annual report 2013

DVML

Dunedin Venues Management Limited

Contents

Directory

DIRECTORS

- Sir John W Hansen (Chairman)
- Peter G Stubbs (Deputy Chairman)
- Peter J Hutchison
- Peter J Brown
- Jennifer H Rolfe

CHIEF EXECUTIVE OFFICER

- Darren Burden

REGISTERED OFFICE

- Dunedin City Council
  50 The Octagon
  Dunedin 9016

BANKERS

- BNZ
  Dunedin

SOLICITORS

- Anderson Lloyd
  Dunedin

- Galloway Cook Allan
  Dunedin

FINANCIAL ADVISERS

- Deloitte
  Dunedin

AUDITOR

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

Chairman's and Chief Executive's Report

During the 2012/13 financial year Dunedin Venues Management Ltd has successfully delivered a significant variety and quantity of events at Forsyth Barr Stadium, demonstrating the multi-purpose nature of the venue. In addition relationships with our regular venue hirers as well as individual events promoters have been strengthened.

The heavy events programme has seen 60 main bowl events take place as well as 175 meetings, conferences or functions off the field. While Forsyth Barr Stadium has seen community events take place in the past, a community programme has been developed in conjunction with Dunedin City Council which has seen more than the target of $375,000 worth of event hire or other costs absorbed over the last 6 months.

In April we welcomed the re-opening of the historic Dunedin Centre and Town Hall following its significant refurbishment over the last three years. Dunedin Venues Management Ltd staff have been managing the Dunedin Centre and Town Hall on behalf of Dunedin City Council during this period and have played a key role in the re-opening of the venue. The Dunedin Centre has been successfully integrated into the organisational structure during the year and the Company is well placed for the formal transfer of this venue from 1 July 2013.

The Company commenced management of the Porters Lounge at the Dunedin Railway Station in March and since that time a number of small functions and events have taken place.

Financial Performance

We are pleased to report an improvement in the financial performance of the Company from the previous year.

The increase in events saw revenue rise to $8.23 million, an improvement of 35% on the previous year. Total expenditure also improved, decreasing by 10% to $5.77 million.

Profit before rent, subvention receipt and taxation increased from a loss position of $302,000 last year to a profit position of $2.46 million. After deducting $4 million of rent as required to be paid by the Dunedin City Council to retire debt, this translated to an overall net loss for the year of $986,000 compared to a loss of $3.21 million in 2012/13, an improvement of 69%.

While this is a good improvement from the previous year the Company remains focused on continuous improvement and efficiency for the upcoming financial year. Challenges still remain for the Company in meeting the requirements of operating the venue and meeting its financial targets. The recent job losses sustained in the region may impact on the discretionary dollar which would put pressure on attracting people to events and potential spend once they are at our venues. Likewise there is pressure on cost as the fixed costs of operating the stadium equate to more than half of the overall stadium expenses. Nonetheless, Dunedin Venues Management Ltd is confident further improvement in financial performance can be achieved.

Events

In the 12 months to 30 June 2013, Forsyth Barr Stadium hosted 272,000 people at 60 main bowl events. The venue also hosted 175 MICE (meetings, incentives, conferences and exhibitions) events welcoming over 16,000 people. The number of people attending events at Forsyth Barr Stadium over the year equates to nearly three times the population of Dunedin. This is quite an achievement and shows that the venue is fast becoming a great asset to the City and region.

Summary of Bowl Events During the Year

	Number of Events	Total Attendance
Community	4	3,998
Entertainment	12	62,823
Sport	44	205,511
	60	272,332

Rugby
The year started with a number of club rugby games being played including the metropolitan final with Taieri edging Dunedin with the last kick of the game.

Forsyth Barr Stadium hosted its first ever All Blacks test match when they took on the Springboks in September, the All Blacks winning the game 21-11 in front of a capacity crowd.

The Otago ITM Cup team did the province proud by winning a home Championship semi-final against Tasman in October, but unfortunately could not go one better losing to Counties Manukau in the final.

The Highlanders unfortunately had an indifferent season winning only three of their games, two of those wins coming at Forsyth Barr Stadium against the Sharks and the Blues. The crowds were still reasonable with the two highest being 18,500 against the Chiefs in the first game of the season and a similar number for the Crusaders match in June. The Highlanders also had matches with international opposition against 'A' sides from Fiji and Japan in March and April respectively.

Other Sports
Forsyth Barr Stadium hosted seven Otago United ASB Premiership football matches, a Wellington Phoenix A-League match against Melbourne Heart in March and the first All Whites game in Dunedin since 1988. Held in March, this was the final home world cup qualifier against New Caledonia which the All Whites won 2-1 after an injury-time goal.

In another first, rugby league came to Forsyth Barr Stadium in February with the Warriors playing their final pre-season match against the Brisbane Broncos. A crowd of 14,000 attended this event.

