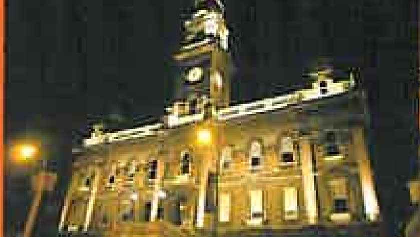
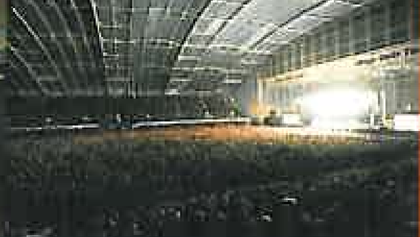
Dunedin Venues Limited

Annual Report

for the Year Ended 30 June 2012





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

- David G Davies

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)

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 2012.

Principal Activities of the Company

The report covers the financial year 1 July 2011 to 30 June 2012.

The principal activities of the Company are asset ownership and management in respect of Forsyth Barr Stadium. In particular the company ensures the asset is maintained to a standard to enable the tenant to operate the stadium effectively.

Results for the Year Ended 30 June 2012

	$000
Loss for the year before taxation	(5,087)
Income tax credit	775
Loss for the year net of taxation	(4,312)

State of Affairs

The Company purchased Forsyth Barr Stadium from the Dunedin City Council on 31 May 2012.

The Company recorded a net loss after tax of $4,311,954 for the year. The loss included the non-cash depreciation expense of $7,655,129 and this has enabled the Company to have 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:

	$000
Transfer to Cash Flow Hedging Reserves	8,578

Review of Operations

This first report covers the handover from the Carisbrook Stadium Charitable Trust on behalf of the Dunedin City Council of Forsyth Barr Stadium on 1st August 2011 to the 30 June 2012.

It would only be appropriate for us to say thank you to every company whose efforts led to the successful completion of the Forsyth Barr Stadium project that ultimately led to the hosting of the 2011 RWC during the month of September. This event attracted over 100,000 people to the stadium.

Over the past year, our company's efforts have been focused on a partnership with Arrow International Ltd to manage the initial defects period.

An agreement was signed with the Dunedin City Council in June 2011, obliging the company to take over the ownership of the stadium on 1 August 2011. Negotiations were finally completed and the stadium was formally purchased for $225,000,000 on the 31st May 2012.

Change of Directors

No Director changes occurred during the year.

Outlook

Forsyth Barr Stadium was handed over after construction on 1 August 2011. The Company remains watchful for defects that may arise over the next year due to the anticipated heavy usage from local, national and international events.

An Asset Management Plan is being established and will be implemented to ensure prudent and proper management of land and buildings at the Forsyth Barr Stadium site.

Borrowing of $146,599,569 was required to fund the purchase with the Dunedin City Council providing equity funding for the balance of the purchase price. This funding has been split into two tranches as follows:

- The first tranche of $29,059,000 is repayable over 10 years and is funded by an amount equivalent to the public funding from initial memberships and sponsorship.
- The second tranche of $117,540,569 was planned to be repaid over 40 years, however the Dunedin City Council has agreed to contribute further equity funding of $1 million per year.

It is proposed that the equity contribution together with additional funds available when the first tranche of borrowing is repaid will enable the second funding tranche to be repaid over 23 years.

The stadium will require considerable investment in capital improvements in the future and this will require the Company and the City to further consider the funding arrangements for the stadium.

Financial Statements

The audited financial statements for the year ended 30 June 2012 are attached to this report.

Director's Interest in Contracts

Refer for Directors' Declarations of Interest section on page 5. Directors had no related party transactions.

Auditors

The Controller and Auditor General has contracted the audit to Audit New Zealand. Auditor's remuneration is set out in Note 5 on page 15.

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.

On behalf of the Board of Directors:

J W Hansen **Chairman**	P G Stubbs **Deputy Chairman**
J.W. Hansen	
Date: 28/9/2012	Date: 28/9/2012

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	Director
	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
	Court of Appeal, Western Samoa & Solomon Islands	Member
	Insurance Ombudsman Commission	Member
	Christchurch Stadium Trust	Chairman
	Dot Kiwi Limited	Shareholder/Director

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
	NZRU Constitution Review Working Group	Indept 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

