



TOURISM VICTORIA 2011–12
Annual Report





TOURISM VICTORIA

11 September 2012

The Hon. Louise Asher MP
Minister for Tourism and Major Events
Level 36, 121 Exhibition Street
Melbourne VIC 3000

Dear Minister

RE: Tourism Victoria Annual Report 2011-12

I am pleased to submit to you Tourism Victoria's Annual Report. The document outlines the achievements of the organisation for the year ended 30 June 2012.

The report has been prepared in accordance with the *Tourism Victoria Act 1992* and *Financial Management Act 1994*.

Yours sincerely

Dr Janine Kirk AM
Chairman
Tourism Victoria

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OUR PROFILE

As a Victorian State Government statutory authority, established by the *Tourism Victoria Act 1992*, Tourism Victoria is the vehicle through which the State Government participates in the tourism and travel industries. The Act sets out Tourism Victoria's objectives as follows:

- To market Victoria as a tourist destination for interstate and international travellers.
- To increase
 - the number of travellers to Victoria
 - travellers' or tourists' length of stay at destinations in Victoria
 - the use of tourist facilities in Victoria.
- To increase the amount of travel within Victoria and the use of tourist facilities by Victorians.

- To improve and develop tourist facilities in Victoria.
- To support and coordinate the provision of tourist facilities in Victoria.
- To provide more efficient and effective utilisation of investment in travel and tourism in Victoria.

As well, our overarching objective is to implement State Government policies as they relate to tourism development in Victoria and contribute to whole of government programs and policy implementation.

CHAIRMAN'S REPORT



I am pleased to present the *Tourism Victoria Annual Report 2011–12*.

Working in partnership with industry and other areas of government, Tourism Victoria's marketing, research, policy, strategy, investment and aviation divisions provide a strong platform to help ensure continued tourism growth and success.

Tourism remains a significant economic driver for Victoria worth \$15.9 billion a year – 5 per cent of the State's Gross State Product. The tourism industry provides jobs for 204,000 Victorians and contributes 7.1 per cent of employment in tourism and other industries.¹

Tourism Victoria has achieved another year of record results in 2011–12. Victoria's tourism industry has continued to perform positively despite challenges such as a strong Australian dollar and the continued growth in the number of Australians travelling overseas.

In the past year, spending by international overnight visitors to Victoria reached a record \$4.3 billion, an increase of 9.4 per cent year-on-year, well above the national average growth of 3.7 per cent.

The current *10 Year Tourism and Events Industry Strategy*, forecasts that 70 per cent of tourism expenditure growth to 2016 will come from international markets, especially China and India.

The Tourism Forecasting Committee predicts the growth in China's share of total international visitors will see it become the largest inbound market to Australia in 2018 up from third place in 2009.

This has already happened in Victoria. China overtook New Zealand to become the number one market for international overnight visitors to Victoria for the year ending December 2011.

To help Victoria's tourism industry capitalise on this growth, the Victorian Government launched *Victoria's China Tourism Strategy* in May 2012. The strategy focuses on market positioning, airline connections, investment, improving the Chinese visitor experience and building on Victoria's strong education, migration and business links with China.

In February 2012, the Minister for Tourism and Major Events, Louise Asher led senior management of 14 Victorian tourism operators, regions, touring routes and events on Australia's largest-ever Super Trade Mission to India.

A priority area for Tourism Victoria is investment attraction. In the past year, we have helped facilitate more than \$204 million in tourism investment. Investment is vital to the continued development of Victoria's tourism infrastructure and in our industry's ongoing growth and global competitiveness.

Eight out of Victoria's ten tourism regions now have a Regional Tourism Board as one of the initiatives identified in the *Regional Tourism Action Plan 2009–12*. The Boards are important to help ensure Victoria's regions have consolidated tourism structures that are better equipped to support regional strategies for growth.

My sincere thanks go to my fellow board members for their invaluable leadership and expertise during 2011–12. I acknowledge the commitment and professionalism of our new Chief Executive, Leigh Harry who commenced in October 2011, and the dedication of our talented leadership team and staff who work hard to ensure Tourism Victoria remains responsive to the needs of the Victorian tourism industry.

To the Minister for Tourism and Major Events, Louise Asher, our thanks and appreciation for her strong and continued support.

And, of course, to our industry, the tourism bodies, operators and dedicated workforce for their continued enthusiasm and resilience.

Tourism Victoria is committed to continuing its partnership with industry to overcome challenges and pave the way for a sustainable, profitable future. Tourism Victoria works in a collaborative spirit with our regional, government and broader tourism industry partners. With stronger partnerships, skill improvement and a diversified portfolio of markets, we will continue to grow the Victorian tourism industry together.

A handwritten signature in dark ink, reading 'Janine Kirk'.

Dr Janine Kirk AM
Chairman

¹ *Tourism Research Australia – Revised Methodology, 2009–10; the direct and indirect impacts of the tourism sector*

CHIEF EXECUTIVE'S REPORT



Tourism Victoria is committed to creating opportunities for jobs, exports and regional development in the tourism and travel industries. This report details our achievements in 2011–12 through key business plan priorities that are designed to help us meet this commitment.

I commenced as Chief Executive of Tourism Victoria in October 2011 at a time when the challenging financial climate and a strong Australian dollar combined with the changing travel habits of Australians continued to have a major impact on tourism, in particular on the domestic market.

In response, Tourism Victoria has been actively working across Government and industry to ensure we align our strategies to meet the new opportunities and challenges of today's tourism industry.

Despite the increase in Australian outbound travel tourism, both Melbourne and regional Victoria showed positive growth for the year ending December 2011.

National Visitor Survey results showed Victoria experienced an increase in domestic overnight expenditure of 4.3 per cent to reach \$8.99 billion, which was influenced by similarly promising growth in regional Victoria with an increase of 6.5 per cent to \$4.22 billion. At the same time, domestic overnight visitors to Victoria increased by 7.2 per cent to reach 16.9 million, which is particularly significant when compared to the national average of 3.5 per cent growth.

It is worth noting that despite growing domestic competition, Victoria's interstate overnight visitation increased by 6.2 per cent year-on-year to 5.6 million, with Melbourne recording visitor growth of 7.3 per cent to 4.3 million.

In part, Melbourne's success can be attributed to *Play Melbourne*, the latest phase of the award-winning Jigsaw campaign. The campaign followed research that showed interstate consumers loved the city but felt they knew it too well. *Play Melbourne* centres on the idea that there is always something new to discover, which has resonated with consumers not only through visitation results but also the campaign's online elements, including over one million hits on YouTube.

Major sporting and cultural events remain a key drawcard in both Melbourne and regional Victoria. Melbourne Museum's *Tutankhamun and the Golden Age of the Pharaohs* became Australia's most successful touring exhibition attracting more than 800,000 visitors while the Australian Open Tennis Championships and Formula 1 Australian Grand Prix also achieved attendance growth. In regional Victoria, a highlight was Bendigo Art Gallery's latest exhibition, *Grace Kelly: Style Icon*, which attracted more than 152,000 people in its three-month run.

Another priority for Tourism Victoria is attracting more air services to Victoria. In 2011–12, we have successfully attracted more international flights to Melbourne, through airlines such as Royal Brunei Airlines, China Southern Airlines, Garuda Indonesia, Jetstar and Air China. In 2011–12, Melbourne Airport attracted more than 28 million passengers. International passenger numbers growth continued strongly with an eight per cent increase when compared to the previous year with the total number of international passengers reaching 6.7 million.

Tourism Victoria continues to actively work with industry and other Government departments and agencies to ensure that tourism issues are appropriately considered in Government policy and regulatory activities. Tourism Victoria contributes

to the Department of Business and Innovation's business objectives around marketing, investment and trade.

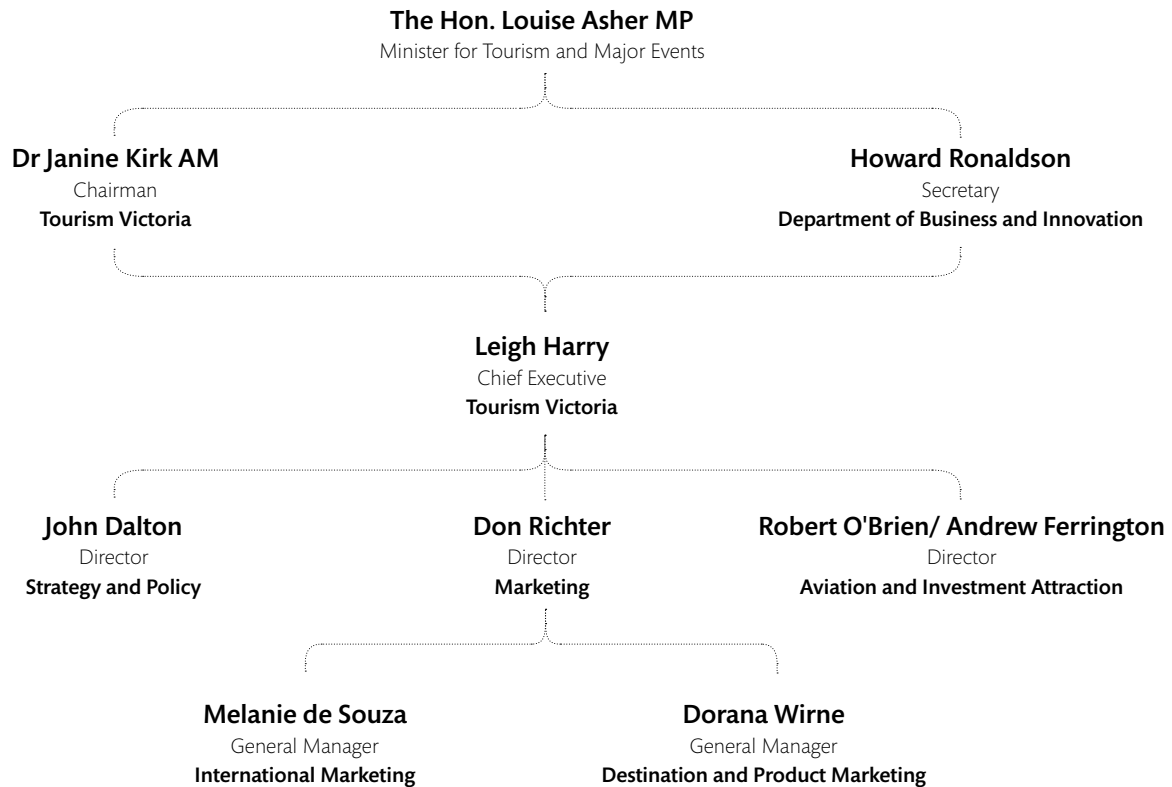
In February 2012, Tourism Victoria played a lead role in coordinating Australia's largest-ever Super Trade Mission to India. We also played an important advisory role in developing the Victorian Government's response to the Victorian Competition and Efficiency Commission inquiry into the tourism industry, *Unlocking Victorian Tourism*.

I would like to take this opportunity to thank management and staff for their ongoing commitment and dedication to Victoria's vibrant tourism industry. I would also like to thank our partners across industry and local governments for their ongoing support in helping to position our industry for further growth and success in the future.

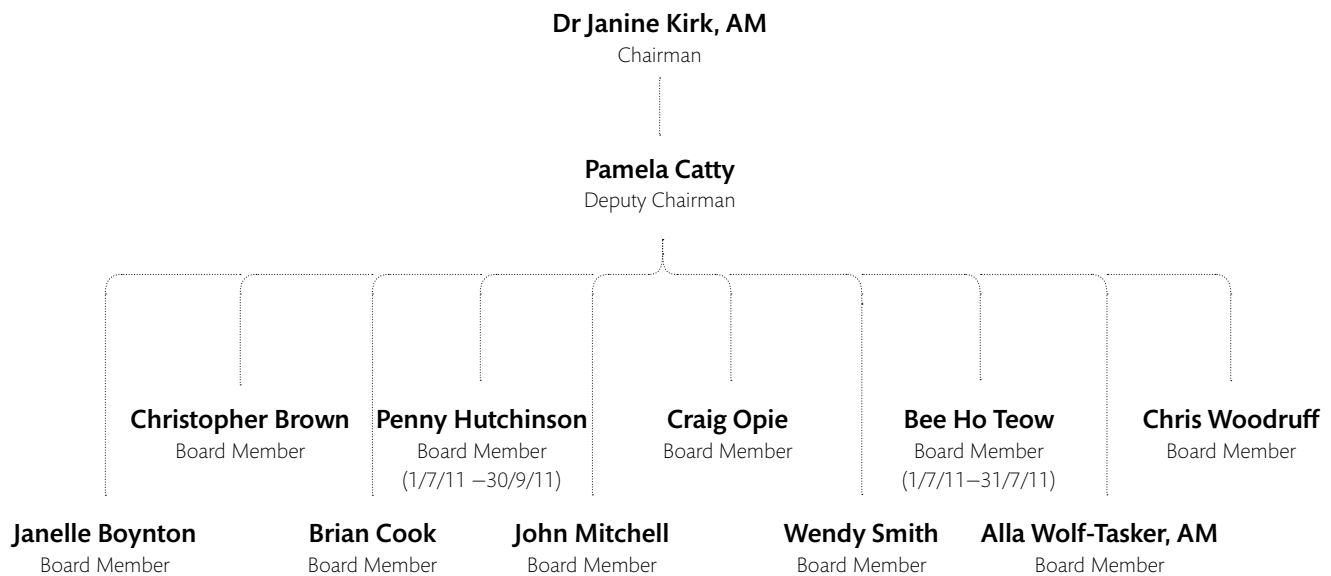
A stylized, handwritten signature in black ink, appearing to read 'Leigh Harry'.

Leigh Harry
Chief Executive

OUR STRUCTURE



TOURISM VICTORIA BOARD



TOURISM VICTORIA RISK AND AUDIT COMMITTEE

The Risk and Audit Committee assists the Board of Tourism Victoria in fulfilling its oversight responsibilities. Comprising four non-executive directors, the Committee maintains effective working relationships with the Board, management and the internal and external auditors. The Committee is responsible for ensuring good corporate governance, effective risk management, legal compliance and the strategic direction of Tourism Victoria.

The Risk and Audit Committee members during 2011–12 comprised:

Pamela Catty (Chairman)

Brian Cook

Penny Hutchinson

John Mitchell

Wendy Smith

Alla Wolf-Tasker, AM

Chris Woodruff

OUTPUT TARGETS AND PERFORMANCE*

Performance indicator	Unit of Measure	2011–12 Target	2011–12 Result
Investment projects facilitated	\$ million	200–250	204.4
Number of domestic overnight visitors	number (million)	15.9–16.2	17.8
Number of visitors (international)	number (million)	1.6–1.8	1.77
Visitor expenditure (domestic)	\$ billion	12.1–13.1	14.3
Visitor expenditure (international)	\$ billion	3.8–4.4	4.3
Visitor expenditure – regional Victoria (domestic)	\$ billion	5.9–6.5	7.1
Visitor expenditure – regional Victoria (international)	\$ million	290–330	355
Visitvictoria.com annual visits to site	number ('000)	7000	5,940
Value of media coverage generated: domestic	\$ million	20–30	24.5
Value of media coverage generated: international	\$ million	40–50	66.1
Victoria's share of domestic tourism advertising awareness among target markets: intrastate	per cent	16–21	16
Victoria's share of domestic tourism advertising awareness among target markets: interstate	per cent	25–30	27.7

* Visitation and advertising awareness results are for the year ending March 2012

VICTORIA'S TOURISM PERFORMANCE

The competitive landscape

Travellers to and within Victoria spent a total of \$17.3 billion for the year ending December 2011 (including domestic daytrip and overnight expenditure and international overnight expenditure) and this equates to 22.2 per cent of tourism expenditure in Australia. Victoria experienced an increase of 7.3 per cent year-on-year, higher than the national average (+3.1%).

For the year ending December 2011, Victoria achieved domestic overnight expenditure growth of 4.3 per cent to \$8.99 billion, which was well ahead of the national rate of growth of 1.6 per cent. International overnight expenditure was the highest on record, outperforming the national average year-on-year growth rate and growth for key competitors.

Growth in international visitors to Victoria has been influenced by China and other emerging markets. In 2011, China overtook New Zealand to become the number one international market for Victoria in terms of visitors and expenditure.

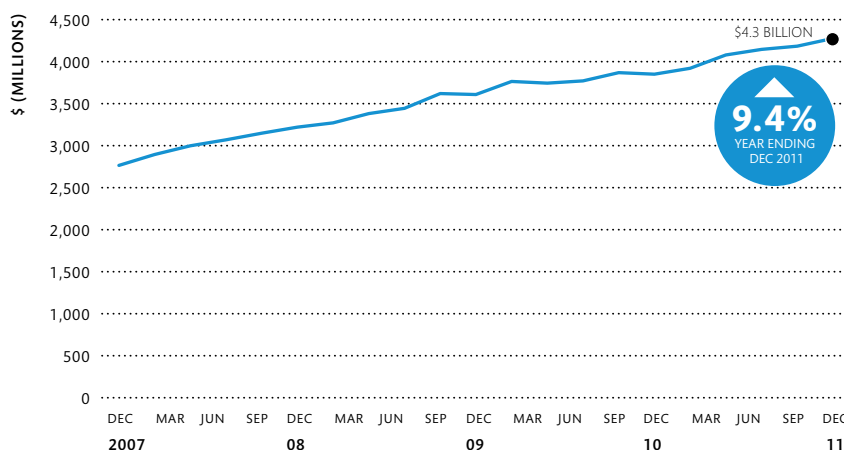
This growth occurred in the context of a strong Australian dollar and continued economic uncertainty in the USA, UK and Europe.

