

annual report / 2013

DVL

Dunedin Venues Limited



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Directory

DIRECTORS

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

CHIEF EXECUTIVE OFFICER

- Darren Burden

REGISTERED OFFICE

- Dunedin City Council
50 The Octagon
Dunedin 9016

BANKERS

- BNZ
Dunedin

SOLICITORS

- Anderson Lloyd
Dunedin
- Galloway Cook Allan
Dunedin

FINANCIAL ADVISERS

- Deloitte
Dunedin

AUDITOR

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

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 2013.

Principal Activities of the Company

The report covers the financial year 1 July 2012 to 30 June 2013.

The principal activities of the Company are 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 2013

	\$000
Loss for the year before taxation	(5,482)
Income tax credit	678
Loss for the year net of taxation	(4,804)

State of Affairs

The Company recorded a net loss after tax of \$4,803,669 for the year. The loss included the non-cash depreciation expense of \$8,290,570 and this as well as the capital contribution of \$1,000,000 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 from Cash Flow Hedging Reserves	3,290

Review of Operations

This report covers the year from 1 July 2012 to 30 June 2013

Since the stadium was handed over to the Company in July 2011, there have been on-going issues with some of the plant and equipment and this has required additional spending to bring the stadium up to a good standard. Both the showers and the boiler have required considerable upgrading, wind blocks have been installed in the East stand and some sightline issues have been overcome. There has also been further investment to complete Level 2A of the stadium.

During the year, all payments have been met with regard to interest and principal repayments. The Dunedin City Council injected further capital of \$1,000,000 during the year and this has been used for loan repayments.

Change of Directors

No Director changes occurred during the year.

Outlook

The stadium continues to be used frequently and this will require continued investment in order to maintain the asset in good condition. An Asset Management Plan has been established and there are still on-going discussions with the Dunedin City Council as to funding the future costs of maintaining the stadium. The sound system is not of an acceptable standard and Directors will consider options to fund a major investment within the next few years.

The capital contribution from the Dunedin City Council has been increased to \$2,000,000 per year from 1 July 2013. This additional capital will enable the loans to be repaid over 18 ½ years rather than the 40 years as included in the initial financial projections.

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

Financial Statements

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

Director's Interest in Contracts

Refer to Directors' Declarations of Interest section on page 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

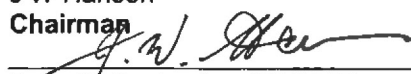
As provided in the Company's Constitution, Dunedin Venues Limited has arranged policies of Directors' Liability Insurance, which together with a deed of indemnity, ensure that the Directors will incur no monetary loss as a result of actions undertaken by them as Directors provided that they operate within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

Directors' Benefits

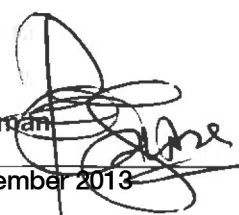
No Director of Dunedin Venues Limited has, since the end of the previous financial year, received or become entitled to receive a benefit other than a benefit included in the total remuneration received or due and receivable by the Directors shown in the financial statements.

On behalf of the Board of Directors:

J W Hansen
Chairman


Date: 25 September 2013

P G Stubbs
Deputy Chairman


Date: 25 September 2013

Directors Information

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

Date appointed 19 September 2009

Peter G Stubbs (Deputy Chairman)	Simpson Grierson The Westervelt Company Advisory Board Provides legal advice to various city councils in NZ on regional economic development, venues, attractions, events and tourism issues. Regional Facilities, Auckland Ticketek Kitchen Things	Partner Member Legal Advisor Director Legal Advisor Chairman
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Date appointed 19 September 2009

Peter J Brown (Director)	Port Otago Ltd Fortune Theatre Forsyth Barr Stadium University Centre for Performing Arts Steering Group	General Manager Chairman Lounge Member Member
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Date appointed 19 September 2009

Peter J Hutchison (Director)	Otago/Southland Division of CSNZ CSNZ National Board Fund Managers Auckland Ltd Mortgage Fund Managers Ltd All Purpose Finance Ltd (in Rec.) Fund Managers Otago Ltd Fund Managers Holdings Ltd Dunedin Prison Trust KWH Ltd SSL New Zealand Ltd	Chairman Deputy Chairman Director Director Director Managing Director Director Trustee Chairman Chairman
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Date appointed 19 September 2009

