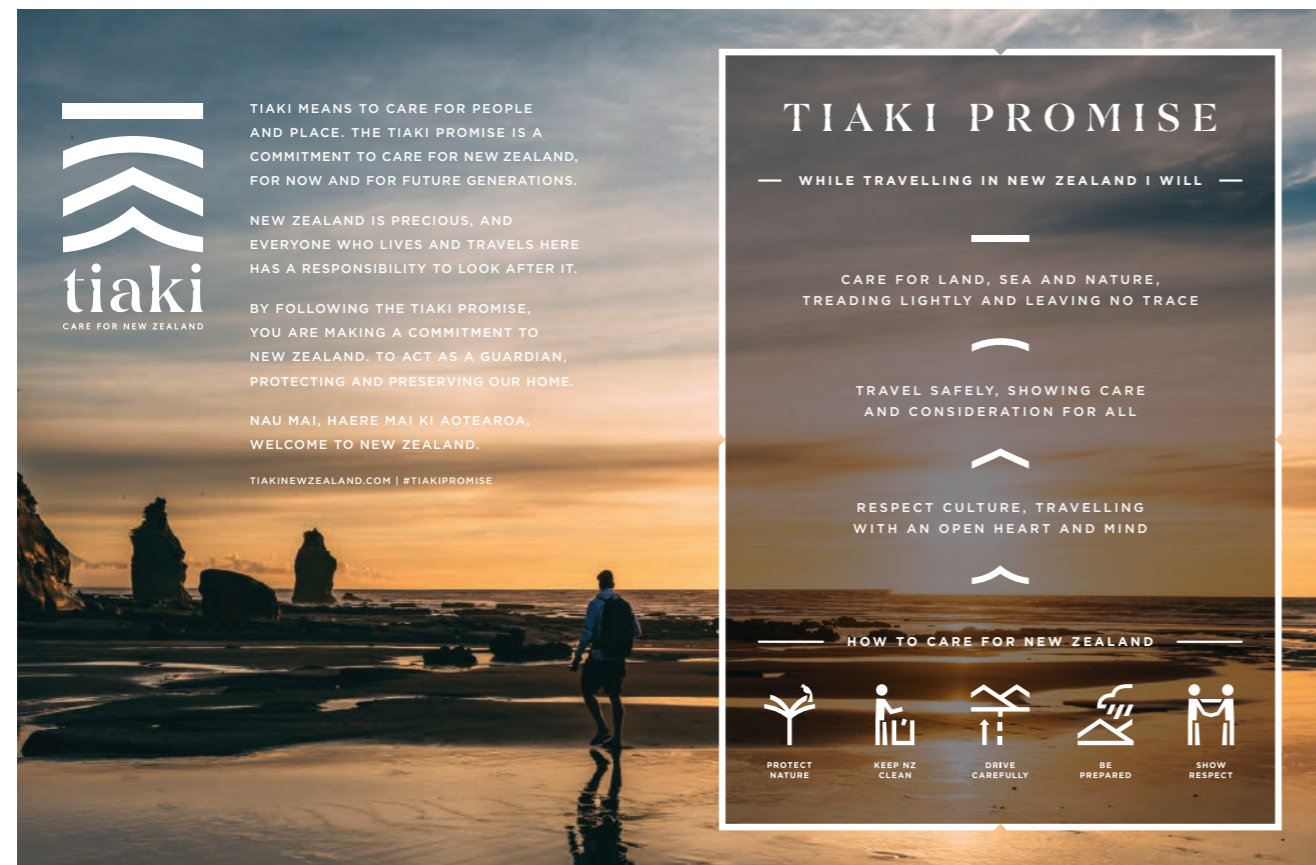
Tiaki is an initiative to help all travellers to New Zealand care for people, place and culture, for now and for future generations.

Core to our sustainable tourism future, the Tiaki kaupapa invites visitors to see New Zealand through a Māori world view and in doing so guides their behaviours while travelling.

