

**Dunedin Venues Limited**

**Annual Report**

**2014**

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# Directory

## DIRECTORS

- Sir John W Hansen
- Peter G Stubbs
- Peter J Hutchison
- Peter J Brown
- Jennifer H Rolfe

## CHIEF EXECUTIVE OFFICER

- Terry Davies

## REGISTERED OFFICE

- Dunedin City Council  
50 The Octagon  
Dunedin 9016

## BANKERS

- BNZ  
Dunedin

## SOLICITORS

- Anderson Lloyd  
Dunedin
- Galloway Cook Allan  
Dunedin

## FINANCIAL ADVISORS

- Deloitte  
Dunedin

## AUDITOR

- Audit New Zealand  
Dunedin  
(On behalf of the Auditor General)

# Statutory Information

The Directors of Dunedin Venues Limited are pleased to present their report on the activities of the Company for the year ended 30 June 2014.

## Principal Activities of the Company

The principal activity of the Company is the management of Forsyth Barr Stadium. In particular the Company ensures the stadium is maintained to a standard that enables it to operate effectively.

## Results for the Year Ended 30 June 2014

	<b>\$'000</b>
Loss for the year before taxation	(4,786)
Income tax expense	247
Loss for the year net of taxation	<u>(4,539)</u>

## State of Affairs

The Company recorded a net loss after tax of \$ (\$4,539,000) for the year. The loss includes the non cash depreciation expense of \$8,177,000, which along with the capital contribution of \$2,000,000 from the Dunedin City Council has enabled the Company to maintain a positive cash flow.

The Directors consider that the state of affairs of the Company is satisfactory.

## Changes in Accounting Policies

There have been no changes in accounting policies adopted during the year.

## Reserves

The following net transfers have been made to or from reserves:

	<b>\$'000</b>
Transfer from Cash Flow Hedging Reserve	2,832

## Review of Operations

During the year an asset management plan was completed after extensively reviewing the capital maintenance requirements of the Company for the upcoming 10 year period. The Directors along with senior management and the shareholder are currently reviewing the plan and looking at the appropriate funding levels required to ensure that the assets are maintained at an operational level. At balance date, this review was still in progress.

## Borrowings

During the year, all payments have been met with regard to interest and principal repayments. The Dunedin City Council injected further capital of \$2,000,000 during the year and this has been used to settle debt.

## Change of Directors

No director changes occurred during the year.

## **Outlook**

The increase in the capital contribution by the Dunedin City Council has had a significant impact on reducing the repayment period of the borrowings from 40 years to 17 ½ years.

As discussed previously, the Company and the shareholder are currently in the process of reviewing the funding requirements for the 10 year capital maintenance programme, the outcome of which will play a significant part in ensuring the assets of the Company are maintained in the future to an appropriate level to ensure the tenant is able to fully utilise the stadium.

## **Financial Statements**

The audited financial statements for the year ended 30 June 2014 are attached to this report.

## **Directors' Interest in Contracts**

Refer to Directors' Declarations of Interest section on page 4. The Directors has no related parties' transactions.

## **Auditors**

The Controller and Auditor General has contracted the audit to Audit New Zealand. Auditors remuneration is set out in Note 5 of the financial statements.

## **Directors' Insurance**

As provided in the Company's Constitution, Dunedin Venues Limited has arranged policies of Directors' Liability Insurance, which together with a deed of indemnity, ensure that the Directors' will incur no monetary loss as a result of actions undertaken by them as Directors, provided that they operate within the law.

## **Directors' Benefits**

No Director of Dunedin Venues Limited has, since the end of the previous financial year, received or become entitled to receive a benefit other than a benefit included in the total remuneration received or due and receivable by the Directors shown in the financial statements.

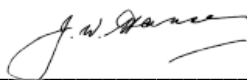
## **Events Subsequent to Balance Date**

No significant events have occurred subsequent to balance date.

