



**TAANZ**  
TRAVEL AGENTS' ASSOCIATION  
NEW ZEALAND

# Annual Report 2007

*"Without a travel agent you're on your own"*

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## TAANZ MEMBERSHIP FACTS

### **Founded 1962**

Full Members	396
Additional Branch Locations	80
Allied Members	92
Total	568

### **Number of Staff Employed by TAANZ Members**

- Full Members and Branch Locations 3,436

### **Value of Travel Business Written by TAANZ Members**

- Full Members and Branch Locations \$3 billion

## TAANZ BOARD OF DIRECTORS 2006/2007



Left to right: Peter Barlow (President), Andrew Bowman, Paul Yeo (Chief Executive), Mark Abbot (Vice President), Tracy Meade, Murray Tanner, Ross Manson.

### SECRETARIAT

Level 3, Tourism & Travel House,  
79 Boulcott Street  
PO Box 1888, DX SX10033, Wellington 6140  
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### CHIEF EXECUTIVE:

Mr Paul Yeo  
Email: [paul@taanz.org.nz](mailto:paul@taanz.org.nz)

### EXECUTIVE ASSISTANT:

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### OFFICE ASSISTANT:

Mr Tony King  
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### FINANCE MANAGER:

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### BONDING AUTHORITY:

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Level 11, Deloitte House, 10 Brandon Street,  
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### PRESIDENT:

Mr Peter Barlow, MNZITT  
Director  
Williment Travel Group  
Centreport House, 1 Hinemoa Street  
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### VICE PRESIDENT:

Mr Mark Abbot, MNZITT  
Director  
Representing House of Travel Holdings  
C/- MDS Law - Barristers & Solicitors  
Level 5, Brannigans Building  
85 Gloucester Street  
Cnr Oxford Tce & Gloucester Street  
PO Box 185, Christchurch 8140  
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Tel: (03) 379-1930  
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## DIRECTORS:

Mr Andrew Bowman, MNZITT  
Managing Director  
First Travel Group  
Level 5, 5-7 Kingdon Street, Newmarket,  
PO Box 2926 Shortland Street, Auckland 1140  
DX CX10156 Auckland  
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Mr Ross Manson  
Managing Director  
ITN Travel Group  
Level 5, 66 Wyndham Street  
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Stella Travel Services  
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DX CR51001 Auckland  
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Email: murray.tanner@stellatravel.co.nz

## SOLICITOR:

Mr AR (Andy) Marshall, LLB (HONS)  
Gault Mitchell and Co  
Level 4, Natural Gas Corp. House  
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## AUDITOR:

Mr Robin Cathcart, B.Com, CA, ACIS  
Chartered Accountant  
17 Troon Crescent, PO Box 5035  
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Tel: (04) 567-1714  
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## BANKERS:

National Bank of New Zealand

## LIFE MEMBERS:

Mr Andrew Bagnall, Auckland  
Mrs Anne Bouterey, MNZITT, Christchurch  
Mr Bob Christey, MNZITT, Hamilton  
Mr Peter Cox, OBE, FNZITT, Napier  
Mr Duncan Hamilton, OBE, ACA, FNZITT, Auckland  
Mr James Langton, MNZITT, Auckland  
Mr John Morrison, MNZITT, AFNZIM, Wellington  
Mr Charles Spain, FNZITT, Auckland  
Mr Tim Tapper, FNZITT, Auckland  
Mr Peter Lowry MBE, LNZITT, Wellington

## PAST PRESIDENTS:

1962-64	Mr John F Beckett, FNZITT
1964-65	Mr George L Barker, MNZITT
1965-67	Mr Kenneth St John, MNZITT
1967-68	Mr Ron W Johnson, MNZITT
1968-71	Mr Okke Hansen, FNZITT
1971-73	Mr Malcolm G Scott, MNZITT
1973-75	Mr Duncan K Hamilton, OBE, FNZITT
1975-77	Mr Bob Alpe, MNZITT
1977-78	Mr Rodney Walshe, ONZM, FNZITT
1978-80	Mr Peter D Cox, OBE, FNZITT
1980-81	Mr Alan Spence, MNZITT
1981-83	Mr Lloyd Tremain, LNZITT
1983-85	Mr Richard Conway, MNZITT
1985-87	Mr Bob Christey, MNZITT
1987-90	Mr Charles Spain, FNZITT
1990-92	Mr Greg Miller, MNZITT
1992-94	Mr Peter Brandley, MNZITT
1994-96	Mr Tim Tapper, FNZITT
1996-98	Mr John Morrison, MNZITT, AFNZIM
1998-00	Mrs Anne Bouterey, MNZITT
2000-07	Mr James Langton MNZITT

## EXECUTIVE DIRECTORS:

1962-68	Mr Jim P McDavitt
1969-76	Mr Monty F Foate, MNZITT
1976-78	Mr Albert McGowan, MNZITT

## CHIEF EXECUTIVE:

1978-06	Mr Peter J Lowry, MBE, LNZITT
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## 10 YEAR MEMBERSHIP REVIEW

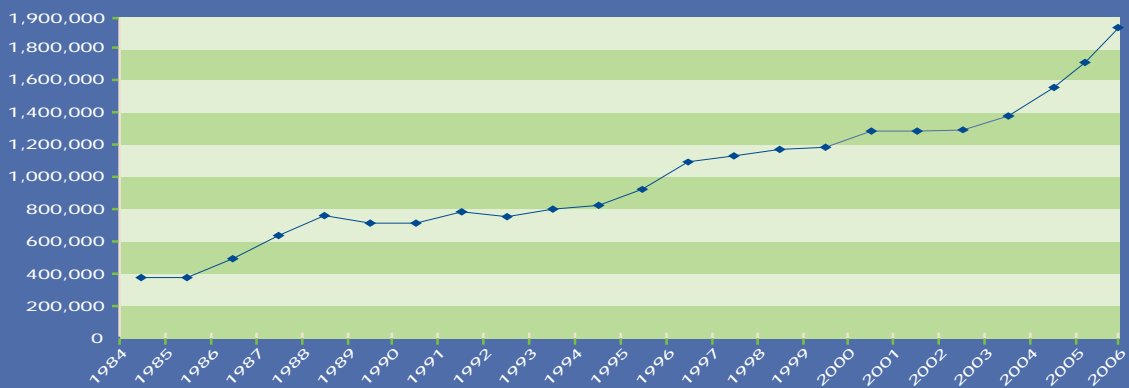
	MAY 2007	MAY 2006	MAY 2005	MAY 2004	MAY 2003	MAY 2002	MAY 2001	MAY 2000	MAY 1999	MAY 1998
<b>FULL MEMBER HEAD OFFICES</b>	396	400	416	402	401	409	396	421	428	443
<b>ADDITIONAL BRANCH LOCATIONS OF FULL MEMBERS</b>	80	84	96	117	132	129	190	190	198	225
<b>NEW TOTALS AFTER TAKING INTO ACCOUNT CHANGES AND CLOSURES</b>	476	484	512	519	533	538	586	611	626	668
<b>APPROVED SALESPERSONS</b>	314	309	284	296	264	216	-	-	-	-
<b>ALLIED SUPPLIER MEMBERS</b>	92	96	100	103	105	112	113	121	125	127

## 25 YEARS OF GROWTH

### Total New Zealand Residents Departing (Short Term) As at March

1983	360,793	1989	716,329	1995	920,107	2001	1,286,593
1984	379,764	1990	717,278	1996	1,092,879	2002	1,292,979
1985	378,491	1991	778,956	1997	1,131,682	2003	1,373,632
1986	490,515	1992	750,895	1998	1,166,418	2004	1,432,541
1987	637,149	1993	799,659	1999	1,184,510	2005	1,777,939
1988	757,154	1994	823,834	2000	1,282,791	2006	1,876,838

## TOTAL NZ RESIDENT DEPARTURES BY CALENDAR YEAR



## PRESIDENT'S REPORT



Peter Barlow

Hard to believe another year has passed. By recent standards a relatively peaceful one in comparison to the challenges of change we have overcome in previous years.

This has been a settling period after much consolidation of the trade and the feeling of optimism and confidence continues.

On a personal level, this marks a milestone for me as I complete my first year as your President.

Naturally, this does not mean we are sitting back. We are in a highly competitive industry where customer expectation, both leisure and corporate, heightens. The increasing need for us to know our customers well, to use technology to greater effect and deliver cost effective solutions is the minimum expectation. How successfully we do that whilst embracing inevitable change will measure our future.

The Internet has continued to play its part in the changing landscape of our consultants. The uneven playing field the Airlines have enjoyed seems set to change as both Air NZ and Qantas look to allow us access to "all fares" via the GDS, albeit at a cost. I am sure all of you are weighing the pros and cons of the Qantas "Opt-In" and will soon be talking with your preferred GDS provider to understand the impact financially. From where I sit, it seems you have little choice but to opt in! The price variance between you and the Airline would be too much for the customer to ignore. It is important though, that you do your sums and understand the consequences either way. Be assured though, that the use of the internet is still largely with the Domestic and Short Haul leisure traveller. Some of you are gleefully acknowledging that. Long Haul International travel requires a knowledge of options and destinations and an attention to detail that most travellers will gladly pay a fee for. Go after them!

One of the projects that have been top of mind for me in my tenure on the Board is a modernizing of the TAANZ brand and what it represents. To that end we will be profiling at our AGM a brand re-refresh to accompany a new improved web presence and functionality. With your approval, we will develop a smart new face to our Industry that we believe reflects the skill and professionalism that

exists and how that interfaces with the trade and the consumer. Under-pinning this is our slogan ..... "Without a Travel agent you are on your own" . With your permission we want to create a greater profile in the media with this message to compliment what many of you are doing now individually or through your Groups.