At the same time, Australians' appetite for overseas travel has grown, driven by strong price competition in the outbound sector, cheap airfares and the strength of the Australian dollar. Australians took more than 7.8 million short-term overseas trips for the year ending December 2011. However, over the same period the number of international arrivals remained steady for Australia at 5.9 million short-term arrivals² and Victoria's growth in international visitor expenditure grew by 9.4 per cent to \$4.3 billion.

For the year ending December 2011, Victoria again recorded its highest number of total international overnight visitors – up 6.7 per cent to 1.76 million, driven by strong growth in both Melbourne and regional Victoria. Growth for Victoria outperformed

INTERNATIONAL OVERNIGHT EXPENDITURE IN VICTORIA

YEAR ENDING DECEMBER 2011



Source: *International Visitor Survey*, Year ending December 2011, Tourism Research Australia, Canberra.

the national average (down by less than 0.1 per cent) and key competitors New South Wales (down 2.9 per cent to 2.76 million) and Queensland (down 7.4 per cent to 1.90 million).

Melbourne

For the year ending December 2011, Melbourne achieved its highest recorded number of international visitors, visitor nights and expenditure. International overnight visitation increased 6.7 per cent over the previous year, to 1.65 million, and the number of nights spent in Melbourne grew 5.8 per cent to 37.7 million nights, while international expenditure in Melbourne increased by 8.8 per cent to \$4.0 billion.

Regional Victoria

International overnight visitor numbers to regional Victoria increased year-on-year by 5.7 per cent to 342,200 for the year ending December 2011. Expenditure by international visitors in regional Victoria increased by 17.0 per cent year-on-year to \$337 million. The national regional average declined by 2.9 per cent, while it was down by 8.8 per cent in regional New South Wales and 7.4 per cent in regional Queensland.

Performance of key international markets

International overnight visitors from China outpaced those from New Zealand and became the largest market for Victoria in the year ending December 2011. There were 265,300 Chinese overnight visitors to Victoria, up 28.8 per cent. New Zealand visitation rose by 6.2 per cent.

Other markets that experienced strong year-on-year growth in visitation in 2011 to Victoria included Korea (up 37.5 per cent to 43,100), Singapore (up 17.0 per cent to 91,500), Indonesia (up 15.6 per cent to 44,000), Taiwan (up 14.3 per cent to 29,300) and India (up 6.1 per cent to 61,800).

China has the highest expenditure of all inbound visitors to Victoria at \$816 million in 2011, up 19.1 per cent year-on-year. Chinese visitors spent more in Victoria than the combined expenditure of the top three Western Hemisphere markets New Zealand (\$313 million), UK (\$287 million) and the USA (\$194 million). Singapore (\$331 million) and Malaysia (\$328 million) have overtaken New Zealand to become the next largest spend markets for international visitors in Victoria.

² Overseas Arrivals and Departures data, Australian Bureau of Statistics, year ending December 2011

Domestic (Australian) visitor figures Statewide

Over recent years, the rapid increase in outbound travel by Australians has had a major impact on domestic (interstate and intrastate) travel. However, there were promising signs of recovery in visitation to and within Victoria during 2011.

Victoria recorded an increase in domestic overnight visitors – up 7.2 per cent to 16.9 million and expenditure – up 4.3 per cent to \$9.0 billion in 2011. There was also an increase in the number of nights domestic visitors spent in Victoria, of 4.0 per cent to 51.4 million nights. Year-on-year growth was experienced for both interstate overnight visitors (up 6.2 per cent) and intrastate overnight visitors (up 7.7 per cent) to Victoria.

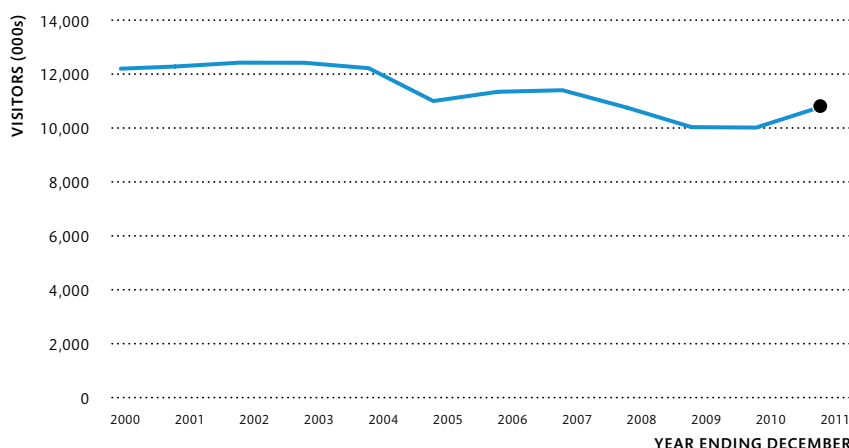
Melbourne

Domestic overnight visitation to Melbourne increased by 5.7 per cent year-on-year to reach 6.6 million visitors, with domestic overnight visitor expenditure increasing 2.4 per cent to \$4.8 billion in 2011. This is well above the average growth of 1.9 per cent in domestic overnight visitation to capital cities and the Gold Coast. Expenditure by these visitors to these locations declined 0.2 per cent.

Results from the 2011 Roy Morgan Research Holiday Tracking Survey show that Melbourne is Australia's most preferred destination for a domestic holiday in the next two years. The survey revealed 20.9 per cent of respondents wanted to holiday in Melbourne – higher than the Gold Coast (17.5 per cent) and Sydney (12.9 per cent). Among the interstate market, preference for Melbourne was even higher at 23.4 per cent compared to the Gold Coast (15.9 per cent) and Sydney (14.7 per cent).³

DOMESTIC OVERNIGHT VISITORS TO REGIONAL VICTORIA

YEAR ENDING DECEMBER 2011



Source: National Visitors Survey, December 2011, Tourism Research Australia, Canberra. Released March 2012.

Melbourne continues to attract more interstate overnight visitors than other capital cities. Melbourne attracted 4.3 million interstate visitors in 2011 (up 7.3 per cent year-on-year), compared to 3.7 million in Sydney (up 5.8 per cent year-on-year). Melbourne has attracted a higher number of interstate overnight visitors than Sydney each year since December 2005.

Regional Victoria

During 2011, domestic overnight visitor expenditure increased by 6.5 per cent to \$4.2 billion, outperforming growth in regional Queensland (up 5.4 per cent), regional New South Wales (up 3.0 per cent) and the national regional average (up 3.2 per cent).

Domestic overnight visitor numbers to regional Victoria increased by 7.9 per cent to 10.8 million visitors for the year ending December 2011. Growth came from both the intrastate and interstate markets, which increased by 8.9 per cent and 3.2 per cent respectively.

Total visitor nights in regional Victoria also increased 5.6 per cent to just under 33 million nights, driven by the intrastate market (up 9.7 per cent),

Daytrips to regional Victoria also increased 5.0 per cent year-on-year to 25.5 million for the year ending December 2011 to reach their highest level since year ending September 2001.

³ Holiday Tracking Survey, Roy Morgan Research, year ending December 2011

* Unless otherwise stated all data comes from the following sources:

International Visitor Survey, for year ending December 2011, Tourism Research Australia, Canberra, released in March 2012.

National Visitor Survey, for year ending December 2011, Tourism Research Australia, Canberra, released in March 2012.

Attracting high yield international visitors

Working closely with Tourism Australia, airlines, key travel industry partners and the Victorian tourism industry, Tourism Victoria continues to pursue a balanced portfolio of international markets.

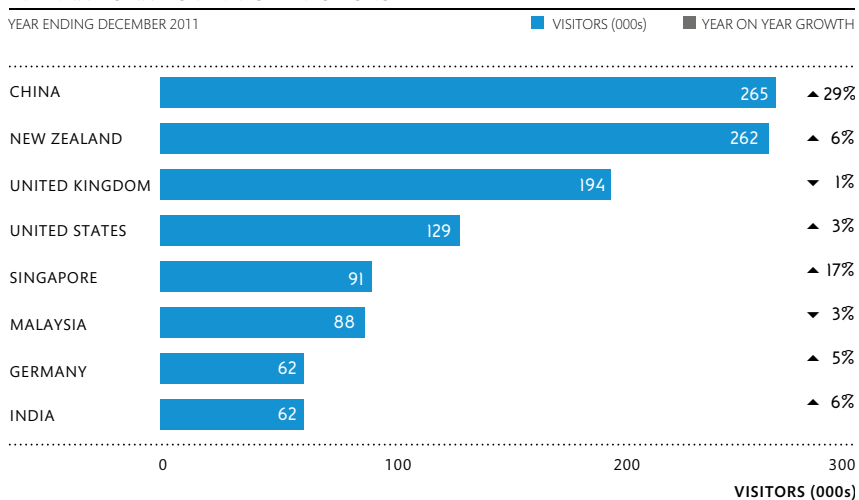
In 2011–12, Tourism Victoria's international public relations activity generated approximately \$66 million of media exposure exceeding the target of \$40 million.⁴ Major international exposure was achieved through strategic media partnerships with the United Kingdom's popular morning television show *Daybreak*, the *Discover Your Australia* online drama series in China, TVB Hong Kong and an Australian Open campaign in Japan.

For the year ending December 2011, 32 per cent of all international visitors to Australia stayed overnight in Victoria and spent \$4.3 billion, representing year-on-year growth of 9.4 per cent. This is a significant result that is more than double Australia's national growth of 3.7 per cent. International visitor expenditure in regional Victoria also increased to \$337 million, representing a 7.4 per cent per annum increase over the last five years.

In January 2012, the Minister for Tourism and Major Events, Louise Asher launched the *Play Melbourne* campaign in New Zealand, the first significant campaign in this market since 2007. The multifaceted New Zealand campaign utilised a variety of media, including television, cinema, online and print. The campaign has delivered strong activation results and has achieved over 85,000 page views to the dedicated website.

INTERNATIONAL OVERNIGHT VISITORS

YEAR ENDING DECEMBER 2011



Source: International Visitor Survey, December 2011, Tourism Research Australia, Canberra. Released March 2012.

In February 2012, the Minister for Tourism and Major Events, Louise Asher led Australia's largest-ever super trade missions to the Middle East and India. In India, more than 14 Victorian tourism businesses took part in a range of activities aimed at engaging with trade, corporate and media partners in Delhi and Mumbai. The Premier, Ted Baillieu also announced a new trade and consumer digital campaign will be launched in India in 2012–13. During the Middle East mission two new tourism marketing initiatives were launched for the United Arab Emirates and other Gulf countries.

Following the successful exposure of Victoria through the Korean television show *Survival I'm a Singer*, the Victorian tourism industry was well represented at the 2012 World Expo in Yeosu. Consumer

and trade campaign activities during Victoria Week at Yeosu saw the launch of the new Korean language website, which will generate further significant exposure for the state.

In June 2012, a cooperative campaign in Germany with Singapore Airlines and Tourism Australia spread rich content online in conjunction with a special Singapore Airlines airfare. Content featured on Germany's major news portal www.t-online.de and the Singapore Airlines website, with links for consumers to book Victorian tourism experiences.

⁴ Millward Brown Precis

China overtook New Zealand to become the number one market for international overnight visitors to Victoria in 2011.

China

The Premier, Ted Baillieu launched *Victoria's China Tourism Strategy* in May 2012. The strategy has five priorities to increase tourism visitation and yield from China to 2020. It targets all visitor segments, including holiday makers, students, business travellers and those visiting friends and relatives. The strategy outlines initiatives relating to market positioning, airline connections, investment, improving the Chinese visitor experience and building on Victoria's strong education, migration and business links with China.

An integrated marketing campaign with Tennis Australia and Tourism Australia was also launched as part of the 2012 Australian Open Tennis Championships to help position Melbourne as the events capital of Australia. The campaign included an innovative online marketing promotion and was supported by six Official Licensed Australian Open tour operators.

Tourism Victoria continued its major integrated trade and online consumer marketing campaign – the *Victoria Award/ I Love Melbourne* campaign. Following its success in 2010–11, a dedicated microsite about Melbourne holiday experiences called the *Melbourne Online Specialist Store* was developed and incorporated into the campaign through Tourism Victoria's strategic partnerships with 12 travel agents.

In July 2011, Tourism Victoria appointed Ogilvy & Mather Shanghai as its marketing services agency to develop an integrated marketing campaign to promote Melbourne to the Chinese market. The Victorian Government will launch the campaign in late 2012, which will be underpinned by a new Chinese website integrating key social media platforms developed by Tourism Victoria.

India

Tourism Victoria identified the India market as a strong growth market in line with forecast yield and average annual growth of visitors to 2020, current visitor volumes and dispersal into Victoria. Overnight visitors from India spent \$305 million in Victoria, an increase of 13.8 per cent year-on-year for the year ending December 2011. During the same time period, the Visiting Friends and Relatives segment continued to account for the largest volume of Indian visitors to Victoria, up 11.5 per cent to 22,000.

In 2011–12, Tourism Victoria launched its first digital consumer campaign in India. The *Dream Vacation* campaign asked consumers to combine short video vignettes of their favourite Melbourne and Victoria experiences and create their 'dream vacation'. The Facebook-based campaign increased the number of fans from 650 to more than 7,000.

As part of the Australia – India 2011–2012 Test cricket series, a number of Indian journalists travelled to Victoria to cover the Boxing Day Test. Media outlets included CNN, the *Telegraph*, and the *Hindustan Times*. Other coverage included radio and online promotions, and a competition with Qantas.

South East Asia

In partnership with Singapore Airlines, Tourism Queensland, Tourism New South Wales, Tourism Western Australia and 15 Aussie Specialist Agents, Tourism Victoria launched the new *Australia Family Playtime* campaign in the Singapore market in September 2011. The campaign focused on family holiday activities, including adventure, wildlife and the outdoors. Tourism Victoria also ran a campaign in Singapore to promote the musical *Love Never Dies* in October. The campaign incorporated joint promotions with Qantas Holidays and zuji.com.

For the year ending December 2011, Victoria attracted Australia's largest share of Indonesian travellers expenditure with over 40 per cent growth. Indonesia is one of Victoria's emerging international markets, and Tourism Victoria has appointed a media relations company to accelerate destination awareness via targeted media channels. Victoria is the first Australian tourism entity to appoint a dedicated Indonesia based resource.

Increasing the domestic market

Play Melbourne

The latest phase of Tourism Victoria's Jigsaw campaign, *Play Melbourne* has achieved strong results since it was launched in June 2011. The campaign reinforces Melbourne's reputation as a city of endless possibilities, focusing on the idea that if you are curious enough to take a chance, you're bound to discover one of the city's many treasures.

The campaign aims to convert preference to travel to Melbourne into actual visitation, to deepen consumer appreciation of Melbourne's creative sub-culture and reinforce its reputation as Australia's most culturally diverse city.

Both campaign and visitation results show that this theme has resonated with interstate markets. Domestic overnight visitation to Melbourne increased by 5.7 per cent to reach 6.6 million in the year ending December 2011. During the same time period, domestic overnight visitor expenditure also increased by 2.4 per cent to \$4.8 billion, which is ahead of the national growth rate of 1.6 per cent.

The *Play Melbourne* video reached one million views on YouTube, 540,000 visits to its dedicated website, 19,000 Facebook fans and 15,000 iPhone app downloads.

Regional Marketing Program

In 2011–12, \$2 million was provided as part of the 2009–12 *Regional Marketing Program* to Regional Tourism Boards to support marketing initiatives and encourage industry participation. Tourism Victoria also worked with Regional Tourism Boards throughout the year to develop and implement cooperative marketing campaigns, largely focused on driving visitation from the Melbourne market.

Daylesford, Lead a Double Life

Following its 2009 launch, the *Daylesford Lead a Double Life* campaign has helped maintain Victoria's leadership position in the spa and wellbeing tourism segment. As part of the campaign, Tourism Victoria worked in partnership with the Daylesford and Macedon Ranges Regional Tourism Board to engage key target markets.

In 2011–12, an integrated placement of magazine editorial and advertising content was featured in *MarieClaire*, *InStyle*, *Belle*, *Wish* and *Good Weekend Sydney Magazine*. The integrated campaign also included an online promotion with *Gourmet Traveller*, public relations activity, competitions and targeted database activity through the professional networking organisation, *Business Chicks* in Sydney.

Daylesford was also featured on popular television shows with a dedicated *MasterChef* episode and coverage on *The Block* in May 2012, which provided highly visible exposure and generated positive discussion about the region through social media channels.

In 2011, Tourism Victoria's Brand Health survey found Victoria continues to lead as a State with a reputation for offering spa and wellbeing experiences. In addition, the Daylesford and Macedon Ranges region experienced 3.6 per cent year-on-year growth with 404, 000 overnight domestic visitors for the year ending December 2011.

As part of Tourism Victoria's continued focus on the spa and wellbeing market, the Minister for Tourism and Major Events, Louise Asher launched the *Spa and Wellbeing Action Plan 2011–2015* and *Victoria's Geothermal and Natural Mineral Water Tourism Investment Opportunities* in November 2011.

Villages of Victoria Program

In November 2011, the Minister for Tourism and Major Events, Louise Asher announced the second year of the *Villages of Victoria* cooperative marketing program, which was expanded to allow all towns and destinations to participate.

The cooperative program consisted of two key elements: an integrated tactical campaign with radio, print and an online partnership across Yahoo7/Total Travel; and a RACV partnership with activity across racv.com/travel, the *Royal Auto* website and *Royal Auto* magazine.

During the year, Tourism Victoria continued working in partnership with Regional Tourism Boards to implement the campaign in partner publications, including features on the attractions and destinations of campaign regions, Gippsland, Victoria's High Country, Daylesford and Macedon Ranges, Phillip Island and The Murray in 2011–12.

The *Play Melbourne* campaign achieved one million video views on YouTube, 540,000 website visits, 19,000 Facebook fans and 15,000 iPhone app downloads.