Date appointed 19 September 2009

Director	Declarations of Interest	Responsibility
Peter J Hutchison (Director)	Fund Managers Auckland Ltd	Director
	Otago/Southland Division of CSNZ	President
	Mortgage Fund Managers Ltd	Director
	Daffodil Enterprises Ltd	Chairman
	Fund Managers Otago Ltd	Managing Director
	Fund Managers Holdings Ltd	Director
	Dunedin Prison Trust	Trustee
	KWH Oil Ltd	Chairman

Date appointed 19 September 2009

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

Date appointed 19 September 2009

Statement of Comprehensive Income
For the Year Ended 30 June 2012

	Note	2012 $'000	2011 $'000
Revenue			
Operating income	3	3,667	-
Financial income	4	5	-
Total revenue		3,672	-
Less expenses			
Operating expenses	5	15	1
Depreciation	6	7,655	-
Directors fees		-	-
Interest expense	7	8,381	-
Total expenditure		16,051	1
Loss for the year before subvention receipt and taxation		(12,379)	(1)
Subvention receipt		7,292	-
Loss for the year before taxation		(5,087)	(1)
Income tax expense (credit)	8	(775)	-
Loss for the year net of taxation		(4,312)	(1)
Other comprehensive income			
Interest rate swap hedges losses during period		(8,579)	-
Total comprehensive loss for the year net of taxation		(12,891)	(1)

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 2012

	Note	Share Capital $'000	Reserves $'000	Retained Deficits $'000	Total Equity $'000
Balance at 1 July 2011		-	-	(1)	(1)
Comprehensive income					
Loss for the year net of taxation		-	-	(4,312)	(4,312)
Other comprehensive income					
Interest rate swap hedges losses during period net of taxation		-	(8,579)	-	(8,579)
Total comprehensive income		-	(8,579)	(4,313)	(12,892)
Shares issued		76,689	-	-	76,689
Equity at 30 June 2012		76,689	(8,579)	(4,313)	63,797

	Note	Share Capital $'000	Reserves $'000	Retained Deficits $'000	Total Equity $'000
Balance at 1 July 2010		-	-	-	-
Comprehensive income					
Loss for the year net of taxation		-	-	(1)	(1)
Other comprehensive income					
Interest rate swap hedges losses during period		-	-	-	-
Total comprehensive income		-	-	(1)	(1)
Shares issued		-	-	-	-
Equity at 30 June 2011		-	-	(1)	(1)

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

Balance Sheet

As at 30 June 2012

	Note	2012 $'000	2011 $'000
Equity			
Share capital	9	76,689	-
Cash flow hedge reserve	10	(8,579)	-
Retained deficits	11	(4,313)	(1)
Total Equity		63,797	(1)
Current Liabilities			
Trade and other payables	12	21	1
Interest accrued	22	743	-
Shareholders advance – Dunedin City Council	14, 22	1,711	-
Current portion of borrowings	15, 22	3,069	-
Total current liabilities		5,544	1
Non-Current Liabilities			
Borrowings	15, 22	143,531	-
Derivative financial instruments	13	8,579	-
Total non-current liabilities		152,110	-
Total Liabilities		157,654	-
TOTAL EQUITY AND LIABILITIES		221,451	-
Current Assets			
Cash and cash equivalents	17	4	-
Deposit – Dunedin City Treasury Ltd	22	2,010	-
Advance – Dunedin Venues Management Ltd	22	645	-
Rent receivable	22	666	-
Interest receivable		5	-
GST receivable		1	-
Deferred tax asset	8	775	-
Total current assets		4,106	-
Non-Current Assets			
Property, plant and equipment	18	217,345	-
Total non-current assets		217,345	-
TOTAL ASSETS		221,451	-

On behalf of the Board of Directors:

J W Hansen
Chairman

Date: 25/9/2012

P G Stubbs
Deputy Chairman

Date: 28/9/2012

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 2012

	Note	2012 $'000	2011 $'000
Cash Flows from Operating Activities			
Cash was provided from:			
Receipts from customers		3,000	-
Subvention payments		7,292	-
		10,292	-
Cash was disbursed to			
Interest paid		7,638	-
		7,638	-
Net Cash Inflows / (Outflows) from Operating Activities	19	2,654	-
Cash Flows from Investing Activities			
Cash was disbursed to:			
Purchase of property, plant and equipment		225,000	-
		225,000	-
Net Cash Inflows / (Outflows) from Investing Activities		(225,000)	-
Cash Flows from Financing Activities			
Cash was provided from:			
Shareholder capital		76,689	-
Advance – Dunedin City Council		1,711	-
Loan – Dunedin City Treasury		146,600	
		225,000	-
Cash was disbursed to			
Advance – Dunedin Venues Management Ltd		640	-
Deposit – Dunedin City Treasury Ltd		2,010	-
		2,650	-
Net Cash Inflows / (Outflows) from Financing Activities		222,350	-
Net Increase / (Decrease) in Cash, Cash Equivalents and Bank Overdraft		4	-
Cash and cash equivalents at the beginning of the year		-	-
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		4	-
Composition of Cash			
Cash and short term deposits		4	-
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		4	-

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 2012

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 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 Limited are for the year ended 30 June 2012.