In 2022-23, we will work alongside our Tiaki partners who are focussed on ensuring that incoming visitors to New Zealand understand and are supported to travel in a culturally and environmentally respectful way. This aligns with our desire for high-quality tourism, and will be driven through campaigns, partnerships, and industry adoption. We will also look to further understand what drives visitor behaviour through new research and insights, which can guide ongoing, evidence-based interventions.

In 2022-23, as borders reopen, we will continue to focus Tiaki on the following behavioural messages:

- **Be prepared:** Reminding and informing visitors on how to keep themselves safe while travelling through our stunning country, particularly in the outdoors.
- **Protect nature:** Helping visitors to care for nature through actions such as keeping distance from wildlife.
- **Keep New Zealand clean:** Reminding visitors of the steps needed to care for the landscape of New Zealand and providing tips on litter disposal and toileting.
- **Driving carefully:** Highlighting what makes New Zealand’s roads different so that visitors can keep themselves safe while driving.
- **Showing respect:** Gently informing visitors on how they can travel with an open heart and mind, respecting local communities and culture.



3. Delivering value for our Qualmark members

Qualmark is New Zealand tourism’s official quality assurance organisation, providing a trusted guide to quality travel experiences in New Zealand, supporting businesses to become more sustainable from a people, planet and profit perspective.

Qualmark does this by assessing tourism businesses, working alongside these businesses to ensure they remain competitive and current in the changing operating environment.

Qualmark will support its members to attract high quality visitors from the domestic and international markets and ensure businesses are set-up for success to recover and rebound sustainably for the long term.

In 2022-23, Qualmark will focus on:

- Support our Qualmark members by delivering ongoing capability programmes that equip businesses with the tools/resources to be more efficient and operate in a sustainable manner for long term success.
- Supporting the sustainable tourism business awards program (Bronze – Gold) to raise the overall quality of a New Zealand experience.
- Providing members quality insights and information to help inform decision making.

By delivering this approach, we aim to support our Qualmark members to achieve greater productivity, whilst supporting their focus on the domestic audience and reestablishment in the international market.

4. Our role as a sector partner with Government

Through the Tourism Industry Transformation Plan (ITP) and a range of other initiatives, the Government has clearly signalled its desire for tourism to undergo an enduring and regenerative recovery.

As a key sector partner, and the organisation responsible for promoting New Zealand to the world, TNZ has a clear role to play in supporting this work. TNZ is expected to share information and insights, supporting collaboration to help deliver a revitalised and sustainable tourism sector.

In FY23, we will support Ministers, MBIE and DoC across a range of activities focused on supporting an enduring and regenerative tourism recovery, acknowledging that TNZ’s best contribution to these activities will be in our ability to market appropriately. These will include, but not be limited to:

- Contributing to actions resulting from the ITP, including providing Government and industry partners relevant information, insights and awareness.
- Understanding current social licence in relation to tourism, and any interventions or mitigations we may promote to support enhanced social licence towards tourism.
- Supporting Government initiatives around carbon and sustainability in terms of carbon footprint.

We will also ensure that the tourism is considered across wider initiatives, by representing the voice of the customer. We will do this by leveraging our visitor insights and market knowledge, and work to identify further opportunities for New Zealand tourism to grow.

Measuring our Performance

In FY23, TNZ will measure success through a suite of 11 objectives and key results as shown in our summary of measures table. These measures have been designed to align with our focus areas and have been informed by the potential contribution of TNZ towards the four capitals that Enrich Aotearoa New Zealand: economy, nature, society, and culture.

While we have put these measures in place with a long-term view to international recovery, we cannot be certain of the pace of recovery in the first year.

Some of our measures build on longstanding measures; others have been adapted due to changes in available data and changes in context. As the tourism sector recovers and transitions, and as our operating context continues to change, we expect to evolve our measures further to move from rebuilding value to shaping demand more specifically.