Concerts
Two major concerts for the year occurred in the same month with Paul Simon playing to 12,000 on 6 April and Aerosmith playing to around 18,000 on 24 April. In addition to that, the Hollies played in February as part of 'Ride the Rhythm' where an equestrian event took place earlier in the day. The Wineries Tour took place at the end of February with The Adults, Anika, Boh and Hollie, and Fat Freddies Drop entertaining the crowd. The Otago University Students Association also booked Macklemore and Ryan Lewis as part of Orientation Week in February, who played to around 5,000 in the ODT Stand. The relationship with the Otago University Students Association continues to strengthen with discussions on a multi-year agreement for hosting Orientation week underway.

Entertainment Events
'Ride the Rhythm' was not the only equestrian type event that took place during the year, with the Rodeo coming to the stadium in November. Then, in January, a crowd of 12,000 were entertained by Nitro Circus – a live motocross event.

We were also delighted to welcome back Orientation Week in February, which in addition to the Macklemore and Ryan Lewis concert noted above had a hypnotist show and a comedy show in the Mitre 10 Stand, and a Toga Party in the ODT Stand.

Community
The introduction of the community access service level agreement has been positive with 22,935 people utilising Forsyth Barr Stadium under this agreement. This includes 29 community based activities including 'rippa' rugby, women's rugby and football, local football, marching, a Sunday market and school sports. March saw the Cancer Society's Relay for Life event take place at Forsyth Barr Stadium, an event which saw about 1,500 people raising money through a 24 hour walk around the pitch.

We recognise the contribution the community has made to the Stadium's success so we are delighted to report that schools, sports groups and non-profit organisations have all taken advantage of using Forsyth Barr Stadium through the service level agreement.

Awareness

Over the first two years of operation Forsyth Barr Stadium has become embedded into the sports and entertainment landscape of New Zealand. Research carried out on behalf of Dunedin Venues Management Ltd by Gemba Sports and Entertainment told us that one third of New Zealanders are aware of Forsyth Barr Stadium and that more than 80% of Otago and Southland residents are aware of the venue. More importantly, Forsyth Barr Stadium was viewed by respondents as modern, world class, multi-purpose and providing a great atmosphere. It also ranked top amongst all other New Zealand venues in terms of innovation and quality of facilities. We're very proud the Stadium is gaining a reputation nationwide as a leading venue with great atmosphere.

Facilities Management

The events schedule has created some challenges for turf management, however the turf team has successfully ensured the grassed pitch has always been at its optimum for events whether that is rugby, league, football, equestrian or an international concert – all of which have featured over the financial year.

During the course of the year, an asset management plan has been developed for Forsyth Barr Stadium in conjunction with Dunedin Venues Ltd. Operational maintenance is carried out by Dunedin Venues Management Ltd while capital replacement is the responsibility of Dunedin Venues Ltd and the plan will be reviewed and update on an annual basis.

Acknowledgements

Dunedin Venues Management Ltd recognises that we could not achieve the event schedule or deliver events successfully without the help and support of our partners and stakeholders.

We continue to be indebted to our members, suite-holders and open club reserve holders. They have made and continue to make a substantial contribution to the success of the stadium.

The Company has worked hard to build strong relationships with our services partners, particularly Compass Catering, TicketDirect, ADT Armourguard and OCS and we appreciate their efforts in working with us to achieve our objectives.

We wish to thank our venue hirers during the year and equally wish to thank our sponsors who include:

- Forsyth Barr
- Allied Press
- Mitre 10 New Zealand
- Bank of New Zealand
- Select Personnel and HR
- Silver Fern Farms
- Coca-Cola Amatil
- Envirowaste
- Fisher & Paykel Appliances
- Lion
- TicketDirect
- Scenic Hotel Group
- Anderson Lloyd Lawyers
- Fonterra Brands (Tiptop)
- Cerebos Greggs
- Dunedin Taxis
- Konica Minolta
- Alexander McMillan Trust

We would like to thank the University of Otago who not only jointly manage the Plaza area in the stadium precinct with us, but have been one of our key venue hirers as has the Otago University Students Association.

Special thanks also need to go to staff who have worked tirelessly delivering an unrelenting events schedule across Forsyth Barr Stadium and preparing the Dunedin Centre for re-opening.

Finally, we would like to thank all those who attended events over the last year. We always try to deliver the best possible service we can for our guests and we look forward to welcoming you to our venues again.

Sir John Hansen
Chairman

Date: 25 September 2013

Darren Burden
Chief Executive

Date: 25 September 2013

Statutory Information

The Directors of Dunedin Venues Management Limited are pleased to present their report on the activities of the Company for the year ended 30 June 2013.

Principal Activities of the Company

The report covers the financial year 1 July 2012 to 30 June 2013.
The principal activities of the Company are to manage and maintain the Forsyth Barr Stadium and the Dunedin Centre/Town Hall complex.