Jennifer H Rolfe (Director)	Daffodil Enterprises Ltd NZ Rugby League Rolfe Limited The Brand Agency/Rolfe Ltd	Director Director Director Managing Director
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Date appointed 19 September 2009

Statement of Comprehensive Income

For the Year Ended 30 June 2013

	<i>Note</i>	2013 \$'000	2012 \$'000
Revenue			
Operating income	3	4,000	3,667
Financial income	4	9	5
Total revenue		<u>4,009</u>	<u>3,672</u>
Less expenses			
Operating expenses	5	40	15
Directors fees		-	-
Interest expense	6	8,452	8,381
Depreciation	7	8,291	7,655
Total expenditure		<u>16,783</u>	<u>16,051</u>
Loss for the year before subvention receipt and taxation		<u>(12,774)</u>	<u>(12,379)</u>
Subvention receipt		7,292	7,292
Loss for the year before taxation		<u>(5,482)</u>	<u>(5,087)</u>
Income tax credit (expense)	8	678	775
Loss for the year net of taxation		<u>(4,804)</u>	<u>(4,312)</u>
Other comprehensive income			
Item that will not be reclassified to surplus (deficit)			
Interest rate swap hedges gains (losses) during the year	10	3,290	(8,579)
Total comprehensive loss for the year net of taxation		<u><u>(1,514)</u></u>	<u><u>(12,891)</u></u>

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

Statement of Changes in Equity

For the Year Ended 30 June 2013

	Note	Share Capital \$'000	Reserves \$'000	Retained Deficits \$'000	Total Equity \$'000
Balance at 1 July 2012		76,689	(8,579)	(4,313)	63,797
Comprehensive income					
Loss for the year net of taxation		-	-	(4,804)	(4,804)
Other comprehensive income					
Interest rate swap hedges gains (losses) during the year net of taxation		-	3,290	-	3,290
Total comprehensive income		76,689	(5,289)	(9,117)	62,283
Shares issued		1,000	-	-	1,000
Equity at 30 June 2013		77,689	(5,289)	(9,117)	63,283

	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 the year		-	(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

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

Balance Sheet

As at 30 June 2013

	Note	2013 \$'000	2012 \$'000
Equity			
Share capital	9	77,689	76,689
Cash flow hedge reserve	10	(5,289)	(8,579)
Retained deficits	11	(9,117)	(4,313)
Total Equity		63,283	63,797
Current Liabilities			
Trade and other payables	12	140	21
Interest accrued		1,801	743
Shareholder advance – Dunedin City Council	14	-	1,711
Current portion of borrowings	15	4,944	3,069
Advance Aurora Energy Limited		572	-
Total current liabilities		7,457	5,544
Non-Current Liabilities			
Borrowings	15	138,586	143,531
Derivative financial instruments	13	5,289	8,579
Total non-current liabilities		143,875	152,110
Total Liabilities		151,332	157,654
TOTAL EQUITY AND LIABILITIES		214,615	221,451
Current Assets			
Cash and cash equivalents	17	1	4
Deposit – Dunedin City Treasury Ltd		3,399	2,010
Advance – Dunedin Venues Management Ltd		849	645
Rent receivable		666	666
Interest receivable		1	5
GST receivable		-	1
Other receivables		1,453	775
Total current assets		6,369	4,106
Non-Current Assets			
Property, plant and equipment	18	208,246	217,345
Total non-current assets		208,246	217,345
TOTAL ASSETS		214,615	221,451

On behalf of the Board of Directors:

J W Hansen
Chairman

Date: 25 September 2013

P G Stubbs
Deputy Chairman

Date: 25 September 2013

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

Statement of Cash Flows

For the Year Ended 30 June 2013

	Note	2013 \$'000	2012 \$'000
Cash Flows from Operating Activities			
<i>Cash was provided from:</i>			
Receipts from customers		4,000	3,000
Subvention payments		6,611	7,292
Taxation credit		680	-
Interest		13	-
		<u>11,304</u>	<u>10,292</u>
<i>Cash was disbursed to</i>			
Interest paid		7,393	7,638
Payments to suppliers		40	-
		<u>7,433</u>	<u>7,638</u>
Net Cash Inflows / (Outflows) from Operating Activities	19	<u>3,871</u>	<u>2,654</u>
Cash Flows from Investing Activities			
<i>Cash was disbursed to:</i>			
Purchase of property, plant and equipment		546	225,000
		<u>546</u>	<u>225,000</u>
Net Cash Inflows / (Outflows) from Investing Activities		<u>(546)</u>	<u>(225,000)</u>
Cash Flows from Financing Activities			
<i>Cash was provided from:</i>			
Shareholder capital		1,000	76,689
Advance – Dunedin City Council		-	1,711
Advance Aurora Energy Limited		572	-
Loan – Dunedin City Treasury		-	146,600
		<u>1,572</u>	<u>225,000</u>
<i>Cash was disbursed to</i>			
Advance – Dunedin Venues Management Ltd		204	640
Deposit – Dunedin City Treasury Ltd		1,389	2,010
Advance Dunedin City Council		238	-
Loan repayments – Dunedin City Treasury Ltd		3,069	-
		<u>4,900</u>	<u>2,650</u>
Net Cash Inflows / (Outflows) from Financing Activities		<u>(3,328)</u>	<u>222,350</u>
Net Increase / (Decrease) in Cash and Cash Equivalents		<u>(3)</u>	<u>4</u>
Cash and cash equivalents at the beginning of the year		4	-
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		<u>1</u>	<u>4</u>
Composition of Cash			
Cash and short term deposits		1	4
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		<u>1</u>	<u>4</u>

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

Notes to the Financial Statements

For the Year Ended 30 June 2013

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 2013.

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 13th September 2013.

Basis of Accounting

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

Revenue Recognition

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

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

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

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

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:

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

Impairment of assets

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

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

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

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

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, deposits held 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.

	2013 \$'000	2012 \$'000
3. OPERATING INCOME		
Rentals from Dunedin Venues Management Ltd	4,000	3,667
	<u>4,000</u>	<u>-</u>
	<u><u>4,000</u></u>	<u><u>-</u></u>
4. FINANCIAL INCOME		
Interest received on deposits	9	5
	<u>9</u>	<u>5</u>
	<u><u>9</u></u>	<u><u>5</u></u>
The rate of interest earned on deposits is 2.5% p.a.		
5. OPERATING EXPENSES		
Audit fees - for audit of financial statements	14	6
- for other audit services	-	-
	<u>14</u>	<u>6</u>
Total audit fees	<u>14</u>	<u>6</u>
	<u><u>14</u></u>	<u><u>6</u></u>
Other expenses	26	9
	<u>26</u>	<u>9</u>
Total operating expenses	<u>40</u>	<u>15</u>
	<u><u>40</u></u>	<u><u>15</u></u>
6. INTEREST EXPENSE		
Interest to Dunedin City Council	-	7,638
Interest to Dunedin City Treasury Ltd	<u>8,452</u>	<u>743</u>
	<u><u>8,452</u></u>	<u><u>743</u></u>
Total financial expenses	<u>8,452</u>	<u>8,381</u>
	<u><u>8,452</u></u>	<u><u>8,381</u></u>
7. DEPRECIATION		
Buildings	2,530	2,318
Fit out	3,754	3,420
Pitch construction	356	328
External site works	236	216
Fixtures, fittings & equipment	1,415	1,373
	<u>8,291</u>	<u>7,655</u>
Total depreciation	<u>8,291</u>	<u>7,655</u>
	<u><u>8,291</u></u>	<u><u>7,655</u></u>

	2013 \$'000	2012 \$'000
8. INCOME TAXES		
Operating surplus - continuing operations	(5,482)	(5,087)
- discontinued operations	-	-
Loss for the year before income tax	<u>(5,482)</u>	<u>(5,087)</u>
Income tax expenses (credit) calculated at 28% (2012: 28%)	(1,535)	(1,424)
<i>Tax Effect of the following adjustments</i>		
Non-deductible building depreciation	762	649
Adjustment to 2012 taxation provision	<u>95</u>	
Income tax expense (credit)	<u>(678)</u>	<u>(775)</u>
Effective tax rate	0%	0%
<i>Comprising</i>		
Current tax provision	(678)	(775)
Deferred tax provision	-	-
Income tax	<u>(678)</u>	<u>(775)</u>

Current year tax losses of \$2,761,719 (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 2013 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 \$1,480,000 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

77,688,931 fully paid ordinary shares (2012: \$76,688,931)	77,689	76,689
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Fully paid ordinary shares carry one vote per share, carry a right to dividends and, upon winding up, a pro rata share of the Company's net assets.