On behalf of the Board of Directors:

Sir J W Hansen

**Chairman**



P G Stubbs

**Deputy Chairman**



Date:

## Directors Information

Director	Declarations of Interest
<p>Sir John Hansen (appointed 19 September 2009)</p>	<p>Ruling Panel, Gas Industry Company Limited Trustee, Christchurch Casino Charitable Trust Trustee, Canterbury Youth Development Trust Appeals Council Member, NZ Rugby Football Union Appeal Officer, International Rugby Board Consultant, Legal Issues Centre Law Facility, University of Otago Chairman, Canterbury Clinical &amp; Medical Network Chairman, Canterbury Earthquake Recovery Authority (CERA) review panel Member of the Court of Appeal, Western Samoa Member of the Insurance Ombudsman Commission Chair - NZ Press Council</p>
<p>Peter Stubbs (appointed 19 September 2009)</p>	<p>Partner, Simpson Grierson Member, The Westervelt Company Advisory Board Legal Advisor, Multiple NZ Councils (on CCO regional economic development, venues, attractions, events and tourism issues) Chairman, Kitchen Things</p>
<p>Peter Brown (appointed 19 September 2009)</p>	<p>General Manager – Port Otago Limited Trustee, Fortune Theatre Member, University Centre for Performing Arts Steering Group Member Christmas at the Stadium Trust</p>
<p>Jen Rolfe (appointed 19 September 2009)</p>	<p>Director, Rolfe Limited (Resigned) Director, Daffodil Enterprises Director, NZ Rugby League Managing Director, The Brand Agency (Resigned) Managing Partner and Director, Rainger &amp; Rolfe Member of the Marketing &amp; Steering Committee, Dunedin City Council</p>
<p>Peter Hutchison (appointed 19 September 2009)</p>	<p>Director, Fund Managers Auckland Limited President, Otago/Southland Division of CSNZ Deputy Chairman, CSNZ National Board Director, Mortgage Fund Managers Limited Director, All Purpose Finance Limited (in Receivership) Managing Director, Fund Managers Otago Limited Director, Fund Managers Holdings Limited Trustee, Dunedin Prison Trust Chairman, New Zealand Syndication Group Limited Chairman, SSL New Zealand Limited Chairman, KWH Limited</p>

# Statement of Comprehensive Income

For the Year Ended 30 June 2014

	<i>Note</i>	<b>2014</b> <b>\$'000</b>	<b>2013</b> <b>\$'000</b>
Revenue			
Operating income	3	4,000	4,000
Financial income	4	24	9
Total revenue		<u>4,024</u>	<u>4,009</u>
Less expenses			
Operating expenses	5	35	40
Directors fees		-	-
Interest expense	6	8,352	8,452
Depreciation	15	8,177	8,291
Total expenditure		<u>16,564</u>	<u>16,783</u>
<b>Profit (loss) for the year before subvention receipt and taxation</b>		<b>(12,540)</b>	<b>(12,774)</b>
Subvention receipt	20	7,754	7,292
<b>Loss for the year before taxation</b>		<b>(4,786)</b>	<b>(5,482)</b>
Income tax (expense) credit	7	247	678
<b>Loss for the year net of taxation</b>		<b>(4,539)</b>	<b>(4,804)</b>
<b>Other comprehensive income</b>			
Item that will not be reclassified to surplus (deficit)			
Interest rate swap hedges gains (losses) during the year		2,832	3,290
<b>Total comprehensive loss for the year net of taxation</b>		<b>(1,707)</b>	<b>(1,514)</b>

The accompanying notes and accounting policies form an integral part of these audited financial statements.

# Statement of Changes in Equity

For the Year Ended 30 June 2014

	Share Capital \$'000	Reserves \$'000	Retained Deficits \$'000	Total Equity \$'000
<b>Balance at 1 July 2013</b>	77,689	(5,289)	(9,117)	63,283
<b>Comprehensive income</b>				
Loss for the year net of taxation	-	-	(4,539)	(4,539)
<b>Other Comprehensive Income</b>				
Interest rate swap hedges gains (losses) during the year	-	2,832	-	2,832
<b>Total comprehensive loss for the year</b>	<u>-</u>	<u>2,832</u>	<u>(4,539)</u>	<u>(1,707)</u>
Capital Contribution	2,000	-	-	2,000
<b>Balance at 30 June 2014</b>	<u>79,689</u>	<u>(2,457)</u>	<u>(13,656)</u>	<u>63,576</u>

	Share Capital \$'000	Share Capital \$'000	Retained Deficits \$'000	Total Equity \$'000
<b>Balance at 1 July 2012</b>	76,689	(8,579)	(4,313)	63,797
<b>Comprehensive income</b>				
Loss for the year net of taxation	-	-	(4,804)	(4,804)
<b>Other Comprehensive Income</b>				
Interest rate swap hedges gains (losses) during the year	-	3,290	-	3,290
<b>Total comprehensive income</b>	<u>-</u>	<u>3,290</u>	<u>(4,804)</u>	<u>(1,514)</u>
Shares issued	1,000	-	-	1,000
<b>Balance at 30 June 2013</b>	<u>77,689</u>	<u>(5,289)</u>	<u>(9,117)</u>	<u>63,283</u>

The accompanying notes and accounting policies form an integral part of these audited financial statements.