Results for the Year Ended 30 June 2013

	$000
Operating profit for the year	2,459
Less cost of rental for stadium	(4,000)
	(1,541)
Add subvention payment	555
Loss for the year before taxation	(986)
Income Tax expense	-
Loss for the year net of taxation	(986)

Rental Agreement for Stadium

The Company has entered into a rental agreement with Dunedin Venues Limited to rent the stadium assets for a term of 20 years from 1 August 2011. The rental has been valued by Darroch Limited at $4,000,000 per annum.

State of Affairs

The Company recorded a net loss after tax of $986,000 for the year. Despite this loss, the directors believe that the state of affairs of the company is satisfactory as the company has the support of its shareholder during the period of trading required to achieve profitability.

Changes in Accounting Policies

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

Review of operations

Revenue increased this year by 35% to $8,205,000. The net loss for the year was $986,000 compared with a loss in the previous year of $3,214,000
Challenges still remain for the company in meeting the requirements of operating the venue and meeting its financial targets.

Company Management

Darren Burden was appointed as Chief Executive Officer in September 2012 following the resignation of David Davies. I would like to thank David for his contribution in establishing the Company and overseeing the first critical months of operation of the business.

The staff structure has remained stable during the last 12 months.

Change of Directors

No director changes occurred during the year.

Outlook

The Company has made good progress this year in that the loss of $986,000 is substantially lower that the loss last year of $3,214,000.

The business continues to expand its revenues and place strict control over its costs.

Social and Environmental Contributions

The recycling program which incorporates communications with partners, alternative products being used, visual displays, improved clean up procedures and clearly identifiable recycling stations has seen a 6% increase in recyclable material being removed from Forsyth Barr Stadium. During the year 50.5% of waste was recycled.

Financial Statements

The audited financial statements for the year ended 30 June 2013 are attached to this report.

Director's Interest in Contracts

Refer to Directors' Declarations of Interest section on page 8 and the related parties' transactions on pages 23 and 24.

Auditor

The Controller and Auditor General has contracted the audit to Audit New Zealand. Auditor's remuneration is set out in Note 3 on page 18.

Employee Remuneration

Details of remuneration ranges (inclusive of retirement allowances) for employees of the company are:

	Number of Employees	
Remuneration Range	**2013**	**2012**
$250,000-259,999	-	1
$200,000-209,999	1	-
$170,000-179,999	-	1
$150,000-159,999	1	1
$120,000-129,999	1	-
$110,000-119,999	1	2

Directors' Remuneration

Director	**Responsibilities**	**Remuneration**	
		2013 $'000	**2012 $'000**
John W Hansen	Chairman	24	24
Peter G Stubbs	Deputy Chairman	16	16
Peter J Brown	Director	16	16
Peter J Hutchison	Director	16	16
Jennifer H Rolfe	Director	16	16

Directors' Insurance

As provided in the Company's Constitution, Dunedin Venues Management 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 Management 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 with the exception that Peter Stubbs' law firm, Simpson Grierson, has charged legal fees of $22,000.

Staff

The Directors record their appreciation of the professional and positive way that staff have carried out their duties during the year. The Company is very fortunate to have a small but dedicated team ably led by Darren Burden, the Company's Chief Executive Officer.

Events Subsequent to Balance Date

No significant events have occurred subsequent to balance date.

On behalf of the Board of Directors:

J W Hansen
Chairman

Date: 25 September 2013

P G Stubbs
Deputy Chairman

Date: 25 September 2013

Directors Information

Director	Declarations of Interest	Responsibility
Sir John Hansen (Chairman)	Retired High Court Judge	
	Christchurch Casino Charitable Trust	Trustee
	Canterbury Youth Development Trust	Trustee
	NZ Cricket	Board Member
	Appeals Council Member, NZRFU	Member
	International Rugby Board	Appeals Officer
	Legal Issues Centre Law Facility, University of Otago	Consultant
	Canterbury Clinical & Medical Network	Chairman
	Red Cross Canterbury Earthquake Mayoral Commission	Chairman
	Canterbury Earthquake Recovery Authority review panel	Chairman
	Press Council	Chairman
	Court of Appeal, Western Samoa & Solomon Islands	Member
	Insurance Ombudsman Commission	Member
	Gas Industry Company Limited	Ruling panel member

Date appointed 19 September 2009

Director	Declarations of Interest	Responsibility
Peter G Stubbs (Deputy Chairman)	Simpson Grierson	Partner
	The Westervelt Company Advisory Board	Member
	Provides legal advice to various city councils around NZ on regional economic development, venues, attractions, events and tourism issues.	Legal Advisor
	Regional Facilities, Auckland	Director
	Ticketek	Legal Advisor
	Kitchen Things	Chairman

Date appointed 19 September 2009

Director	Declarations of Interest	Responsibility
Peter J Brown (Director)	Port Otago Ltd	General Manager
	Fortune Theatre	Chairman
	Forsyth Barr Stadium	Lounge Member
	University Centre for Performing Arts Steering Group	Member