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

The primary objective of Dunedin Venues Limited is to own and maintain 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 annual financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). They comply with New Zealand equivalents to International Reporting Standards (NZ IFRS), and other applicable Financial Reporting Standards, as appropriate for public benefit entities.

The financial statements were authorised for issue by the directors on 28 September 2012.

Basis of Accounting

The financial statements have been prepared on the 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 accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2012 and the comparative information for the year ended 30 June 2011.

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.

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, other than land on the straight-line 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.

Depreciation on revalued assets, excluding land, is charged to the profit and loss. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus remaining in the appropriate property revaluation reserve is transferred directly to retained earnings.

Assets held under finance leases are depreciated.

Depreciation rates and methods used are as follows:

	Rate	*Method*
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 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.

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

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

Changes in Accounting Policies

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

		2012 $'000	2011 $'000
3.	**OPERATING INCOME**		
	Rentals from Dunedin Venues Management Ltd	3,667	-
		3,667	-
4.	**FINANCIAL INCOME**		
	Interest received on deposits	5	-
		5	-
5.	**OPERATING EXPENSES**		
	Audit fees - for audit of financial statements	6	1
	- for other audit services	-	-
	Total audit fees	6	1
	Other expenses	9	-
	Total operating expenses	15	1

The auditor of the Company is Audit New Zealand.

		2012 $'000	2011 $'000
6.	**DEPRECIATION**		
	Buildings	2,318	-
	Fit out	3,420	-
	Pitch construction	328	-
	External site works	216	-
	Fixtures, fittings & equipment	1,373	-
	Total depreciation	7,655	-
7.	**INTEREST EXPENSE**		
	Interest to Dunedin City Council	7,638	-
	Interest to Dundedin City Treasury Ltd	743	-
	Total financial expenses	8,381	-

8. INCOME TAXES

	2012 $'000	2011 $'000
Operating surplus - continuing operations	(5,087)	(1)
- discontinued operations	-	-
Profit (loss) before income tax	(5,087)	(1)
Income tax expenses (credit) calculated at 28% (2011: 30%)	(1,424)	-
Tax Effect of the following adjustments		
Non-deductible building depreciation	649	-
Income tax expense (credit)	(775)	-
Effective tax rate	0%	0%
Comprising		
Current tax provision	(775)	-
Deferred tax provision	-	-
Income tax	(775)	-

Current year tax losses of $2,769,667 (after the subvention payment of $7,291,667) 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 2012 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 $2,402,000 being tax on the provision for the interest rate swap. This benefit is a temporary difference and has not been recognised in the financial accounts.

9. EQUITY - Share Capital

Issued Capital		
76,688,931 fully paid ordinary shares (2011: Nil)	76,689	-

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 issued a further 244,999,900 (2011:100) ordinary shares in favour of the Dunedin City Council, with 76,688,931 being fully paid. The remaining shares carry equal voting rights and are uncalled.

The amounts and dates of issue are:

- 23 December 2011 159,999,900 ordinary shares
- 27 January 2012 85,000,000 ordinary shares

	2012 $'000	2011 $'000
10. RESERVES		
Cash Flow Hedge Reserve		
Balance at beginning of the year	-	-
Interest rate swap hedges losses during the period	(8,579)	-
Balance at the end of the year	(8,579)	-

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of the cash flow hedging instruments relating to interest payments that have not yet occurred.

11. RETAINED DEFICITS

Balance at the beginning of the year	(1)	-
Loss for the year	(4,312)	(1)
Balance at the end of the year	(4,313)	(1)

12. TRADE AND OTHER PAYABLES

Trade payables	21	1
Total trade and other payables	21	1

13. DERIVATIVE FINANCIAL INSTRUMENTS

Fair Value		
Interest rate swaps	8,579	-
	8,579	-
Analysed as:		
Current	-	-
Non-current	8,579	-
	8,579	-

The Company uses interest rate swaps to manage its exposure to interest rate movements on its facility borrowings by swapping a proportion of those borrowings from floating to fixed rates.