Staff retention in a tight employment market continues to be an expensive dilemma for the trade at large. As a consequence, trade qualifications and training remains an important agenda item for this Board. To that end we have established a representation from the Board to meet with ATTTO and NZITT to ascertain the appropriate steps to unify us all and to develop an appropriate path forward. It is fair to say that a review of trade qualifications and standards generally is required. To do this, we need to establish a template for our partner organisations to administer. They need to be relevant, achievable and easily accessible.

Interestingly, IATA have advised that under the proposed changes (818g) to the IATA Passenger Agency Programme resolution 816, TAANZ will be the sole setter of minimum qualifications for the Travel Trade in New Zealand and that non-TAANZ agents will have no requirement to have trained staff. This creates a significant point of difference for us that we must leverage off.

Needless to say, we wish to get the minimum qualification criteria sorted and all on-going training modules current, affordable and accessible through various medium.

You are all aware that the revised TAANZ/Airline agreement is now fully implemented, a result of discussions at the joint TAANZ/IATA Executive Council which requires equal joint representation. After several meetings, I believe we are now enjoying a much better relationship with IATA and the member Airlines in New Zealand.

IATA Geneva has recently met with the Board to profile some relatively minor changes to that constitution and in particular resolution 816 to bring it in-line with Europe. We await some written response to that meeting from them before we make comment to the trade. Of significant importance to TAANZ is that we have no watering down of the approval and adoption process of issues unique to this

market. To this end, we are also working very closely with AFTA in Australia to ensure continuity in this region.

Prior to our AGM in September, I will be attending a meeting of WTAAA (World Travel Agents Associations Alliance) in Las Vegas immediately after the ASTA Trade Show. This new body, to be incorporated at this meeting and to be registered and administrated from Brussels, will represent over 70% of the Global BSP. Founding representative countries include USA, Canada, Europe, Denmark, South Africa, India, Australia and New Zealand. Others await formalisation. I will comment further at the AGM but to be part of the formation of this body is exciting.

Recent events in this region and globally reminds us of the ever changing nature of our business and the impact external influences play in our thinking. Most recently, Virgin Blue announced their plans for a New Zealand domestic air travel schedule commencing in November that will spice up main trunk competition and reduce prices generally. Tiger Airlines also indicated that they might follow suit. The past has proven that competition will be embraced by the public but whether this is sustainable remains to be seen.

The exchange rates on foreign currency have declined and will continue to fluctuate the bankers tell us over the months ahead. Naturally, this might have some small effect on travel as discretionary spend is in check. Corporates now talk about carbon consciousness and global warming it seems is behind the more obvious extreme weather throughout the world. But one thing is for sure, Kiwis continue to spread their wings as they have always done!

Allow me to finish by thanking our Chief Executive Paul Yeo who has rather quickly stepped into the very big shoes of his predecessor and, with his secretariat staff worked very hard to ensure that your Trade Association is in great shape.

Complimenting them is the very important and largely unrecognized efforts of the TAANZ bonding Authority and Legal Council. Thank you one and all.

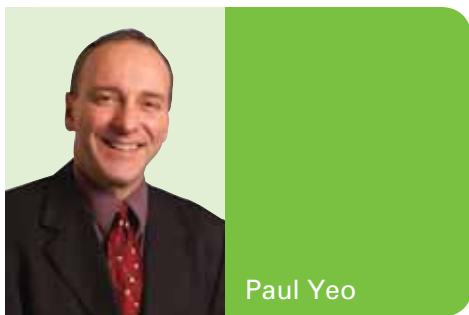
Warm wishes and much success.

A handwritten signature in blue ink, appearing to read 'Peter Barlow'.

Peter Barlow  
President

# CHIEF EXECUTIVE'S REPORT

## THE YEAR UNDER REVIEW



### OVERVIEW

I am pleased to present my second Annual Report as Chief Executive of TAANZ.

TAANZ, now in its 45th year of development as the trade association representing the travel agency and tour operator distribution system, has grown from small beginnings into a well respected and financially sound organisation with positive plans for the future.

During the period under review much has happened – outbound travel continued to grow, TAANZ developed a new brand with promises of a new advertising campaign and refreshed website to follow, the proposed Air New Zealand/Qantas Tasman Network Agreement met its end, a new TAANZ Airline Agreement was reached, the Outbound Tour Operators Council was revamped, the TAANZ Secretariat offices relocated and we turned in a profitable result.

Some other changes were bedded down - commissions on airfares already seem like a distant memory and performance payments are the likely harbingers of zero base commissions from everyone. This is a change agents have to adapt to or face extinction themselves. Professional agents are rising to the challenge and will profit from the changing environment. The role of travel agents is changing from one of pure distribution to one of advice and consultancy as the consumer is faced with mounting choices and confusion and is seeking guidance.

Outbound travel from New Zealand has experienced two years of moderate growth after a big increase in 2005 with travel agents having enjoyed the benefits of a strong New Zealand dollar, a strong domestic economy and competitive international airfares.

As is becoming the norm, political and terrorism issues continued, most notably in Fiji and the UK respectively. Traffic to Fiji was dented to the benefit of neighbouring

Pacific states, but quickly began to rebound. UK traffic was largely unaffected.

The total number of trips undertaken for the year ended May 2007 was 1.9 million, up 66,000 trips or 1.7% on the previous year. Australia took almost half of these travellers but the biggest percentage growth went to the Pacific Islands (up 5.6%) and Europe (up 7.5%).

Indications of a cooling economy, a weakening dollar and rising fuel prices may bring us back to more moderate growth levels for the coming year.

Recent trend analysis by the Ministry of Tourism reveals that the price of international air travel has generally become cheaper in the last two years, when compared to the rising Consumer Price Index, but this is at the expense of rising domestic air fares. The price of international air travel experienced a major structural shift in 2003 when low airfares were introduced for trans-Tasman travel, with prices dropping by 15-20%. Also, a significant difference was apparent in seasonal prices, with December quarter prices being 16% higher than that in the June quarter. Because of the highly competitive nature of international air travel, prices have been tracking below the general CPI. In contrast, prices for domestic air travel were generally tracking above the CPI, with the exception being the 2003/4 period when demand for trans-Tasman travel was strong owing to much lower airfares. Hopefully the recent announcement by Pacific Blue will see these fares come down in late 2007 and stay down.

Similar research showed that the share of visitor nights undertaken by Kiwis for domestic and outbound travel has changed considerably since 1999. In the period before the introduction of low airfares for trans-Tasman and Pacific travel in late 2003, outbound nights accounted for 31% of total travel nights and domestic nights 69%. However, two years after the low airfares were introduced, the outbound share went up to 41% and domestic share dropped to 59%, and this ratio appears to have stabilised. This phenomenon represents a major structural shift from domestic to outbound travel by New Zealand residents.

The long term outlook is still very positive with the Ministry of Tourism forecasting that outbound travel by New Zealand residents will increase to 2.158 million in 2013, an increase of 296,000 or 15.9%, averaging 2.1% per annum.

### MEMBERSHIP

The past year has seen the continuation of the same trend that has been apparent for the last few years – a slow decline in the number of full member head offices and branch locations but a similar increase in approved salespersons, or travel brokers.

The number of agency head offices and branches declined from 484 to 476 in the past year, a drop of 1.6%. Ten years ago there were 668 members, a decrease of 40%, most of which occurred in 2001 and 2002 during a period of major consolidation. Approved salespersons increased 1.6% from 309 to 314 in the past twelve months. These numbers have increased 45% in the past five years. During the year TAANZ reminded members that non-registration of their approved salespersons means no bonding cover.

As travel agency and wholesaler consolidation continues there are a dwindling number of truly independent agents who are not tied either directly or indirectly to one of the major agency groups. The day to day life for these independent agents continues to be challenging and unless they develop a well founded business strategy to exploit the niche they are in their future may be bleak.

TAANZ purports to represent travel agents generically therefore it doesn't strengthen our case when there are still travel agents that do not belong to our organisation. Understanding their needs and providing reasons for them to join TAANZ is of continuing importance and much effort was put into this during the year.

With the year ending with some key changes for the Association, including a new Airline Agreement, new brand, new advertising campaign and new website, it was clear that members needed to be kept abreast of developments. With TAANZ conferences now a thing of the past and AGM's only attended by a core Auckland-based membership it is intended to take the message to regional members in the coming year with a number of presentations and networking functions in major centres.

## **MARKETING**

Our key role involves positioning the travel agent distribution system against the rapidly growing trend for consumers to book direct with airlines and suppliers via the internet.

The internet is here to stay and will continue to attract growing numbers of users to make their travel bookings, particularly for short to medium haul leisure traffic. Travel agents are countering this in two distinct ways. Firstly they are making their own space on the internet and embracing new technology to ensure they can compete on the same playing field. Overseas research shows that on-line travel agent websites generally outperform those of their individual suppliers who still fail to provide the choice and professional advice and service that consumers often seek.

Secondly travel agents have to remind consumers of the benefits of using travel agents and the pitfalls of going it alone and doing it themselves. This is only something that can be done collectively and requires an agreed approach by all members, particularly the major agency groups.

This agreed approach has eluded us until now but is of such importance that TAANZ will continue to work in this space.

As the first part in this approach the board agreed during the year that the TAANZ brand device should be refreshed and modernised, the results being seen for the first time in this publication and launched at the AGM in September 2007.