Date appointed 19 September 2009

Director	Declarations of Interest	Responsibility
Peter Hutchison (Director)	Otago/Southland Division of CSNZ	Chairman
	CSNZ National Board	Deputy Chairman
	Fund Managers Auckland Ltd	Director
	Mortgage Fund Managers Ltd	Director
	All Purpose Finance Ltd (in Rec.)	Director
	Fund Managers Otago Ltd	Managing Director
	Fund Managers Holdings Ltd	Director
	Dunedin Prison Trust	Trustee
	KWH Ltd	Chairman
	SSL New Zealand Ltd	Chairman

Date appointed 19 September 2009

Director	Declarations of Interest	Responsibility
Jennifer H Rolfe (Director)	Daffodil Enterprises Ltd	Director
	NZ Rugby League	Director
	Rolfe Limited	Director
	The Brand Agency	Managing Director

Date appointed 19 September 2009

Statement of Comprehensive Income

For the Year Ended 30 June 2013

	Note	**2013 $'000**	**2012 $'000**
Revenue			
Operating income	3	8,205	6,085
Financial income	4	27	8
Total revenue		8,232	6,093
Less expenses			
Operating expenses	5	3,589	3,862
Depreciation	6	310	176
Directors fees		88	88
Salaries and wages		1,499	1,959
Interest expense	7	287	310
Total expenditure		5,773	6,395
Profit (loss) for the year before rental of stadium, subvention receipt and taxation		**2,459**	**(302)**
Rental of stadium		(4,000)	(3,667)
Subvention receipt	22	555	782
Loss for the year before taxation		**(986)**	**(3,187)**
Income tax (expense) credit	8	-	(27)
Loss for the year net of taxation		**(986)**	**(3,214)**
Other comprehensive income			
Total comprehensive loss for the year net of taxation		**(986)**	**(3,214)**

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 2013

	Share Capital $'000	Retained Deficits $'000	Total Equity $'000
Balance at 1 July 2012	200	(6,470)	(6,270)
Comprehensive income			
Loss for the year net of taxation	-	(986)	(986)
Other comprehensive income	-	-	-
Total comprehensive loss for the year	-	(986)	(986)
Deficit at 30 June 2013	200	(7,456)	(7,256)

	Share Capital $'000	Retained Deficits $'000	Total Equity $'000
Balance at 1 July 2011	200	(3,256)	(3,056)
Comprehensive income			
Loss for the year net of taxation	-	(3,214)	(3,214)
Other comprehensive income	-	-	-
Total comprehensive loss for the year	-	(3,214)	(3,214)
Deficit at 30 June 2012	200	(6,470)	(6,270)

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

Balance Sheet
As at 30 June 2013

	Note	2013 $'000	2012 $'000
Equity			
Share capital	9	200	200
Retained deficits	10	(7,456)	(6,470)
Total Equity		(7,256)	(6,270)
Current Liabilities			
Trade and other payables	11	1,800	2,247
Employee entitlements		206	190
Income received in advance		2,594	2,905
Shareholder advance from Dunedin City Council	13	3,381	3,381
Advance from Dunedin Venues Limited	12	849	645
Advance from Aurora Energy Limited		662	-
Finance lease liability	15	95	95
Loan – John Deere Financial Limited	14	42	42
Loan – Dunedin City Treasury Limited	14	105	99
Loan Cisco Capital Ltd	14	301	-
Total current liabilities		10,035	9,604
Non-Current Liabilities			
Finance lease liability	15	252	347
Loan – John Deere Financial Limited	14	5	47
Loan – Dunedin City Treasury Limited	14	1,056	1,161
Loan – Cisco Capital Limited	14	1,000	-
Total non-current liabilities		2, 313	1, 555
Total Liabilities		12,348	11,159
TOTAL EQUITY AND LIABILITIES		5,092	4,889
Current Assets			
Cash and cash equivalents	16	537	491
Trade and other receivables		1,228	633
Prepayments		135	232
Taxation receivable		6	2
GST receivable		31	73
Total current assets		1,937	1,431
Non-Current Assets			
Property, plant and equipment	17	3,155	3,458
Total non-current assets		3,155	3,458
TOTAL ASSETS		5,092	4,889

On behalf of the Board of Directors:

J W Hansen
Chairman
Date: 25 September 2013

P G Stubbs
Deputy Chairman
Date: 25 September 2013

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 2013

	Note	2013 $'000	2012 $'000
Cash Flows from Operating Activities			
Cash was provided from			
Receipts from customers		7,292	8,326
Interest received		27	8
Income tax received		-	1
Net GST received		42	-
Subvention payments		555	782
		7,916	9,117
Cash was disbursed to			
Payments to suppliers and employees		9,502	7,475
Interest paid		287	310
Income tax paid		5	-
Net GST paid		-	24
		9,794	7,809
Net Cash Inflows / (Outflows)from Operating Activities	18	(1,878)	1,308
Cash Flows from Investing Activities			
Cash was disbursed to			
Purchase of property, plant and equipment		7	2,925
Net Cash Inflows / (Outflows) from Investing Activities		(7)	(2,925)
Cash Flows from Financing Activities			
Cash was provided from			
Shareholder advance from Dunedin City Council		-	2,630
Loan Cisco Capital Limited		1,300	-
Advance Aurora Energy Limited		662	
Advance from Dunedin Venues Limited		204	645
Loan – Dunedin City Treasury Limited		-	1,260
		2,166	4,535
Cash was disbursed to			
Repayment of borrowings		235	46
Repay advance Dunedin City Council		-	2,500
		509	2,546
Net Cash Inflows / (Outflows) from Financing Activities		1,931	1,989
Net Increase / (Decrease) in Cash and Cash Equivalents		46	309
Cash and cash equivalents at the beginning of the year		491	182
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		537	491
Composition of Cash			
Cash and cash equivalents		537	491
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		537	491