For FY23, we are focused on building back tourism in a sustainable and regenerative manner, encouraging our audiences to maximise their contribution to New Zealand.

OUTCOME MEASURES				
OUTCOME	MEASURE	RESULT 2020/21	TARGET 2021/22	TARGET 2022/23
Build brand	Global brand preference	40%	43%	Grow >43%
	Intention of taking a domestic holiday	66%	69%	Hold FY22 result
Accelerate recovery	International visitor spend	N/A	N/A	\$3.4B (Recover >30% of \$11.2B FY19 result)
	Domestic visitor spend	\$11.2B	\$9.4B	\$9.5B (Grow >100% of \$9.5B FY19 result)
Maximise contribution	Core tourism spend	New measure		Benchmark
Toitū, toiroa	New Zealanders agree tourism is good for New Zealand	93%	81%	Hold FY22 result

IMPACT MEASURES				
IMPACT	MEASURE	RESULT 2020/21	TARGET 2021/22	TARGET 2022/23
Earned Marketing	Equivalent advertising value (EAV)	\$127m	\$180m	\$72m
Business Events	Value of Business Events bids supported	\$94m	\$90m	\$105m
Trade Marketing	Return on investment (ROI) on trade Joint Ventures (JV)	N/A	5:1	5:1
Digital Marketing	Referrals to industry	1.9m	2.0m	2.3m
Stakeholder Engagement	TNZ stakeholder rating	85%	89%	Hold FY22 result

Definition of measures

The list below sets out the definitions of TNZ’s SPE measures.

- 1. Global brand preference**
Active Considerer Monitor respondents are asked to rank their top five destinations in order of preference. Top Box Preference is the proportion of global Active Considerers consumers who rate New Zealand as their first-choice destination. This global number is a weighted average across our top six markets.
- 2. Intention of taking a domestic holiday**
This is measured through our Domestic Travel View research.
- 3. International tourism spend**
The International Visitor Survey (IVS) is being restarted, as it was stopped for a period due to border closures. International value will be measured through the reported total expenditure of international tourists from the international visitor survey (IVS). In the situation of the IVS being unavailable, we will measure international tourism value using MBIE’s Tourism Electronic Card Transactions (TECTs)
- 4. Domestic tourism spend**
This will be measured through MBIE’s Tourism Electronic Card Transactions (TECTs).
- 5. Core tourism spend**
This is a new measure for a new focus area: Maximise contribution. A range of candidate data sources are being evaluated to most accurately measure changes in spend from both international and domestic visitors on ‘core tourism’, defined as high value tourism product categories including accommodation, attractions and experiences.
TNZ will benchmark this measure using several candidate data sources, and report on historic baseline and actual trend in quarterly reports over the course of the year.
- 6. New Zealanders agree tourism is good for New Zealand**
The percentage of respondents who agree or strongly agree with the statement:
“To what extent do you agree or disagree that tourism is good for New Zealand?”
This is measured through the New Zealanders’ Views of Tourism survey.
- 7. Equivalent advertising value (EAV)**
EAV is an estimate of the value of media coverage that results from public relations activity. EAV is based on the equivalent cost to purchase results and is not always available for all activity.
- 8. Referrals to industry**
Referrals are either 1st party from newzealand.com to partner websites or 3rd party, referred directly to a partner’s website from TNZ paid marketing activity.
- 9. Return on investment (ROI) on trade Joint Ventures (JV)**
This ratio shows that for every dollar spent, JV marketing campaigns generated ‘x’ amount of value.
 $[Passengers\ booked\ during\ JVs] \times [Historic\ Average\ Spend] / [Campaign\ Spend]$
Note: This measure relates to JV marketing campaign spend only and is not intended to represent a ROI for overall TNZ activity.
- 10. Value of Business Events bids supported**
The estimated value of Business Events (BE) bids supported through the Conference Assistance Programme (CAP) fund.
 $[Number\ of\ conference\ delegates] \times [Historic\ average\ spend\ per\ delegate]$
- 11. TNZ stakeholder survey rating**
The percent of respondents who state ‘very good’ or ‘excellent’ for the question ‘how do you rate TNZ’s overall performance?’