The interest rate agreements are held with independent and high credit quality financial institutions in accordance with credit policy.

The carrying amount of financial assets recorded in the financial statements represents the Company's maximum exposure to credit risk.

	2012 $'000	2011 $'000
14. SHAREHOLDER ADVANCE		
Balance at the beginning of the year	-	-
Advanced during the year	1,711	-
Balance at the end of the year	1,711	-

During the year, the Dunedin City Council advanced $1,711,500 to the company to fund the purchase of the High Performance Sport NZ building land. Subsequent to balance date the land was sold to the Dunedin City Council and the purchase price offset against the advance. The advance is unsecured and there was no interest payable on the advance.

15. BORROWINGS (secured)

	2012 $'000	2011 $'000
Dunedin City Treasury Ltd		
Loan Facility	146,600	-
	146,600	-

The repayment period on the borrowings is as follows:

	2012 $'000	2011 $'000
Less than one year	3,069	-
Repayable between one to two years	3,920	-
Repayable between two to five years	12,977	-
Repayable later than five years	126,634	-
	146,600	-

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

- The first tranche of $29,059,000 is repayable over 10 years and is funded by an amount equivalent to the public funding from initial memberships and sponsorship.
- The second tranche of $117,540,569 was planned to be repaid over 40 years, however the Dunedin City Council has agreed to contribute further equity funding of $1 million per year.

It is proposed that the equity contribution from Dunedin City Council together with additional funds available when the first tranche of borrowing is repaid will enable the second funding tranche to be repaid over 23 years.

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 6.37% (2011: Nil).

16. CONTINGENT LIABILITIES

There were no contingent liabilities at year end (2011: Nil).

	2012 $'000	2011 $'000

17. CASH AND CASH EQUIVALENTS

	2012 $'000	2011 $'000
Cash on hand	-	-
Bank current account	4	-
	4	-

18. PROPERTY, PLANT AND EQUIPMENT

2012

	Land $'000	Buildings $'000	Fitout $'000	Pitch Construction $'000	External Site Works $'000	Fixtures Fittings & Equipment $'000	Sub-Total $'000
Cost							
Balance at beginning of period	-	-	-	-	-	-	-
Purchases	30,000	126,460	46,484	2,415	7,203	12,438	225,000
Sales	-	-	-	-	-	-	-
Balance at end of period	30,000	126,460	46,484	2,415	7,203	12,438	225,000
Accumulated depreciation							
Balance at beginning of period	-	-	-	-	-	-	-
Depreciation	-	2,318	3,420	328	216	1,373	7,655
Sales	-	-	-	-	-	-	-
	-	2,318	3,420	328	216	1,373	7,655
Balance at end of period	30,000	124,142	43,064	2,087	6,987	11,065	217,345

2011

	Land $'000	Buildings $'000	Fitout $'000	Pitch Construction $'000	External Site Works $'000	Fixtures Fittings & Equipment $'000	Sub-Total $'000
Cost							
Balance at beginning of period	-	-	-	-	-	-	-
Purchases	-	-	-	-	-	-	-
Sales	-	-	-	-	-	-	-
Balance at end of period	-	-	-	-	-	-	-
Accumulated depreciation							
Balance at beginning of period	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-
Sales	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
Balance at end of period	-	-	-	-	-	-	-

	2012 $'000	2011 $'000

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

	2012 $'000	2011 $'000
Net loss for the year	(4,312)	(1)
Items Not Involving Cash Flows		
Depreciation	7,655	-
Impact of Changes in Working Capital Items		
(Increase) / Decrease in taxation credit	(775)	-
(Increase) / Decrease in rental due	(666)	-
(Increase) / Decrease in interest due	(5)	-
(Increase) / Decrease in GST refund due	(1)	-
Increase / (Decrease) in trade and other payables	15	1
Increase / (Decrease) in interest accrued	743	-
Net cash inflows / (outflows) from operating activities	2,654	-

20. CAPITAL EXPENDITURE COMMITMENTS

The company had no capital expenditure commitments at balance date (2011 Nil).

21. FINANCIAL INSTRUMENTS

(a) Capital Risk Management

When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits to other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity.

(b) Categories of Financial Instruments

	2012 $'000	2011 $'000
Financial Assets		
Cash and cash equivalents	4	-
Trade and other receivables	666	-
Deposit – Dunedin City Treasury Ltd	2,010	-
Advance – Dunedin Venues Management Ltd	645	-
Financial Liabilities		
Trade and other payables	21	1
Advance – Dunedin City Council	1,711	-
Borrowings	146,600	-
Derivative financial instruments	8,578	-

All financial assets and liabilities are recognised at amortised cost except for derivative financial instruments which are recognised at fair value.

