Dunedin Venues Management 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 Management 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 to manage and maintain the Forsyth Barr Stadium and the Dunedin Centre/Town Hall complex.

Results for the Year Ended 30 June 2012

	$000
Operating loss for the year	(302)
Add cost of rental for stadium	(3,667)
	(3,969)
Less subvention payment	782
Loss for the year before taxation	(3,187)
Income Tax expense	(27)
Loss for the year net of taxation	(3,214)

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.

Changes in Accounting Policies

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

Review of Operations

Over the last year, the venue has played host to over 375,000 visitors and has hosted some 282 different events including the following:

- 40 main bowl events,
- 120 meetings,
- 55 dinners,
- 18 conferences.
- 18 Miscellaneous other events, such as the 2011 Master Games and stage plays.

Over the last year, more than 60% of the events hosted at the stadium have had a community influence. These vary from rugby matches involving local clubs or schools, to meetings for businesses and formal dinners involving local secondary schools. This indicates that as well as being a facility for hosting major events this is a venue for the community and the community has embraced it with both arms.

The bookings for the forth-coming year indicate that there will be continued growth of community involvement. Furthermore the company hopes that it can build on the interest already stirred in both local and national promoters with events such as the international Rodeo in November and the International Horse Show booked in February already confirmed.

That is not to say that in the first year of operations the company has not had its fair share of challenges in addition to the financial challenges shown in the returns included in this report. There are difficult challenges facing the company in meeting the requirements of operating the venue and

meeting its financial targets. The management of the defects and warranty periods place a significant burden upon the shoulders of the staff as well as meeting the expectations of the hirers and ticket buying public.
During the year the Company undertook research around the Elton John concert, which showed the economic impact of that single show, was in excess of $14m. This event alone indicates the potential effect that the stadium will have on the economic fortunes of the city in the coming years.

The Company has continued to support the Dunedin City Council in the renovation of the Dunedin Centre/Town Hall complex. This is anticipated to be completed in April/May 2013. The Company has begun to plan for the reopening of this most important of local facilities.

Company Management

The Company received the news in May 2012 of the Chief Executive's intention to leave the Company. The Company has commenced the process of recruiting for a replacement and is reviewing the company structure as a result of this vacancy.

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

Change of Directors

No director changes occurred during the year.

Outlook

The Company continues to develop its revenues however an annual rental for the stadium of $4m has been imposed on the company.

Achieving a pre-rental profit of this amount will be very challenging. However, looking to the future, the stadium is consolidating its revenue base and there are strict controls over spending.

Social and Environmental Contributions

Collection of rainwater to irrigate the pitch continues to be a successful and sustainable initiative and a full recycling and waste minimization programme is in place to ensure the company meets the targeted 75% recycling rate.

Operationally, a building management system is in place and working well to centralize heating and increasing energy efficiency. Wherever possible, lighting and electrical installations are specified to conserve energy.

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 6 and the related parties transactions on pages 23 and 24.

Auditors

The Controller and Auditor General has contracted the audit to Audit New Zealand. Auditor's remuneration is set out in Note 3 on page 15.

Employee Remuneration

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

Remuneration Range	**Number of Employees 2012**	**2011**
$250,000-259,999	1	-
$210,000-219,999	-	1
$170,000-179,999	1	1
$150,000-159,999	1	-
$140,000-149,999	-	1
$110,000-119,999	2	-

Directors' Remuneration

Director	**Responsibilities**	**Remuneration 2012 $'000**	**2011 $'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.

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 David Davies, 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: 28/9/2012

P G Stubbs
Deputy Chairman

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

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

Peter J Brown (Director)	Port Otago Ltd	General Manager
	Fortune Theatre	Chairman
	Forsyth Barr Stadium	Lounge Member

Date appointed 19 September 2009

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

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 revenue		6,085	-
Interest		8	6
Total revenue		6,093	6
Less expenses			
Operating expenses	3	3,862	2,467
Depreciation		176	25
Directors fees		88	88
Salaries and wages		1,959	-
Interest expense	4	310	140
Total expenditure		6395	2,720
Loss for the year before rental of stadium, subvention receipt and taxation		**(302)**	**(2,714)**
Rental of stadium		(3,667)	-
Subvention receipt	18	782	425
Loss for the year before taxation		**(3,187)**	**(2,289)**
Income tax (expense) credit	5	(27)	27
Loss for the year net of taxation		**(3,214)**	**(2,262)**
Other comprehensive income		-	-
Total comprehensive loss for the year net of taxation		**(3,214)**	**(2,262)**

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

	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)