During the year, Dunedin Venues Limited called on further capital of \$1,000,000 (2012: \$76,688,931) from the Dunedin City Council.

The amounts and dates of issue were:

- 15 April 2012 250,000 ordinary shares
- 15 July 2012 250,000 ordinary shares
- 15 January 2013 250,000 ordinary shares
- 15 April 2013 250,000 ordinary shares

	2013 \$'000	2012 \$'000
10. RESERVES		
Cash Flow Hedge Reserve		
Balance at beginning of the year	(8,579)	-
Interest rate swap hedges gains (losses) during the period	3,290	(8,579)
Balance at the end of the year	<u>(5,289)</u>	<u>(8,579)</u>

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	(4,313)	(1)
Loss for the year	(4,804)	(4,312)
Balance at the end of the year	<u>(9,117)</u>	<u>(4,313)</u>

12. TRADE AND OTHER PAYABLES

Trade payables	140	21
Total trade and other payables	<u>140</u>	<u>21</u>

13. DERIVATIVE FINANCIAL INSTRUMENTS

Fair Value

Interest rate swaps	5,289	8,579
	<u>5,289</u>	<u>8,579</u>
Analysed as:		
Current	-	-
Non-current	5,289	8,579
	<u>5,289</u>	<u>8,579</u>

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.

	2013 \$'000	2012 \$'000
14. SHAREHOLDER ADVANCE		
Balance at the beginning of the year	1,711	-
Less repaid during the year	(1,711)	1,711
Balance at the end of the year	<u>-</u>	<u>1,711</u>

15. BORROWINGS (secured)

Dunedin City Treasury Ltd

Loan Balance	143,530	146,000
	<u>143,530</u>	<u>146,000</u>

The repayment period on the borrowings is as follows:

Less than one year	4,944	3,069
Repayable between one to two years	5,207	3,920
Repayable between two to five years	17,378	12,977
Repayable later than five years	116,001	126,634
	<u>143,530</u>	<u>146,600</u>

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

- The first tranche balance is \$27,497,433 is repayable over 9 years and is funded by an amount equivalent to the public funding from initial memberships and sponsorship.
- The second tranche balance is \$116,032,787 and is planned to be repaid over 17 1/2 years, following the Dunedin City Council agreeing to contribute further equity funding of \$2 million per year.

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

The weighted average interest rate for the loan facility at year end, inclusive of any current portion, was 6.03% (2012: 6.37%).

16. CASH AND CASH EQUIVALENTS

Cash on hand	-	-
Bank current account	1	4
	<u>1</u>	<u>4</u>

17. PROPERTY, PLANT AND EQUIPMENT

2013							
	Land \$'000	Buildings \$'000	Fit out \$'000	Pitch Construction \$'000	External Site Works \$'000	Fixtures Fittings & Equipment \$'000	Total \$'000
Cost or valuation							
Balance at beginning of year	30,000	126,460	46,484	2,415	7,203	12,438	225,000
Purchases	-	5	358	-	-	303	666
Sales	(1,474)	-	-	-	-	-	(1,474)
Balance at end of year	28,526	126,465	46,842	2,415	7,203	12,791	224,192
Accumulated depreciation							
Balance at beginning of year	-	2,318	3,420	328	216	1,373	7,655
Depreciation	-	2,530	3,754	356	236	1,415	8,291
Sales	-	-	-	-	-	-	-
	-	4,848	7,174	684	452	2,788	15,946
Balance at end of year	28,526	121,617	39,668	1,731	6,751	9,953	208,246
2012							
	Land \$'000	Buildings \$'000	Fit out \$'000	Pitch Construction \$'000	External Site Works \$'000	Fixtures Fittings & Equipment \$'000	Total \$'000
Cost or valuation							
Balance at beginning of year	-	-	-	-	-	-	-
Purchases	30,000	126,460	46,484	2,415	7,203	12,438	225,000
Sales	-	-	-	-	-	-	-
Balance at end of year	30,000	126,460	46,484	2,415	7,203	12,438	225,000
Accumulated depreciation							
Balance at beginning of year	-	-	-	-	-	-	-
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 year	30,000	124,142	43,064	2,087	6,987	11,065	217,345