At the same time it was agreed that the existing wide range of advertising collateral styles and marketing tag lines were rarely used and ineffective. The tag line 'Without a Travel Agent You're on Your Own' had been used sporadically but has now been deemed the best option for future consistent use by both TAANZ and its individual members and their groups, especially as it has been used by our sister organisations in Australia (AFTA) and the United States (ASTA).

AFTA kindly granted permission for TAANZ to use variations on three advertisements they were using at no cost and it is intended to adapt these for use in the coming year in a limited and measurable advertising campaign aimed at steering consumers to a revamped TAANZ website to promote the benefits of using a TAANZ travel agent.

At the end of the period under review a Request for Proposal was issued seeking work on a redefined TAANZ website as well as database enhancements that would see greater linkages between the TAANZ secretariat and the office of the Bonding Authority without compromising member confidentiality. The new [www.taanz.org.nz](http://www.taanz.org.nz) site will remain as a trade site for the use of members while the [www.travelagents.org.nz](http://www.travelagents.org.nz) site will target consumers through our advertising campaign and focus on providing reasons as to why they should use our members.

## **AIRLINE ISSUES**

While 2003/4 was dominated by the proposed Air New Zealand-Qantas Strategic Alliance, 2006/7 was dominated by the Tasman Network Agreement (TNA) 'code share' proposal.

At the beginning of the period under review the proposal had just been announced and the airlines had filed applications seeking authorisation from the New Zealand Minister of Transport and the Australian Competition and Consumer Commission.

TAANZ immediately raised concerns about the process by which Air New Zealand and Qantas' trans-Tasman code-share agreement would be considered. TAANZ believed that the decision making process needed to be transparent and rigorous, and seen to be so. Given the potential impact on consumers and the New Zealand economy, TAANZ wanted the Minister to refer the application to the Commerce Commission for a full enquiry which would enable all those with an interest to submit evidence, and for the evidence to be thoroughly and openly tested.

After consultation with its members TAANZ decided to take a formal stand against the code-sharing arrangement and as such placed a submission before the Minister of Transport in July 2006 noting that TAANZ opposed any authorisation by the Minister as the Minister had no jurisdiction and approval should be sought under the Commerce Act.

Getting consensus agreement on any subject in any membership association is almost impossible. That's especially true if it's an emotive topic, such as this one.

Our members expressed a range of opinions on this matter with admittedly not everyone being totally opposed to the airlines proposal. However a majority were opposed, and everyone that commented did share some of the concerns we raised in our submission about the potential for higher prices and less competition. Without exception there was a feeling that the Commerce Commission was the best place for everyone to get a fair hearing rather than leave it in the hands of bureaucrats and Ministers. Our submission reflected these concerns as well as the varying strength of opinions within our membership.

In early November 2006 the Australian Competition and Consumer Commission issued a draft decision proposing to deny authorisation of the Tasman Networks Agreement and the Ministry of Transport followed with the same view, decisions which were warmly welcomed by TAANZ. Subsequently both Air New Zealand and Qantas announced that they would not be pursuing the TNA. Strangely enough, both airlines then simply did what they said wasn't possible – unilaterally reducing capacity and then turning in increased profits.

Whilst our relationship with the airlines over the years has often been confrontational, both sides are learning to work with each other at a more constructive level. Agents are now more accepting that airlines will court the

consumer directly whilst finding their own ways to get the message across to the customer that going direct is not the only, nor necessarily the best method of booking travel.

Also many airlines are coming to realise that putting effort into such a direct strategy doesn't necessarily mean they have to ignore the traditional distribution system as both systems can cost effectively deliver business for the airlines. Our argument is that the airlines need a balanced portfolio of distribution strategies rather than go all out for a simple direct method that doesn't always deliver the results or cost savings for all sectors of the market.

The board has established a good working relationship with the airlines as part of the IATA Executive Council which is now based on equal agent-airline representation and this has become the forum for open discussion and debate. In particular it proved an excellent forum during negotiations to formalise a new TAANZ Airline Agreement. Currently the TAANZ President chairs this Council and it meets several times a year.

#### **THE TAANZ BONDING SCHEME**

The TAANZ Bonding Scheme is in many ways the key reason why TAANZ as an organisation exists. It continues to work well for both the consumer and the airlines through a revamped TAANZ Airline Agreement and has had a much more stable year after some minor trauma experienced the previous year.

The last few years have seen a good year/bad year cycle. In 2004 we experienced a major collapse (World Travel Associates) that, along with lesser failures, left the Bonding Scheme out of pocket by \$289,876. In 2005 we clawed much of this back and made other recoveries from earlier claims which put us in the black by \$349,544. Last year we experienced another loss of \$100,393 with three failures, one of them being of major proportions (Summit Travel). Then this year it was back to recovery mode with a \$103,431 surplus.

This surplus has increased the accumulated funds of the TAANZ Bonding Scheme from \$1,539,806 to \$1,643,237, which places us in a very healthy position.

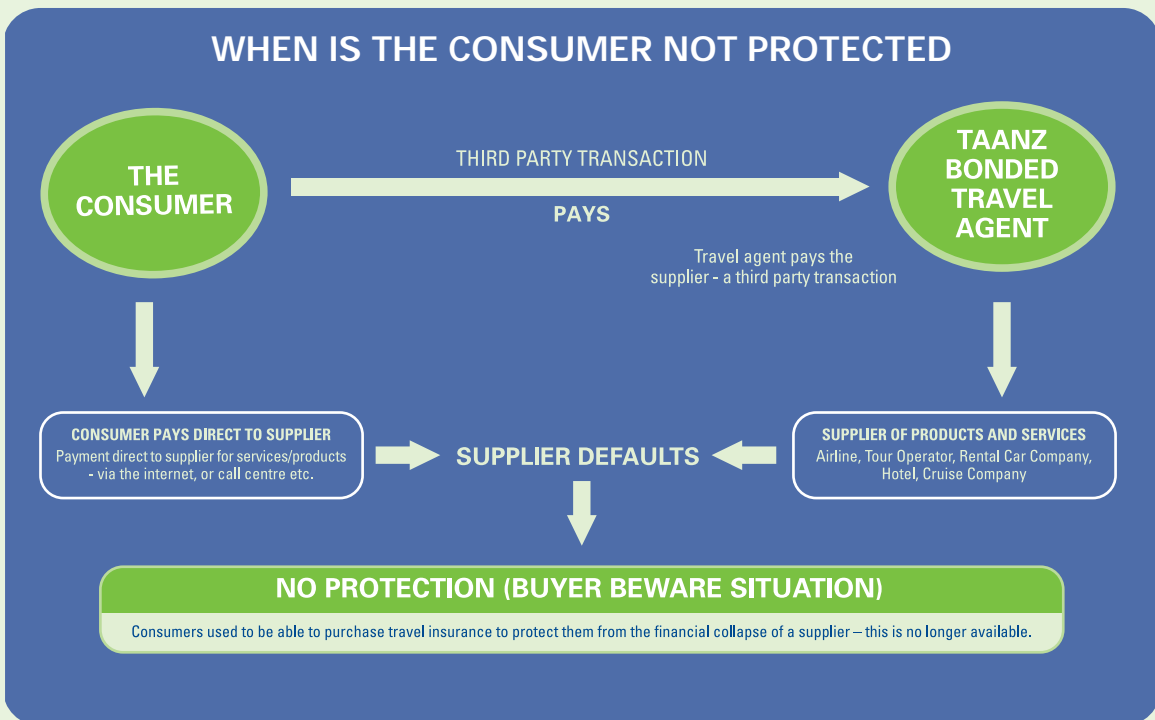
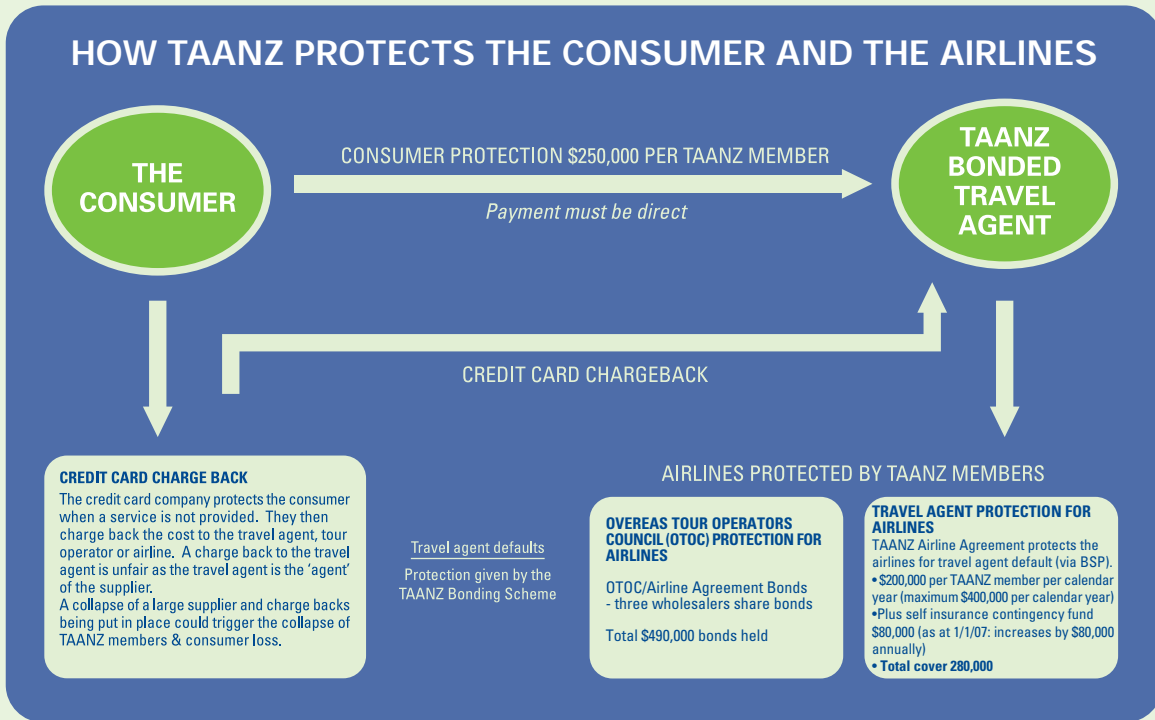
During the year under review the following claims, adjustments and repayments took place.