Tourism Victoria also worked with television programs to secure dedicated content highlighting Victoria's villages. This included a refreshed sponsorship of the *Postcards* series and Channel Seven's *No Leave, No Life*.

In addition, campaign videos have been completed for all 10 Victorian tourism regions. Campaign videos are promoted online via visitvictoria.com, Tourism Victoria's YouTube Channel and as part of an intrastate marketing campaign.

Agency Appointments

In October 2011, Tourism Victoria appointed Clemenger BBDO as Lead Agency and OBM Advertising as Boutique Communications Agency following an extensive tender process.

As Lead Agency, Clemenger BBDO will work with Tourism Victoria to continue its Jigsaw campaign in the domestic market. OBM Advertising will support Tourism Victoria, the Regional Tourism Boards, and campaign committees with marketing and communications services as required.

Recovery Management

Tourism Victoria was allocated \$1.5 million to support the long term flood recovery of affected regions as part of the 2011–12 Victorian State Budget.

Funding supported the recovery of the Gippsland, Grampians and the Murray regions, and included marketing and public relations, events promotion and industry development initiatives.

Tourism Victoria also continued to work with Yarra Ranges Regional Marketing Limited and the Marysville Advisory Group to deliver the \$1.7 million bushfire recovery package for Marysville and its surrounds.

As part of the program, Tourism Victoria worked with Yarra Ranges Regional Marketing Limited to coordinate photo shoots (Lake Mountain and Marysville), a video (cycling, Lake Mountain) and marketing collateral, including PR activity focused on generating 'Open for Business' messages.

Branded Assets

In conjunction with Destination Gippsland, Tourism Victoria released a new branded video to support the region's *Inspired by Gippsland* campaign. The video was shown during the Moonlight Cinema season in Melbourne, on visitvictoria.com and YouTube. A second promotional video was produced for Gippsland featuring three ambassadors who demonstrated how they have been inspired by their visit to Gippsland. The videos are featured on visitvictoria.com, YouTube and through social media.

Tourism Victoria produced a series of three vignettes for the Great Ocean Road to promote the region's nature based and wildlife experiences. The videos have been promoted on Australia Geographic's website, visitvictoria.com, YouTube and have also been showcased during the major industry conference, Australian Tourism Exchange, and used by Tourism Australia for its marketing activity.

Attracting and leveraging events

Major Events

In 2011–12, Tourism Victoria continued to work closely with Government departments, event promoters and organisers, and the Victorian Major Events Company to promote, attract and leverage the tourism and business benefits of major events.

Victoria has an enviable events calendar, including established sporting events, arts exhibitions and theatre shows. Sporting events such as the Australian Open Tennis Championships, 2011 Presidents Cup, RipCurl Pro Bells Beach 2012, the Melbourne Cup, the 2012 Formula 1 Australian Grand Prix and the Boxing Day Test continue to be major attractions for interstate and international visitors.

The 2011 Presidents Cup was held from 15–20 November 2011 at the Royal Melbourne Golf Club, which is the only destination outside the US to successfully host the event more than once. All net proceeds from the event are directed by the PGA TOUR to the charities nominated by the players, captains and team members. The 2011 Presidents Cup raised more than US\$4.5 million for over 75 charities worldwide, which represents a record charitable contribution since the event's inception in 1994.

Tourism Victoria partnered with the PGA TOUR to implement a marketing campaign to drive visitation from key international and interstate markets. Through this marketing and the event broadcast, branding opportunities were maximised to position Melbourne in key international markets. The broadcast of the 2011 Presidents Cup reached 700 million homes and the Brand Victoria television commercial aired over 130 times during the New Zealand, India, Singapore, Malaysia, South Korea, Japan and the Asia-Pacific region broadcasts. Over six days, the event also attracted more than 105,000 in attendance.

In regional Victoria, the Davis Cup between Australia and China P.R. and Australia's first-ever world ranking snooker event, the Australian Goldfields Open were key highlights of 2011–12. Hosted by the Geelong Lawn Tennis Club, the Davis Cup attracted sell-out attendance over three days, including media representation from Xinhua News Agency and the International Tennis Federation. The Australian Goldfields Open held in Bendigo attracted global media exposure from key tourism markets in the UK and China.

Our arts and cultural events calendar also achieved record attendances, particularly two major exhibitions in Melbourne and regional Victoria.

As part of the successful *Melbourne Winter Masterpieces* series, *Tutankhamun and the Golden Age of the Pharaohs* held at Melbourne Museum became the most successful touring exhibition in Australian history with almost 800,000 visitors. Tourism Victoria, in partnership with the exhibition producers IMG, implemented a marketing campaign to drive visitation from key interstate and international markets. The campaign resulted in more than 41 per cent of attendees coming from outside Victoria.

Following on from the success of last year's *Bendigo International Collections – The White Wedding Dress: 200 Years of Wedding Fashion*, Bendigo Art Gallery's latest exhibition, *Grace Kelly: Style Icon*, broke previous attendance records to attract more than 152,000 people, including 17,000 interstate and 560 overseas visitors during its three-month run. Tourism Victoria undertook a cooperative marketing campaign with the City of Bendigo to encourage interstate visitation to the exhibition and region.

Key regional events supported by Tourism Victoria's Events Program included Warrnambool's Fun4Kids Festival, Mildura Arts Festival and the inaugural High Country Harvest Festival, and the Reap and Relish food and wine event in the Yarra Valley.

Tutankhamun and the Golden Age of the Pharaohs became the most successful touring exhibition in Australian history with almost 800,000 visitors.

Business Events

The Melbourne Convention and Exhibition Centre (MCEC) continues to attract business events that bring new visitors to Victoria. Victoria achieved 27.8 per cent growth in international business events visitors for the year ending December 2011. This is also a significant result when compared to the national average of 5.6 per cent growth. Tourism Victoria manages an events attraction program which is delivered through MCEC and the Melbourne Convention and Visitors Centre (MCVB).

As at 30 June 2012, this partnership has resulted in 131 business events which are set to attract an estimated 216,000 delegates to MCEC. In 2011–12, international conferences held at MCEC included:

- International Botanical Congress, (July 2011) which hosted 2300 delegates
- World Congress of Paediatric Infectious Diseases, (November 2011), which hosted 1,790 delegates
- International Society for Magnetic Resonance in Medicine Annual Meeting (May 2012), which hosted an estimated 3500 delegates

Tourism Victoria engaged Business Events Victoria to implement the Regional Business Events Program to deliver more business events and more delegates to regional Victoria. Business Events Victoria do this by referring new sales leads to regional operators, participating in trade shows, developing an enhanced on-line presence and updating the planners guide.

In 2011–12, two regional highlights included hosting the 2012 Exhibition and Event Association of Australasia Leaders Forum in the Yarra Valley and securing the National Association of Prospective Student Advisors Conference on the Great Ocean Road in November 2012. The leaders forum attracted \$19,000 in revenue from 40 delegates over two days at the Balgownie Estate Resort and Spa in April 2012.

Air services attraction

Victoria's air services play a key role in growing the State's economic development, particularly in the tourism industry.

The Victorian Government continues to work actively with its major airport, Melbourne Airport, to improve air connections with Victoria's tourism, education, business and trade markets.

As Australia's second biggest airport, Melbourne Airport's competitive strengths include 24 hour, curfew-free facilities, single international and domestic terminal layout and passenger charges that are lower than other major airports.

In 2011–12 Melbourne Airport's total passenger numbers reached more than 28.2 million including 21.46 million domestic passengers. Significantly, over 6.78 million passengers were international, which is an eight per cent increase on the previous year, compared to growth of 3.67 per cent in Sydney and 4.6 per cent in Brisbane.

Avalon Airport's total passenger numbers for 2011–12 reached 568,960.

In 2011–12, weekly international air services totalled 334, which is up on last year's figure of 320 weekly international air services.

Twenty-five international airlines now service Melbourne Airport, a reduction of two international airlines: Air Australia and Air Mauritius.

Victoria attracted new international air services from Royal Brunei Airlines, Garuda Indonesia and Jetstar.

Victoria succeeded in attracting the following new international air services during 2011–12:

- Royal Brunei Airlines increased its Melbourne services from four times weekly to daily (while ceasing all other Australian and New Zealand services) in March 2012
- Garuda Indonesia increased the frequency of its Melbourne-Denpasar and Melbourne-Jakarta services from four to five and three to four weekly services respectively in December 2011
- Jetstar commenced a new daily Melbourne – Beijing service via its existing Melbourne – Singapore service Qantas' new A380 aircrafts provided additional capacity between Melbourne – London up from six weekly services to daily and Melbourne – Los Angeles up from four weekly services to daily.

As part of the Victorian Government's commitment to regional aviation infrastructure, the \$20 million Regional Aviation Fund will support capital works projects at regional airports. Launched by the Minister responsible for the Aviation Industry, Gordon Rich-Phillips, funding was announced for Bendigo Airport (\$5 million), Warrnambool Airport (\$2 million) and Latrobe Regional Airport (\$1.24 million) in 2011–12.

Investment attraction

Attracting new investment is vital in strengthening Victoria's position as a leading tourism destination. In the past year, we have helped facilitate \$204.4 million in investment which will support the development of Victoria's tourism infrastructure.

In May 2012, a strategic partnership was formed with Tourism Australia and Austrade to promote Australian investment-ready tourism opportunities to local and international investors. Tourism Victoria has been supporting this initiative by providing Victorian tourism investment projects that require investment partners.

Tourism Victoria continued its work with the Emerald Tourist Railway Board to facilitate new funding for maintenance and minor infrastructure upgrades for Puffing Billy Railway. The railway attracts significant visitation to the Dandenong Ranges and Yarra Valley region and was recently ranked Victoria's third most visited regional destination in the International Visitor Survey.

Tourism Victoria assisted the Corangamite Council in advancing amendments to the planning scheme to support tourism development in key locations along the Great Ocean Road to better meet the needs of a growing international market.

New projects facilitated in 2011–2012 included a Quest serviced apartment project in Wodonga, Tune Hotel's first Australian hotel in Carlton, RACV's Torquay Resort & Golf Club, and Foster's T'Gallant extension on the Mornington Peninsula and a new development by QIC at 80 Collins Street.

Ongoing projects include the Flinders Street Station redevelopment and Geelong Cruise Ship project which has proceeded to the business case stage. In Point Nepean, the masterplan has been completed, including a boutique hotel to further benefit the local tourism industry.

Working with Regional Development Victoria, Tourism Victoria has progressed the establishment of the Marysville Conference Centre and hotel development and a steering group for a market demand study on a cable car attraction in north-east Victoria.

Tourism Victoria continues working with Regional Tourism Boards to identify opportunities for infrastructure investment as part of a gap analysis process. This is designed to identify tourism investment that best supports the ongoing growth and development of local tourism operators and businesses.

Infrastructure Development

Tourism Victoria has played an active role in supporting the Victorian Competition and Efficiency Commission (VCEC) inquiry into the tourism industry, *Unlocking Victorian Tourism*. The draft report identified a number of issues important to future investment in Victorian tourism, including planning and environmental controls, and approval processes.

Tourism Victoria provided a submission to the inquiry and met with VCEC representatives to discuss issues and relevant research, and supported discussion between VCEC, industry and key stakeholders. Tourism Victoria has also contributed to the development of the Victorian Government response with key stakeholders such as the Victorian Department of Planning and Community Development and the Department of Sustainability and Environment.

Tourism Victoria also worked with the taxi industry inquiry following the release of its draft report *Customers First: Service, Safety, Choice*. The draft report includes 145 recommendations directed at improving customer experience and industry sustainability. Tourism Victoria met with inquiry officials during the development of the draft report to provide advice on tourism industry issues and perspectives, and visitor experiences.

Investing in our workforce

Tourism Victoria continues to collaborate with industry partners to develop and deliver new strategies that will assist tourism businesses respond to changing tourism trends, crises, emerging market needs and enhancing skills development.

Regional Tourism Boards

The establishment of Regional Tourism Boards in eight out of Victoria's ten regions is an important milestone achieved in 2011–12. Each led by a full-time Chief Executive Officer, the new Regional Tourism Boards are skills based organisations responsible for the strategic vision and direction for the region. In conjunction with Tourism Victoria and local government partners, the Regional Tourism Board structure is designed to enable better coordination of activities and more effective use of resources, which will ultimately provide a stronger platform for future growth.

Tourism Excellence Program

Building on the success of previous years, both Regional Tourism Boards and regional committees have continued to embrace and expand on Tourism Excellence activities. A total of 1,319 tourism businesses attended workshops across the state, a 40 per cent increase when compared to last year. In addition, there were improved ratings among the 386 tourism businesses that were audited for customer service delivery. There are now 56 graduates from the International Mentoring Program, after nine new tourism businesses completed the program in 2011–12.

Tourism Workforce Plan

As part of the Commonwealth Government's national tourism strategy *Tourism 2020*, the Victorian Government through Tourism Victoria will support a pilot program to address tourism labour and skills shortages in the Mornington Peninsula and Phillip Island regions.

The pilot program, the *Tourism Employment Plan*, has completed its initial consultancy phase. Tourism Victoria will work with local tourism operators and small businesses, including hotels, cafés and restaurants, and travel and retail businesses, to develop a targeted strategy to identify local employment and training needs. The pilot will officially launch in late 2012.

RACV Victorian Tourism Awards

In partnership with the RACV, the Victoria Tourism Industry Council (VTIC) and industry representatives, Tourism Victoria works to recognise and reward Victoria's best tourism operators, businesses and individuals. An integrated radio, newspaper and e-marketing campaign helped secure widespread publicity for the best tourism experiences in 2011–12. The industry and consumer marketing activities resulted in strong industry interest in both mentoring and business development workshops with 140 submissions, including 48 first time entrants, a 27 per cent increase on the previous year.

Victoria celebrated the achievements of 16 place-getters at the Qantas Australian Tourism Awards held in March 2012, including three Gold winners, three Silver and ten Bronze award recipients.

The RACV Victorian Tourism Awards received 140 submissions, including 48 first time entrants, which represents a 27 per cent increase on the previous year.

Recovery Management

Tourism Victoria provided advice and support to regional tourism stakeholders and emergency services in response to a number of crisis events, including the Gippsland Lakes blue-green algae bloom and the flood events in North East Victoria and Gippsland during 2011–12.

In addition, Tourism Victoria contributed to the development of the *Don't Risk It!* kits, prepared by the National Resilience Working Group to enable both small and medium sized tourism businesses and Regional Tourism Organisations to be better prepared for risk and crises.

Following the 2009 bushfires, Tourism Victoria worked with the Department of Justice and the fire agencies to build the tourism industry's capacity to effectively deliver bushfire messages to visitors. In 2011–12, bushfire information displays were installed in accredited visitor information centres located in high-risk areas, briefings were conducted at the Regional Visitor Information Centre Network meetings and each centre received a bushfire communications manual.

Tourism Victoria also developed a kit of informative fire safety resources for businesses to display in their holiday accommodation. The kit included a supply of brochures, fridge magnets, key tags, Township Protection Plans and a Fire Danger Rating display. Bushfire safety information was also provided to concierge and car rental companies to display in their reception on high-risk days.

Accessible Tourism Workshops

In March 2012, Tourism Victoria hosted an Accessible Tourism Workshop that was attended by more than 70 people from the tourism industry and the disability sector. The aim was to improve industry knowledge, while gaining insights in order to develop a tourism operator toolkit that would help tourism destinations, products and services become more accessible to all people. The toolkit will be launched to industry in late 2012.

Tourism Victoria

Tourism Victoria is committed to investing in developing employees' skills and behaviours by learning from on-the-job experiences, workplace relationships and feedback, and formal training opportunities. By investing in employee training, we help to share knowledge and resources that benefit the industry.

In 2011–12, more than 80 training programs were undertaken by Tourism Victoria employees, including digital marketing workshops, high impact communications, and leadership coaching.

LEGISLATIVE REQUIREMENTS

As a Victorian State Government statutory authority established by the *Tourism Victoria Act 1992*, Tourism Victoria is the vehicle through which the Government participates in the tourism and travel industries.

Attestation on compliance with the Australian/New Zealand Risk Management Standard

I, Janine Kirk certify that Tourism Victoria has risk management processes in place consistent with the *Australian/New Zealand Risk Management Standard* and an internal control system in place that enables the executive to understand, manage and satisfactorily control risk exposures. The Risk and Audit Committee verifies this assurance and that the risk profile of Tourism Victoria has been critically reviewed within the last 12 months.



Dr Janine Kirk AM

Chairman
Tourism Victoria

OTHER RELEVANT INFORMATION Legislation

Tourism Victoria was established under the *Tourism Victoria Act 1992*. The Act outlines Tourism Victoria's functions, powers and duties.

Merit and Equity Statement

In accordance with Government policies and guidelines, all appointments to Tourism Victoria in 2011–12 were made on the basis of merit.

Employees' Health and Safety

This year's Annual Report for the Department of Business and Innovation covers occupational health and safety matters and performance indicators concerning staff employed in the Tourism Victoria offices. See the Department's Annual Report 2011–12.

Progress in Implementing National Competition Policy

Implementing National Competition Policy does not impact on the business of Tourism Victoria.

Reviews of Legislation that Restrict Competition

No reviews were undertaken in 2011–12 in relation to legislation relating to Tourism Victoria.

Application of the Competition Test to New Legislative Proposals

No new legislation was introduced during 2011–12 relating to Tourism Victoria.

Application of Competitive Neutrality Principles to significant Government business activities

Tourism Victoria does not undertake any significant Government business activity with respect to the application of competitive neutrality principles.

Application of Competitive Neutrality principles to In-House Bids

There were no in-house bids relating to Tourism Victoria in 2011–12.