Forecast financial information

Appropriation

The table below summarises TNZ's appropriation for the 2022/23 year:

Vote Business, Science and Innovation	2021/22 \$000	2022/23 \$000
Marketing New Zealand as a Visitor Destination	\$111,450	\$111,450

The table below summarises TNZ's appropriation for the 2022/23 year. These appropriation measures are also included in the outcome measures in the previous section.

Appropriation Title	Appropriation Measure	2022/23 Standard
Marketing New Zealand as a Visitor Destination (M69)	Grow international visitor spend	Year on year increase
	Grow domestic visitor spend	Year on year increase
	Grow the value contribution of tourism to GDP	Year on year increase

Statement of comprehensive revenue and expense

	Group		Parent	
	2021/22 \$000s	2022/23 \$000s	2021/22 \$000s	2022/23 \$000s
Revenue from non-exchange transactions				
Revenue from Crown	111,450	111,450	111,450	111,450
Other revenue	-	-	-	-
Revenue from exchange transactions				
Interest Income	20	20	20	20
Other revenue	2,000	3,380	2,000	3,380
Total Revenue	113,470	114,850	113,470	114,850
Expenditure				
Other expenses	127,449	115,209	127,491	115,225
Depreciation & amortisation	1,021	741	979	725
Share of associate's deficit	-	-	-	-
Total Expenditure	128,470	115,950	128,470	115,950
Net Operating Surplus/(Deficit) before Foreign Exchange and Taxation	(15,000)	0	(15,000)	0
Foreign Exchange				
Foreign exchange gains/(losses) on derivative financial instruments	-	-	-	-
Other foreign exchange gains/(losses)	-	-	-	-
Total foreign exchange gains/(losses)	-	-	-	-
Income tax expense	-	-	-	-
Underspend carried forward from previous year	15,000	-	15,000	-
Net Surplus/(Deficit) for the year	0	0	0	0
Other comprehensive revenue/(expense)	-	-	-	-
Total comprehensive revenue/(expense) for the year	-	-	-	-
Net Surplus/(Deficit) for the year is attributable to:				
Non-controlling interest	-	-	-	-
Owners of the parent	-	-	-	-
Total comprehensive revenue/(expense) for the year is attributable to:				
Non-controlling interest	-	-	-	-
Owners of the parent	-	-	-	-

Forecast financial information

Statement of financial position

	Group		Parent	
	2021/22 \$000s	2022/23 \$000s	2021/22 \$000s	2022/23 \$000s
Current Assets				
Cash	5,255	5,516	5,000	5,000
Receivables from non-exchange transactions	160	0	160	0
Receivables from exchange transactions	1,198	1,700	1,000	1,500
Prepayments and other current assets	2,000	1,705	2,000	1,700
Derivative financial instruments	1,160	811	1,160	811
	9,773	9,732	9,320	9,011
Non-current Assets				
Property, plant and equipment	1,750	1,353	1,749	1,352
Intangible assets	893	227	700	192
Investment in associate	0	0	-	-
Investment in Qualmark	8,260	10,760	8,260	10,760
Accommodation bonds	570	536	570	536
Derivative financial instruments	0	0	0	0
	11,473	12,876	11,279	12,840
Total Assets	21,246	22,608	20,599	21,851
Current Liabilities				
Creditors and other payables	6,770	7,166	6,600	7,000
Employee entitlements	820	820	800	800
Invoiced in advance	700	700	500	500
Provisions	190	190	190	190
Derivative financial instruments	0	0	-	-
	8,480	8,876	8,090	8,490
Non-current Liabilities				
Provisions	190	490	190	490
Derivative financial instruments	0	0	-	-
	190	490	190	490
Total Liabilities	8,670	9,366	8,280	8,980
Net Assets	12,576	13,242	12,319	12,871
Equity				
Shareholder's Equity	10,105	10,105	1,805	1,805
Retained earnings	(1,650)	(2,670)	6,393	5,259
Foreign Exchange Reserve	4,121	5,807	4,121	5,807
Parent interests	12,576	13,242	12,319	12,871
Non-controlling interests	0	0	-	-
Total Equity	12,576	13,242	12,319	12,871