- **Sun Travel Ltd  
Claim - \$174,164**

Further recoveries of \$2,800 have been made during the year completing a full recovery of the \$50,000 indemnity. The TAANZ Bonding Scheme lost \$96,635 on this collapse.

## THE TAA NZ BONDING SCHEME

The TAA NZ Bonding Scheme works well for the consumer and the airlines through the TAA NZ Airline Agreement. It is the linchpin for TAA NZ as an Association.



• **World Travel Associates Ltd**

**Claim - \$318,042**

TAANZ called up the bonds held on behalf of the former owners and entered into repayment agreements. Recoveries of \$1,000 were made during the year with full repayment due by 30 June 2009, at which time this claim will have been settled without loss.

• **Summit BL Travel Ltd**

**Claim - \$178,909**

Claims of \$216,798 brought about by the default of this company the previous year were reduced by \$37,809 after adjustments in the new financial year. TAANZ holds a bank bond for \$50,000. Notices have been served for court proceedings against the directors of the company in the hope of recovering the balance owing.

• **Henderson Holiday Shoppe Ltd**

**Claim - \$20,632**

Recoveries of \$18,050 were made during the year with the Bonding Scheme losing \$2,582 on this case where client funds were incorrectly released by the liquidator.

• **Counties Holiday Maker Ltd**

**Claim - \$34,954**

Recoveries of \$47,953 were made during the year covering the 2003 original claim, legal costs and interest. This is a good example of how recoveries are often met several years after the initial default through perseverance.

• **Aamal Holdings Ltd**

**Claim - \$48,309**

This company defaulted during the current year and recoveries of \$3,498 were made. As TAANZ holds a bank bond this claim should be settled without loss.

• **World Travel (1995) Ltd**

**Claim - \$57,889**

This company defaulted during the current year however as TAANZ holds a substantial bank bond this claim should be settled without loss.

Although we have processed several claims on our Bonding Scheme over the past few years we generally recover and settle without loss which proves the importance of having personal bonds in place.

The track record for our self regulated TAANZ Bonding Scheme remains excellent. The Bonding Scheme has been built up over many years by way of levies charged to members and we continue to be proud of the fact that no consumers have suffered financial loss over the default of one of our members.

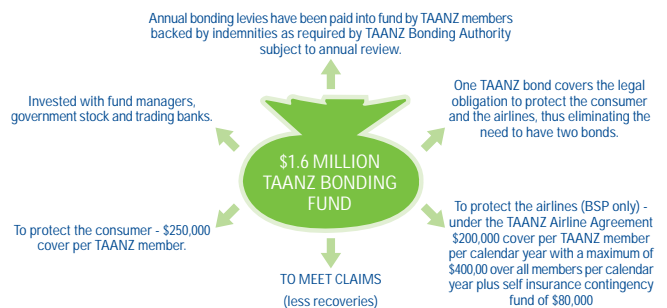
In the 28 years since our Bonding Scheme was initiated we have processed claims of \$3.2 million and recovered through bonds \$2.4 million. We have protected over 2000 consumers, so our self-regulated Bonding Scheme has served TAANZ, the airlines and consumers well.

With an average of three claims a year to deal with and the increasing strain being placed on some agents as

they cope with implementing new remuneration models, it is becoming more critical for TAANZ and the Bonding Authority to take a hard line on members meeting their obligations under the Bonding Regulations. It may not always make us popular with our members for tightening up on our requirements but those same members will not thank us if we have a string of agent defaults that plunder the Bonding Fund.

As a matter of record, it is important that we restate in each years annual report the value of such a scheme. Many countries have government licensing but TAANZ through self regulation offers the consumer the only means of protection, particularly now that travel insurance companies no longer offer protection in their travel insurance policies for third party supplier or airline defaults.

**THE TAANZ AIRLINE AGREEMENT AND BONDING SCHEME WORKS THIS WAY**



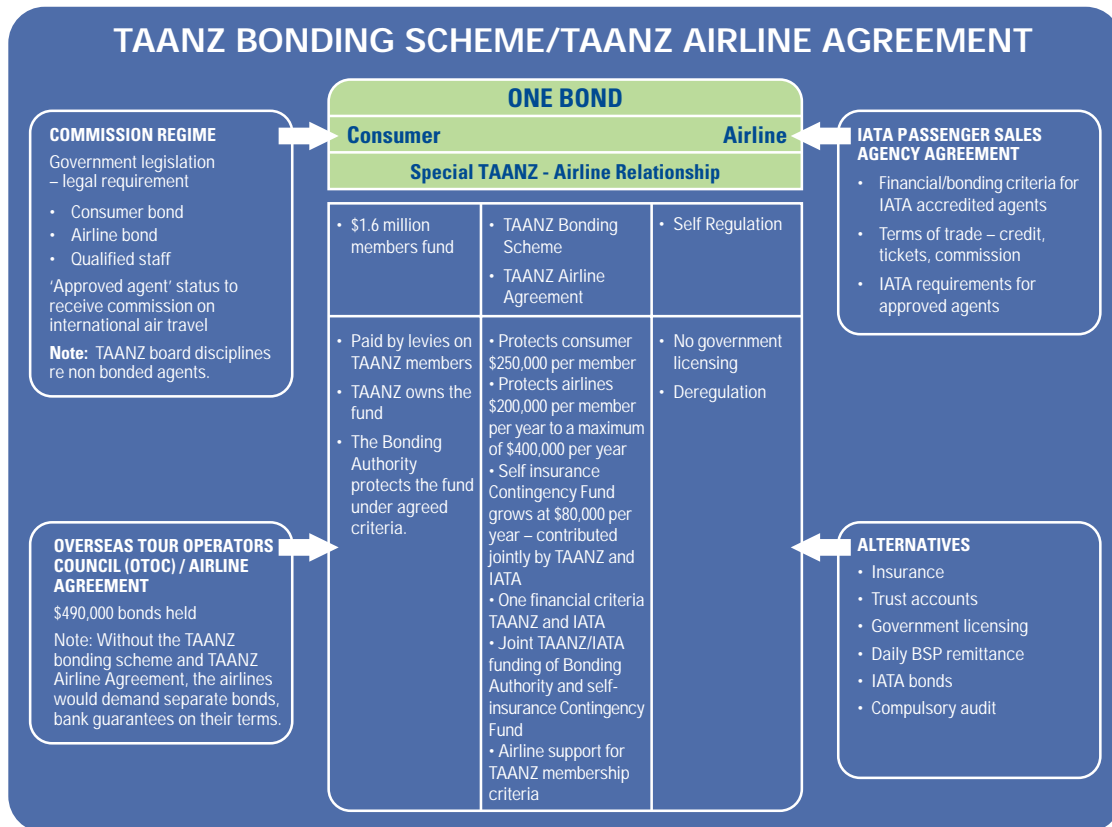
**The Benefits of the TAANZ Bonding Scheme are:**

- Credibility for TAANZ and its members in their relationship with the consumer, government and travel and tourism industry.
- Quality control by self-regulation – TAANZ membership, financial and bonding criteria.
- A marketing tool to promote the TAANZ bonded travel agent as advocates for the consumer – trust, reliability and dependability.
- The current TAANZ Bonding Scheme costs for individual members are likely to be substantially less expensive than the various alternatives that could be imposed by the airlines should the TAANZ Bonding Scheme be discontinued.

In New Zealand there is no government licensing so the TAANZ criteria for membership, bonding and financial assessment are on a self regulation basis and have been in place with regular amendments since 1967. Major reviews of the TAANZ Bonding Scheme were undertaken in 2001, 2003 and again in 2006.

The TAANZ Airline Agreement has been in place since 1983 and, despite occasional misgivings, has worked well. Following a full review in 1993/94 members voted

## TAANZ BONDING SCHEME/TAANZ AIRLINE AGREEMENT



overwhelmingly by postal ballot to continue the TAANZ Airline Agreement.

It was last changed in 1997 and had been consistently rolled over, usually for two year periods and was due to expire on 30 June 2006. Just prior to this the board was involved in discussions with the airlines that sought not to simply roll it over once again but to look at new opportunities to improve the agreement for both parties. To allow this to happen the Agreement was extended to 31 December 2006.

A proposition was developed by the TAANZ board and with the goodwill of the airlines was negotiated over the latter part 2006 and eventually signed off to take effect on 1 January 2007. The new Agreement retained the basic protection mechanisms of the old Agreement but took on an entirely new structure which involves both parties joining in a self insurance scheme and investment fund that could eventually bring far reaching financial returns for TAANZ members.