# Balance Sheet

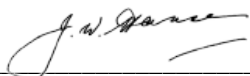
As at 30 June 2014

	Note	2014 \$'000	2013 \$'000
<b>Equity</b>			
Share capital	8	79,689	77,689
Cash flow hedge reserve		(2,457)	(5,289)
Retained deficits		(13,656)	(9,117)
<b>Total Equity</b>		<b>63,576</b>	<b>63,283</b>
<b>Current Liabilities</b>			
Creditors and other payables	9	1,925	1,941
Inter group advances	10	9	572
Current portion of borrowings	11	5,207	4,944
Total current liabilities		<b>7,141</b>	<b>7,457</b>
<b>Non-Current Liabilities</b>			
Borrowings	11	133,379	138,586
Derivative financial instruments	12	2,457	5,289
Total non-current liabilities		<b>135,836</b>	<b>143,875</b>
<b>Total Liabilities</b>		<b>142,977</b>	<b>151,332</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>206,553</b>	<b>214,615</b>
<b>Current Assets</b>			
Cash and cash equivalents	13	3,753	3,400
Inter group advances	10	440	849
Debtors and other receivables	14	1,681	1,348
Taxation Receivable		246	772
Total current assets		<b>6,120</b>	<b>6,369</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	15	200,433	208,246
Total non-current assets		<b>200,433</b>	<b>208,246</b>
<b>TOTAL ASSETS</b>		<b>206,553</b>	<b>214,615</b>

On behalf of the Board of Directors:

Sir J W Hansen

Chairman



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P G Stubbs

Deputy Chairman



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Date:

The accompanying notes and accounting policies form an integral part of these audited financial statements.

# Statement of Cash Flows

For the Year Ended 30 June 2014

	2014	2013
Note	\$'000	\$'000
<b>Cash Flows from Operating Activities</b>		
<i>Cash was provided from</i>		
Receipts from customers	3,666	4,000
Subvention payments	7,754	6,611
Interest received	25	680
Income tax received	773	13
Net GST received	-	-
	<u>12,218</u>	<u>11,304</u>
<i>Cash was disbursed to</i>		
Interest paid	8,360	7,393
Payments to suppliers	43	40
	<u>8,403</u>	<u>7,433</u>
<b>Net Cash Inflows / (Outflows) from Operating Activities</b>	16	3,815
	3,815	3,871
<b>Cash Flows from Investing Activities</b>		
<i>Cash was disbursed to</i>		
Purchase of property, plant and equipment	364	546
	<u>(364)</u>	<u>(546)</u>
<b>Net Cash Inflows / (Outflows) from Investing Activities</b>		
<b>Cash Flows from Financing Activities</b>		
<i>Cash was provided from</i>		
Shareholder capital	2,000	1,000
Borrowings	-	-
Inter group advances	92	572
	<u>2,092</u>	<u>1,572</u>
<i>Cash was disbursed to</i>		
Repayment of inter group advances	246	442
Repayment of borrowings	4,944	3,069
	<u>5,190</u>	<u>3,511</u>
<b>Net Cash Inflows / (Outflows) from Financing Activities</b>	(3,098)	(1,939)
<b>Net Increase / (Decrease) in Cash and Cash Equivalents</b>	353	1,386
Cash and cash equivalents at the beginning of the year	3,400	2,014
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u>3,753</u>	<u>3,400</u>
<b>Composition of Cash</b>		
Bank Current Account	3	1
Deposit - Dunedin City Treasury Ltd	3,750	3,399
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u>3,753</u>	<u>3,400</u>

The accompanying notes and accounting policies form an integral part of these audited financial statements.

# Notes to the Financial Statements

For the Year Ended 30 June 2014

## 1. REPORTING ENTITY

The financial statements presented here are for the reporting entity Dunedin Venues Limited (the Company).

Dunedin Venues Limited is a Council Controlled Organisation as defined in the Local Government Act 2002. The Company, incorporated in New Zealand under the Companies Act 1993, is wholly owned by the ultimate parent, Dunedin City Council.

The financial statements of Dunedin Venues Limited are for the year ended 30 June 2014.

The registered address of the Company is 50 The Octagon, Dunedin.

The primary objective of Dunedin Venues Limited is to own and maintain the Forsyth Barr Stadium and in return receive a rental from the tenant

Dunedin Venues Limited is a Public Benefit Entity.