Details of consultancies over \$10,000

Consultant	Purpose of consultancy	Start date	End date	Total approved project fee (excluding GST)	Expenditure 2011-12 (excluding GST)	Future expenditure (excluding GST)
Rosemary Grieve & Associates (RG&A)	Undertake review of the Tourism Victoria Board in accordance with the Financial Management Act 1994	Nov-11	Mar-12	\$12,785	\$12,785	Nil
Ernst & Young	Undertake study of the Economic Impact of the 2011 Formula 1 Australian Grand Prix	Mar-11	Aug-11	\$163,050	\$68,229	Nil
Bramark Consulting	Provide secretariat services and advice to the annual National Tourism Signage Reference Group Symposium.	Jun-12	Jun-12	\$13,636	\$13,636	Nil
Carine Bourcier B.B Yonder Consulting	Undertake market research as part of the ongoing Regional Business Events Program.	Mar-12	Jun-12	\$38,000	\$38,000	Nil
Aspiron Consulting Pty Ltd	Undertake research into air service opportunities for Victoria over the next ten years.	May-11	Dec-11	\$75,357	\$34,660	Nil
Pacific Aviation Consulting Pty Ltd	Specialised analysis and forecast work of air service opportunities for Victoria.	May-11	Jul-11	\$26,141	\$26,141	Nil
Ernst & Young	Undertake analysis into the long-haul tourism market in China.	Apr-11	Jun-11	\$188,680	\$38,301	Nil
Bernard Stewart	Develop and implement new Regional Tourism Board corporate governance framework.	Jul-11	Jun-12	\$20,000	\$20,000	Nil

Details of consultancies under \$10,000

In 2011–12, Tourism Victoria engaged 10 consultancies, with a total expenditure of \$35,443.

Other Information

Other relevant information relating to the financial year is retained by the accountable officer and made available to the relevant Minister, Members of Parliament and the public on request.

Victorian Industry Participation Policy

The *Victorian Industry Participation Policy Act 2003* requires departments and public bodies to report on the implementation of the Victorian Industry Participation Policy (VIPP). Tourism Victoria commenced two contracts to which VIPP applied. The outcomes reported from the implementation of the VIPP where

information was provided, were as follows:

- an average of 98 per cent local content outcome were recorded;
- a total of three new full-time equivalent positions were created; and
- a total of nine existing jobs retained.

Summary of additional information available on request

- A statement that declarations of private interests have been duly completed by all relevant officers.
- Details of publications produced during 2011–12.

- Details on any major external review carried out during 2011–12.
- Details of any major research and development activities.
- Details of overseas visits undertaken.
- Details of major promotional, public relations and marketing activities undertaken during 2011–12.

The above information is available from:

Group Manager Business Services
Tourism Victoria
GPO Box 2219T, Melbourne VIC 3001
Telephone: (03) 9653 9721

Workforce data as at 30 June 2012

	Ongoing Employees				Fixed Term & Casual Employees	Total Employees
	Full time (headcount)	Part time (headcount)	Total (headcount)	Total (FTE)	Total (FTE)	Total (FTE)
June 2011	86	11	97	92	11	103
June 2012	80	9	89	85	7	92

	June 2011			June 2012			June 2012 totals (FTE)
	Ongoing Employees		Fixed Term & Casual Employees	Ongoing Employees		Fixed Term & Casual Employees	
	Headcount	FTE	FTE	Headcount	FTE	FTE	
Gender							
Male	34	34	3	34	34	2	36
Female	63	58	8	55	51	5	56
Age							
Under 25	2	2	–	–	–	–	0
25–34	33	31	7	25	24	4	28
35–44	32	30	4	32	30	3	33
45–54	20	19	–	20	19	–	19
55–64	8	8	–	9	9	–	9
Over 64	2	2	–	3	3	–	3
Classification							
VPS1	–	–	–	–	–	–	0
VPS2	1	1	–	1	1	–	1
VPS3	15	14	1	14	14	–	14
VPS4	26	24	5	17	15	3	18
VPS5	29	27	4	30	28	4	32
VPS6	20	20	1	20	20	–	20
STS	1	1	–	1	1	–	1
Executives	5	5	–	6	6	–	6

DIVERSITY, EQUALITY AND ENVIRONMENTAL MANAGEMENT

Tourism Victoria is committed to the employment and engagement of people from a diverse range of backgrounds, both in our workplace and in the communities in which we operate.

Throughout the year, Tourism Victoria complied with the office-based environmental performance improvement initiatives and requirements of the Department of Business and Innovation (DBI).

The Department manages matters relating to the application of merit and equity principles and environmental practices. See the DBI Annual Report 2011–12.

FREEDOM OF INFORMATION Freedom of Information Act 1982 – Section 7

Publication Requirements

The Victorian *Freedom of Information Act 1982* gives individuals the right to request information held by Tourism Victoria. During the year, Tourism Victoria received four Freedom of Information requests specifically pertaining to Tourism Victoria, and 23 additional departmental requests which captured data from Tourism Victoria.

Access to documents may be obtained through written request to the Freedom of Information Unit, as detailed in section 17 of the *Freedom of Information Act*. In summary, the requirements for making a request are:

- It should be in writing
- It should identify as clearly as possible what document is being requested
- It should be accompanied by the appropriate application fee (the fee may be waived in certain circumstances).

Request for documents in the possession of Tourism Victoria should be addressed to:

Mr Darcy Provatas
Freedom of Information Officer
GPO Box 2219T
Melbourne VIC 3001
Telephone: (03) 9653 9721
Facsimile: (03) 9653 9755

Requests can also be lodged online at foi.vic.gov.au.

The application fee per request is \$25.10.

Access charges may also apply once documents have been processed and a decision on access made, for example photocopying, search and retrieval charges.

Further information regarding Freedom of Information can be found on FOI Online, foi.vic.gov.au.

WHISTLEBLOWERS PROTECTION ACT 2001

The *Whistleblowers Protection Act 2001* encourages and assists people in making disclosures of improper conduct by public officers and public bodies. The Act provides protection to people who make disclosures in accordance with the Act and establishes a system for the matters disclosed to be investigated and rectifying action to be taken.

Tourism Victoria does not tolerate improper conduct by employees, nor the taking of reprisals against those who come forward to disclose such conduct. We are committed to ensuring transparency and accountability in our administrative and management practices and support the making of disclosures that reveal corrupt conduct, conduct involving a substantial mismanagement of public resources, or conduct involving a substantial risk to public health and safety or the environment. Tourism Victoria will take all reasonable steps to protect people who make such disclosures from any detrimental action in reprisal for making the disclosure. We will also afford natural justice to the person who is the subject of the disclosure.

Reporting procedures

Disclosures of improper conduct or detrimental action by Tourism Victoria or our employees may be made to the following persons:

Tourism Victoria's Protected Disclosure Coordinator is:

Mr Leigh Harry
Chief Executive
Tourism Victoria
Level 32, 121 Exhibition Street
Melbourne VIC 3000
leigh.harry@tourism.vic.gov.au

Tourism Victoria's Protected Disclosure Officer is:

Mr Darcy Provatas
Group Manager Business Services
Tourism Victoria
Level 32, 121 Exhibition Street
Melbourne VIC 3000
Telephone: (03) 9653 9721
darcy.provatas@tourism.vic.gov.au

You can also make your complaint or provide information directly to the Ombudsman.

The Ombudsman, George Brouwer
Level 22, 459 Collins Street
Melbourne VIC 3000 (DX 210174)
Telephone: (03) 9613 6202
Toll Free: 1800 806 314
Email: ombudvic@ombudsman.vic.gov.au
Website: ombudsman.vic.gov.au

Disclosures can be made in writing or made verbally. You may also provide information anonymously.

A copy of Tourism Victoria's Whistleblower Protection Procedures can be obtained by contacting Tourism Victoria on (03) 9653 9777 or from our website at tourism.vic.gov.au

FIVE YEAR COMPARISON

	2007-08 \$'000	2008-09 \$'000	2009-10 \$'000	2010-11 \$'000	2011-12 \$'000
Total assets	20,406	31,535	28,436	30,473	24,143
Total liabilities	7,163	15,120	13,196	11,149	7,896
Net worth/Accumulated surplus	13,243	16,415	15,239	19,324	16,246
Surplus/(Deficit)	2,897	3,172	(1,176)	4,084	(3,078)
Property, plant and equipment (WDV)	499	246	193	143	176
State Government contributions	59,869	66,066	73,829	132,342	86,331
Total expenditure	60,548	68,458	81,822	133,738	94,508

Significant changes in financial position 2011-12

State government contributions decreased by \$46.0 million (34.8%) in 2011-12 to \$86.3 million. This was mainly due to the decision during the year to transfer the financial management of the Grand Prix Corporation funding from Tourism Victoria to the Department of Business and Innovation. This funding is paid directly to the Grand Prix Corporation as a grant.

Tourism Victoria had a deficit in 2011-12 of \$3.1 million which decreased net worth to \$16.2 million. The major factors for this deficit are:

- State government contributions to fund this year's grant expenditure to the Melbourne Convention Centre, for the acquisition of international business conventions, was received in a prior year.
- A decision to delay the scheduled launch of the phase 10 Melbourne marketing advertising campaign from 2010-11 increased expenditure in 2011-12.

Special projects grant funding is provided annually to Tourism Victoria to deliver specific Government initiatives, usually over two to four years. The accumulated net worth at 30 June 2012 of \$16.2 million, mainly represents income received for these special initiatives that is committed to be delivered and spent in 2012/13. Contractual commitments at 30 June 2012, due and payable in 2012/13, total \$19.5 million. The majority of these commitments relate to:

- Tourism Victoria undertaking the role of contract manager for various major and business events. This results in funds being held until contractual payments are due.
- The delivery of a new marketing campaign specifically to market Melbourne in China.

Operational and budgetary objectives of the entity for the financial year and performance against those objectives including significant activities and achievements during the year.

These are outlined in narrative and graphical form elsewhere in this report.

Summary of major changes or factors which have affected the achievement of the operational objectives for the year.

There were no major factors affecting the achievement of the operational objectives for the year.

Financial Report 2011–12

COMPREHENSIVE OPERATING STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

	Notes	2012 \$	2011 \$
Income from transactions			
Grant income	2(a)	86,331,031	132,342,105
Other income	2(b)	5,085,439	5,614,113
Total income from transactions		91,416,470	137,956,218
Expenses from transactions			
Grants and other payments	3(a)	(47,821,604)	(82,598,421)
Employee expenses	3(b)	(10,819,473)	(10,752,169)
Depreciation	3(c)	(78,216)	(63,351)
Capital asset charge		(47,000)	(47,004)
Supplies and services	3(d)	(31,100,154)	(35,376,911)
Administration charges	3(e)	(4,612,873)	(4,879,906)
Finance costs		(28,198)	(19,816)
Total expenses from transactions		(94,507,517)	(133,737,579)
Net result from transactions (net operating balance)		(3,091,047)	4,218,639
Other economic flows included in net result			
Net gain/(loss) on non-financial assets	16	2,344	(3,806)
Net gain/(loss) on financial instruments	16	59,855	(130,610)
Other losses from other economic flows	16	(48,706)	–
Total other economic flows included in net result		13,493	(134,416)
Comprehensive result		(3,077,554)	4,084,223

The above comprehensive operating statement should be read in conjunction with the accompanying notes.

BALANCE SHEET

AS AT 30 JUNE 2012

	Notes	2012 \$	2011 \$
Assets			
Financial assets			
Cash and deposits	15	22,220,054	27,527,636
Receivables	4	1,733,206	1,454,147
Forward foreign currency exchange contract	14(d)	-	1,313,299
Investments	5	1	1
Total financial assets		23,953,261	30,295,084
Non-financial assets			
Property, plant and equipment	6	175,927	143,218
Prepayments		13,486	34,448
Total non-financial assets		189,413	177,665
Total assets		24,142,675	30,472,749
Liabilities			
Payables	7	4,972,217	7,073,517
Borrowings	8	116,864	115,292
Forward foreign currency exchange contract	14(d)	-	1,313,299
Provisions	9	2,807,234	2,646,726
Total liabilities		7,896,315	11,148,835
Net assets		16,246,359	19,323,914
Equity			
Accumulated surplus		16,246,359	19,323,914
Net worth		16,246,359	19,323,914
Commitments for expenditure	12		
Contingent liabilities and contingent assets	13		

The above balance sheet should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

	Accumulated surplus \$	Total \$
Balance at 1 July 2010	15,239,690	15,239,690
Net result from transactions	4,218,639	4,218,639
Other economic flows included in net result	(134,416)	(134,416)
Balance at 30 June 2011	19,323,913	19,323,913
Net result from transactions	(3,091,047)	(3,091,047)
Other economic flows included in net result	13,493	13,493
Balance at 30 June 2012	16,246,359	16,246,359

The above statement of changes in equity should be read in conjunction with the accompanying notes.

CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

	Notes	2012 \$	2011 \$
Cash flows from operating activities			
Receipts			
Receipts from government		85,733,814	141,484,383
Receipts from other entities		4,395,154	5,081,673
Net goods and services tax recovered from the ATO	(i)	7,166,714	10,672,889
Interest received		1,125,390	1,098,613
Total receipts		98,421,073	158,337,557
Payments			
Payments to suppliers and employees		(103,606,302)	(144,311,475)
Capital assets charge		(47,000)	(47,004)
Interest and other costs of finance paid		(28,198)	(19,816)
Total payments		(103,681,500)	(144,378,295)
Net cash flows from/(used in) operating activities	15(b)	(5,260,427)	13,959,262
Cash flows from investing activities			
Purchases of non-financial assets		(167,218)	(56,123)
Proceeds from disposal of property, plant and equipment		58,636	38,660
Net cash flows from/(used in) investing activities		(108,582)	(17,463)
Cash flows from financing activities			
Repayment and disposal of finance leases		(103,224)	(108,454)
Proceeds from borrowings		104,795	34,029
Net cash flows from/(used in) financing activities		1,572	(74,425)
Net increase/(decrease) in cash and cash equivalents		(5,367,437)	13,867,374
Cash and cash equivalents at beginning of financial year		27,527,635	13,790,871
Effect of exchange rate fluctuations on cash held in foreign currency		59,855	(130,610)
Cash and cash equivalents at the end of the financial year	15(a)	22,220,054	27,527,635

The above cash flow statement should be read in conjunction with the accompanying notes.

(i) Goods and Services Tax (GST) paid to ATO is presented on a net basis

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2012

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Note 1. Summary of significant accounting policies

These annual financial statements represent the audited general purpose financial statements for Tourism Victoria for the period ending 30 June 2012. The purpose of the report is to provide users with information about Tourism Victoria's stewardship of resources entrusted to it.

(a) Statement of compliance

These general purpose financial statements have been prepared in accordance with the Financial Management Act 1994 (FMA) and applicable Australian Accounting Standards (AAS) which include interpretations, issued by the Australian Accounting Standards Board (AASB). In particular, they are presented in a manner consistent with the requirements of the AASB 1049 Whole of Government and General Government Sector Financial Reporting.

Where appropriate, those AAS paragraphs applicable to not-for-profit entities have been applied.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

To gain a better understanding of the terminology used in this report, a glossary of terms and style conventions can be found in Note 21.

These annual financial statements also comply with relevant Financial Reporting Directions (FRDs) issued by the Department of Treasury and Finance, and relevant Standing Directions (SD) authorised by the Minister for Finance.

(b) Basis of accounting preparation and measurement

The accrual basis of accounting has been applied in the preparation of these financial statements whereby assets, liabilities, equity, income and expenses are recognised in the reporting period to which they relate, regardless of when cash is received or paid.

Judgements, estimates and assumptions are required to be made about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on professional judgements derived from historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision, and future periods if the revision affects both current and future periods. Judgements and assumptions made by management in the application of AASs that have significant effects on the financial statements and estimates relate to:

- actuarial assumptions for employee benefit provisions based on likely tenure of existing staff, patterns of leave claims, future salary movements and future discount rates (refer to Note 1(k)).
- superannuation expense (refer to Note 1(g)); and
- the fair value of leasehold improvements and plant, equipment and motor vehicles (refer to Note 1(j)); and

These financial statements are presented in Australian dollars, and prepared in accordance with the historical cost convention except for:

- non-financial physical assets which, subsequent to acquisition, are measured at a revalued amount being their fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent impairment losses. Revaluations are made with sufficient regularity to ensure that the carrying amounts do not materially differ from their fair value;
- derivative financial instruments are measured at fair value with changes reflected in the comprehensive operating statement.

Note 1. Summary of significant accounting policies (continued)

(c) Reporting entity

The financial statements cover Tourism Victoria as an individual reporting entity. It is a statutory authority of the State of Victoria, established pursuant to an order made by the Premier under the Administrative Arrangements Act 1983.

Its principal address is:

Tourism Victoria
Level 32, 121 Exhibition Street
Melbourne VIC 3000

The financial statements include all the controlled activities of Tourism Victoria.

(d) Objectives and funding

Tourism Victoria's resources are primarily directed to marketing the State, nationally and internationally, as well as contributing to the development of a sustainable tourism industry.

(e) Scope and presentation of financial statements

Comprehensive operating statement

Income and expenses in the comprehensive operating statement are classified according to whether or not they arise from 'transactions' or 'other economic flows'. This classification is consistent with the whole of government reporting format and is allowed under AASB 101 *Presentation of financial statements*.

'Transactions' and 'other economic flows' are defined by the *Australian system of government finance statistics: concepts, sources and methods 2005 and Amendments to Australian System of Government Finance Statistics, 2005* (ABS Catalogue No. 5514.0).

'Transactions' are those economic flows that are considered to arise as a result of policy decisions, usually interactions between two entities by mutual agreement. Transactions also include flows within an entity, such as depreciation where the owner is simultaneously acting as the owner of the depreciating asset and as the consumer of the service provided by the asset. Taxation is regarded as mutually agreed interactions between the Government and taxpayers. Transactions can be in kind (e.g. assets provided/given free of charge or for nominal consideration) or where the final consideration is cash.