22. 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:

	2012 $'000	2011 $'000
Dunedin City Council		
Purchase of stadium assets	225,000	-
Advance received – refer note 14	1,711	-
Interest paid on borrowing	7,638	-
As at balance date:		
Payable to Dunedin City Council – refer note 14	1,711	-

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:

	2012 $'000	2011 $'000
Dunedin City Treasury Ltd		
Loan received – refer note 15	146,600	-
Interest accrued	743	-
Funds placed on deposit	2,010	-
As at balance date:		
Payable to Dunedin City Treasury Ltd:		
Loan – refer note 15	146,600	-
Interest accrued	743	-
Receivable from Dunedin City Treasury Ltd		-
Advance	2,010	-
Interest on deposit	5	-
Aurora Energy Ltd		
Subvention payment received	7,292	-
Dunedin Venues Management Ltd		
Advance paid	645	-
Rent received	3,667	-
As at balance date:		
Receivable from Dunedin Venues Management Ltd:		
Advance	645	-
Rent due	666	-
Payable to Dunedin Venues Management Ltd: Trade payables	7	-

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.

23. EVENTS AFTER BALANCE DATE

Subsequent to balance date the Shareholder Advance from the Dunedin City Council of $1,711,500 was applied to the purchase of land for the High Performance Sport NZ building.

There were no other significant events after balance date.

24. GOING CONCERN

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

The Company has recorded a net loss after taxation of $4,311,954 and a net working capital deficit of $1,438,000 at 30 June 2012. This position is mitigated by the uncalled capital of $168,311,069 available to the Company.

Statement of Service Performance

For the Year Ended 30 June 2012

	Performance Targets	Achievements
	General	
5.1	To ensure, insofar as it is lawfully able, that the SoI and operating strategies reflect the policies and objectives of the DCC in respect to the operation of that business.	SoI for 2012, 2013 and 2014 confirmed by the Dunedin City Council approved on 27 June 2011.
5.2	To keep the DCC informed of matters of substance affecting the Company and venues.	Regular meetings were held to update the DCC CEO until the Forsyth Barr Stadium building was handed over.
5.3	DVL ensures that the stadium is maintained to the highest possible standard for the operator – DVML.	The company has worked throughout the year with the Project Managers, construction companies and consultants to ensure that any issues arising during the warranty and defects period have been attended to in a timely and efficient manner to ensure that the issues do not detract from the enjoyment of the operator and its patrons.
	Customer/Client Services	
5.4	To maximize the financial returns achieved from the stadium.	Rent has been received in accordance with the agreements.
5.5	To establish financial reporting practices and procedures within the first six months of operations.	Policies and procedures have been developed by the Audit and Risk Committee and adopted by the Board.
5.6	To maintain the Company's financial strength through sound financial management.	Monthly reports are provided to the Audit & Risk Committee and to the Board.
6.1.1	In conjunction with DVML, continue assisting in the monitoring of construction of Forsyth Barr Stadium to ensure the project delivers a venue fit for purpose.	The company has attended and provided reports to the Project Delivery Team over the period covered by this report. The company has maintained a comprehensive risk register over the period covered by this report.
6.1.2	In conjunction with DVML, continue to work with and assist in the construction of the Unipol building and UoO Plaza.	The Unipol building was successfully opened in February 2012. The Plaza Management Group has met on a regular basis during the period covered by this report and the company has played a full part in establishing the successful operation of this building.
6.1.3	Establish an Asset Management system.	The company has contracted with Opus International Consultants Limited to peer review an asset management plan that can be adopted following the completion of the warranty and defect period.
6.1.4	Ensure that the warranties for all Forsyth Barr Stadium buildings and plant are in place and are managed.	The company has continued to monitor the performance of the stadium throughout the period covered by this report and has liaised with the Project Manager as defects and warranty issues become evident.

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 2012

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 6 to 23, that comprise the balance sheet as at 30 June 2012, 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 6 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 2012; 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 2012.

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 28 September 2012. 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 would affect a reader's 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' 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 New Zealand Institute of Chartered Accountants.

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

Dunedin Venues Limited

130 Anzac Avenue
PO Box 5506, Dunedin 9058
T +64 (0)3 479 2823 | F +64 (0)3 471 7436
www.dunedinvenues.co.nz