Statement of cash flows

	Group		Parent	
	2021/22 \$000s	2022/23 \$000s	2021/22 \$000s	2022/23 \$000s
Cash flows from operating activities				
Crown revenue	111,450	111,450	111,450	111,450
Interest received	20	20	20	20
Other revenue from non-exchange transactions	17	192	0	160
Other revenue from exchange transactions	20	20	2,500	4,080
Payments to suppliers and employees	(111,287)	(111,121)	(113,670)	(115,410)
Goods and services tax (net)	-	-	-	-
Net cash from operating activities	220	561	300	300
Cash flows from investing activities				
Sale of property, plant and equipment	-	-	-	-
Repayment of accommodation bonds	-	-	-	-
Purchase of property, plant and equipment	(300)	(300)	(300)	(300)
Purchase of intangible assets	(1,000)	0	(1,000)	0
Payments for accommodation bonds	-	-	-	-
Net cash from investing activities	(1,300)	(300)	(1,300)	(300)
Cash flows from financing activities				
Effect of exchange rates on foreign currency balances	-	-	-	-
Opening cash brought forward	5,335	5,255	5,000	5,000
Cash at end of year	5,255	5,516	5,000	5,000

Statement of changes in equity

	Group		Parent	
	2020/21 \$000s	2021/22 \$000s	2020/21 \$000s	2021/22 \$000s
Balance at 1 July	12,576	13,242	12,319	12,871
Net surplus/(deficit) for the year	-	-	-	-
Transfer from Retained Earnings to Foreign Exchange Reserve	-	-	-	-
Total comprehensive income/(expense) for the year	-	-	-	-
Balance at 30 June	12,576	13,242	12,319	12,871

Forecast financial information

Accounting policies

(a) Reporting entity

TNZ is a Crown entity as defined by the Crown Entities Act 2004 and is domiciled in New Zealand. TNZ's primary objective is to improve tourism's contribution to economic growth by increasing the value of international visitors to New Zealand.

TNZ does not operate to make a financial return.

For the purposes of financial reporting, TNZ is classified as a Public Benefit Entity.

The financial statements for TNZ (the parent) and its controlled subsidiaries (collectively the Group) are for the year ended 30 June 2023.

(b) Basis of preparation

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

Statement of compliance

The financial statements have been prepared in accordance with the requirements of the Crown Entities Act 2004, which includes the requirement to comply with generally accepted accounting practice in New Zealand (NZ GAAP). The financial statements have been prepared in accordance with Public Benefit Entity (PBE) Standards.

Measurement base

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.

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) Accounting standards and interpretations

There have been no changes in the accounting policies of the Group in the year ended 30 June 2022. All accounting policies and disclosures are consistent with those applied by the Group in the previous financial year.

The External Reporting Board has also issued amendments to the following standards to incorporate requirements and guidance for the not-for-profit sector. These amendments apply to PBEs with reporting periods beginning on or after 1 July 2021. TNZ expects there will be minimal or no change in applying these updated accounting standards.

STANDARD	TITLE	APPLICATION DATE
PBE IPSAS 41	Financial instruments	1 July 2022
PBE FRS 48	Service Performance Reporting	1 July 2022

(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).

The acquisition of the subsidiaries are accounted for using the acquisition method. The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies.

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

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

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

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

(e) Investment in JV

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

The investment in the JV is carried in the consolidated Statement of Financial position at cost plus post-acquisition changes in the Group's share of net assets of the JV, less any impairment in value. The consolidated statement of comprehensive revenue and expense reflects the Group's share of the results of operations of the JV.