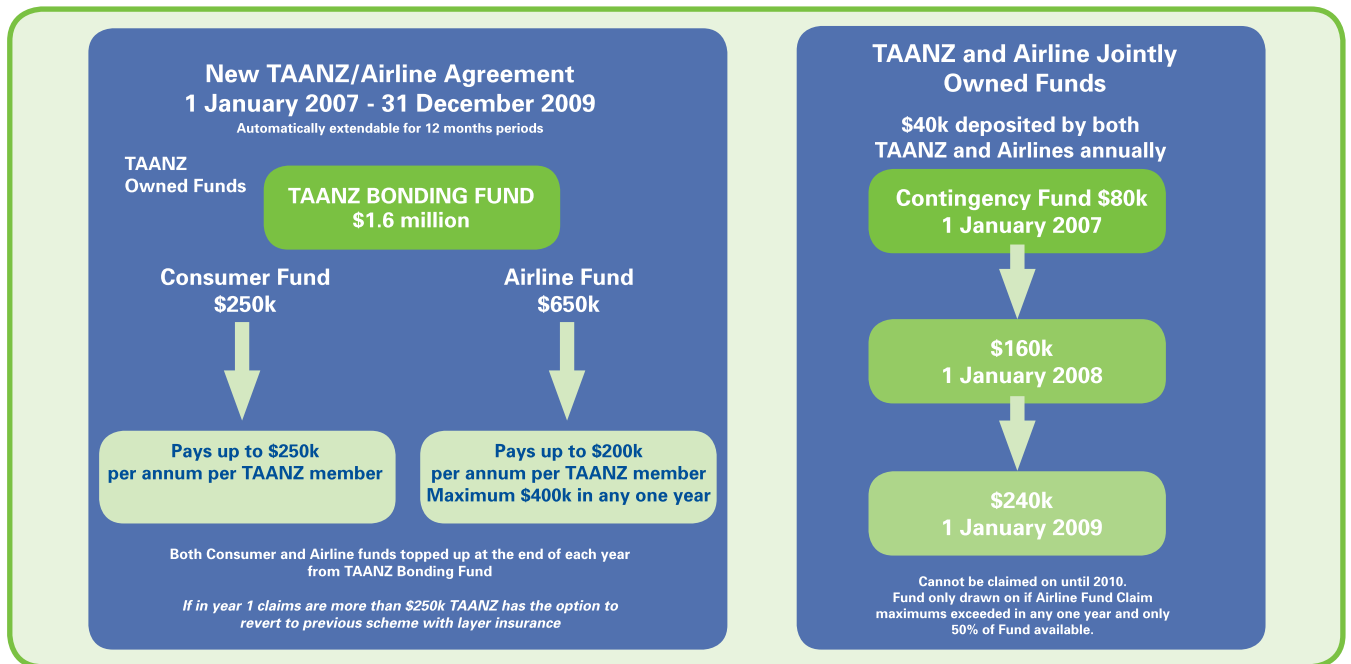
The parties have now forgone the previous layer insurance cover which has cost TAANZ and the airlines over half a million dollars in premiums since 1992 and which has never been claimed on. TAANZ and the airlines will now begin building a jointly owned contingency fund to do the same job. After a few years this investment fund should be at a level that requires no further topping up and so some substantial cost savings will accrue to everyone. How these cost savings are applied is a decision for a future TAANZ board, but further membership fee reductions are an obvious option.

The new Agreement runs for three years and automatically extends for ongoing periods of one year on a rolling basis unless the parties decide otherwise.

TAANZ believes that whilst there is obviously a risk in self-insurance, it is extremely small. Should TAANZ take a big loss brought about by a major agency collapse then there remains the option of reverting to the old scheme and taking out new insurance cover. Whilst there have been occasional misgivings amongst agents about the Bonding Scheme and Airline Agreement in the past, it has worked well over the years. The costs for TAANZ members in running such a scheme are likely to be substantially less than any alternatives that would be imposed by the airlines should the Bonding Scheme be discontinued. TAANZ remains mindful of costs to its members so this revision was driven by the prospect of savings in the medium term.

### The basics of the new Agreement include:

- The new Airline Agreement doesn't change the Consumer Fund, which will continue to protect consumers up to \$250,000 per TAANZ member during any one year.
- The new Airline Agreement will protect the airlines up to \$200,000 per annum per TAANZ member to a maximum of \$400,000 in any one year. This is a change from the \$250,000 per annum over all TAANZ members offered in the old Agreement.
- If the \$250,000 per annum limit had been breached under the old Agreement – which never happened – an insurance policy could have been drawn upon for a further exercise that has now been deemed unnecessary.



• Under the new Agreement the insurance policy will be replaced by a jointly owned Contingency Fund into which both TAANZ and the Airlines will deposit \$40,000 each annually. By 2010 this investment fund will likely reach \$320,000 plus interest and half of the Fund will then become available to access should there be a major claim. This Fund will only be drawn upon if the Airline Fund claim maximums are exceeded in any one year.

### OTOC

The Outbound Tour Operators Council (OTOC) Airline Agreement, like the TAANZ Airline Agreement was due to expire on 30 June 2006 and was extended for a period of three months until 30 September 2006 to allow the members to discuss proposed changes to the level of contributions to the OTOC Fund.

New arrangements were signed off by the two major agency groups who participate in Tier One with both agreeing to new levels of contributions to the \$440,000 Bond.

Within Tier Two there had been many changes to the membership since the Agreement was last negotiated in 2004 with only six members now remaining. Faced with large increases in contributions to the \$150,000 Bond they agreed to disband the arrangement and run future transactions through their TAANZ IATA plates and thus be subject to an increased TAANZ Bond.

This was due to take effect on 1 June 2007 which would then see OTOC remain with only two Tier One members and a single Tier Three member.

### INTERNATIONAL AFFAIRS

TAANZ became a founding member of the World Travel Agents Association Alliance (WTAAA) two years ago and our President at the time took a lead role in setting this up along with AFTA's Mike Hatton. Compared to our

previous membership in a global body (UFTAA) there is currently no annual membership fee due to the lack of any organisational bureaucracy and the only costs involve travel to the various meetings. At this early stage of the organisations development the focus is on sharing information with the next stage being advocacy and lobbying with the organisation representing 85% of the world's travel agents. In the coming year it is likely that WTAAA will be incorporated as an International Association under Belgian law and a website will be established, with TAANZ sharing some of these costs.

In particular we continued to have a close relationship with AFTA as we have much in common with our Australian counterparts and their industry, especially with the growing cross-Tasman ownership of agents and wholesalers.

### OTHER KEY ISSUES

#### Training

We continue to work closely with our training organisation, the Aviation, Tourism and Travel Training Organisation to encourage education and training to meet customer expectations and to encourage members to embrace the national standard and during the year we welcomed their new Chief Executive, Ms Elizabeth Valentine.

With changes having occurred over the years it was felt that the overall provisions as set out in our Membership Criteria and Rules Schedule III – the requirements for qualifications for management and staff - required reviewing and a board sub-committee was set up to work in conjunction with the NZ Institute of Travel and Tourism (NZITT) and ATTTO to assess possible recommendations for change.

At the TAANZ Annual General Meeting and Members' Forum in Auckland, the ATTO presented their ATTO Workplace Training Award for Travel to Gullivers Travel Group – Holiday Shoppe and United Travel. The award recognises excellence and commitment of companies enabling their staff to complete formal qualifications on the job.

During the year ex-TAANZ President Mr James Langton was re-elected to the ATTO board to represent the travel sector. The Chief Executive continued to chair the Travel Training Council.

### **Travel Advisories**

The subject of Travel Advisories became a hot topic after the Bali bombings, especially as to how much advice travel agents should provide their clients.

The TAANZ Code of Ethics and Practice states that "it is the duty of the TAANZ members to keep themselves and their staff fully informed in all phases of domestic and/or international travel in order to be in a position to give clients truly professional travel advice ..."

The Ministry of Foreign Affairs & Trade involved TAANZ at an early stage in helping develop a new advisory campaign and invited us to participate in a travel advisory group that was established to work with the Ministry to review the programme and assist in its further development.

The new Safe Travel campaign was launched at the beginning of the period under review and has received our full support since.

### **Government Agency Support**

TAANZ worked with a number of other government agencies during the period under review. New legislation enabled the police to intercept, and possibly arrest, reparation and serious fine defaulters when they are leaving or entering any New Zealand international airport. The Collection of Fines at Airports, as the project is known, became operational on 28 September 2006 and TAANZ worked with agencies to ensure all travel agents were made aware of the impact.

From 31 March 2007 all international air travellers leaving New Zealand were only able to carry onto an aircraft liquids, gels and aerosols in containers of 100ml or less, and only as many containers as fit into a single resealable plastic bag of one litre volume. A campaign – Flysmart – was launched to inform those travelling overseas how they could comply with the new standards without causing any disruption to their travel plans or to the plans of other passengers. TAANZ was part of a Communications Working Group led by the Ministry of Transport that promoted the campaign.

### **SECRETARIAT**

Melanie Metuariki, the Executive Assistant for both TAANZ and ITOC took parental leave from August 2006 to March 2007. Lisa Bone joined us for this eight month period to cover Melanie's absence.

NZITT Executive Officer Tony King had been working from the Secretariat and providing assistance to both TAANZ and ITOC for some months. From August 2006 Tony formally joined the team on a part time (half FTE basis). This now gives TAANZ and ITOC a staffing level of 2.5 FTEs, shared on a 50/50 basis.