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 2013

1. REPORTING ENTITY

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

Dunedin Venues Management Limited is a Council Controlled Trading 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 Management Limited are for the year ended 30 June 2013.

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

The primary objective of Dunedin Venues Management Limited is to manage and maintain the Forsyth Barr Stadium and the Dunedin Town Hall/Dunedin Centre.

Dunedin Venues Management Limited is a profit orientated 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 annual financial statements have been prepared in accordance with NZ GAAP. They comply with New Zealand Equivalents to IFRSs (NZ IFRS), and other applicable Financial Reporting Standards, as appropriate for profit orientated entities.

The financial statements were authorised for issue by the directors on 20th September 2013.

Basis of Accounting

The financial statements have been prepared on an historic cost basis.

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 accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2013 and the comparative information for the year ended 30 June 2012.

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.

Membership and Sponsorship Revenue
The development of the Stadium was partially funded by the sale of stadium memberships, corporate boxes and signage and sponsorship. The term of the memberships and corporate box licenses is five to ten years. The terms of the signage and sponsorship agreements range from one year to ten years. Payment for these items has been received and recorded as income received in advance. This income is amortised as revenue on a straight-line basis over the term of the agreement. Amortisation of revenue from memberships and corporate boxes commenced from 1 August 2011. Where signage and sponsorship agreements were entered into prior to the opening of the Stadium, amortisation of revenue commenced from 1 August 2011.

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
Amounts due from lessees under finance leases are recorded as receivables at the amount of the company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the company's net investment outstanding in respect of the leases.

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

The Company As Lessee
Assets held under finance leases are recognised as assets of the company 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.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Employee Entitlements

Entitlements to salary and wages and annual leave are recognised when they accrue to employees. This includes the estimated liability for salaries and wages and annual leave as a result of services rendered by employees up to balance date at current rates of pay.

Entitlements to long service leave and retirement gratuities are calculated on an actuarial basis and are based on the reasonable likelihood that they will be earned by employees and paid by the Company.

The Company recognises a liability for sick leave to the extent that absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The calculation is based on the value of excess sick leave taken within the previous twelve months.

Borrowing costs

Borrowing costs are recognised in the income statement in the period in which they are incurred.

Good and Service 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:

	Rate	*Method*
Buildings	20%	Diminishing value
Temporary seating	8.5%	Straight line
Furniture and fittings	20%	Diminishing value
Office equipment	12% to 80%	Diminishing value
Stadium equipment	12% to 20%	Diminishing value
Stadium Vision	8.5%	Straight line
Signage	12%	Diminishing value

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 at 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.

Income Received in Advance

Income received in advance represents the unexpired portion of Membership and Sponsorship revenue at balance date and is carried forward in the Balance Sheet.

Prior Period Comparatives

Prior period comparatives have been restated as appropriate to comply with current reporting.

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.

	2013 $'000	2012 $'000
3. OPERATING INCOME		
Income from services and event	8,205	6,085
4. FINANCIAL INCOME		
Interest received from funds on deposit	27	8
5. OPERATING EXPENSES		
Audit fees - for audit of financial statements	27	25
- for other audit services	-	-
Total audit fees	27	25
Rental expense on operating leases	16	10
Bad debts	8	73
Other expenses	3,555	3,779
Total operating expenses	3,589	3,862
6. DEPRECIATION		
Buildings	123	62
Furniture & fittings	1	1
Office equipment	13	22
Stadium equipment	168	87
Signage	5	4
Total financial expenses	310	176
7. INTEREST EXPENSE		
Interest - related parties	238	310
Interest - term loans	49	-
Total financial expenses	287	310
8. INCOME TAXES		
Income Tax Recognised in Comprehensive Income		
Loss for the year before income tax	(986)	(3,187)
Income tax expense (credit) calculated at 28% (2012: 28%)	(276)	(893)
Tax effect of following adjustments		
Non-deductible expenses	22	8
Non assessable income	(105)	(219)
Depreciation not included	(14)	
Tax losses not recognised	373	1131
Tax effect of differences	276	920

	2013 $'000	2012 $'000
Tax expense	-	27
Effective tax rate	0%	0%
Comprising		
Current tax benefits	(373)	(1,104)
Tax losses not brought to account	373	1,131
Income tax	-	27

Current year tax losses of $1,333,019 are available to the company. Tax losses of $2,544,358 have been carried forward from last year resulting in tax losses carried forward as at 30 June 2013 of $3,877,377. These losses will remain available to carry forward to later income years for utilisation by the company or within the Dunedin City Council group, subject to legislative requirements continuing to be satisfied.