'Other economic flows' are changes arising from market re-measurements. They include gains and losses from disposals of non-financial physical assets; and fair value changes of financial instruments. The net result is equivalent to profit or loss derived in accordance with AASs.

Balance sheet

Assets and liabilities are presented in liquidity order with assets aggregated into financial assets and non-financial assets. Current and non-current assets and liabilities (non-current being those assets or liabilities expected to be recovered or settled more than 12 months) are disclosed in the notes, where relevant.

Cash flow statement

Cash flows are classified according to whether or not they arise from operating activities, investing activities, or financing activities. This classification is consistent with requirements under AASB 107 *Statement of cash flows*.

For cash flow statement presentation purposes, cash and cash equivalents include bank overdrafts, which are included as current borrowings on the balance sheet.

Statement of changes in equity

The statement of changes in equity presents reconciliations of non-owner and owner equity from opening balance at the beginning of the reporting period to the closing balance at the end of the reporting period. It also shows separately changes due to amounts recognised in the 'comprehensive result' and amounts recognised in 'Other economic flows - other movements in equity' related to 'Transactions with owner in its capacity as owner'.

Rounding

Amounts in the financial statements have been rounded to the nearest dollar unless otherwise stated.

(f) Income from transactions

Income is recognised to the extent that it is probable that the economic benefits will flow to the entity and the income can be reliably measured at fair value. Amounts disclosed as revenue are, where

applicable, net of returns, allowances and duties and taxes.

Revenue is recognised for each of Tourism Victoria's major activities as follows:

Grant income

Grants are recognised as income when Tourism Victoria gains control over the underlying assets. Where grants are reciprocal, income is recognised as Tourism Victoria has satisfied its performance obligations under the terms of the grant. Non-reciprocal grants are recognised as income when the grant is received or receivable. Conditional grants may be reciprocal or non-reciprocal depending on the terms of the grant.

Other income

CO-OPERATIVE VENTURES INCOME

The amount recognised for co-operative ventures refers to funds directly received and banked by Tourism Victoria for activities such as brochure participation and co-operative marketing. Funds from co-operative venture participants which are reciprocal are recognised as revenue in the year when co-operative venture activities take place. Funds received prior to activities having taken place are recognised as Funds Received in Advance where reciprocal or as revenue if not reciprocal.

INTEREST INCOME

Interest income includes interest received on bank term deposits and interest from investments. Interest income is recognised using the effective interest method which allocates the interest over the relevant period.

Net realised and unrealised gains and losses on the revaluation of investments do not form part of income from transactions, but are reported either as part of income from other economic flows in the net result or as unrealised gains or losses taken directly to equity, forming part of the total change in net worth in the comprehensive result.

Note 1. Summary of significant accounting policies (continued)

(g) Expenses from transactions

Expenses are recognised as they are incurred and reported in the financial year to which they relate.

Grants and other payments

Grants and other payments to third parties are recognised as an expense in the reporting period in which they are paid or payable. They include transactions such as grants, subsidies and other transfer payments to third parties.

Employee expenses

Refer to the section in Note 1(k) regarding employee benefits.

These expenses include all costs related to employment (other than superannuation which is accounted for separately) including salaries, fringe benefits tax, leave entitlements, redundancy payments and WorkCover premiums.

Superannuation

DEFINED BENEFIT PLANS

The amount charged to the comprehensive operating statement in respect of defined benefit and defined contribution superannuation plans represents the contributions made by Tourism Victoria to the superannuation plan in respect to the current services of current Tourism Victoria staff. Superannuation contributions are made to the plan based on the relevant rules of the plan.

Tourism Victoria does not recognise any defined benefit liability in respect of the superannuation plan because Tourism Victoria has no legal or constructive obligation to pay future benefits relating to its employees; its only obligation is to pay superannuation contributions as they fall due.

The Department of Treasury and Finance in their Annual Financial Statements, disclose on behalf of the State as the sponsoring employer, the net defined benefit cost related to the members of these plans as an administered liability. Refer to DTF's Annual Financial Statements for more detailed disclosures in relation to these plans.

Depreciation

Depreciation is provided on property, plant and equipment. Depreciation is generally calculated on a straight line basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the term of the lease agreement as the leased building does not revert to the state at the end of the lease term. The depreciated cost is a reasonable approximation of fair value where the assets are depreciated (to reflect its consumption) over the term of the lease agreement.

The expected useful lives are as follows:

- Leasehold Improvements: 8 years
- Plant and equipment: 3-5 years
- Leased plant and equipment: 1-3 years

These rates are reviewed on an annual basis.

Capital asset charge

The capital asset charge is calculated on the budgeted carrying amount of applicable non-financial physical assets.

Supplies and services

Supplies and services generally represent the marketing program costs of Tourism Victoria.

Administration charges

These expenses generally represent the day-to-day running costs required to deliver program activities in the normal operations of Tourism Victoria. These items are recognised as an expense in the reporting period in which they are incurred.

Finance costs

Finance costs are recognised as expenses in the period in which they are incurred and include:

- interest on bank overdrafts and short-term and long-term borrowings; and
- finance lease charges.

(h) Other economic flows included in the net result

Other economic flows measure the change in volume or value of assets or liabilities that do not result from transactions.

Net gain/(loss) on non-financial assets

Net gain/(loss) on non-financial assets and liabilities includes realised and unrealised gains and losses as follows:

REVALUATION GAINS/(LOSSES) OF

NON-FINANCIAL PHYSICAL ASSETS

Refer to accounting policy on property, plant and equipment, provided in Note 1(j) non-financial assets.

DISPOSAL OF NON-FINANCIAL ASSETS

Any gain or loss on the disposal of non-financial assets is recognised at the date of disposal and is determined after deducting from the proceeds the carrying value of the asset at that time.

GAIN/(LOSS) ARISING FROM

TRANSACTIONS IN FOREIGN EXCHANGE

Refer to Note 1(q) Foreign Currency.

Other gains/(losses) from other economic flows

Other gains/(losses) from other economic flows include the gains or losses from:

- the revaluation of the present value of the long service leave liability due to changes in the bond interest rates; and
- transfer of amounts from the reserves and/or accumulated surplus to net result due to disposal or derecognition or reclassification.

Net gain/(loss) on financial instruments

Net gain/(loss) on financial instruments includes:

- realised and unrealised gains and losses from revaluations of financial instruments that are designated at fair value;
- disposals of financial assets.

REVALUATIONS OF FINANCIAL

INSTRUMENTS AT FAIR VALUE

The revaluation gain/(loss) on financial instruments at fair value excludes dividends or interest earned on financial assets, which is reported as part of income from transactions.

Note 1. Summary of significant accounting policies (continued)

Impairment of assets

Tourism Victoria has no intangible assets. All other assets are assessed annually for indications of impairment, except for financial assets that are assessed in accordance with Note 1(i).

If there is an indication of impairment, the assets concerned are tested as to whether their carrying value exceeds their recoverable amount. Where an asset's carrying value exceeds its recoverable amount, the difference is written off by a charge to the operating statement except to the extent that the write down can be debited to an asset revaluation reserve amount applicable to that class of asset.

It is deemed that, in the event of the loss of an asset, the future economic benefits arising from the use of the asset will be replaced unless a specific decision to the contrary has been made. The recoverable amount for most assets is measured at the higher of depreciated replacement cost and fair value less costs to sell. Recoverable amount for assets held primarily to generate net cash inflows is measured at the higher of the present value of future cash flows expected to be obtained from the asset and fair value less costs to sell.

(i) Financial assets

Cash and deposits

Cash and deposits, including cash equivalents, comprise cash on hand and cash at bank, deposits at call and those highly liquid investments with an original maturity of three months or less, which are held for the purpose of meeting short term cash commitments rather than for investment purposes, and which are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

Receivables

Receivables consist of:

- statutory receivables, which include predominantly amounts owing from the Victorian Government and GST input tax credits recoverable; and
- contractual receivables, which include mainly debtors in relation to goods and services and accrued investment income.

Receivables that are contractual are classified as financial instruments and categorised as loans and receivables. Statutory receivables, are recognised and measured similarly to contractual receivables (except for impairment), but are not classified as financial instruments because they do not arise from a contract.

Receivables are subject to impairment testing. A provision for doubtful receivables is recognised when there is objective evidence that the debts may not be collected and bad debts are written off when identified.

Forward foreign currency exchange contract

All derivatives (other than those designated as an accounting hedge) are recognised as a financial asset or financial liability at fair value through profit and loss. In June, Tourism Victoria purchased forward exchange contracts to fix the costs of the budgeted foreign currency activities for 2011/12. Consistent with Treasury recommendation FRD114A, Tourism Victoria has not adopted hedge accounting.

Investments

Investments are classified in the following categories:

- financial assets at fair value through profit or loss,
- loans and receivables; and
- held-to-maturity.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

Any dividend or interest earned on the financial asset is recognised in the comprehensive operating statement as a transaction.

Tourism Victoria assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

(j) Non-financial physical assets

Non-financial physical assets classified as held-for-sale, including disposal group assets

Non-financial physical assets (including disposal group assets) are treated as current and classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use.

This condition is regarded as met only when:

- the asset is available for immediate use in the current condition; and
- the sale is highly probable and the asset's sale is expected to be completed within twelve months from the date of classification.

These non-financial physical assets, related liabilities and financial assets are measured at the lower of carrying amount and fair value less costs to sell, and are not subject to depreciation or amortisation.

Prepayments

Prepayments represent payments in advance of receipt of goods or services or that part of expenditure made in one accounting period covering a term extending beyond that period.

Property, plant and equipment

Plant, equipment and building leasehold improvements are measured initially at cost and subsequently revalued at fair value less accumulated depreciation and impairment.

Leasehold improvements

The cost of leasehold improvements to or on leasehold properties is capitalised as an asset and depreciated over the remaining term of the lease. Leasehold improvements held at the reporting date are being depreciated over 8 years (2011 – 8 years).

Revaluations of non-financial physical assets

Non-financial physical assets are measured at fair value on a cyclical basis in accordance with the Financial Reporting Directions (FRDs) issued by the Minister for Finance. A full revaluation normally occurs every five years, based

Note 1. Summary of significant accounting policies (continued)

upon the asset's government purpose classification, but may occur more frequently if fair value assessments indicate material changes in values. Independent valuers are generally used to conduct these scheduled revaluations. Any interim revaluations are determined in accordance with the requirements of the FRDs.

Revaluation increases or decreases arise from differences between an asset's carrying value and fair value.

Net revaluation increases (where the carrying amount of a class of assets is increased as a result of a revaluation) are recognised in 'Other economic flows – other movements in equity' and accumulated in equity under the asset revaluation surplus. However, the net revaluation increase is recognised in the net result to the extent that it reverses a net revaluation decrease in respect of the same class of property, plant and equipment previously recognised as an expense (other economic flows) in the net result.

Net revaluation decreases are recognised immediately as other economic flows in the net result, except that the net revaluation decrease is recognised in 'other economic flows – other movements in equity' to the extent that a credit balance exists in the asset revaluation surplus in respect of the same class of property, plant and equipment. The net revaluation decrease recognised in 'other economic flows – other movements in equity' reduces the amount accumulated in equity under the asset revaluation surplus.

Revaluation increases and decreases relating to individual assets within a class of property, plant and equipment, are offset against one another within that class but are not offset in respect of assets in different classes. Any asset revaluation surplus is not normally transferred to accumulated funds on derecognition of the relevant asset.

(k) Liabilities

Payables

Payables consist of:

- contractual payables, such as accounts payable, and unearned income. Accounts payable represent liabilities for goods and services provided to Tourism Victoria prior to the end of the financial year that are unpaid, and arise when Tourism Victoria becomes obliged to make future payments in respect of the purchase of those goods and services; and
- statutory payables, such as fringe benefits tax payables.

Tourism Victoria do not need to present statutory 'taxes payables' in the note, as the amount of fringe benefit tax payable is not material.

Contractual payables are classified as financial instruments and categorised as financial liabilities at amortised cost. Statutory payables are recognised and measured similarly to contractual payables, but are not classified as financial instruments and not included in the category of financial liabilities at amortised cost, because they do not arise from a contract.

Borrowings

All interest bearing liabilities are initially recognised at fair value of the consideration received, less directly attributable transaction cost (refer to Note 1(l)).

The measurement basis subsequent to initial recognition depends on whether Tourism Victoria has categorised its interest-bearing liabilities as either financial liabilities designated at fair value through profit or loss, or financial liabilities at amortised cost. Any difference between the initial recognised amount and the redemption value being recognised in net result over the period of the borrowing using the effective interest method.

Provisions

Provisions are recognised when Tourism Victoria has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a liability is the best estimate of the consideration required to settle the present obligation at reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows, using discount rate that reflects the time value of money and risks specific to the provision.

When some or all of the economic benefits required to settle a provision are expected to be received from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

Employee Benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave for services rendered to the reporting date. These are recognised when incurred, except for contributions in respect of defined benefit plans.

(i) Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits annual leave and accumulating sick leave are recognised in the provision for employee benefits, classified as current liabilities. Those liabilities which are expected to be settled within 12 months of the reporting period, are measured at their nominal values.

Those liabilities that are not expected to be settled within 12 months are recognised in the provision for employee benefits as current liabilities, measured at present value of the amounts expected to be paid when the liabilities are settled using the remuneration rate expected to apply at the time of settlement.

Note 1. Summary of significant accounting policies (continued)

(ii) Long service leave

Liability for long service leave (LSL) is recognised in the provision for employee benefits.

Unconditional LSL is disclosed in the notes to the financial statements as a current liability even where Tourism Victoria does not expect to settle the liability within 12 months because it will not have the unconditional right to defer the settlement of the entitlement should an employee take leave within 12 months.

The components of this current LSL liability are measured at:

- present value – component that Tourism Victoria does not expect to settle within 12 months; and
- nominal value component that Tourism Victoria expects to settle within 12 months.

Conditional LSL is disclosed as a non-current liability. There is an unconditional right to defer the settlement of the entitlement until the employee has completed the requisite years of service. This non-current LSL liability is measured at present value.

Any gain or loss following revaluation of the present value of non-current LSL liability is recognised as a transaction, except to the extent that a gain or loss arises due to changes in bond interest rates for which it is then recognised as an other economic flow (refer to Note 1(h) Other economic flows include in net result).

(iii) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. Tourism Victoria recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to

encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

EMPLOYEE BENEFITS ON-COSTS

Employee benefits on-costs (payroll tax, workers compensation, superannuation, annual leave and LSL accrued while on LSL taken in service) are recognised separately from the provision for employee benefits.

(l) Leases

A lease is a right to use an asset for an agreed period of time in exchange for payment. Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and rewards incidental to ownership. Leases of property, plant and equipment are classified as finance infrastructure leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership from the lessor to the lessee. All other leases are classified as operating leases.

TOURISM VICTORIA AS LESSEE

Assets held under finance leases are recognised as assets of Tourism Victoria at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

FINANCE LEASES

Finance lease assets are amortised on a straight-line basis over the estimated useful life of the asset.

OPERATING LEASES

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis

is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(m) Commitments

Commitments for future expenditure include those operating, capital and other outsourcing commitments arising from non-cancellable contractual or statutory sources. These commitments are disclosed by way of a note (refer to Note 12) at their nominal value and inclusive of the goods and services tax (GST) payable. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised in the balance sheet.

(n) Contingent assets and contingent liabilities

Contingent assets and contingent liabilities are not recognised in the balance sheet, but are disclosed by way of a note (refer to Note 13) and, if quantifiable, are measured at nominal value, inclusive of GST receivables and payables respectively.

(o) Goods and Services Tax (GST)

Income, expenses and assets are recognised net of the amount of associated GST, except where GST incurred is not recoverable from the taxation authority. In this case, the GST payable is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a net basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

Commitments are also stated inclusive of GST.

Note 1. Summary of significant accounting policies (continued)

(p) Events after reporting date

Assets, liabilities, income or expenses arise from past transactions or other past events. Where the transactions result from an agreement between Tourism Victoria and other parties, the transactions are only recognised when the agreement is irrevocable at or before balance date. Adjustments are made to amounts recognised in the financial statements for events which occur after the reporting date and before the date the statements are authorised for issue, where those events provide information about conditions which existed at the reporting date. Note disclosure is made about events between the balance date and the date the statements are authorised for issue where the events relate to condition which arose after the reporting date and which may have a material impact on the results of subsequent years.

(q) Foreign currency

All foreign currency transactions during the financial year are brought to account using the relevant contract rate in effect at the date of the transaction. Foreign monetary items at reporting date are translated at the exchange rate existing at reporting date. Non-monetary assets carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

Foreign currency translation differences are recognised in 'other economic flows' and accumulated in a separate component of equity, in the period in which they arise.

(r) Financial instruments

Financial instruments arise out of contractual agreements that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Due to the nature of Tourism Victoria's activities, certain financial assets and financial liabilities arise under statute rather than a contract. Such financial assets and financial liabilities do not meet the definition of financial instruments in AASB 132 Financial Instruments: Presentation. For example, statutory receivables arising from taxes, fines and penalties do not meet the definition of financial instruments as they do not arise under contract. However, guarantees issued by the Treasurer on behalf of the Department are financial instruments because, although authorised under statute, the terms and conditions for each financial guarantee may vary and are subject to an agreement.

Where relevant, for note disclosure purposes, a distinction is made between those financial assets and financial liabilities that meet the definition of financial instruments in accordance with AASB 132 and those that do not.

The following refers to financial instruments unless otherwise stated.

Categories of non-derivative financial instruments

LOANS AND RECEIVABLES

Loans and receivables are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest method, less an allowance for impairment.