	Share Capital $'000	Retained Deficits $'000	Total Equity $'000
Balance at 1 July 2010	200	(994)	(794)
Comprehensive income			
Loss for the year net of taxation	-	(2,262)	(2,262)
Other comprehensive income	-	-	-
Total comprehensive loss for the year	-	(3,256)	(3,056)
Deficit at 30 June 2011	200	(3,256)	(3,056)

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	6	200	200
Retained deficits	7	(6,470)	(3,256)
Total Equity		(6,270)	(3,056)
Current Liabilities			
Trade and other payables		2,247	226
Employee entitlements		190	173
Income received in advance		2,905	-
Shareholder advance from Dunedin City Council	9, 18	3,381	3,251
Advance from Dunedin Venues Limited	8, 18	645	-
Finance lease liability	11	95	-
Loan – John Deere Financial Limited	10	42	46
Loan – Dunedin City Treasury Limited	10, 18	99	-
Total current liabilities		9,604	3,696
Non-Current Liabilities			
Finance lease liability	11	347	-
Loan – John Deere Financial Limited	10	47	90
Loan – Dunedin City Treasury Limited	10, 18	1,161	-
Total non-current liabilities		1, 555	90
Total Liabilities		11,159	3,786
TOTAL EQUITY AND LIABILITIES		4,889	730
Current Assets			
Cash and cash equivalents	12	491	182
Trade and other receivables		633	266
Prepayments		232	-
Taxation receivable		2	3
GST receivable		73	48
Total current assets		1,431	499
Non-Current Assets			
Property, plant and equipment	13	3,458	204
Deferred taxation receivable	5	-	27
Total non-current assets		3,458	231
TOTAL ASSETS		4,889	730

On behalf of the Board of Directors:

J W Hansen
Chairman
Date: 28/9/2012

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		8,326	-
Interest received		8	6
Income tax received		1	-
Subvention payments		782	286
		9,117	292
Cash was disbursed to			
Payments to suppliers and employees		7,538	2,518
Interest paid		310	-
Income tax paid		-	2
Net GST paid		24	11
		7,872	2,531
Net Cash Inflows / (Outflows) from Operating Activities	14	1,245	(2,239)
Cash Flows from Investing Activities			
Cash was disbursed to			
Purchase of property, plant and equipment		2,925	178
Net Cash Inflows / (Outflows) from Investing Activities		(2,925)	(178)
Cash Flows from Financing Activities			
Cash was provided from			
Shareholder advance from Dunedin City Council		2,630	2,046
Loan John Deere Finance Limited		-	182
Advance from Dunedin Venues Limited		645	-
Loan – Dunedin City Treasury Limited		1,260	-
		4,535	2,228
Cash was disbursed to			
Repayment of borrowings		46	-
Repay advance Dunedin City Council		2,500	-
		2,546	
Net Cash Inflows / (Outflows) from Financing Activities		1,989	2,228
Net Increase / (Decrease) in Cash and Cash Equivalents		309	(189)
Cash and cash equivalents at the beginning of the year		182	371
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		491	182
Composition of Cash			
Cash and cash equivalents		491	182
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		491	182

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 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 2012.

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 28 September 2012.

Basis of Accounting

The financial statements have been prepared on the 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 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.

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.

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. 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
Furniture and fittings	20%	Diminishing value
Office equipment	12% to 80%	Diminishing value
Stadium equipment	12% to 20%	Diminishing value
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.

	2012 $'000	2011 $'000

3. OPERATING EXPENSES

	2012 $'000	2011 $'000
Audit fees - for audit of financial statements	25	18
- for other audit services	-	-
Total audit fees	25	18
Rental expense on operating leases	10	31
Bad debts	73	-
Other expenses	5,466	2,418
Total operating expenses	5,574	2,467

4. INTEREST EXPENSE

	2012 $'000	2011 $'000
Interest - related parties	310	140
Interest - term loans	-	-
Total financial expenses	310	140

5. INCOME TAXES

Income Tax Recognised in Comprehensive Income

	2012 $'000	2011 $'000
Profit (loss) before income tax	(3,187)	(2,289)
Income tax expense (credit) calculated at 28% (2011: 30%)	(893)	(687)
Tax effect of following adjustments		
Non deductible expenses	8	44
Non assessable income	(219)	-
Tax losses not recognised	1131	616
Tax effect of differences	920	(660)
Tax expense	27	(27)
Effective tax rate	0%	0%
Comprising		-
Deferred tax	27	(27)
Income tax	27	(27)

Current year tax losses of $3,942,219 are available to the company. Tax losses of $1,457,286 will be utilised by the Dunedin City Council group in the 2012 year by way of a subvention receipt and loss offset. The remaining losses of $2,484,933 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.