The Company has no imputation credits available for use in subsequent periods.

9. EQUITY - Share Capital

Issued Capital		
200,000 fully paid ordinary shares (2012: 200,000)	200	200

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.

Since balance date, the Company has made calls on 4,106,065 shares of $1 each.

10. RETAINED DEFICITS

Balance at the beginning of the year	(6,470)	(3,256)
Loss for the year net of taxation	(985)	(3,214)
Balance at the end of the year	(7,455)	(6,470)

11. TRADE AND OTHER PAYABLES

Trade payables	1,800	2,247
Total trade and other payables	1,800	2,247

12. ADVANCE FROM DUNEDIN VENUES LIMITED

Loan repayable within one year	849	645

The Dunedin Venues Limited loan is unsecured and is repayable on demand. There is no interest payable.

	2013 $'000	2012 $'000

13. SHAREHOLDER ADVANCE

	2013 $'000	2012 $'000
Balance at the beginning of the year	3,381	3,251
Advanced during the year	-	2,630
	3,381	5,881
Less repayments of advance	-	2,500
Balance at the end of the year	3,381	3,381

The shareholder's advance owing to Dunedin City Council is unsecured. This advance represents pre operating costs of the company which would normally form part of the capital of the company. Interest is payable based on an interest rate set at the start of each year. During the year the interest rate incurred on the advance was 5.27% (2012: 6.40%). Since balance date the advance has been repaid.

14. BORROWINGS (secured)

	2013 $'000	2012 $'000
Loan – John Deere Financial Limited	47	89
Loan – Dunedin City Treasury Limited	1,161	1,260
Loan Cisco Capital PTY Limited	1,301	-
	2,509	1,349

The repayment period on the borrowings is as follows:

	2013 $'000	2012 $'000
Less than one year	449	141
Repayable between one to two years	432	109
Repayable between two to five years	1,047	347
Repayable later than five years	581	752
	2,509	1,349

The John Deere Financial Limited loan is secured over stadium ground equipment and is interest free. The loan matures on 18 October 2014.

The Dunedin City Treasury Limited loan is secured over temporary seating and incurred a floating interest rate at 5.1% during the year (2012: 5.1%). The loan matures on 20 June 2022.

The Cisco Capital PTY Limited loan is unsecured and incurred an interest rate of 5.1% during the year . The loan matures on 11 October 2016.

15. LEASE COMMITMENTS

(i) Minimum Operating Lease Payments

	2013 $'000	2012 $'000
Payable within one year	4,017	4,006
Payable between one to five years	16,016	16,004
Payable later than five years	55,633	59,633
	75,666	79,643

The Company has entered into a rental agreement with Dunedin Venues Limited to rent the stadium assets for a term of 20 years from 1 August 2011. The rental has been valued at $4,000,000 per annum.

	2013 $'000	2012 $'000
(ii) Minimum Finance Lease Payments		
Payable within one year	95	95
Payable between one to five years	252	347
Payable later than five years	-	-
	347	442

16. CASH AND CASH EQUIVALENTS

Cash on hand	5	4
Bank current account	196	124
Deposit accounts	336	363
	537	491

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.

17. PROPERTY, PLANT AND EQUIPMENT

2013

	Buildings $'000	Furniture & Fittings $'000	Office Equipment $'000	Stadium Equipment $'000	Signage $'000	Total $'000
Cost or Valuation						
Balance at beginning of year	1,399	10	81	2,126	49	3,665
Purchases	-	-	6	2	-	8
Sales	-	-	(1)	-	-	(1)
Balance at end of year	1,399	10	86	2,128	49	3,672
Accumulated depreciation						
Balance at beginning of year	62	2	52	87	4	207
Depreciation	123	1	13	168	5	310
	185	3	65	255	9	517
Balance at end of year	1,214	7	21	1,873	40	3,155

2012

	Buildings $'000	Furniture & Fittings $'000	Office Equipment $'000	Stadium Equipment $'000	Signage $'000	Total $'000
Cost or Valuation						
Balance at beginning of year	-	10	65	160	-	235
Purchases	1,399	-	17	1,966	49	3,431
Sales	-	-	(1)	-	-	(1)
Balance at end of year	1,399	10	81	2,126	49	3,665
Accumulated depreciation						
Balance at beginning of year	-	1	30	-	-	31
Depreciation	62	1	22	87	4	176
	62	2	52	87	4	207
Balance at end of year	1,337	8	29	2,039	45	3,458