The financial statements have been prepared in accordance with the requirements of the Local Government Act 2002, the Companies Act 1993 and the Financial Reporting Act 1993.

### Statement of Compliance

The Minister of Commerce has approved a new Accounting Standards Framework (incorporating a Tier Strategy) developed by the External Reporting Board (XRB). Under this Accounting Standards Framework, the Company is a qualifying entity for differential reporting, as it is not publicly accountable and is not large. This means that the Company can continue to apply NZ IFRS differential reporting for these financial statements, and the Company has chosen to do this. The Company is required to move to 'tier two' and apply the new PBE Reduced Disclosure Regime for the 2014/15 accounts.

The financial statements were authorised for issue by the Directors on 26 September 2014.

### Basis of Accounting

The financial statements have been prepared on an historical cost basis, except for the revaluation of derivative financial instruments.

These financial statements are presented in New Zealand dollars because that is the currency of the primary economic environment in which the Company operates.

The Company is a qualifying entity within the framework for differential reporting. The Company qualifies on the basis that it is not publicly accountable and is not large as defined in the Framework for Differential Reporting. The Company has taken advantage of all available differential reporting concessions except for:

- The exemption under NZ IAS 18 *Revenue* allowing the recording of revenue and expense exclusive of GST
- The exemptions available in NZ IAS 7 *Cash flow statements*
- The exemptions available in NZ IAS 12 *Income taxes*
- The exemptions available in NZ IAS 16 *Property, plant and equipment*.

The accounting policies set out below have been applied in preparing the Financial Statements for the year ended 30 June 2014 and the comparative information for the year ended 30 June 2013.

## **2. SIGNIFICANT ACCOUNTING POLICIES**

### **Revenue Recognition**

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and GST.

Revenue from services rendered is recognised when it is probable that the economic benefits associated with the transaction will flow to the entity. The stage of completion at balance date is assessed based on the value of services performed to date as a percentage of the total services to be performed.

Sales of goods are recognised when significant risks and rewards of owning the goods are transferred to the buyer, when the revenue can be measured reliably and when management effectively ceases involvement or control.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

### **Leasing**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

### **The Company As Lessor**

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

### **Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in the income statement in the period in which they are incurred.

## **Goods and Services Tax (GST)**

Revenues, expenses, assets and liabilities are recognised net of the amount of goods and services tax (GST), except for receivables and payables which are recognised inclusive of GST.

## **Taxation**

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

## **Property, Plant and Equipment**

Property plant and equipment are those assets held by the Company for the purpose of carrying on its business activities on an ongoing basis.

All property, plant and equipment is stated at cost less any subsequent accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to write off the cost or valuation of assets on the straight-line basis or diminishing value basis. Rates used have been calculated to allocate the assets cost or valuation less estimated residual value over their estimated remaining useful lives.

Depreciation of these assets commences when the assets are ready for their intended use.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Assets held under finance leases are depreciated.

Depreciation rates and methods used are as follows:

	<i>Rate</i>	<i>Method</i>
Buildings	2%	Straight line
Fit out	2% to 30%	Straight line
Pitch construction	2% to 67%	Straight line
External site works	2% to 20%	Straight line
Furniture, fittings & equipment	2% to 67%	Straight line

### **Impairment of assets**

At each balance sheet date, the Company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is immediately recognised as an expense, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease to the extent of any previous revaluation increase for that asset (or cash generating unit) that remains in the revaluation reserve. Any additional impairment is immediately transferred to the income statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is immediately recognised as income.

### **Cash and cash equivalents**

Cash and cash equivalents comprise cash in hand, deposits held on call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

### **Financial Instruments**

Financial assets and financial liabilities are recognised on the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

### **Trade and other receivables**

Trade and other receivables are stated at cost less any allowances for estimated irrecoverable amounts.

## **Trade and other payables**

Trade and other payables are stated at cost.

## **Borrowings**

Borrowings are initially recorded net of directly attributable transaction costs and are measured at subsequent reporting dates at amortised cost. Finance charges, premiums payable on settlement or redemption and direct costs are accounted for on an accrual basis to the Income Statement using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

## **Financial Liability and Equity**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

## **Provisions**

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

## **Derivative financial instruments and hedge accounting**

The Company's activities expose it primarily to the financial risks of changes in interest rates. The Company uses interest rate swap contracts to hedge these exposures.

The Company does not use derivative financial instruments for speculative purposes. However, derivatives that do not qualify for hedge accounting, under the specific NZ IFRS rules, are accounted for as trading instruments with fair value gains/losses being taken directly to the income statement.