Loans and receivables category includes cash and deposits (refer to Note 1(i)), term deposits with maturity greater than three months, trade receivables, loans and other receivables, but not statutory receivables.

FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT AND LOSS

Financial assets are categorised as fair value through profit or loss at trade date if they are classified as held for trading or designated as such upon initial recognition.

Financial instruments at fair value through profit or loss are initially measured at fair value and attributable transaction costs are expensed as incurred. Subsequently, any changes in fair value are recognised in the net result as other economic flows. Any interest on a financial asset is recognised in the net result from transactions.

FINANCIAL LIABILITIES AT AMORTISED COST

Financial instrument liabilities are initially recognised on the date they are originated. They are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial instruments are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the interest-bearing liability, using the effective interest rate method (refer to Note 21).

Financial instrument liabilities measured at amortised cost include all of the Tourism Victoria contractual payables, deposits held and advances received, and interest-bearing arrangements other than those designated at fair value through profit or loss.

(s) New accounting standards and interpretations

Certain new AASs have been published that are not mandatory for the 30 June 2012 reporting period. DTF assesses the impact of these new standards and advises Tourism Victoria of their applicability and early adoption where applicable.

As at 30 June 2012, the following standards and interpretations (applicable to departments) had been issued but were not mandatory for the financial year ending 30 June 2012. Tourism Victoria has not early adopted these standards.

Note 1. Summary of significant accounting policies (continued)

(s) New accounting standards and interpretations (continued)

Standard / Interpretation	Summary	Applicable for annual reporting periods beginning or ending on	Impact on Tourism Victoria financial statements
AASB 9 Financial instruments	This standard simplifies requirements for the classification and measurement of financial assets resulting from Phase 1 of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement (AASB 139 Financial Instruments: Recognition and Measurement).	Beginning 1 Jan 2013	Detail of impact is still being assessed.
AASB 12 Disclosure of Interests in Other Entities	This Standard requires disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, interests in other entities and the effects of those interests on the financial statements. This Standard replaces the disclosure requirements in AASB 127 and AASB 131.	Beginning 1 Jan 2013	Not-for-profit entities are not permitted to apply this Standard prior to the mandatory application date. The AASB is assessing the applicability of principles in AASB 12 in a not-for-profit context. As such, impact will be assessed after the AASB's deliberation.
AASB 13 Fair Value Measurement	This Standard outlines the requirements for measuring the fair value of assets and liabilities and replaces the existing fair value definition and guidance in other AASs. AASB 13 includes a 'fair value hierarchy' which ranks the valuation technique inputs into three levels using unadjusted quoted prices in active markets for identical assets or liabilities; other observable inputs and unobservable inputs.	Beginning 1 Jan 2013	Disclosure for fair value measurements using unobservable inputs are relatively onerous compared to disclosure for fair value measurements using observable inputs. Consequently, the Standard may increase the disclosures for public sector entities that have assets measured using depreciated replacement cost.
AASB 119 Employee Benefits	In this revised Standard for defined benefit superannuation plans, there is a change to the methodology in the calculation of superannuation expenses, in particular there is now a change in the split between superannuation interest expense (classified as transactions) and actuarial gains and losses (classified as 'Other economic flows – other movements in equity') reported on the comprehensive operating statement.	Beginning 1 Jan 2013	Not-for-profit entities are not permitted to apply this Standard prior to the mandatory application date. While the total superannuation expense is unchanged, the revised methodology is expected to have a negative impact on the net result from transactions of the general government sector and for those few Victorian public sector entities that report superannuation defined benefit plans.
AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 and 1038 and Interpretations 10 and 12]	This Standard gives effect to consequential changes arising from the issuance of AASB 9.	Beginning 1 Jan 2013	No significant impact is expected from these consequential amendments on entity reporting.
AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127]	These amendments are in relation to the introduction of AASB 9.	Beginning 1 Jan 2013	This amendment may have an impact on departments and public sector bodies as AASB 9 is a new standard and it changes the requirements of numerous standards. Detail of impact is still being assessed.
AASB 2010-10 Further Amendments to Australian Accounting Standards – Removal of Fixed Dates for First-time Adopters [AASB 2009-11 & AASB 2010-7]	The amendments ultimately affect AASB 1 First-time Adoption of Australian Accounting Standards and provide relief for first-time adopters of Australian Accounting Standards from having to reconstruct transactions that occurred before their date of transition to Australian Accounting Standards.	Beginning 1 Jan 2013	No significant impact is expected on entity reporting.
AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124]	This Standard amends AASB 124 Related Party Disclosures by removing the disclosure requirements in AASB 124 in relation to individual key management personnel (KMP).	Beginning 1 July 2013	No significant impact is expected from these consequential amendments on entity reporting.

Note 1. Summary of significant accounting policies (continued)**(s) New accounting standards and interpretations (continued)**

Standard / Interpretation	Summary	Applicable for annual reporting periods beginning or ending on	Impact on Tourism Victoria financial statements
AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13 [AASB 1, 2, 3, 4, 5, 7, 9, 2009-11, 2010-7, 101, 102, 108, 110, 116, 117, 118, 119, 120, 121, 128, 131, 132, 133, 134, 136, 138, 139, 140, 141, 1004, 1023 & 1038 and Interpretations 2, 4, 12, 13, 14, 17, 19, 131 & 132]	This amending Standard makes consequential changes to a range of Standards and Interpretations arising from the issuance of AASB 13. In particular, this Standard replaces the existing definition and guidance of fair value measurements in other Australian Accounting Standards and Interpretations.	Beginning 1 Jan 2013	Disclosures for fair value measurements using unobservable inputs is potentially onerous, and may increase disclosures for assets measured using depreciated replacement cost.
AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049]	The main change resulting from this Standard is a requirement for entities to group items presented in other comprehensive income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). These amendments do not remove the option to present profit or loss and other comprehensive income in two statements, nor change the option to present items of OCI either before tax or net of tax.	Beginning 1 July 2012	This amending Standard could change the current presentation of 'Other economic flows- other movements in equity' that will be grouped on the basis of whether they are potentially reclassifiable to profit or loss subsequently. No other significant impact will be expected.
AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) [AASB 1, AASB 8, AASB 101, AASB 124, AASB 134, AASB 1049 & AASB 2011-8 and Interpretation 14]	This Standard makes consequential changes to a range of other Australian Accounting Standards and Interpretation arising from the issuance of AASB 119 Employee Benefits.	Beginning 1 Jan 2013	No significant impact is expected from these consequential amendments on entity reporting.
2011-13 Amendments to Australian Accounting Standard – Improvements to AASB 1049	This Standard aims to improve the AASB 1049 Whole of Government and General Government Sector Financial Reporting at the operational level. The main amendments clarify a number of requirements in AASB 1049, including the amendment to allow disclosure of other measures of key fiscal aggregates as long as they are clearly distinguished from the key fiscal aggregates and do not detract from the the information required by AASB 1049. Furthermore, this Standard provides additional guidance and examples on the classification between 'transactions' and 'other economic flows' for GAAP items without GFS equivalents.	Beginning 1 July 2012	No significant impact is expected from these consequential amendments on entity reporting.

Note 2. Income from transactions

	2012	2011
	\$	\$
(a) Grant income		
State government grants		
Core program	29,757,015	29,098,825
Special projects	56,574,016	103,243,280
Total grant income	86,331,031	132,342,105
(b) Other income		
Co-operative ventures		
Marketing strategy	447,853	359,232
Product and destination marketing	2,040,902	3,313,425
International marketing	460,190	323,558
Other	1,008,027	512,021
	3,956,972	4,508,236
Interest income		
Interest on bank deposits	242,541	328,141
Interest from Investments	885,926	777,736
	1,128,467	1,105,877
Total other income	5,085,439	5,614,113

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Note 3. Expenses from transactions

	2012 \$	2011 \$
(a) Grants and other payments		
Events	40,565,637	76,223,311
Regional tourism co-operative marketing	4,101,758	3,147,160
Victoria Trade and Investment Company Pty Ltd	1,231,897	1,378,496
Industry development	387,550	477,550
Other	1,534,761	1,371,904
Total grants and other payments	47,821,604	82,598,421
(b) Employee expenses		
Salary and wages	8,382,868	8,313,041
Superannuation	816,872	825,337
Annual leave	799,324	708,620
Long service leave	82,300	155,609
Other on-costs (fringe benefits tax, payroll tax and workcover levy)	738,108	749,562
Total employee expenses	10,819,473	10,752,169
(c) Depreciation expense		
Leasehold improvements	12,104	15,441
Plant and equipment	25,590	14,237
Leased motor vehicles	40,521	33,673
Total depreciation expense	78,216	63,351
(d) Supplies and services		
Advertising	9,043,868	8,683,480
Printed material	329,659	169,190
Consultants, outsourcing and professional services and agency staff	5,292,583	5,988,623
Distribution	160,034	196,009
Exhibition costs/venue hire	658,897	619,165
Familiarisation expenses	1,151,198	1,364,476
Hospitality and entertainment	519,489	722,419
Marketing, promotional and PR costs	10,025,881	12,713,822
Media	60,140	73,731
Online services	1,369,485	1,970,760
Overseas contractors	689,173	762,208
Photographic/video	489,741	544,066
Research	1,289,953	1,540,650
Other	20,053	28,312
Total supplies and services	31,100,154	35,376,911
(e) Administration charges		
Rent, cleaning and power	1,052,762	1,081,787
Telephone, facsimile and postage	367,540	345,210
Audit fees	32,000	30,500
Computer charges	1,641,883	1,282,080
Printing, stationery and offices requisites	196,747	215,055
Motor vehicle running costs	143,130	134,788
Travel charges	699,902	910,308
Training and development	269,317	583,307
Other	209,592	296,873
Total administration charges	4,612,873	4,879,906

Note 4. Receivables

	2012	2011
	\$	\$
Current receivables		
Contractual		
Debtors (a)	1,009,930	507,045
Other receivables	89,743	107,713
	1,099,674	614,758
Statutory		
GST Input tax credit recoverable	633,533	839,389
	633,533	839,389
Total current receivables	1,733,206	1,454,147

(a) The average credit period on sales of goods and/or services is 30 days. No interest is charged on other receivables.

(b) Ageing analysis of contractual receivables, please refer to note 14(b).

(c) Nature and extent of risk rising from contractual receivables, please refer to note 14(b).

Note 5. Investments

	2012	2011
	\$	\$
Non traded investments		
Shares in other entities (at cost)	1	1
	1	1
Impairment of shares		
	2012	2011
	\$	\$
Opening balance	1	1
Closing balance	1	1

In June 2001 Tourism Victoria, along with all the other state tourism authorities, and Tourism Australia contributed share capital to the establishment of Australian Tourism Data Warehouse Pty Ltd (ATDW). ATDW is a company limited by share, incorporated in NSW.

Paragraph 10 of the Shareholders Agreement states that a shareholder can only dispose of shares to another shareholder. In practical terms this means that the shares cannot be sold as they will not be purchased by an existing shareholder.

Tourism Victoria believes that because of the nature of ATDW and its shareholders and the restrictions in the shareholder agreement, Tourism Victoria is unable to find a shareholder to purchase the shares. Therefore, using the definition in AASB 139 of "Fair Value", the shares have little value. Consequently the shares have been impaired to \$1.

Note 6. Property, plant and equipment

	2012	2011
	\$	\$
Classification by purpose groups - carrying amounts		
Sub classification by nature		
Leasehold improvements		
Gross carrying amount	133,528	133,528
less: accumulated depreciation	(133,389)	(121,285)
Net carrying amount	139	12,243
Plant, equipment and motor vehicles		
Gross carrying amount	328,209	308,376
less: accumulated depreciation	(152,421)	(177,402)
Net carrying amount	175,788	130,974
Net carrying amount of property, plant and equipment	175,927	143,218

Property, plant and equipment are classified primarily by the 'purpose' for which the assets are used according to one of six 'Purpose Groups' based upon Government Purpose Classifications (GPC). All assets within a 'Purpose Group' are further sub-categorised to the asset's 'nature' (i.e. buildings, plant and equipment etc), with each sub-category being classified as a separate class of asset for financial reporting purposes. All Tourism Victoria's assets are within the Public Safety and Environment purpose group.

Note 6(a). Property, plant and equipment

	Leasehold improvements at fair value		Plant, equipment and motor vehicle at fair value		Total	
	2012 \$	2011 \$	2012 \$	2011 \$	2012 \$	2011 \$
Opening balance	12,244	27,685	130,973	165,226	143,217	192,911
Additions	-	-	167,218	56,123	167,218	56,123
Disposals	-	-	(56,293)	(42,466)	(56,293)	(42,466)
Depreciation expense	(12,104)	(15,441)	(66,112)	(47,910)	(78,216)	(63,351)
Closing balance	140	12,244	175,787	130,973	175,927	143,217

Note 6(b). Property, plant and equipment

	2012 \$	2011 \$
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The following useful lives of assets are used in the calculation of depreciation:

Leasehold improvements	8 years	8 years
Plant and equipment	3-5 years	3-5 years
Leased plant and equipment	1-3 years	1-3 years

Aggregate depreciation allocated, recognised as expense during the year:

Leasehold improvements	12,104	15,441
Plant and equipment	25,590	14,237
Leased plant and equipment	40,521	33,673
	78,216	63,351

Note 6(c). Property, plant and equipment

	2012 \$	2011 \$
Gross sales proceeds	58,636	61,364
Carrying amount of non-financial assets disposed	(56,293)	(65,169)
Net gain/(loss) on disposal	2,344	(3,806)

Note 7. Payables

	2012	2011
	\$	\$
Current		
Contractual		
Trade creditors and accruals (a, b, c)	4,622,434	6,590,169
Other creditors (d)	349,783	483,348
Total current payable	4,972,217	7,073,517

(a) The average credit period on trade creditors during the year is 30 days.

(b) All payables were paid out. There are no overdue amounts.

(c) Trade creditors and accruals represents accrued expenses only.

(d) Other creditors represents accrued employee expenses and prepaid revenue.

Please refer to note 14(d) for the maturity analysis of contractual payables.

Note 8. Borrowings

	2012	2011
	\$	\$
Current borrowings		
Secured		
Finance lease liabilities (i) (note 11)	52,277	70,132
Total current borrowings	52,277	70,132
Non-current borrowings		
Secured		
Finance lease liabilities (i) (note 11)	64,587	45,160
Total non-current borrowings	64,587	45,160
Aggregate carrying amount of borrowings		
Current	52,277	70,132
Non-current	64,587	45,160
Total	116,865	115,293

(i) Secured by the assets leased. Lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

(a) Please refer to note 14(d) for the maturity analysis of borrowings.

(b) During the current and prior year there were no breaches or defaults on any of the borrowings.

Note 9. Provisions

	2012	2011
	\$	\$
Employee benefits and related on-costs		
Current employee benefits		
Employee benefits (Note 9 (a)) – annual leave entitlements (i):		
Unconditional and expected to settle within 12 months (ii)	685,737	631,729
Employee benefits (Note 9 (a)) – long service leave entitlements (i):		
Unconditional and expected to settle within 12 months (ii)	84,170	76,986
Unconditional and expected to settle after 12 months (iii)	1,599,230	1,462,742
	2,369,138	2,171,457
Provisions related to employee benefit on-costs (Note 9 (a))		
Unconditional and expected to settle within 12 months (ii)	135,295	120,144
Unconditional and expected to settle after 12 months (iii)	254,305	224,362
	389,600	344,506
Total current provisions	2,758,737	2,515,963
Non-current employee benefits		
Conditional long service leave (i)	41,843	105,363
Conditional long service leave on-costs (Note 9 (a))	6,654	25,400
Total non-current provisions	48,497	130,763
Total provisions	2,807,234	2,646,726
Employee benefits and related on-costs		
Current employee benefits		
Annual leave entitlements	807,647	740,064
Unconditional long service leave entitlements	1,951,090	1,775,899
Non-current employee benefits		
Conditional long service leave entitlements	48,497	130,763
Total employee benefits	2,807,234	2,646,726
On-costs		
Current on-costs	389,600	344,506
Non-current on-costs	6,654	25,400
Total on-costs	396,254	369,906

(i) Provisions for employee benefits consist of amounts for annual leave and long service leave accrued by employees, not including on-costs.

(ii) The amounts disclosed are nominal amounts.

(iii) The amounts disclosed are discounted to present values.

Note 10. Superannuation

Employees of Tourism Victoria are entitled to receive superannuation benefits and Tourism Victoria contributes to both defined benefit and defined contribution plans. The defined benefit plan provides benefits based on years of service and final average salary.

Tourism Victoria does not recognise any defined benefit liability in respect of this plan because the entity has no legal or constructive obligation to pay future benefits relating to its employees; its only obligation is to pay superannuation contributions as they fall due. The Department of Treasury and Finance discloses the State's defined benefit liabilities in its disclosure for administered items.

However, superannuation contributions paid or payable for the reporting period are included as part of employee benefits in the comprehensive operating statement of Tourism Victoria.

The name and details of the major employee superannuation funds and contributions made by Tourism Victoria are as follows:

Fund	Contribution for the year 2012 \$	Contribution for the year 2011 \$	Contribution outstanding at year end 2012 \$	Contribution outstanding at year end 2011 \$
(i) Defined benefit plans:				
State Superannuation Fund – revised and new	189,498	189,411	–	–
Defined contribution plans:				
VicSuper	437,828	463,276	–	–
Private Funds	195,767	186,817	–	–
Total	823,093	839,504	–	–

(ii) The bases for contributions are determined by various schemes.

Note 11. Leases

Disclosure for lessees – finance leases

Leasing arrangements

Finance leases relate to motor vehicles with lease terms of one to three years. Tourism Victoria has the options to purchase the vehicles for a nominal amount at the conclusion of the lease agreements.