18. RECONCILIATION OF NET LOSS FOR THE YEAR TO CASHFLOWS FROM OPERATING ACTIVITIES

	2013 $'000	2012 $'000
Net loss for the year	(986)	(3,187)
Items Not Involving Cash Flows		
Depreciation	310	176
Impact of Changes in Working Capital Items		
(Increase) /Decrease in trade and other receivables	(595)	(367)
(Increase) /Decrease in prepayments	97	(232)
(Increase) / Decrease in taxation receivable	(4)	1-
(Increase) / Decrease in GST receivable	42	(25)
Increase / (Decrease) in trade and other payables	(447)	2,020
Increase / (Decrease) in employee entitlements	15	17
Increase / (Decrease) in income received in advance	(310)	2,905
Net cash inflows / (outflows) from operating activities	(1,878)	1,308

19. CAPITAL EXPENDITURE COMMITMENTS

The Company had no capital expenditure commitments at year end (2012: $nil).

20. CONTINGENT LIABILITIES

There were no contingent liabilities at year end (2012: Nil).

	2013 $'000	2012 $'000

21. 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 $9,800,000 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

	2013 $'000	2012 $'000
Loans and receivables	1,937	1,431

Financial Liabilities

	2013 $'000	2012 $'000
Financial liabilities at amortised cost	9,402	7,812

All financial assets and liabilities are recognised at amortised cost.

22. RELATED PARTY TRANSACTIONS

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

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

<u>Transactions with Dunedin City Council</u>

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

	2013 $'000	2012 $'000
Advance received	-	130
Interest on advance	178	308
Resource consent fees	7	2
Rates and property rentals and other charges	327	55
Purchase of property, plant and equipment	-	1,266
Service level agreement	750	-
As at balance date:		
Payable to Dunedin City Council	10	19
Shareholders Advance – refer Note 13	3,381	3,381

<u>Transactions with Dunedin City Council Controlled Entities</u>

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

Dunedin Venues Limited

	2013 $'000	2012 $'000
Advance received	204	645
Rent of stadium	4,000	3,667
As at balance date:		
Payable to Dunedin Venues Limited	666	666

	2013 $'000	2012 $'000
Advance – refer Note 12	849	645
Dunedin City Treasury Limited		
Loan received/(repaid)	(99)	1,260
Interest	61	2
As at balance date:		
Payable to Dunedin City Treasury Limited	-	-
Loan – refer Note 14	1,161	1,260
Aurora Energy Limited		
Loan received	662	-
As at balance date		
Payable to Aurora Energy Limited	662	

In addition, the Company received subvention payments from Dunedin City Council controlled entities. These were as follows:

Dunedin City Council	178	-
Aurora Energy Limited	377	782
	555	782

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.

Transactions with companies in which key management personnel have an interest and with close members of the family of key management personnel:

Key management personnel within the company include the Chief Executive, any manager with the title of Chief Financial Officer or equivalent and any manager with general management responsibilities over a major division. Amounts are to the nearest $1,000.

During the course of the year:

- Peter J Brown purchased two Forsyth Barr Stadium Lounge Memberships for $3,000 (2012: $3,000).
- Fund Managers Otago Limited of which Peter J Hutchison is the Managing Director, purchased six Forsyth Barr lounge memberships for $9,000 (2012:$9,000).
- The Company incurred legal costs of $22,000 with Simpson Grierson of which Peter G Stubbs is a partner

Compensation of Key Management Personnel

Salaries and short-term benefits	773	912

23. GOING CONCERN

The financial statements have been prepared using the going concern assumption.
The Company has recorded a net equity deficit of $7,256,000 and a net working capital deficit of $8,098,536 at 30 June 2013. This position is mitigated by the uncalled capital of $9,800,000 available to the Company.

24. EVENTS AFTER BALANCE SHEET DATE

Since balance date, the Company has made calls on share capital of $4,106,065. Part of these funds have been received and have been used to repay the advance from the Dunedin City Council of $3,381,065. The balance will be used to repay term debt.

Statement of Service Performance - DVML

For the Year Ended 30 June 2013

	Performance Targets	Achievements
	General	
6.1	Ensure, insofar as it is lawfully able, that the SoI and operating policies are consistent with the operating policies of the DCC.	Statement of Intent confirmed by the DCC 25 July 2012.
6.2	Monitor the operating activities of the venues to ensure that the SoI and operating strategies are adhered to.	Financial and operational reports were prepared monthly and reviewed at monthly meetings of the Board. Reports were issued to DCHL (as DCC agent) on a monthly basis.
6.3	To keep the DCC informed of matters of substance affecting the Company and venues.	Regular meetings were held between the CEO of the DCC and the CEO of DVML. Monthly reports were issued to DCHL as agent of DCC.
	Customer/Client Services	
6.4	To be viewed by residents of the greater Otago region as providing and operating valued assets.	Over 309,000 people attended in excess of 300 events at the stadium during the period providing a positive economic impact to the Otago region.
	To play an active role in the wider visitor strategies and city incentives in creating events of national importance with Brand Dunedin partners.	Regular liaison took place with Brand Dunedin partners on an individual and collective basis.
	Economic benefit studies will be commissioned for key events.	Although no economic benefit studies were commissioned during the year, there were 11,531 tickets for the two major concerts (Paul Simon and Aerosmith) purchased from outside Dunedin.
	The development of sound customer management systems.	Processes are in place to carry out extensive customer satisfaction surveys during the next twelve months.
	Community Responsibility	
6.5	As a major commercial enterprise we have a direct influence on community affairs. DVML is aware of the sensitivity to the community's needs and acts in a caring and responsible manner.	During the year the Company has developed and put in place a community access plan in conjunction with the DCC.
	It will work with the shareholder to provide access to community groups within commercial parameters as agreed with the shareholder.	Over the last 6 months of the year approximately $420,000 worth of assistance has been provided from an investment by the shareholder of $375,000.