The use of financial derivatives in each entity within the Company is governed by that entity's policy approved by its Board of Directors. The policies provide written principles on the use of financial derivatives.

Derivative financial instruments are recognised at fair value on the date the derivative is entered into and are subsequently remeasured to their fair value. The fair value on initial recognition is the transaction price. Subsequently fair values are based on independent bid prices quoted in active markets as provided for us by our banking counterparties.

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in equity and any ineffective portion is recognised immediately in the income statement. If the cash flow hedge of a firm commitment or forecasted transaction results in the recognition of an asset or a liability, then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in equity are included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of an asset or a liability, amounts deferred in equity are recognised in the income statement in the same period in which the hedged item affects net profit or loss.

For an effective hedge of an exposure to changes in the fair value, the hedged item is adjusted for changes in fair value attributable to the risk being hedged with the corresponding entry in the income statement. Gains or losses from re-measuring the derivative, or for non-derivatives the foreign currency component of its carrying amount, are recognised in the income statement.

The fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedge relationship is more than twelve months and as a current liability if the remaining maturity of the hedge relationship is less than twelve months.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise. Derivatives not designated into an effective hedge relationship are classified as current assets or liabilities.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecast transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the income statement for the period.

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not carried at fair value, with unrealised gains or losses reported in the income statement.

### Prior Period Comparatives

Classification of prior period comparatives have been restated to improve the ability to read the financial

### Changes in Accounting Policies

There has been no change in accounting policies. Policies for the current year and comparative year have been applied on a consistent basis.

	2014 \$'000	2013 \$'000
<b>3. OPERATING INCOME</b>		
Rentals from Dunedin Venues Management Ltd	<u>4,000</u>	<u>4,000</u>
<b>4. FINANCIAL INCOME</b>		
Interest received from funds on deposit	<u>24</u>	<u>9</u>
The rate of interest earned on deposits is 2.5% p.a.		
<b>5. OPERATING EXPENSES</b>		
Audit fees - for audit of financial statements	14	14
- for other audit services	-	-
Total audit fees	<u>14</u>	<u>14</u>
Other expenses	21	26
Total operating expenses	<u>35</u>	<u>40</u>



	2014 \$'000	2013 \$'000
<b>6. INTEREST EXPENSE</b>		
Interest to Dunedin City Council	-	-
Interest to Dunedin City Treasury Ltd	8,352	8,452
Total financial expenses	<u>8,352</u>	<u>8,452</u>

## 7. INCOME TAXES

### Income Tax Recognised in Comprehensive Income

Loss for the year before income tax	(4,786)	(5,482)
Income tax expense (credit) calculated at 28% (2013: 28%)	(1,340)	(1,535)

### Tax effect of following adjustments

Non-deductible building depreciation	762	762
Group tax offset	331	-
Adjustment to 2012 taxation provision	-	95

Income tax expense (credit)	<u>(247)</u>	<u>(678)</u>
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Effective tax rate	0%	0%
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### Comprising

Current tax provision	(247)	(678)
Deferred tax provision	-	-

Income tax	<u>(247)</u>	<u>(678)</u>
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Current year tax losses of \$2,530,000 are available to the Company (after the subvention payment of \$7,292,000 included in the Statement of Comprehensive Income) are available to the Company. These losses will be utilised by the Dunedin City Council group in the 2014 income year by way of a further subvention receipt and a loss offset. The tax effect of the losses is accordingly recognised as a current period income tax credit.

There is a deferred tax asset of \$796,000 being tax on the provision for the interest rate swap. This benefit is a temporary difference and has not been recognised in the Statement of Comprehensive Income.

	2014 \$'000	2013 \$'000
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## 8. EQUITY - Share Capital

### Issued Capital

79,688,931 fully paid ordinary shares (2013: 77,688,931)	<u>79,689</u>	<u>77,689</u>
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245,000,000 shares have been issued to the Dunedin City Council at \$1 per share. At 30 June 2014 79,577,931 (2013: 77,688,931) of these shares had been called and fully paid.

Fully paid ordinary shares carry one vote per share, carry a right to dividends and, upon winding up, a pro rata share of the Company's net assets.