	2012 $'000	2011 $'000
6. EQUITY - Share Capital		
Issued Capital		
200,000 fully paid ordinary shares (2011: 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.

On the 14th of December 2011, the Company issued a further 9,800,000 ordinary shares of $1 each in favour of the Dunedin City Council. The shares carry equal voting rights and are uncalled.

7. RETAINED DEFICITS

	2012	2011
Balance at the beginning of the year	(3,256)	(994)
Loss for the year net of taxation	(3,214)	(2,262)
Balance at the end of the year	(6,470)	(3,256)

8. ADVANCE FROM DUNEDIN VENUES LIMITED

	2012	2011
Loan repayable within one year	645	-

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

9. SHAREHOLDER ADVANCE

	2012	2011
Balance at the beginning of the year	3,251	1,205
Advanced during the year	2,630	2,046
	5,881	3,251
Less repayments of advance	2,500	-
Balance at the end of the year	3,381	3,251

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 6.4% (2011: 5.1%)

	2012 $'000	2011 $'000

10. BORROWINGS (secured)

	2012 $'000	2011 $'000
Loan – John Deere Financial Limited	89	136
Loan – Dunedin City Treasury Limited	1,260	-
	1,349	136

The repayment period on the borrowings is as follows:

	2012 $'000	2011 $'000
Less than one year	141	46
Repayable between one to two years	109	90
Repayable between two to five years	347	-
Repayable later than five years	752	-
	1,349	136

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 (2011: nil%). The loan matures on 20 June 2022.

11. LEASE COMMITMENTS

(i) Minimum Operating Lease Payments

	2012 $'000	2011 $'000
Payable within one year	4,006	8
Payable between one to five years	16,004	10
Payable later than five years	59,633	-
	79,643	18

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.

(ii) Minimum Finance Lease Payments

	2012 $'000	2011 $'000
Payable within one year	95	-
Payable between one to five years	347	-
Payable later than five years	-	-
	442	-

	2012 $'000	2011 $'000
12. CASH AND CASH EQUIVALENTS		
Cash on hand	4	-
Bank current account	124	182
Bank deposit account	363	-
	491	182

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

13. PROPERTY, PLANT AND EQUIPMENT

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

2011

	Buildings $'000	Furniture & Fittings $'000	Office Equipment $'000	Stadium Equipment $'000	Signage $'000	Total $'000
Cost or Valuation						
Balance at beginning of year	-	6	52	-	-	58
Purchases	-	4	13	160	-	177
Sales	-	-	-	-	-	-
Balance at end of year	-	10	65	160	-	235
Accumulated depreciation						
Balance at beginning of year	-	-	6	-	-	6
Depreciation	-	1	24	-	-	25
	-	1	30	-	-	31
Balance at end of year	-	9	35	160	-	204

	2012 $'000	2011 $'000

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

	2012 $'000	2011 $'000
Net loss for the year	(2,083)	(2,262)
Items Not Involving Cash Flows		
Depreciation	176	25
Impact of Changes in Working Capital Items		
(Increase) /Decrease in trade and other receivables	(367)	(58)
(Increase) /Decrease in prepayments	(232)	5
(Increase) / Decrease in taxation receivable	(1,103)	(41)
(Increase) / Decrease in GST receivable	(25)	(48)
Increase / (Decrease) in trade and other payables	2,020	(33)
Increase / (Decrease) in employee entitlements	17	173
Increase / (Decrease) in income received in advance	2,905	-
Increase/(decrease) in finance lease payables	(63)	-
Net cash inflows / (outflows) from operating activities	1,245	(2,239)

15. CAPITAL EXPENDITURE COMMITMENTS

The Company had no capital expenditure commitments at year end (2011: $1,400,000).

16. CONTINGENT LIABILITIES

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

17. 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

	2012 $'000	2011 $'000
Financial Assets		
Loans and receivables	1,431	499
Financial Liabilities		
Financial liabilities at amortised cost	7,812	3,786

All financial assets and liabilities are recognised at amortised cost.

18. 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.

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
Advance received – refer note 11	130	2,046
Interest on advance	308	140
Resource consent fees	2	-
Rates and property rentals	55	-
Purchase of property, plant and equipment	1,266	-
As at balance date:		
Payable to Dunedin City Council	19	-
Shareholders Advance – refer Note 11	3,381	3,251

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:

Dunedin Venues Limited		
Advance received	645	-
Rent of stadium	3,667	-
As at balance date:		
Payable to Dunedin Venues Limited	666	-
Advance – refer Note 9	645	-
Dunedin City Treasury Limited		
Loan received	1,260	-
Interest	2	-
As at balance date:		
Payable to Dunedin City Treasury Limited	-	-
Loan – refer Note 12	1,260	-

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

Aurora Energy Limited	782	-
City Forests Limited	-	285

Tax losses of $2,607,287 were transferred to Aurora Energy Limited by a subvention payment of $782,186 and a loss offset of $1,825,101.