	Economic/Financial	
6.6	Maximise financial returns achieved from, and the value added by, the venues within the Company when appropriately absorbed.	The shareholder measures the Company financial performance on net profit before rent. The Company has achieved a surplus of approximately $2.5m compared to a loss of $302,000 the previous year. This has been as a result of a 35% increase in revenue and a 10% decrease in expenses.
6.7	Maintain sound financial reporting practices and procedures.	Business plan for the ten years ending 30 June 2021 developed by the DVML Board. Appropriate manuals and registers have been maintained and financial contracts are securely filed.
6.8	Maintain the Company's financial strength through sound financial management within the limitations of debt levels imposed by the shareholder. Particular attention will be given to cash flow performance.	Cost control has been maintained through tight financial controls, and monthly financial reporting to the DVML Board through the year. Cash flow has remained positive.
6.9	Capital expenditure will be utilised to improve the base build limitations of the stadium.	Returns from capital expenditure are monitored although considerable capital expenditure has been expended in order for the business to operate effectively.
6.10	To increase corporate memberships	33 new memberships have been sold during the year.
6.11	Maximise the number of meetings, incentives, conferences and exhibitions held at the stadium.	The stadium hosted 175 MICE events during the year. This compares to 160 the previous year.
6.12	To host an All Blacks match each year.	An All Blacks test match against South Africa was hosted on 15 September 2012. The match sold out.
6.13	To host one major and one medium entertainment event each year.	The Paul Simon concert was hosted on 6 April 2013 and the Aerosmith concert hosted on 24 April 2013. These concerts attracted 27,962 people. A number of other concert and entertainment events were also held.
6.14	To maximise the number of Super Rugby, ITM Cup, NRL, AFL and NZFL matches played at the stadium.	A total of 22 matches across these codes were played at the stadium during the year.
6.15	To encourage the use of the stadium for amateur sport.	Amateur rugby, sevens, rippa, football, athletics and marching have all been hosted at the stadium during the year.
	Social and Environmental	
6.16	Operate HR policies and practices that promote a non-discriminatory, culturally sensitive, equal	Appropriate policies and procedures are in place and these comply with employment legislation.

	opportunity workplace.	
6.17	Encourage an environment within the Company that promotes safe work practices and harmonious industrial relations.	Health and safety policies and procedures are in place. Despite the significant event and operation schedule there has only been one moderate staff accident reported during the year.
6.18	Monitor progress against sustainability measures and include consideration of environmental and social sustainability in decision making.	A 6% increase in recycled products was achieved compared to recycled products last year.
	The company will keep records of its waste with ongoing evaluations to reduce and recycle waste	89.7 tonnes of waste was removed during the year and of that amount 45.3 tonnes was recycled. Waste management planning is included as part of all event planning and improvements discussed at the completion of each major event.
6.19	To act as a socially and environmentally responsible corporate citizen, and to engage with the shareholder on an annual basis around opportunities for the company and/or its subsidiaries to contribute or assist where possible with the DCC's community outcomes (as listed in the annual plan).	The CEO has met regularly with the CEO of the DCC to discuss where DVML is able to contribute or assist with the DCC's community outcomes.
6.20	To bring to the attention of the shareholder any strategic or operational matters where there may be a conflict between the DCC's community outcomes as listed in the annual plan and those of the Company or its subsidiaries and to seek the shareholder view on these. The Company will be mindful that the Shareholder is the custodian of the community's interest and accepts that this may create a greater need for consultation with the shareholder than might be required in a normal commercial situation.	There have been no strategic or operational matters where there has been a conflict with the DCC's community outcomes.

Independent Auditor's Report

To the readers of Dunedin Venues Management Limited's financial statements and statement of service performance for the year ended 30 June 2013

The Auditor-General is the auditor of Dunedin Venues Management 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 9 to 25, that comprise the balance sheet as at 30 June 2013, 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 pages 26 to 28.

Opinion

Financial statements and statement of service performance

In our opinion:

- the financial statements of the company on pages 9 to 25:
  - 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 2013; and
    - financial performance and cash flows for the year ended on that date; and
- the statement of service performance of the company on pages 26 to 28:
  - 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 2013.

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 25 September 2013. 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.

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 also 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

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

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Management Limited

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