	2013 \$'000	2012 \$'000
18. RECONCILIATION OF NET LOSS FOR THE YEAR TO CASHFLOWS FROM OPERATING ACTIVITIES		
Net loss for the year	(4,804)	(4,312)
<i>Items Not Involving Cash Flows</i>		
Depreciation	8,291	7,655
<i>Impact of Changes in Working Capital Items</i>		
(Increase) / Decrease in taxation credit	(678)	(775)
(Increase) / Decrease in rental due	-	(666)
(Increase) / Decrease in interest due	4	(5)
(Increase) / Decrease in GST refund due	1	(1)
Increase / (Decrease) in trade and other payables	(1)	15
Increase / (Decrease) in interest accrued	1058	743
Net cash inflows / (outflows) from operating activities	3,871	2,654

19. CAPITAL EXPENDITURE COMMITMENTS

The company had no capital expenditure commitments at balance date (2012 Nil).

20. CONTINGENT LIABILITIES

The company had no contingent liabilities at balance date (2012 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

Financial Assets

Cash and cash equivalents	1	4
Trade and other receivables	666	666
Deposit – Dunedin City Treasury Ltd	3,399	2,010
Advance – Dunedin Venues Management Ltd	849	645
Other receivables – Aurora Energy Ltd	681	-

Financial Liabilities

Trade and other payables	140	21
Advance Aurora Energy Limited	572	-
Advance – Dunedin City Council	-	1,711
Borrowings	143,530	146,600
Derivative financial instruments	5,289	8,578
Interest accrued	1,801	743

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

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:

	2013	2012
	\$'000	\$'000
Dunedin City Council		
Purchase of stadium assets	-	225,000
Repay advance – refer note 14	(1,711)	1,711
Interest paid on borrowing	-	7,638
<i>As at balance date:</i>		
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:

Dunedin City Treasury Ltd

Loan received – refer note 15	-	146,600
Interest accrued	1,801	743
<i>As at balance date:</i>		
Payable to Dunedin City Treasury Ltd:		
Loan – refer note 15	143,530	146,600

Receivable from Dunedin City Treasury Ltd

Advance	3,399	2,010
Interest on deposit	1	5

Aurora Energy Ltd

Subvention payment received	7,292	7,292
Advance received	572	-

Dunedin Venues Management Ltd

Advance paid	204	645
Rent received	4,000	3,667

As at balance date:

Receivable from Dunedin Venues Management Ltd:

Advance	849	645
Rent due	666	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. GOING CONCERN

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

The Company has recorded a net loss after taxation of \$4,803,669 and a net working capital deficit of \$1,087,122 at 30 June 2013. This position is mitigated by the Company recording a net cash inflow from operating activities as the loss of \$4,803,669 included non cash depreciation of \$8,290,570. As well as this the Company has uncalled capital of \$167,311,069 available to the Company.

24. EVENTS AFTER BALANCE DATE

There have been no significant events since balance date.