In late 2006 our sub lease with the ATTO was amicably terminated due to that organisation needing extra space on the 5th level of Tourism & Travel House and we were fortunate in finding space on the 3rd floor of the same building. A fit out was completed, with costs shared on a 50/50 basis with ITOC, in December 2006, enabling us to provide a more professional presence than we previously had. By remaining within the building we were also able to retain the shared accounting and IT services provided by the Tourism Industry Association of NZ (TIANZ). During the year we took over the reception and telephone services previously provided by TIANZ due to the implementation of improved telephone technology.

In early 2007 it was agreed to work with the Regional Tourism Organisations of NZ (RTONZ) to provide secretariat services for that organisation out of the TAANZ and ITOC office. Arrangements are currently being undertaken to have a person employed to do work on behalf of all three organisations from late in 2007.

### **FINANCE**

We have produced a good surplus for the year of \$158,983, which was \$124,000 ahead of budget.

Income, less tax, was up on budget by \$20,000, to \$525,215, mainly due to profit on the sale of shares.

Expenditure was well below budget as marketing costs were deferred to await the development of a new brand and associated website as well as better than expected savings in secretariat costs brought about by the restructure almost two years ago.

Accumulated funds have increased from \$717,747 to \$876,730 which continues to place us in a very firm position.

### **THANKS**

My thanks go to Melanie, Lisa and Tony as well as TAANZ President Peter Barlow and other board members for another year of continued support.

Like myself, the Bonding Authority, Dan Williams, has completed his second year in office and I greatly appreciate the vital work that he and Mary Hall undertake for our organisation.



Paul Yeo

Chief Executive

# TRAVEL AGENTS' ASSOCIATION OF NZ INC. FINANCIAL STATEMENTS INDEX

16	Auditor's Report
17 & 18	Statement of Financial Performance
19	Statement of Financial Position
20, 21 & 22	Notes to the Accounts

## R. B. CATHCART

Chartered Accountant

### AUDITOR'S REPORT TO THE MEMBERS OF THE TRAVEL AGENTS' ASSOCIATION OF NEW ZEALAND INCORPORATED

I have audited the financial statements on pages 3 to 7. The financial statements provide information about the past financial performance of the Travel Agents' Association of New Zealand Incorporated and its financial position as at 31 May 2007. This information is stated in accordance with the accounting policies and notes set out on pages 6 and 7.

#### **Board of Directors' Responsibilities**

The Board of Directors is responsible for the preparation of the financial statements which fairly reflect the financial position of the Association as at 31 May 2007 and its financial performance for the year ended on that date.

#### **Auditor's Responsibilities**

It is my responsibility to express an independent opinion on the financial statements presented by the Board of Directors and report my opinion to you.

#### **Basis of Opinion**

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgements made by the Board of Directors in the preparation of the financial statements, and
- whether the accounting policies are appropriate to the Association's circumstances, consistently applied and adequately disclosed.

I conducted my audit in accordance with generally accepted auditing standards in New Zealand. I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error.

In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements. I carry out an assignment for the Association in preparing and filing its tax return. Other than in my capacity as auditor I have no other relationship with or equitable interest in the Association.

#### **Unqualified Opinion**

I have obtained all the information and explanations I have required.

In my opinion the financial statements on pages 3 to 7 fairly reflect the financial position of the Association as at 31 May 2007 and its financial performance for the year ended on that date. My audit was completed on 7 August 2007 and my unqualified opinion is expressed as at that date.



Chartered Accountant.

Page 2

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# FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2007

## STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31 MAY 2007

	2007	2006
	\$	\$
<b>INCOME</b>		
Interest & Dividends Received	49,943	44,220
Less Income Tax Expense	(17,153)	(14,658)
	32,790	29,562
Subscriptions & Entrance Fees	443,185	453,925
Subscriptions UFTAA	-	(25)
Subscriptions OTOC	7,700	9,100
Directory & Information Guide	13,224	14,176
Travel Agents Card	1,878	-
Sponsorship & Commissions -Telecom	18,865	27,750
Profit on Sale of Investments	14,182	-
Office recoveries & Other Income	(6,609)	8,162
<b>Total Income</b>	<b>525,215</b>	<b>542,650</b>
<b>EXPENDITURE</b>	<b>366,232</b>	<b>484,428</b>
<b>SURPLUS FOR YEAR</b>	<b>158,983</b>	<b>58,222</b>

*The accompanying notes form part of these financial statements.*

## STATEMENT OF FINANCIAL PERFORMANCE (CONTINUED)

		2007	2006
	Notes	\$	\$
<b>EXPENDITURE</b>			
Annual Report / Annual General Meeting		12,302	16,596
Advertising		3,610	4,958
Air NZ/QF Strategic Alliance		5,250	-
Airline Agreement		3,472	-
Audit Fees		5,713	4,560
Airline Negotiations		15,049	3,723
Depreciation	4	5,966	5,641
Directory & Information Guide		15,642	16,148
GDS Channel fee		-	1
Computer Exps / General Expenses / Bank Fees		6,479	3,664
Insurance		5,962	6,794
Kindred Association Conferences / Meetings		2,481	-
Legal & Professional Fees		9,193	24,644
Marketing		10,171	4,881
Meeting & Board Expenses		28,152	36,470
Members Workshops / Seminars		1,863	890
Tourism House Administration & Salaries	8	88,200	113,664
OTOC Expenses		10,622	10,230
Postage		5,073	3,886
President's & Directors' Services / Fees		54,294	78,127
Printing & Stationery		6,167	8,616
Public Relations Consultants		10,497	-
Research / Special Projects		420	-
Secretariat Restructure		-	27,017
Subscription/Conference TIANZ		1,232	-
Subscriptions / Publications		2,285	1,563
TAANZ Website / Internet		21,303	37,463
TAANZ/NZTIA Accomodation Agreement		-	3,939
Telephone / Tolls / Faxes / Rental		6,840	7,301
Travel Expenses		8,825	8,780
Unrealised loss/(profit) on investments		1,806	-
WTAAA/ UFTAA Subscriptions & Meetings/Congress		17,363	53,077
Vehicle Expenses		-	1,795
<b>TOTAL EXPENSES</b>		<b>366,232</b>	<b>484,428</b>

*The accompanying notes form part of these financial statements.*

## STATEMENT OF FINANCIAL POSITION AS AT 31 MAY 2007

		2007	2006
	Notes	\$	\$
<b>MOVEMENTS IN EQUITY</b>			
Balance at Beginning of Year		717,747	659,525
Surplus for Year		158,983	58,222
<b>Balance at End of Year</b>		<b>876,730</b>	<b>717,747</b>
<b>REPRESENTED BY:</b>			
<b>CURRENT ASSETS</b>			
Bank Current Account		82,991	16,293
Bank Call Accounts		31,949	1,538
Term Deposits		650,000	300,000
OTOC - Bank Accounts	2 & 3	7,809	5,751
OTOC - National Bank Term Deposits	2 & 3	668,752	664,413
Accounts Receivable		32,822	30,848
Bonding Scheme - Current A/c with TAANZ		12,020	12,381
Prepayments		1,379	1,847
Accrued Income		8,418	392
<b>Total Current Assets</b>		<b>1,496,140</b>	<b>1,033,463</b>
<b>FIXED ASSETS</b>	4	<b>20,528</b>	<b>18,475</b>
<b>Investments</b>	5		
Air New Zealand Shares		594	2,400
ANZ Nat Bank Bonds		97,494	-
ASB Preference Shares		-	200,000
CBA Preference Shares		-	200,000
<b>Total Investments</b>		<b>98,088</b>	<b>402,400</b>
<b>Total Assets</b>		<b>1,614,756</b>	<b>1,454,338</b>
<b>CURRENT LIABILITIES</b>			
Accounts Payable		16,574	42,926
Accruals		35,917	18,513
GST Payable		4,262	3,344
Tax payable		4,712	1,644
OTOC - Airline Bonding Scheme -Members Advances	3	676,561	670,164
<b>Total Current Liabilities</b>		<b>738,026</b>	<b>736,591</b>
<b>Net Assets</b>		<b>876,730</b>	<b>717,747</b>

The accompanying notes form part of these financial statements.

FOR AND ON BEHALF OF THE ASSOCIATION



Chief Executive  
6<sup>th</sup> August 2007

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2007

### 1. STATEMENT OF ACCOUNTING POLICIES

#### REPORTING ENTITY

The Travel Agents Association of New Zealand Incorporated is registered under the Incorporated Societies Act 1908. The Association qualifies for differential reporting as it is not publicly accountable and it is not large as defined by the Framework for Differential Reporting. The Association has applied all the differential reporting exemptions available to it. The financial statements have been prepared in accordance with generally accepted accounting practice.

#### MEASUREMENT BASE

The measurement base adopted is that of historical cost with the exceptions that fixed interest investments, other than term deposits, are shown at a straight line basis to maturity by writing up discounts or writing down premiums on purchase and shares in Air New Zealand are shown at market value.

#### SPECIFIC ACCOUNTING POLICIES

The following specific accounting policies which materially affect the measurement of financial performance and financial position have been applied:

##### **Accounts Receivable:**

Accounts receivable, are valued at estimated net realisable value.

##### **Goods & Services Tax:**

The financial statements have been prepared on a GST exclusive basis.

##### **Fixed Assets:**

Fixed assets are recorded at historical cost less allowance for accumulated depreciation.

##### **Depreciation:**

Depreciation is calculated on straight line basis at rates that will write off the cost of assets over their estimated useful life, which are as follows:

Office & Computer Equipment	2~5 years
Furniture & Fittings	5 years

##### **Investments**

Shares are shown at market value. Any difference between cost and market value is shown as an unrealised surplus or deficit. Fixed term investments, other than term deposits, are shown at a straight line basis to maturity by writing up discounts or writing down premiums on purchase.