During the year, Dunedin Venues Limited called on a further capital of \$2,000,000 from the Dunedin City Council

The amounts and dates of issue were:

- 15 July 2013                                 500,000 ordinary shares
- 15 October 2013                            500,000 ordinary shares
- 15 January 2014                            500,000 ordinary shares
- 15 April 2014                                500,000 ordinary shares

## 9. CREDITORS AND OTHER PAYABLES

Creditor and accrued expenses	132	140
Interest accrued	1,793	1,801
	<u>1,925</u>	<u>1,941</u>
Total trade and other payables		

## 10. INTERGROUP ADVANCES

### Advances received from:

Aurora Energy Limited	9	572
	<u>9</u>	<u>572</u>

### Advances made to:

Dunedin Venues Management Limited	440	849
	<u>440</u>	<u>849</u>

	2014 \$'000	2013 \$'000
<b>11. BORROWINGS (secured)</b>		
<b>Dunedin City Treasury Ltd</b>		
Loan Balance	138,586	143,530
	<u>138,586</u>	<u>143,530</u>

The repayment period on the borrowings is as follows:

Less than one year	5,207	4,944
Repayable between one to two years	5,487	5,207
Repayable between two to five years	18,335	17,378
Repayable later than five years	109,557	116,001
	<u>138,586</u>	<u>143,530</u>

The Company has a loan facility of \$146,599,569

The first tranche balance is \$25,252,007 is repayable over 9 years and is funded by an amount equivalent to the public funding from initial memberships and sponsorship.

The second tranche balance is \$113,334,154 and is planned to be repaid over 17 ½ years, following the Dunedin City Council agreeing to contribute further equity funding of \$2 million per year.

The loan is secured against the assets and undertakings of Dunedin Venues Limited.

The weighted average interest rate for the loan facility at year end, inclusive of any current portion was 5.92% (2013: 6.03%)

## 12. DERIVATIVE FINANCIAL INSTRUMENTS

Fair Value		
Interest rate swaps	<u>2,457</u>	<u>5,289</u>
Analysed as:		
Current	-	-
Non-current	2,457	5,289
	<u>2,457</u>	<u>5,289</u>

	2014 \$'000	2013 \$'000
<b>13. CASH AND CASH EQUIVALENTS</b>		
Cash on hand	-	-
Bank current account	3	1
Deposit - Dunedin City Treasury Ltd	3,750	3,399
	<u>3,753</u>	<u>3,400</u>

Cash and short-term deposits comprise cash held by the Company and short-term deposits. The carrying amount of these assets approximates their fair value.

#### 14. DEBTORS AND OTHER RECEIVABLES

Rent receivable	1,000	666
Interest receivable	-	1
Subvention payment receivable	681	681
	<u>1,681</u>	<u>1,348</u>

**2014**                      **2013**  
**\$'000**                      **\$'000**

**15. PROPERTY, PLANT AND EQUIPMENT**

	<b>2014</b>						
	Land	Buildings	Fit out	Pitch Construction	External Sit Works	Fixtures Fittings & Equipment	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Cost or Valuation</b>							
Balance at beginning of year	28,526	126,465	46,842	2,415	7,203	12,741	224,192
Purchases	-	-	187	-	-	177	364
Sales	-	-	-	-	-	-	-
Balance at end of year	<u>28,526</u>	<u>126,465</u>	<u>47,029</u>	<u>2,415</u>	<u>7,203</u>	<u>12,918</u>	<u>224,556</u>
<b>Accumulated depreciation</b>							
Balance at beginning of year	-	4,848	7,174	684	452	2,788	15,946
Depreciation	-	2,529	3,802	215	236	1,395	8,177
	<u>-</u>	<u>7,377</u>	<u>10,976</u>	<u>899</u>	<u>688</u>	<u>4,183</u>	<u>24,123</u>
Balance at end of year	<u>28,526</u>	<u>119,088</u>	<u>36,053</u>	<u>1,516</u>	<u>6,515</u>	<u>8,735</u>	<u>200,433</u>

	<b>2013</b>						
	Land	Buildings	Fit out	Pitch Construction	External Sit Works	Fixtures Fittings & Equipment	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Cost or Valuation</b>							
Balance at beginning of year	30,000	126,460	46,484	2,415	7,203	12,438	225,000
Purchases	-	5	358	-	-	303	666
Sales	(1,474)	-	-	-	-	-	(1,474)
Balance at end of year	<u>28,526</u>	<u>126,465</u>	<u>46,842</u>	<u>2,415</u>	<u>7,203</u>	<u>12,741</u>	<u>224,192</u>
<b>Accumulated depreciation</b>							
Balance at beginning of year	-	2,318	3,420	328	216	1,373	7,655
Depreciation	-	2,530	3,754	356	236	1,415	8,291
	<u>-</u>	<u>4,848</u>	<u>7,174</u>	<u>684</u>	<u>452</u>	<u>2,788</u>	<u>15,946</u>
Balance at end of year	<u>28,526</u>	<u>121,617</u>	<u>39,668</u>	<u>1,731</u>	<u>6,751</u>	<u>9,953</u>	<u>208,246</u>