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 (2011: $3,000).
- Fund Managers Otago Limited of which Peter J Hutchison is the Managing Director, purchased six Forsyth Barr lounge memberships for $9,000 (2011:$9,000).

19. GOING CONCERN

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

The Company has recorded a net equity deficit of $5,139,000 and a net working capital deficit of $7,042,000 at 30 June 2012. This position is mitigated by the uncalled capital of $9,800,000 available to the Company.

20. EVENTS AFTER BALANCE SHEET DATE

No significant events have occurred subsequent to balance date.

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.	Statement of Intent confirmed by the DCC 27 June 2011.
5.2	To monitor the operating activities of the portfolio of venues to ensure that the SoI and operating strategies are adhered to.	Financial reports are issued to the DCC monthly.
5.3	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.
	Customer/Client Services	
5.4	To be viewed by residents of the greater Otago region as valued and essential city and regional assets.	The stadium hosted over 375,000 visitors and managed 282 events at the stadium during the period providing a positive economic impact to the Otago region. The total economic impact of hosting the Elton John concert, comprising the flow-on or multiplier effects of the direct expenditure was estimated at $14.9 million. It is planned to undertake a residents' survey this year to determine the view of residents in the greater Otago region.
	Community Responsibility	
5.5	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.	Over the last year, more than 60% of the events hosted at the stadium have had a community influence. The Company actively plans for continued community use.
	Economic/Financial	
5.6	To maximize the financial returns achieved from, and the value added by, the venues within the Company when appropriately absorbed.	The Company has not achieved an operating surplus for the year.
5.7	To establish 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.

5.8	To maintain the Company's financial strength through sound financial management.	Cost control has been maintained through tight financial controls, and regular financial reporting to the DVML Board through the year.
5.9	Capital expenditure will be required to meet and maximise returns that ensures the Company's ability to meet its debt repayment obligations is not impaired.	Returns from capital expenditure are monitored although considerable capital expenditure has been expended in order for the business to operate effectively.
	Social and Environmental	
5.10	To operate HR policies and practices that promote a non-discriminatory, culturally sensitive, equal opportunity workplace.	Appropriate policies and procedures are in place and these comply with employment legislation.
5.11	To encourage the maintenance of an operating environment within the Company that promotes safe work practices and a harmonious industrial relations climate.	There have been no staff incidents or accidents during the period reported.
5.12	To monitor progress against sustainability accounting measures and includes consideration of both environmental and social sustainability in all decision making.	When the Company took ownership of the stadium, the construction company was still cleaning up from the construction i.e. 15 tonnes of solid building materials. The total figures for the 11 months of operation were as follows: • 44.5 tonnes in recycling • 55.5 tonnes in solid waste.
	Year ending 30 June 2012	
6.1.1	Continue assisting in the monitoring of construction for Forsyth Barr Stadium to ensure the project delivers a venue fit for purpose.	The stadium was completed on time and was near fit for purpose. The Company has worked through the year with the project managers, construction companies and consultants to ensure that any issues that arose through 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.
6.1.2	Put in place events at Forsyth Barr Stadium consistent with the business plan.	Events held at the stadium are consistent with DVML's business plan, with the exception of a major concert and test match.

6.1.3	Continue to successfully integrate relevant venues into DVML's portfolio.	The Company has continued to work with the DCC to integrate the Town Hall/Dunedin Centre into the DVML portfolio.
6.1.4	Continue to work with and assist in the redevelopment of Dunedin Centre and Dunedin Town Hall.	The Company has attended and provided reports to the Project Control Group over the period covered by this report.
6.1.5	To have confirmed "five test" events at Forsyth Barr Stadium, to provide the fitness for purpose of the stadium.	The five events were: • 1 x University inter college game • 1 x Heartland game • 2 x ITM games • 1 x Football game

AUDIT NEW ZEALAND

Mana Arotake Aotearoa

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 2012

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 6 to 21, 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 pages 22 to 24.

Opinion

Financial statements and statement of service performance

In our opinion:

- the financial statements of the company on pages 6 to 21:
    - 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 pages 22 to 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
Audit New Zealand
On behalf of the Auditor-General
Dunedin, New Zealand

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