Prior to this year, investments were shown at cost price.

##### **Taxation:**

Provision has been made for taxation at 33% on taxable income derived from interest and other income.

#### CHANGES IN ACCOUNTING POLICIES

With the exceptions that the shares in Air New Zealand are now shown at market value and that fixed interest investments, other than term deposits, are shown at a straight line basis to maturity, as disclosed in the measurement base note; there have been no changes in accounting policies which have been applied on bases consistent with those used in previous years. The change in showing the Air New Zealand shares at market value has had the effect of reducing the surplus by \$1,806, as disclosed in the statement of financial performance; however there has been no material effect on the surplus for the year in showing fixed term investments, other than term deposits, at a straight line basis to maturity

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 2. CONTINGENT LIABILITIES:

TAANZ: There are no contingent liabilities at year end (2006: Nil).  
At balance date the OTOC Tier 2 had no pending liabilities. (2006: Nil)

### 3. OTOC CASH BONDS

The Overseas Tour Operators Council had, during the 1998 financial year written an agreement with the airlines, which requires OTOC members to have cash bonds to protect Airline payments through BSP. The funds from members who have provided such bonds are shown as investments and call accounts totalling \$676,561 (2006: \$670,164) and the corresponding liability including interest owed at balance date to such members \$676,561 (2006: \$670,164)

### 4. FIXED ASSETS

	2007			2006			Depn	Depn
	Cost	Accum Depn	Book Value	Cost	Accum Depn	Book Value	2007	2006
	\$	\$	\$	\$	\$	\$	\$	\$
Office Equipment	13,504	10,554	2,950	16,499	10,668	5,831	2,881	3,267
Furniture & Fittings	8,593	4,310	4,283	16,134	3,490	12,644	1,621	2,374
Leasehold Improvements	14,759	1,464	13,295	-	-	-	1,464	-
	<b>36,856</b>	<b>16,328</b>	<b>20,528</b>	<b>32,633</b>	<b>14,158</b>	<b>18,475</b>	<b>5,966</b>	<b>5,641</b>

### 5. SHARES & FIXED INTEREST INVESTMENTS

The market values of these investments at year end were:

	Number	Value
Air New Zealand	200 shares	\$594 (2006 \$248)
ASB Preference shares	200,000 shares	Nil (2006 \$208,600)
CBA Preference shares	200,000 shares	Nil (2006 \$212,000)
ANZ National Bank bonds	100,000 bonds	\$98,832 (2006 Nil)

## 6. COMMITMENTS

At balance date the Association has no capital commitments. (2006: nil).

## 7. LEASE COMMITMENTS

### Tourism and Travel House

The Association's lease expires on 29 September 2012. The rent from 1 November 2006 is \$215 per square metre.

	2007	2006
The commitments (excluding GST) are as follows	\$	\$
- Within one year	31,726	6,587
- One to Two Years	31,726	-
- Two to Five years	95,177	-

## 8. TOURISM HOUSE ADMINISTRATION & SALARIES

	2007	2006
	\$	\$
<b>This is comprised of:</b>		
Tourism House Lease/Overhead expenses	53,448	50,228
Salaries including part time staff	184,365	198,177
Superannuation/ Healthcare/Life Insurance	-	5,112
ACC/ Fringe Benefit Tax	904	7,840
Other	2,183	-
	240,900	261,357
Less Recoveries from Bonding & ITOC	(152,700)	(147,693)
	88,200	113,664

## 9 TOTAL REVENUE

	2007	2006
	\$	\$
Total Operating Revenue	700,525	692,256

# TRAVEL AGENTS' ASSOCIATION OF NZ INC. BONDING SCHEME FINANCIAL STATEMENTS CONTENTS

<b>24</b>	Auditor's Report
<b>25</b>	Statement of Financial Performance
<b>26</b>	Statement of Financial Position
<b>27 &amp; 28</b>	Notes to the Accounts

# R. B. CATHCART

Chartered Accountant

## AUDITOR'S REPORT TO THE MEMBERS OF THE TRAVEL AGENTS' ASSOCIATION OF NEW ZEALAND INCORPORATED BONDING SCHEME

I have audited the financial statements on pages 3 to 6. The financial statements provide information about the past financial performance of the Travel Agents' Association of New Zealand Incorporated Bonding Scheme and its financial position as at 31 May 2007. This information is stated in accordance with the accounting policies and notes set out on pages 5 and 6.

### Board of Directors' Responsibilities

The Board of Directors is responsible for the preparation of the financial statements which fairly reflect the financial position of the Bonding Scheme as at 31 May 2007 and its financial performance for the year ended on that date.

### Auditor's Responsibilities

It is my responsibility to express an independent opinion on the financial statements presented by the Board of Directors and report my opinion to you.

### Basis of Opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgements made by the Board of Directors in the preparation of the financial statements, and
- whether the accounting policies are appropriate to the Bonding Scheme's circumstances, consistently applied and adequately disclosed.

I conducted my audit in accordance with generally accepted auditing standards in New Zealand. I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error.

In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements. I carry out an assignment for the Bonding Scheme in preparing and filing its tax return. Other than in my capacity as auditor I have no other relationship with or equitable interest in the Bonding Scheme.

### Unqualified Opinion

I have obtained all the information and explanations I have required.

In my opinion the financial statements on pages 3 to 6 fairly reflect the financial position of the Bonding Scheme as at 31 May 2007 and its financial performance for the year ended on that date. My audit was completed on 7 August 2007 and my unqualified opinion is expressed as at that date.



Chartered Accountant.

Page 2

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# BONDING SCHEME FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2007

## STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31 MAY 2007

		2007	2006
	Notes	\$	\$
<b>INCOME</b>			
Interest & Dividends Received		109,680	113,297
Less Income Tax Expense		(34,385)	(35,519)
		<b>75,295</b>	<b>77,778</b>
Bonding Levies - Establishment		66,444	41,000
TAANZ Airline Agreement Layer Insurance	5	37,450	-
Bonding Levies - Members		59,813	60,100
Airline Contributions - Administration & Insurance		78,132	85,674
Late Accounts - Fines		11,722	4,000
Approved Sales Persons Levy		35,075	34,100
Claims & Expenses Net	4,7	53,221	(199,476)
<b>Total Income</b>		<b>417,152</b>	<b>103,176</b>
<b>EXPENDITURE</b>			
Bonding Authority Administration Expenses	2	179,095	156,264
Audit fees		4,928	3,665
General / Interest / Bank charges		95	75
TAANZ Airline Agreement Layer Insurance exps	5	52,250	-
TAANZ/ Airline Agreement Contingency Fund	5	40,000	-
Legal & Professional Fees		853	5,985
Printing & Stationery		-	1,080
Secretariat Fees		36,500	36,500
<b>Total Expenses</b>		<b>313,721</b>	<b>203,569</b>
<b>SURPLUS/ (DEFICIT) FOR YEAR</b>		<b>103,431</b>	<b>(100,393)</b>

*The accompanying notes form part of these financial statements.*

## STATEMENT OF FINANCIAL POSITION AS AT 31 MAY 2007

		2006	2005
	Notes	\$	\$
<b>MOVEMENTS IN EQUITY</b>			
Balance at Beginning of Year		1,539,806	1,640,199
Surplus/ (Deficit) for Year		103,431	(100,393)
<b>Balance at End of Year</b>		<b>1,643,237</b>	<b>1,539,806</b>
<b>REPRESENTED BY:</b>			
<b>CURRENT ASSETS</b>			
BNZ Current Account		11,678	11,700
Canterbury Mortgage Trust		100,000	100,000
National Bank Current Accounts		94,546	156,757
Term Deposits ANZ		200,000	200,000
Term Deposits BNZ		200,000	300,000
Term Deposits Nat Bank		600,000	550,000
Term Deposits Westpac Trust		300,000	300,000
Term Deposit-Airline Agreement Contingency Fund	5	80,000	-
Members Deposits - BNZ Term Deposits	6	3,909,490	4,168,392
Accounts Receivable		5,906	1,125
Sundry Debtors		46,850	11,079
GST Refundable / (Payable)		3,163	4,561
Accrued Income		14,391	12,006
Claims Recoverable	7	-	28,483
<b>Total Current Assets</b>		<b>5,566,024</b>	<b>5,844,103</b>
<b>INVESTMENTS</b>			
BNZ Bonds	8	99,266	-
<b>Total Investments</b>		<b>99,266</b>	-
<b>TOTAL ASSETS</b>		<b>5,665,290</b>	<b>5,844,103</b>
<b>CURRENT LIABILITIES</b>			
Accounts Payable		15,845	33,367
Accruals		4,698	90,157
TAANZ Current Account		12,020	12,381
Airline Agreement Contingency Fund	5	80,000	-
Members Deposits and Interest	6	3,909,490	4,168,392
<b>Total Liabilities</b>		<b>4,022,053</b>	<b>4,304,297</b>
<b>NET ASSETS</b>		<b>1,643,237</b>	<b>1,539,806</b>

*The accompanying notes form part of these financial statements.*

FOR AND ON BEHALF OF THE ASSOCIATION



Chief Executive

6<sup>th</sup> August 2007

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2007

## 1. STATEMENT OF ACCOUNTING POLICIES

### REPORTING ENTITY

The Bonding Scheme of the Travel Agents' Association of New Zealand Incorporated was set up by the Association by virtue of Rule 5 of the Constitution and Rules, which provides that full members of TAANZ are required to complete a bond. The Scheme is governed by the TAANZ Bonding Committee Regulations which are by-laws made by the Board of Directors pursuant to Rule 35(e) of the Constitution and Rules of TAANZ.