	2014 \$'000	2013 \$'000
<b>16. RECONCILIATION OF NET LOSS FOR THE YEAR TO CASHFLOWS FROM OPERATING ACTIVITIES</b>		
Net loss for the year	(4,539)	(4,804)
<i>Items Not Involving Cash Flows</i>		
Depreciation	8,177	8,291
<i>Impact of Changes in Working Capital Items</i>		
(Increase) / Decrease in taxation receivable	526	(678)
(Increase) / Decrease in rent receivable	(334)	-
(Increase) / Decrease in interest receivable	1	4
(Increase) / Decrease in subvention payment receivable	-	-
(Increase) / Decrease in GST receivable	-	1
Increase / (Decrease) in trade and other payables	(8)	(1)
Increase / (Decrease) in interest accrued	(8)	1,058
Net cash inflows / (outflows) from operating activities	<u>3,815</u>	<u>3,871</u>

#### **17. CAPITAL EXPENDITURE COMMITMENTS**

The Company had no capital expenditure commitments at year end (2013: \$nil).

#### **18. CONTINGENT LIABILITIES**

There were no contingent liabilities at year end (2013: \$nil).

	2014	2013
	\$'000	\$'000

## 19. FINANCIAL INSTRUMENTS

### (a) Capital Risk Management

When managing capital, management's objective is to ensure the entity continues as a going concern. The Company is undercapitalised, however the Company has uncalled capital of \$165,311,069 and the Company's ability to make calls on this uncalled capital will enable the Company to manage the capital risk.

### (b) Categories of Financial Instruments

#### Financial Assets

Bank current account	3	1
Deposit - Dunedin City Treasury Ltd	3,750	3,399
Rent receivable	1,000	666
Subvention payment receivable	681	-
Dunedin Venues Management Limited	440	849
Aurora Energy Ltd	-	681

#### Financial Liabilities

Creditor and accrued expenses	132	140
Interest accrued	1,793	1,801
Aurora Energy Limited	9	572
Borrowings	138,586	143,530
Derivative financial instruments	2,457	5,289

All financial assets are recognised at cost/face value while financial liabilities are recognised at amortised cost except derivative financial instruments which are recognised at fair value.

## 20. RELATED PARTY TRANSACTIONS

The Company is a wholly-owned subsidiary of the Dunedin City Council.

Dunedin Venues Limited undertakes transactions with the Dunedin City Council and other Dunedin City Council controlled entities. These transactions are on an arms-length commercial basis.

#### Transactions with Dunedin City Council

The Company provided services and traded with Dunedin City Council in respect of the following transactions:

Repay advance	-	(1,711)
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#### Transactions with Dunedin City Council Controlled Entities

The Company provided services and traded with Dunedin City Council controlled entities in respect of the following transactions:

	2014 \$'000	2013 \$'000
<b>Dunedin City Treasury Limited</b>		
Interest paid	8,352	8,452
Other expenses	13	7
Interest received	24	14
<i>As at balance date:</i>		
Payable to Dunedin City Treasury Ltd:		
Loan – refer Note 14	138,586	143,530
Interest accrued	1,793	1,801
Receivable from Dunedin City Treasury Ltd:		
Deposit	3,750	3,399
Interest on deposit	-	1
<b>Dunedin Venues Management Limited</b>		
Advance paid	409	204
Rent received	4,000	4,000
<i>As at balance date:</i>		
Receivable from Dunedin Venues Management Limited:		
Advance – refer Note 10	440	849
Rent due	1,000	666
<b>Aurora Energy Limited</b>		
Subvention payment received	7,292	7,292
Advanced received/(paid)	(563)	572
<i>As at balance date</i>		
Receivable from Aurora Energy Limited:		
Subvention payment receivable	681	-
Payable to Aurora Energy Limited:		
Advance - refer note 10	9	572
<b>City Forests Ltd</b>		
Subvention payment received	462	-

No related party debts have been written off or forgiven during the year and no provision has been required for impairment of any receivables to related parties.



## **21. GOING CONCERN**

The financial statements have been prepared using the going concern assumption.