Finance lease liabilities

	Minimum future lease payments (i)		Present value of minimum future lease payments	
	2012	2011	2012	2011
	\$	\$	\$	\$
Not longer than 1 year	58,425	69,203	52,277	70,132
Longer than 1 year and not longer than 5 years	68,313	47,861	64,587	45,160
Minimum future lease payments	126,738	117,064	116,864	115,292
less: Future finance charges	(9,874)	(1,771)	-	-
Present value of minimum lease payments	116,864	115,292	116,864	115,292
Included in the financial statements as:				
Current borrowings (note 8)			52,277	70,132
Non-current borrowings (note 8)			64,587	45,160
			116,864	115,292

(i) Minimum lease payments includes the aggregate of all lease payments and any guaranteed residual.

Disclosure for lessees – operating leases

Leasing arrangements

Operating leases relate to offices which Tourism Victoria leases overseas and interstate, with lease terms of between two and ten years. All operating lease contracts are between Tourism Victoria and Tourism Australia, and contain market review clauses in the event that Tourism Victoria exercises its option to renew. Tourism Victoria does not have an option to purchase the leased asset at the expiry of the lease period.

Non-cancellable operating leases

	2012	2011
	\$	\$
Not longer than 1 year	174,029	126,177
Longer than 1 year and not longer than 5 years	180,685	257,199
Longer than 5 years	-	-
	354,715	383,376

a) Please refer to note 14(d) for ageing analysis of finance lease liabilities.

Note 12. Commitments for expenditure

Grant commitments

Commitments for the payment of grants under contracts in existence at the reporting date but not recognised as liabilities and payable are:

	2012 \$	2011 \$
Not longer than 1 year	15,208,050	18,794,749
Longer than 1 year and not longer than 5 years	26,933,913	33,613,663
	42,141,963	52,408,412

Other commitments

Commitments for the payment of other expenditure under contracts in existence at the reporting date but not recognised as liabilities and payable are:

	2012 \$	2011 \$
Not longer than 1 year	4,251,484	4,979,461
Longer than 1 year and not longer than 5 years	3,727,628	656,121
	7,979,112	5,635,582

Lease commitments

Finance lease liabilities and non-cancellable operating lease commitments are disclosed in Note 11 to the financial statements.

Note 13. Contingent liabilities and contingent assets

Contingent assets

There were no contingent assets at 30 June 2012 (2011: nil).

Contingent liabilities

There were no contingent liabilities at 30 June 2012 (2011: nil).

Note 14. Financial instruments

(a) Financial risk management objectives

Tourism Victoria's principal financial instruments comprise of:

- cash assets;
- term deposits;
- forward foreign currency exchange contract;
- receivables (excluding statutory receivables);
- payables (excluding statutory payables);
- borrowings; and
- finance lease payables.

Tourism Victoria's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, and interest rates.

The policies for managing these risks are discussed in more detail below:

Details of significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 1 of the financial statements.

The main purpose in holding financial instruments is to prudently manage Tourism Victoria's financial risks within the Government policy parameters.

Tourism Victoria's main financial risks include credit risk, liquidity risk, interest rate risk, foreign currency risk and market risk. Tourism Victoria manages these financial risks in accordance with its financial risk management policy.

Tourism Victoria uses different methods to measure and manage the different risks to which it is exposed. Primary responsibility for the identification and management of financial risks rests with the Risk and Audit Committee of Tourism Victoria.

The carrying amounts of Tourism Victoria's financial assets and financial liabilities by category are in the following table:

	Notes	2012 \$	2011 \$
Financial assets			
Cash and deposits	(i)	22,220,054	27,527,636
Loans and receivables	(i)	1,099,674	614,758
Investments	(ii)	1	1
Forward Foreign Currency Exchange Contract	(ii)	-	1,313,299
Total financial assets (a)		23,319,729	29,455,694
Financial liabilities			
Payables	(iii)	5,089,081	7,188,810
Forward Foreign Currency Exchange Contract	(ii)	-	1,313,299
Total financial liabilities (b)		5,089,081	8,502,109

Categorisation of financial instruments

- (i) These are loans and receivables
- (ii) Contractual financial assets/liabilities designated at fair value through profit and loss
- (iii) These are contractual financial liabilities at amortised costs

(a) The total amount of financial assets disclosed here excludes statutory receivables (i.e. Amounts owing from Victorian Government and GST input tax credit recoverable).

(b) The total amount of financial liabilities disclosed here excludes statutory payable (i.e. Taxes payable).

Note 14. Financial instruments (continued)

Net holding gain/(loss) on financial instruments by category

	2012	2011
	\$	\$
Financial assets		
Cash and deposits	1,128,467	1,105,877
Total financial assets	1,128,467	1,105,877
Financial liabilities		
Finance lease	(7,321)	9,280
Total financial liabilities	(7,321)	9,280

The net holding gains or losses disclosed above are determined as follows:

- For cash and deposits, loans or receivables, the net gain or loss is calculated by taking the interest revenue, plus or minus foreign exchange gains or losses arising from revaluation of the financial assets, and minus any impairment recognised in the net result;
- For financial liabilities measured at amortised cost, the net gain or loss is calculated by taking the interest expense, plus or minus foreign exchange gains or losses arising from the revaluation of financial liabilities measured at amortised cost;
- For financial asset and liabilities that are held-for-trading or designated at fair value through profit or loss, the net gain or losses calculated by taking the movement in the fair value of the financial asset or liability.

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to Tourism Victoria. Tourism Victoria has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. Tourism Victoria measures credit risk on a fair value basis.

Tourism Victoria does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with credit-ratings assigned by international credit rating agencies.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents Tourism Victoria's maximum exposure to credit risk without taking account for the value of any collateral obtained.

Provision of impairment for contractual financial assets is recognised when there is objective evidence that Tourism Victoria will not be able to collect a receivable. Objective evidence includes financial difficulties of the debtor, default payments, debts which are more than 60 days overdue, and changes in debtor credit ratings.

Note 14. Financial instruments (continued)

Ageing analysis of contractual receivables

	Carrying amount	Not past due and not impaired	Past due but not impaired		
			Less than 1 month	1-3 months	3 months - 1 year
2012					
Debtors	1,009,930	889,105	118,075	2,750	-
Other receivables	89,743	89,743	-	-	-
	1,099,674	978,849	118,075	2,750	-
2011					
Debtors	507,045	270,407	144,238	92,400	-
Other receivables	107,713	107,713	-	-	-
	614,758	378,120	144,238	92,400	-

Credit quality of contractual financial assets that are neither past due or impaired

	Financial Institutions (AA-rating)	Government Departments (AAA-rating)	Other Government Entities (AAA-rating)	Regional Tourism Bodies (min BBB credit rating)	Other (not rated)	Total
2012						
Cash and deposits	3,171,736	-	18,800,000	-	248,318	22,220,054
Receivables	25,592	150,700	230,821	513,101	179,460	1,099,674
Investments	-	-	-	-	1	1
Total contractual financial assets	3,197,328	150,700	19,030,821	513,101	427,779	23,319,729
2011						
Cash and deposits	11,778,728	-	15,500,000	-	248,909	27,527,636
Receivables	22,515	221,000	4,100	92,132	275,011	614,758
Investments	-	-	-	-	1	1
Total contractual financial assets	11,801,243	221,000	15,504,100	92,132	523,921	28,142,395

There are no material financial assets which are individually determined to be impaired.

Note 14. Financial instruments (continued)

c) Liquidity risk

Liquidity risk arises when Tourism Victoria is unable to meet its financial obligations as they fall due. Tourism Victoria operates under the Government fair payments policy of settling financial obligations within 30 days and in the event of a dispute, make payments within 30 days from the date of resolution. It also continuously manages risk through monitoring future cash flows and maturities planning to ensure adequate holdings of high quality liquid assets and dealing in highly liquid markets.

Tourism Victoria's exposure to liquidity risk is deemed insignificant based on prior period's data and current assessment of risk.

Maximum exposure to liquidity risk is the carrying amounts of financial liabilities as disclosed in the face of the Balance Sheet.

(d) Market risk

Tourism Victoria's exposure to market risk is primarily through interest rate risk and foreign currency risk. Objectives, policies and processes used to manage each of these risks are disclosed below:

Foreign currency risk

Tourism Victoria's foreign currency risk is managed using forward exchange contracts, which are over-the-counter contracts that fix the future delivery of foreign currencies at a specified exchange rate.

The forward foreign currency contract amount results in foreign currency account balances being sufficient to fund the budgeted foreign currency activities for 2012/2013. Tourism Victoria's exposure to direct foreign currency risk has no impact on the net result from transactions. Consistent with Treasury recommendation (FRD 114a), Tourism Victoria has not adopted hedge accounting.

Interest Rate Risk

Tourism Victoria's exposure to interest rate risk and the effective weighted average interest rate by maturity periods is set out below.

Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates.

Tourism Victoria does not hold any interest bearing financial instruments that are measured at fair value, therefore has nil exposure to fair value interest rate risk.

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Tourism Victoria has minimal exposure to cash flow interest rate risks through its cash and deposits and term deposits that are at floating rates.

Tourism Victoria manages this risk by investing in short term fixed rate financial instruments with an investment maturity sufficient to fund weekly expenditure. Cash at bank balances are kept at minimal operational levels. Management reviews its cash flow position on a weekly basis. Management has concluded that cash at bank is a financial asset that can be left at a floating rate without necessarily exposing Tourism Victoria to significant bad risk as it adopts a conservative approach in budgeting for interest revenue. Management monitors movement in interest rates on a weekly basis.

Note 14. Financial instruments (continued)

The following table details Tourism Victoria's exposure to interest rate risk as at 30 June 2012.

2012	Notes	Weighted average effective interest rate	Variable interest rate	Maturity dates			Non-Interest Bearing	Total
				Less than 1 year	1-5 years	More than 5 years		
		%	\$	\$	\$	\$	\$	\$
Financial assets								
Cash and deposits	15	4.46%	3,420,054	18,800,000	-	-	-	22,220,054
Trade and other receivables	4		-	-	-	-	1,099,674	1,099,674
Forward Foreign Currency Exchange Contract	14		-	-	-	-	-	-
Investments	5		-	-	-	-	1	1
			3,420,054	18,800,000	-	-	1,099,675	23,319,729
Financial liabilities								
Payables	7		-	-	-	-	4,972,217	4,972,217
Finance lease liabilities	8,11	6.82%	-	52,277	64,587	-	-	116,864
Forward Foreign Currency Exchange Contract			-	-	-	-	-	-
			-	52,277	64,587	-	4,972,217	5,089,081
Net financial assets (liabilities)			3,420,054	18,747,723	(64,587)	-	(3,872,542)	18,230,648

The following table details Tourism Victoria's exposure to interest rate risk as at 30 June 2011.

2011	Notes	Weighted average effective interest rate	Variable interest rate	Maturity dates			Non-Interest Bearing	Total
				Less than 1 year	1-5 years	More than 5 years		
		%	\$	\$	\$	\$	\$	\$
Financial assets								
Cash and deposits	15	4.73%	12,027,636	15,500,000	-	-	-	27,527,636
Trade and other receivables	4		-	-	-	-	614,758	614,758
Forward Foreign Currency Exchange Contract	14		-	-	-	-	1,313,299	1,313,299
Investments	5		-	-	-	-	1	1
			12,027,636	15,500,000	-	-	1,928,058	29,455,694
Financial liabilities								
Payables	7		-	-	-	-	7,073,517	7,073,517
Finance lease liabilities	8,11	7.22%	-	70,132	45,160	-	-	115,292
Forward Foreign Currency Exchange Contract			-	-	-	-	1,313,299	1,313,299
			-	70,132	45,160	-	8,386,816	8,502,109
Net financial assets (liabilities)			12,027,636	15,429,868	(45,160)	-	(6,458,758)	20,953,586

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Note 14. Financial instruments (continued)

Sensitivity disclosure analysis

Taking into account past performance, future expectations, economic forecasts, and management's knowledge and experience of the financial markets, Tourism Victoria believes the following movements are 'reasonably possible' over the next 12 months (Base rates are sourced from Reserve Bank of Australia):

- A parallel shift of + 0.5% and -0.5% in market interest rate (AUD) from year end rates of 3.56%. (2011: 4.82%)
- Proportional exchange rate movement of -10 % (depreciation of AUD) and +10% (appreciation of AUD) against foreign currencies, from the year end rates. At year end there were foreign currency balances (AUD 1,159,697) which would expose Tourism Victoria to exchange rate risk (2011: AUD 1,938,884); and
- A parallel shift of +1% and -1% in inflation rate from year end rates of 1.2% (2011: 3.6%) – Tourism Victoria has no financial instruments exposed to inflation risk (2011: no exposure)

The following table discloses the impact on net operating result and equity for each category of financial instrument held by Tourism Victoria at year end as presented to key management personnel, if the above movements were to occur.

	Carrying amount	2012 Foreign exchange risk				2012 Interest rate risk			
		-10%		+10%		-0.5% (50 basis points)		+0.5% (50 basis points)	
		Profit \$	Equity \$	Profit \$	Equity \$	Profit \$	Equity \$	Profit \$	Equity \$
Financial assets									
Cash and deposits (1)	22,220,054	115,970	115,970	(115,970)	(115,970)	(111,100)	(111,100)	111,100	111,100
Forward foreign currency exchange contract (2)	-	-	-	-	-	-	-	-	-
Receivables (3)	1,099,674	-	-	-	-	-	-	-	-
Investments in other entities (4)	1	-	-	-	-	-	-	-	-
Financial liabilities									
Forward foreign currency exchange contract (2)	-	-	-	-	-	-	-	-	-
Payables (3)	4,972,217	-	-	-	-	-	-	-	-
Finance lease liabilities (5)	116,864	-	-	-	-	-	-	-	-
Total increase/(decrease)		115,970	115,970	(115,970)	(115,970)	(111,100)	(111,100)	111,100	111,100

	Carrying amount	2011 Foreign exchange risk				2011 Interest rate risk			
		-10%		+10%		-0.5% (50 basis points)		+0.5% (50 basis points)	
		Profit \$	Equity \$	Profit \$	Equity \$	Profit \$	Equity \$	Profit \$	Equity \$
Financial assets									
Cash and deposits (1)	27,527,636	193,888	193,888	(193,888)	(193,888)	(137,638)	(137,638)	137,638	137,638
Forward foreign currency exchange contract (2)	1,313,299	131,330	131,330	(131,330)	(131,330)	-	-	-	-
Receivables (3)	614,758	-	-	-	-	-	-	-	-
Investments in other entities (4)	1	-	-	-	-	-	-	-	-
Financial liabilities									
Forward foreign currency exchange contract (2)	1,313,299	(131,330)	(131,330)	131,330	131,330	-	-	-	-
Payables (3)	7,073,517	-	-	-	-	-	-	-	-
Finance lease liabilities (5)	115,292	-	-	-	-	-	-	-	-
Total increase/(decrease)		193,888	193,888	(193,888)	(193,888)	(137,638)	(137,638)	137,638	137,638

Note 14. Financial instruments (continued)

- (1) In 2011/12, \$21,060,357 cash and deposits are held in Australian Dollars. \$2,260,357 is held on deposit at variable interest rates. \$18,800,000 is invested in Australian Dollars in interest bearing accounts. The equivalent of AUD 1,159,697 is held in 7 overseas currencies. In 2010/11, \$25,588,752 cash and deposits are held in Australian Dollars. \$10,088,752 is held on deposit at variable interest rates. \$15,500,000 is invested in Australian Dollars in interest bearing accounts. The equivalent of AUD 1,938,884 is held in 7 overseas currencies.
- (2) In 2011/12, no forward foreign currency contracts were entered into prior to the end of financial year due to the ongoing 2012/13 budget process. Hence no amount could be determined to forecast the overseas expenditure. In 2010/11, the forward foreign currency contract amount covers the costs of the budgeted foreign currency activities for 2011/12. Contracted on 8 June 2011, maturity is on 18 and 19 July 2011. Sensitivity of the foreign currency is as follows:
– sensitivity impact on net result due to appreciation/(depreciation) of AUD by 10 per cent is \$131,330
- (3) The carrying amount is denominated in Australian Dollars and is non-interest bearing. This item is not subject to the identified risk sensitivities.
- (4) Investments are denominated in Australian Dollars and are non-interest bearing. This item is not subject to identified risk sensitivities.
- (5) Interest bearing liabilities solely relate to finance lease liabilities associated with motor vehicles. Each contract has interest fixed at the inception of the lease. This item is not subject to identified risk sensitivities.

(e) Fair value

Management consider that the carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair values. The fair values and net fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models on discounted cash flow analysis.

The financial statements include holdings in unlisted shares (Note 5). Transaction costs are included in the determination of net fair value.

The following table shows that the fair values of most of the contractual financial assets and liabilities are the same as the carrying amounts.