The Bonding Scheme qualifies for differential reporting as it is not publicly accountable and it is not large as defined by the Framework for Differential Reporting. The Association has applied all the differential reporting exemptions available to it.

The financial statements have been prepared in accordance with generally accepted accounting practice.

### MEASUREMENT BASE

The measurement base adopted is that of historical cost with the exception that fixed interest investments, other than term deposits, are shown at a straight line basis to maturity by writing up discounts or writing down premiums on purchase.

### SPECIFIC ACCOUNTING POLICIES

The following specific accounting policies which materially affect the measurement of financial performance and financial position have been applied:

#### **Accounts Receivable:**

Accounts receivable, are valued at estimated net realisable value.

#### **Goods & Services Tax:**

The financial statements have been prepared on a GST exclusive basis.

#### **Investments**

Fixed term investments, other than term deposits, are shown at a straight line basis to maturity by writing up discounts or writing down premiums on purchase.

#### **Taxation:**

Provision has been made for taxation at 33% on taxable income derived from interest and dividends.

### CHANGES IN ACCOUNTING POLICIES

With the exception that fixed interest investments, other than term deposits, are shown at a straight line basis to maturity, as disclosed in the measurement base note, there have been no changes in accounting policies which have been applied on bases consistent with those used in previous years. This change has no material effect on the surplus for the year.

## 2. ADMINISTRATION COSTS

It is expected that 50% of the 2007 administration costs will be recovered from the airlines (2006: 50%)

## 3. CONTINGENT LIABILITIES:

Claims are recognised in the financial statements when, after due investigation, they are admitted by the Bonding Committee. There are no contingent liabilities at balance date.(2006: \$nil)

*These notes form part of the Financial Statements*

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 4. NET CLAIMS & EXPENSES

	Net cost / (income) 2007	Net cost / (income) 2006
<b>MEMBER</b>		
Ming Shan Travel	-	1,214
Sun Travel	(2,800)	(9,600)
World Travel Associates	(1,000)	(22,475)
Air Reservations	-	(15,075)
Summit BL Travel	(37,809)	216,798
Global Experience	-	7,982
Henderson Holiday Shoppe	(18,050)	20,632
Counties Holiday Maker	(47,953)	-
Aamal Holdings	(3,498)	-
World Travel (1995) Ltd	57,889	-
	<b>(53,221)</b>	<b>199,476</b>

### 5. TAANZ AIRLINE AGREEMENT

The 1997 TAANZ/Airline Agreement expired on 31 December 2006. The Agreement made provision for protection by way of layer insurance, the premiums for which were jointly contributed by the airlines and TAANZ. From 1 January 2007 a new TAANZ/Airline Agreement came into effect whereby both TAANZ and the airlines have established a Contingency Fund which forms the basis of a self insurance scheme and both contribute equally to.

### 6. CASH BONDS

The funds from members who have provided a cash bond are shown as investments totalling \$3,906,490 (2006: \$4,168,392). The corresponding liability including interest owed at balance date to such members is \$3,906,490 (2006: \$4,168,392).

### 7. CLAIMS RECOVERABLE

Recoveries in relation to the following TAANZ members are held by Gault Mitchell on behalf of the Bonding Scheme:

	2007	2006
World Travel Associates	-	21,283
Sun Travel	-	7,200
		<b>28,483</b>

### 8. INVESTMENTS

The market value of the fixed interest investment at year end was:  
Bank of New Zealand 100,000 bonds \$100,653.97 (last year nil).

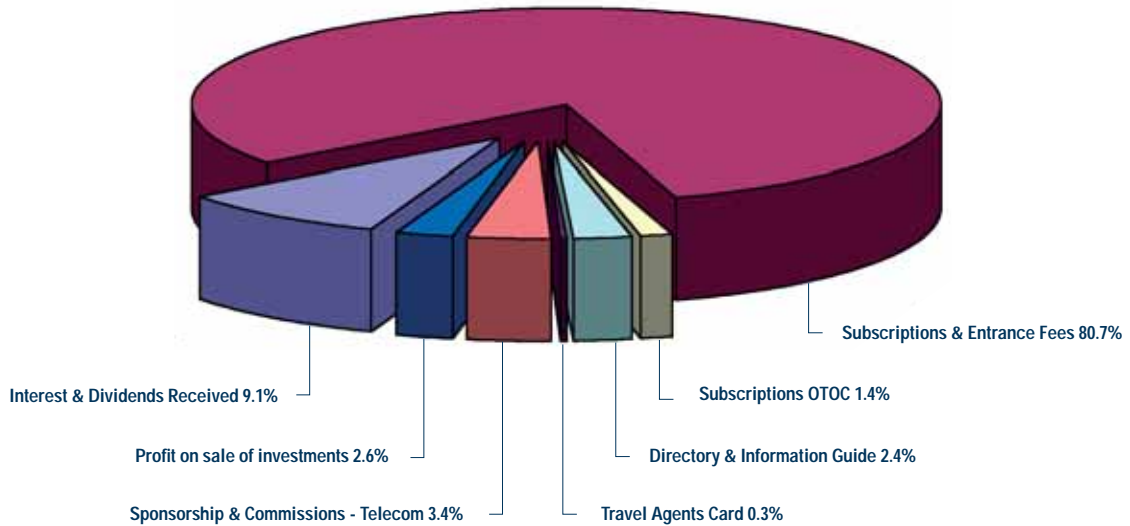
### 9. TOTAL REVENUE

	2007	2006
	\$	\$
<b>Total Operating Revenue</b>	509,426	385,321

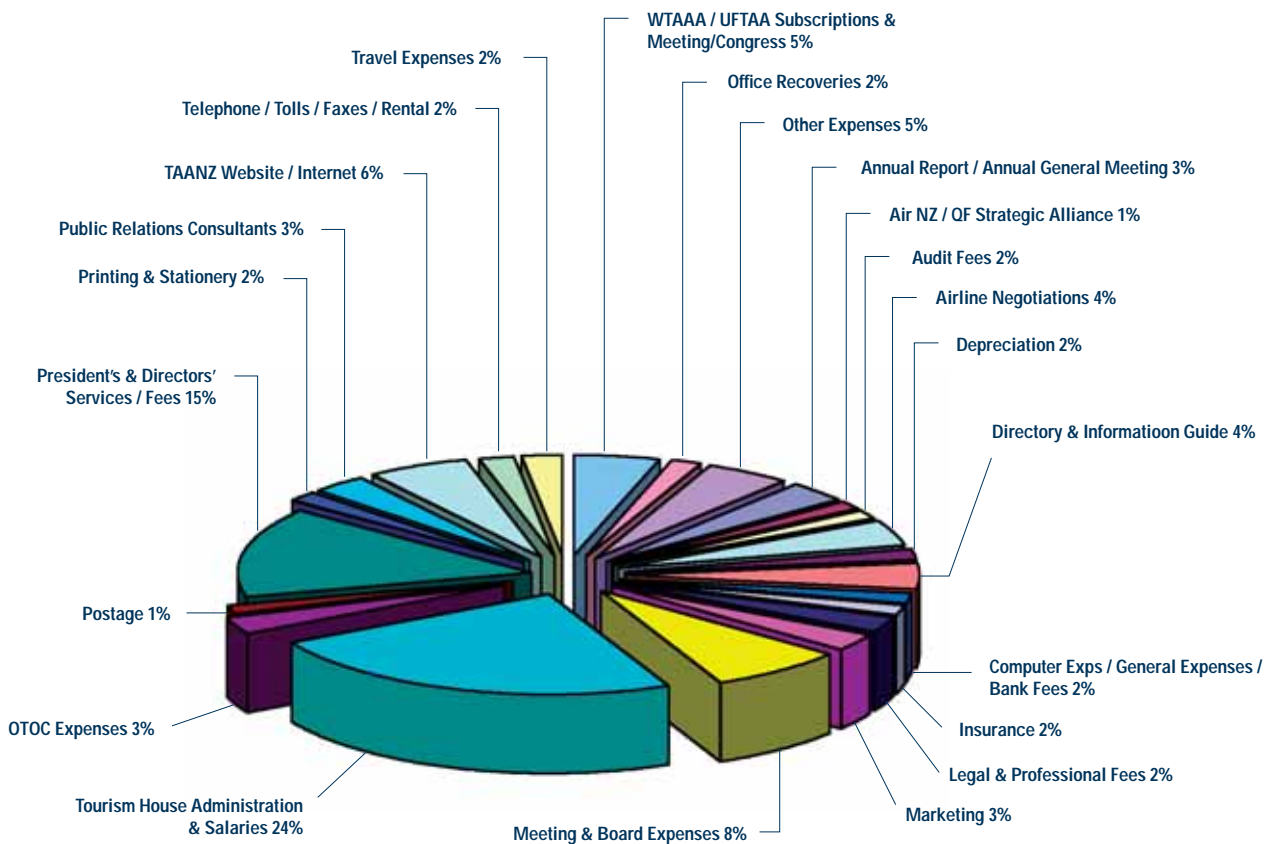
*These notes form part of the Financial Statements.*

# FINANCIAL PIE CHARTS

## WHERE TAANZ GETS ITS INCOME



## HOW TAANZ SPENDS YOUR FEES





**THE TRAVEL AGENTS' ASSOCIATION OF NEW ZEALAND**

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