The operation of Dunedin Venues Limited is the subject of a comprehensive review by the shareholder, Dunedin City Council. This review covers the Company's governance and management structures and funding model. The outcome of that review is unknown at the time of the issuance of the financial statements. The Board is aware that this review could impact on the future operation of the Company in adopting the going concern assumption.

The Company has recorded a net loss after taxation of \$4,539,000 and a net working capital deficit of (\$1,021,000) at 30 June 2014. This result was achieved after receipt of subvention payments of \$7,754,000 from companies within the Dunedin City Holdings Limited group. These payments are dependent on the ongoing profitability of the underlying group of companies controlled by DCHL. This position is mitigated by the uncalled capital of \$165,311,069 available to the Company. Under current contractual arrangements with the Dunedin City Council the uncalled capital can be drawn by the Company on demand as and when required.

## **22. EVENTS AFTER BALANCE SHEET DATE**

There have been no significant events since balance date.

# Statement of Service Performance

For the Year Ended 30 June 2014

## Performance Targets

To report matters of substance to the Shareholder within 5 days of occurrence

To review the activities undertaken by the company for the purposes of being a good corporate citizen

## Achievements

The company has contracted in the accounting services of the Dunedin City Council, the 100% shareholder. Through this arrangement the shareholder has an active representation in both the operations and governance of the company.

The company is required to report to the Council on community access to the stadium and other facilities. A total of 96 community events were held during the financial year. These involved a variety of events including school functions, children's sports events and market days.

In addition to community access to facilities the company also provides significant economic benefits to the community, for example a review of hosting two rugby tests during the year showed a combined total additional expenditure within the city of \$15.95 million.

## **Independent Auditor's Report**

### **To the readers of Dunedin Venues Limited's financial statements and statement of service performance for the year ended 30 June 2014**

The Auditor-General is the auditor of Dunedin Venues Limited (the company). The Auditor-General has appointed me, Ian Lothian, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and statement of service performance of the company on her behalf.

We have audited:

- the financial statements of the company on pages 5 to 23, that comprise the balance sheet as at 30 June 2014, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the statement of service performance of the company on page 24.

### **Opinion**

#### **Financial statements and statement of service performance**

In our opinion:

- the financial statements of the company on pages 5 to 23:
  - comply with generally accepted accounting practice in New Zealand; and
  - give a true and fair view of the company's:
    - financial position as at 30 June 2014; and
    - financial performance and cash flows for the year ended on that date; and
- the statement of service performance of the company on page 24:
  - complies with generally accepted accounting practice in New Zealand; and
  - gives a true and fair view of the company's service performance achievements measured against the performance targets adopted for the year ended 30 June 2014.

## **A review of the company's operations is being carried out**

Without modifying our opinion, we draw your attention to the disclosures made in note 21 on page 23 that outline that the company's operations, including its governance and management structures, and its funding model, are subject to a review that is being carried out by the Dunedin City Council. The outcome of this review is uncertain. In addition, note 21 on page 23 outlines the financial difficulties that are being experienced by the company. We consider these disclosures to be adequate.

## **Other legal requirements**

In accordance with the Financial Reporting Act 1993 we report that, in our opinion, proper accounting records have been kept by the company as far as appears from an examination of those records.

Our audit was completed on 30 September 2014. This is the date at which our opinion is expressed.

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

## **Basis of opinion**

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

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

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements and statement of service performance. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and statement of service performance whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the company's financial statements and statement of service performance that give a true and fair view of the matters to which they relate. We consider internal control in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

An audit also involves evaluating:

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

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and statement of service performance. Also we did not evaluate the security and controls over the electronic publication of the financial statements and statement of service performance.

In accordance with the Financial Reporting Act 1993, we report that we have obtained all the information and explanations we have required. We believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

## **Responsibilities of the Board of Directors**

The Board of Directors is responsible for preparing financial statements and a statement of service performance that:

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

The Board of Directors is responsible for such internal control as it determines is necessary to enable the preparation of financial statements and a statement of service performance that are free from material misstatement, whether due to fraud or error. The Board of Directors is also responsible for the publication of the financial statements and statement of service performance, whether in printed or electronic form.

The Board of Directors' responsibilities arise from the Local Government Act 2002 and the Financial Reporting Act 1993.

## **Responsibilities of the Auditor**

We are responsible for expressing an independent opinion on the financial statements and statement of service performance and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001 and section 69 of the Local Government Act 2002.

## **Independence**

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.

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



Ian Lothian  
Audit New Zealand  
On behalf of the Auditor-General  
Dunedin, New Zealand