Comparison between carrying amount and fair value

	Carrying amount	Fair value	Carrying amount	Fair value
	2012	2012	2011	2011
Contractual financial assets				
Cash and deposits	22,220,054	22,220,054	27,527,636	27,527,636
Loans and receivables	1,099,674	1,099,674	614,758	614,758
Forward foreign currency exchange contract	0	0	1,313,299	1,313,299
Investments	1	1	1	1
Total contractual financial assets	23,319,729	23,319,729	29,455,694	29,455,694
Contractual financial liabilities				
Payables	5,089,081	5,089,081	7,188,810	7,188,810
Forward foreign currency exchange contract	0	0	1,313,299	1,313,299
Total contractual financial liabilities	5,089,081	5,089,081	8,502,109	8,502,109

Note 15. Cash flow information

	2012	2011
	\$	\$

(a) Reconciliation of cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows:

Cash at bank and on hand	3,172,536	11,779,028
Short term deposits and investments	18,800,000	15,500,000
Cash advance – (held at overseas offices)	247,518	248,609
Balance as per cash flow statement	22,220,054	27,527,636

(b) Reconciliation of net result for the period

	2012	2011
	\$	\$
Net result for the reporting period	(3,077,554)	4,084,223
Non-cash movements		
(Gain)/Loss on disposal of non-current assets	(2,344)	3,806
Depreciation and amortisation of non-current assets	78,216	63,351
(Gain)/Loss on foreign exchange currency	(59,855)	130,610
Movements in assets and liabilities		
Changes in net assets and liabilities		
(Increase)/Decrease in assets		
Current receivables	(279,059)	9,239,428
Other current assets	20,962	(1,367)
Increase/(Decrease) in liabilities		
Current payables	(2,101,300)	299,559
Current provisions	242,774	282,741
Non-current provisions	(82,266)	(143,088)
Net cash flows from (used in) operating activities	(5,260,427)	13,959,263

Note 16. Other economic flows included in net result

	2012	2011
	\$	\$
(a) Net gain/(loss) on non-financial assets		
Net gain/(loss) on disposal of physical assets	2,344	(3,806)
Total net gain/(loss) on non-financial assets	2,344	(3,806)
(b) Net gain/(loss) on financial instruments		
Net gain/(loss) on financial instruments	59,855	(130,610)
Total net gain/(loss) on financial instruments	59,855	(130,610)
(c) Other losses from other economic flows		
Net loss from revaluation of long service liability	(48,706)	-
	(48,706)	-
Total other economic flows included in net result	13,493	(134,416)

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

30 JUNE 2012

Note 17. Responsible persons

In accordance with the Ministerial Directions issued by the Minister for Finance under the *Financial Management Act 1994*, the following disclosures are made regarding responsible persons for the reporting period.

Names

The persons who held positions in Tourism Victoria are as follows:

Minister for Tourism and Major Events	The Hon. Louise Asher, MP	1 July 2011 to 30 June 2012
Acting Chief Executive	John Dalton	1 July 2011 to 30 September 2011
Chief Executive	Leigh Harry	3 October 2011 to 30 June 2012
Chairman	Dr Janine Kirk, AM	1 July 2011 to 30 June 2012
Deputy Chairman	Pamela Catty	1 July 2011 to 30 June 2012
Board Member	Chris Woodruff	1 July 2011 to 30 June 2012
Board Member	Alla Wolf-Tasker, AM	1 July 2011 to 30 June 2012
Board Member	John Mitchell	1 July 2011 to 30 June 2012
Board Member	Christopher Brown	1 July 2011 to 30 June 2012
Board Member	Bee Ho Teow	1 July 2011 to 31 July 2011
Board Member	Brian Cook	1 July 2011 to 31 July 2011
		13 September 2011 to 30 June 2012
Board Member	Janelle Boynton	1 July 2011 to 31 July 2011
		13 September 2011 to 30 June 2012
Board Member	Penny Hutchinson	1 July 2011 to 30 September 2011
Board Member	Wendy Smith	13 September 2011 to 30 June 2012
Board Member	Craig Opie	18 October 2011 to 30 June 2012

Remuneration

Remuneration received or receivable by the Accountable Officer, Chief Executive, in connection with the management of Tourism Victoria during the reporting period was in the range:

\$280,000 – \$289,999 (2011:\$270,000 – \$279,999)

Remuneration received or receivable by Tourism Victoria Board members for the reporting period is provided below:

Total Remuneration	2012 No.	2011 No.
\$1,000 – \$19,999	7	8
\$20,000 – \$29,999	3	1
\$30,000 – \$39,999	–	–
\$40,000 – \$49,999	1	1
	11	10
	\$210,256	\$186,472

Amounts paid to Ministers are reported in the financial statements of the Department of Premier and Cabinet.

Note 17. Responsible persons (continued)

Related parties

In addition to the remuneration outlined above, Tourism Victoria entered into payable and receivable transactions with the following organisations in its domestic dealings and within normal customer relationships on terms and conditions no more favourable than those available in similar arm's length dealings. The Board members listed below were, during all or part of 2011-12, directors, employees or owners/part owners of the organisations.

		2012	2011
		\$	\$
Alla Wolf-Tasker	Lake House Restaurant & Boutique Hotel (1)	11,560	18,546
Alla Wolf-Tasker	Daylesford & The Macedon Ranges Tourism Inc	-	328,454
Alla Wolf-Tasker	Daylesford Macedon Produce (2)	11,000	-
Alla Wolf-Tasker	Wombat Hill House (3)	150	-
Bee Ho Teow	Australian Tours Management Pty Ltd	-	500
John Mitchell	Mornington Peninsula Tourism Inc	-	(102,843)
John Mitchell	Montalto Vineyard and Olive Grove (4)	5,419	6,160
Chris Woodruff	Melbourne Airport (5)	(43,469)	(38,500)
Chris Woodruff	Melbourne Convention & Visitors Bureau (6)	3,413,792	4,307,432
Janelle Boynton	Feathertop Wines	-	(3,300)
Janine Kirk	Ernst & Young (7)	117,183	311,848
Penelope Hutchinson	Arts Victoria	-	(357,500)
		3,515,635	4,470,796

(1) Familiarisation programs expenses \$11,560. Tourism Victoria runs both trade and media familiarisations programs. Trade familiarisations programs are to promote Victoria to the tourism industry; Media familiarisations programs are to generate media publicity in pursuit of the marketing objectives of Tourism Victoria.

(2) Grant payments \$11,000.

(3) Familiarisation expenses \$150.

(4) This is mainly familiarisation expenses \$5,419.

(5) Co-operative marketing revenue \$44,000, miscellaneous expenses \$530.54.

(6) Grant payments \$3,415,500, miscellaneous receipts \$1,708.

(7) Professional services \$117,183.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

30 JUNE 2012

Note 18. Remuneration of executives

The number of executive officers, other than Ministers and the Accountable Officer, and their total remuneration during the reporting period are shown in the first two columns in the table below in their relevant income bands. The base remuneration of executive officers is shown in the third and fourth columns. Base remuneration is exclusive of bonus payments, long service leave payments, redundancy payments and retirement benefits.

In comparison to the past year, the number of executives remain the same. However during the year, an executive resigned and was immediately replaced. In addition the Director of Strategy and Policy was acting as the Accountable Officer for 3 months, and consequently this results in a reduction in the total executives remuneration figures.

Income band	Total remuneration		Base remuneration	
	2012 No.	2011 No.	2012 No.	2011 No.
\$30,000 – \$39,999	1	–	1	–
\$130,000 – \$139,999	2	–	–	–
\$150,000 – \$159,999	–	–	1	–
\$160,000 – \$169,999	–	–	–	1
\$170,000 – \$179,999	–	1	–	2
\$180,000 – \$189,999	1	2	2	1
\$190,000 – \$199,999	1	1	1	1
\$200,000 – \$209,999	1	–	1	–
\$220,000 – \$229,999	–	1	–	–
Total numbers	6	5	6	5
Total annualised employee equivalent (AEE)	4.7	4.9	4.7	4.9
Total amount	\$963,196	\$972,664	\$888,321	\$902,682

Note 19. Remuneration of auditors

	2012 \$	2011 \$
Victorian Auditor-General's Office		
Audit of the financial statements	32,000	30,500
	32,000	30,500

Note 20. Subsequent events

Voluntary Departure Packages

The Victorian Government announced its intention to reduce the number of public servants in non-service delivery and back-office roles, with key frontline service delivery areas being exempted. The reductions will be achieved through a combination of natural attrition, a freeze on recruitment, the lapsing of fixed term contracts and the offering of Voluntary Departure Packages (VDPs) to encourage voluntary redundancies.

The process for VDPs is not yet announced by Tourism Victoria. Tourism Victoria is not able to make a reliable estimate of the financial effect of the VDPs, as the number and classification of staff that will take up VDPs is not known. Tourism Victoria anticipates that the VDP process will be completed before 31 December 2013 and hence has not made any adjustments to the 2011-12 financial statements as the criteria for recognising expenditure and termination benefits relating to the voluntary departure packages had not been met based on the requirements of AASB 119 Employee benefits.

Victorian Public Service Workplace Determination 2012

The Victorian Public Service Workplace Determination 2012 was made by Fair Work Australia on 23 July 2012, which replaces the 2009 Extended and Varied Version of the Victorian Public Service Agreement 2006. The Workplace Determination takes effect from 29 July 2012 and will remain in force until 31 December 2015. The Workplace Determination provides for wage increases of 3.25 per cent and 1.25 per cent on 1 July 2012 and 1 January 2013 respectively over 2012-13, with six monthly wage increases thereafter. A lump sum payment of \$1,500 (or equivalent pro-rata amount for part time employees) will also be payable to eligible Victorian Public Service employees who received a salary on 1 July 2012 and were employed on 29 July 2012. As the Workplace Determination takes effect from 29 July 2012, no adjustments have been made to these financial statements as at 30 June 2012.

Note 21. Glossary

Administration Charges

Administration represents the operating costs of Tourism Victoria such as rent, telephone charges, audit fees, computer expenses, motor vehicles running costs, travel expenses and training and development.

Amortisation

Amortisation is the expense which results from the consumption or use over time of a non-produced physical asset. This expense is classified as an other economic flow.

Borrowings

Borrowings refers to finance leases and other interest bearing arrangements, including non interest bearing advances from government that is acquired for policy purposes.

Comprehensive result

The net result of all items of income and expense recognised for the period. It is the aggregate of operating result and other non-owner movements in equity.

Capital asset charge

The capital asset charge represents the opportunity cost of capital invested in the non financial physical assets used in the provision of outputs.

Commitments

Commitments include those operating, capital and other outsourcing commitments arising from non cancellable contractual or statutory sources, and inclusive of the goods and services tax (GST) payable.

Current grants

Amounts payable or receivable for current purposes for which no economic benefits of equal value are receivable or payable in return.

Depreciation

Depreciation is an expense that arises from the consumption through wear or time of a produced physical asset. This expense is classified as a 'transaction' and so reduces the 'net result from transaction'.

Effective interest method

The effective interest method is used to calculate the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument, or, where appropriate a shorter period to the net carrying amount of the financial asset or financial liability.

Employee expenses

Employee benefits expenses include all costs related to employment including wages and salaries, fringe benefits tax, leave entitlements, redundancy payments, defined benefits superannuation plans, and defined contribution superannuation plans.

Finance costs

Includes finance lease interest on Vic Fleet vehicle lease and finance expense and fees.

Financial asset

A financial asset is any asset that is:

- (a) cash;
- (b) a contractual or statutory right:
 - to receive cash or another financial asset from another entity; or
 - to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity; or
- (c) a contract that will or may be settled in the entity's own equity instruments and is:
 - a non derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments; or
 - a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

Financial instrument

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets or liabilities that are not contractual (such as statutory receivables or payables that arise as a result of statutory requirements imposed by governments) are not financial instruments.

Financial liability

A financial liability is any liability that is:

- (a) A contractual obligation:
 - (i) To deliver cash or another financial asset to another entity; or
 - (ii) To exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity; or
- (b) A contract that will or may be settled in the entity's own equity instruments and is:
 - (i) A non-derivative for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments; or
 - (ii) A derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this purpose the entity's own equity instruments do not include instruments that are themselves contracts for the future receipt or delivery of the entity's own equity instruments.

Financial statements

Depending on the context of the sentence where the term 'financial statements' is used, it may include only the main financial statements (i.e. comprehensive operating statement, balance sheet, cash flow statements, and statement of changes in equity); or it may also be used to replace the old term 'financial report' under the revised AASB 101 (September 2007), which means it may include the main financial statements and the notes.

Note 21. Glossary (continued)

Forward foreign currency exchange contract

A forward foreign currency exchange contract is an obligation to buy a certain amount of foreign currency at a pre-determined date.

Grants and other payments

Transactions in which one unit provides goods, services, assets (or extinguishes a liability) to another unit without receiving approximately equal value in return.

Grants can either be operating or capital in nature.

While grants to governments may result in the provision of some goods or services to the transferor, they do not give the transferor a claim to receive directly benefits of approximately equal value. For this reason, grants are referred to by the AASB as involuntary transfers and are termed non reciprocal transfers. Receipt and sacrifice of approximately equal value may occur, but only by coincidence. For example, governments are not obliged to provide commensurate benefits, in the form of goods or services, to particular taxpayers in return for their taxes.

Grants can be paid as general purpose grants which refer to grants that are not subject to conditions regarding their use. Alternatively, they may be paid as specific purpose grants which are paid for a particular purpose and/or have conditions attached regarding their use.

Interest expense

Costs incurred in connection with the interest component of finance leases repayments, and the increase in financial liabilities and non employee provisions due to the unwinding of discounts to reflect the passage of time.

Interest income

Interest income includes unwinding over time of discounts on financial assets and interest received on bank term deposits and other investments.

Net acquisition of non financial assets (from transactions)

Purchases (and other acquisitions) of non financial assets less sales (or disposals) of non financial assets less depreciation plus changes in inventories and other movements in non financial assets. It includes only those increases or decreases in non financial assets resulting from transactions and therefore excludes write offs, impairment write downs and revaluations.

Net result

Net result is a measure of financial performance of the operations for the period. It is the net result of items of income, gains and expenses (including losses) recognised for the period, excluding those that are classified as 'other non owner changes in equity'.

Net result from transactions/net operating balance

Net result from transactions or net operating balance is a key fiscal aggregate and is income from transactions minus expenses from transactions. It is a summary measure of the ongoing sustainability of operations. It excludes gains and losses resulting from changes in price levels and other changes in the volume of assets. It is the component of the change in net worth that is due to transactions and can be attributed directly to government policies.

Net worth

Assets less liabilities, which is an economic measure of wealth.

Non financial assets

Non financial assets are all assets that are not 'financial assets'. It includes inventories, land, buildings, infrastructure, road networks, land under roads, plant and equipment and intangible assets.

Other economic flows

Other economic flows are changes in the volume or value of an asset or liability that do not result from transactions. It includes:

- gains and losses from disposals, revaluations and impairments of non financial physical and intangible assets;
- fair value changes of financial instruments; and

In simple terms, other economic flows are changes arising from market re-measurements.

Payables

Includes accounts payable, grants, taxes and interest payable.

Receivables

Includes amounts owing from government through appropriation receivable, short and long term trade credit and accounts receivable, accrued investment income, grants, taxes and interest receivable.

Supplies and services

Supplies and services generally represent cost of goods sold and the day to day running costs, including maintenance costs, incurred in the normal operations of Tourism Victoria.

Transactions

Transactions are those economic flows that are considered to arise as a result of policy decisions, usually an interaction between two entities by mutual agreement. They also include flows within an entity such as depreciation where the owner is simultaneously acting as the owner of the depreciating asset and as the consumer of the service provided by the asset. Taxation is regarded as mutually agreed interactions between the government and taxpayers. Transactions can be in kind (e.g. assets provided/given free of charge or for nominal consideration) or where the final consideration is cash. In simple terms, transactions arise from the policy decisions of the government.



TOURISM VICTORIA

15 August 2012

Officer's Declaration

We certify that the attached financial statements for Tourism Victoria have been prepared in accordance with Standing Direction 4.2 of the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian Accounting Standards and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the comprehensive operating statements, balance sheet, statement of changes in equity, cash flow statement and notes forming part of the financial statements, presents fairly the financial transactions during the year ended 30 June 2012 and financial position of Tourism Victoria as at 30 June 2012.

We are not aware of any circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.

We authorise the attached financial statements for issue on 15 August 2012.

Janine Kirk AM
Chairman
Tourism Victoria

Melbourne
15 August 2012

Leigh Harry
Chief Executive
Tourism Victoria

Melbourne
15 August 2012

Steve Wilson
Chief Finance Officer
Tourism Victoria

Melbourne
15 August 2012

INDEPENDENT AUDITOR'S REPORT

To the Board Members of Tourism Victoria

The Financial Report

The accompanying financial report for the year ended 30 June 2012 of the Tourism Victoria which comprises the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement, notes comprising a summary of significant accounting policies and other explanatory information, and the officer's declaration has been audited.

The Board Members' Responsibility for the Financial Report

The Board Members of the Tourism Victoria are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards, including the Australian Accounting Interpretations, and the financial reporting requirements of the *Financial Management Act 1994*, and for such internal control as the Board Members determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit, which has been conducted in accordance with Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The audit procedures selected depend on judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, consideration is given to the internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Board Members, as well as evaluating the overall presentation of the financial report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Independent Auditor's Report (continued)

Independence

The Auditor-General's independence is established by the *Constitution Act 1975*. The Auditor-General is not subject to direction by any person about the way in which his powers and responsibilities are to be exercised. In conducting the audit, the Auditor-General, his staff and delegates complied with all applicable independence requirements of the Australian accounting profession.

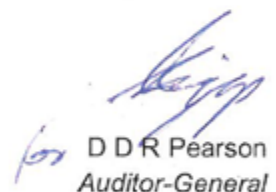
Opinion

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Tourism Victoria as at 30 June 2012 and of its financial performance and its cash flows for the year then ended in accordance with applicable Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994*.

Matters Relating to the Electronic Publication of the Audited Financial Report

This auditor's report relates to the financial report of the Tourism Victoria for the year ended 30 June 2012 included both in the Tourism Victoria's annual report and on the website. The Board Members of the Tourism Victoria are responsible for the integrity of the Tourism Victoria's website. I have not been engaged to report on the integrity of the Tourism Victoria's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in the website version of the financial report.

MELBOURNE
16 August 2012


D D R Pearson
Auditor-General

DISCLOSURE INDEX

The Annual Report of Tourism Victoria is prepared in accordance with all relevant Victorian legislation. This index has been prepared to facilitate identification of the Institute's compliance with statutory disclosure requirements.

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Published by Tourism Victoria, Melbourne, Victoria
September 2012.
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Victorian Government
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