Where there has been a change recognised directly in the JV'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 date.

Exchange gains and losses are recognised in the Statement of comprehensive revenue and expense.

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 revenue and expense in the period in which the transaction occurs.

Impairment

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. If an asset's carrying amount exceeds its recoverable amount, the asset is regarded as impaired and the carrying amount is written-down to the recoverable amount. The total impairment loss is recognised in the Statement of comprehensive revenue and expense.

Value in use for non-cash-generating assets

Non-cash-generating assets are those assets that are not held with the primary objective of generating a commercial return. For non-cash generating assets, value in use is determined using an approach based on a depreciated replacement cost approach.

Value in use for cash-generating assets

Cash-generating assets are those assets that are held with the primary objective of generating a commercial return. The value in use for cash-generating assets and cash-generating units is the present value of expected future cash flows.

Forecast financial information

(h) Intangible assets

Intangible assets are recorded at cost at acquisition. TNZ has no intangible assets with an infinite life.

The cost model is applied requiring the assets to be carried at cost less any accumulated amortisation. Any expenditure that is capitalised is amortised over the period of the expected benefit from the related project.

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

Research costs are expensed as incurred.

(i) Trade and other receivables

Trade receivables are recognised and carried at original invoice amount less an allowance for any expected credit losses (ECLs).

For receivables from non-exchange and exchange transactions, the Group applies a simplified approach in calculating ECLs. The Group bases this on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

(j) Cash and cash equivalents

Cash and cash equivalents 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.

(k) 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 revenue and expense net of any reimbursement.

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

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

(l) 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 revenue and expense on a straight-line basis over the lease term.

The Group does not enter into finance leases.

(m) 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 specific recognition criteria described below must also be met before revenue is recognised.

Revenue from non-exchange transactions

Appropriation received from the Crown

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

Sales and other revenue

Revenue includes fees received to attend offshore trade events and familiarisations in New Zealand, and fees received to become part of an Approved Destination Status programme. The revenue from such transactions does not approximately equal the value of goods provided by TNZ and are therefore considered as non-exchange transactions.

Revenue is measured at the fair value of consideration received or receivable. The specific recognition criteria described below must also be met before revenue is recognised.

Revenue from services

Some contracts or agreements to provide services have conditions that require the funds to be returned if the condition is not fulfilled (a return obligation). To the extent that there is a condition attached in the contract, that would give rise to a liability to repay the funding and a deferred revenue is recognised instead of revenue. Revenue is then recognised only once the conditions have been satisfied.

Revenue from exchange transactions

Sales and partnership revenue

Revenue includes contributions from partners and recharges to customers to recover full cost of expenses incurred on their behalf. The revenue from the such 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.

(n) Income tax

TNZ is exempt from income tax under the New Zealand Tourism Board Act 1991. TNZ'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 or loss 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 or loss 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.

Forecast financial information

(o) 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 is classified as operating cash flows.

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

(p) Financial instruments

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

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

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 revenue and expense.

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

(q) Employee benefits

Employee entitlements for salaries and wages, annual leave, long service leave, retiring leave and other similar benefits are recognised in the Statement of comprehensive revenue and expense 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 are recognised in the Statement of comprehensive revenue and expense only where there is a demonstrable commitment to either terminate employment prior to normal retirement date or to provide such benefits as a result of an offer to encourage voluntary redundancy. Termination benefits settled within 12 months are reported at the amount expected to be paid, otherwise they are reported as the present value of the estimated future cash flows.

Statement of significant assumptions

Assumptions underlying the financial statements include:

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

Our Offices



Tourism New Zealand
+64 4 462 8000



**100% PURE
NEW ZEALAND**



www.tourismnewzealand.com
www.newzealand.com
traveltrade.newzealand.com
businessesevents.newzealand.com
media.newzealand.com
visuals.newzealand.com



Treble Cone
Lake Wānaka