Statement of Service Performance

For the Year Ended 30 June 2013

	<u>Performance Targets</u>	<u>Achievements</u>
	General	
6.1	To ensure, insofar as it is lawfully able, that the Sol and operating policies are consistent with the operating policies of the DCC.	Statement of Intent confirmed by the DCC 25 July 2012.
6.2	To keep the DCC informed of matters of substance affecting the Company and venues.	No matters of substance arose during the year however nine meetings with the CEO of the DCC took place. Monthly reports were issued to DCHL.
6.3	DVL ensures that the stadium is maintained to the highest possible standard for the operator – DVML.	An asset management plan has been prepared. Maintenance requirements as documented within the plan have been met during the year by DVML.
	Economic/Financial	
6.4	To maximize the financial returns achieved from the stadium.	Operating expenses have been kept to a minimum and only necessary capital expenditure has been carried out.
6.5	To establish financial reporting practices and procedures within the first full year of operations.	The Company has established a business plan and has reported on a monthly basis to the Board on the actual financial results compared with the business plan.
6.6	To maintain the Company's financial strength through sound financial management within the limitations of debt levels decided by the Shareholder.	The Company has met its loan repayment and interest payment obligations during the year.
6.7	Ensure the building is maintained in good order.	The Company has maintained an asset management plan during the year.
	Social /Environmental	
6.8	To act as a socially and environmentally responsible corporate citizen.	The company has a number of sustainable measures including rainwater harvesting and recycling of water for toilet use.
	Engage with the shareholder on an annual basis around opportunities for the Company and/or its subsidiaries to contribute to or assist where possible the DCC's community outcomes. (as listed in the Annual Plan	The stadium has a community access programme in place monitored through the service level agreement between DVML and the DCC.
6.9	To bring to the attention of the shareholder any strategic or operational matters where there may be a conflict between the DCC's community outcomes as listed in the Annual Plan and those of the company or its subsidiaries and to seek the Shareholder's view on these.	DVML has reported to the DCC on a quarterly basis in respect of community access.

The company will be mindful that the shareholder is the custodian of the community's interest and accepts that this may create a greater need for consultation with the shareholder than might be required in a normal commercial situation.

Specific Objectives

- | | | |
|-------|---|---|
| 7.1.1 | Establish positive relationships with our tenant (UoO). | The Company has met on a two-monthly basis to discuss the management of the UoO Plaza. |
| 7.1.2 | Asset Management Systems in place. | During the year, warranties on plant and equipment have been maintained. Monthly maintenance checks have been undertaken and any maintenance required has been carried out in a timely manner |
| 7.1.3 | Maintain scheduled debt and interest payments | Debt and interest payments have been made in a timely manner in accordance with the business plan. |

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 2013

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 22, that comprise the balance sheet as at 30 June 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the statement of service performance of the company on pages 23 to 24.

Opinion

Financial statements and statement of service performance

In our opinion:

- the financial statements of the company on pages 6 to 22:
 - comply with generally accepted accounting practice in New Zealand; and
 - give a true and fair view of the company's:

- financial position as at 30 June 2013; and
 - financial performance and cash flows for the year ended on that date; and
- the statement of service performance of the company on pages 23 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 2013.

Other legal requirements

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

Our audit was completed on 25 September 2013. This is the date at which our opinion is expressed.

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

Basis of opinion

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

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence readers' overall understanding of the financial statements and statement of service

performance. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

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

An audit also involves evaluating:

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

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and statement of service performance.

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

Responsibilities of the Board of Directors

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

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

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

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

Responsibilities of the Auditor

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

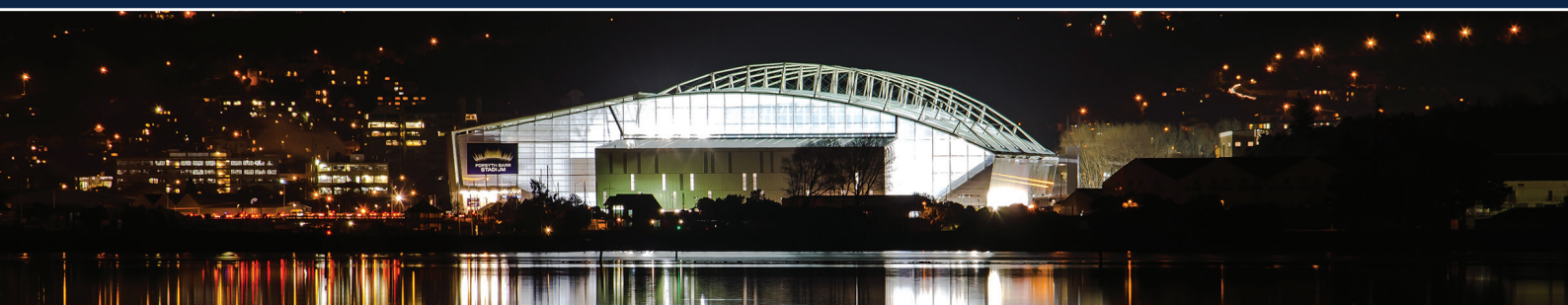
Independence

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

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



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



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