

Dunedin Venues Limited

**Report for the six months ended
31 December 2014**

Dunedin Venues Limited

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Dunedin Venues Limited

Business Directory

As at 31 December 2014

Incorporated:	24 June 2010
Company Number:	2512390
Nature of Business:	Property Owning
Location of Business:	Forsyth Barr Stadium 130 Anzac Avenue Dunedin
Registered Office:	Dunedin City Council 50 The Octagon Dunedin
Directors:	John W Hansen Peter G Stubbs Peter J Brown Peter J Hutchison Jenifer H Rolfe
Shareholder:	Dunedin City Council
Bankers:	Bank of New Zealand Dunedin
Solicitors:	Anderson Lloyd Dunedin
Auditors:	Audit NZ Dunedin

Dunedin Venues Limited

Directors' Report

For the six months ended 31 December 2014

Overview of Results

	6 months to 31/12/2014 \$'000	6 months to 31/12/2013 \$'000
Total income	2,023	2,021
Operating profit (loss) before subvention and tax	(6,219)	(6,316)
Total comprehensive profit (loss) after tax and subvention receipts	(2,234)	(2,313)
Net cash flows from operating activities	(1,165)	(789)
Total assets	203,252	211,375

Financial Results

Dunedin Venues Limited owns and manages the assets of the Forsyth Barr Stadium.

The Company recorded a total comprehensive loss after taxation of \$2,234,000 for the period. This compares with a loss of \$2,313,000 for the same period last year.

The result includes depreciation for the six months of \$3,988,000. The comprehensive profit also includes subvention receipts of \$3,646,000 compared with \$3,644,000 in the same period last year.

Review of Operations

During this period the Heartland Lounge was repainted, wood panelling on the six pillars was completed and new table tops on the dining tables were installed. The next months will see further work completed on suites 4 and 5 (wall being removed) and used for casual hospitality, bi folding windows installed in the BNZ suite, and new lighting and couches installed in the Heartland Lounge.

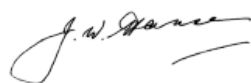
Outlook

At the Council meeting on 24 November 2014 the Council adopted, subject to the consultative process of the long term annual plan for 2015/16 – 2024/25, the recommendations of the stadium review report. One of the implications of the report is to transfer \$30,000,000 of DVL debt to the DCC. This will come in place on 1 July 2015.

Financial Statements

The financial statements for the six months ended 31 December are approved by the directors and signed on behalf of the board by:

Sir John Hansen
Chairman



Peter Hutchison
Director



Date: 30 January 2015

Date: 30 January 2015

Dunedin Venues Limited

Statement of Comprehensive Income

For the six months ended 31 December 2014

	Notes	6 months to 31/12/14 (unaudited) \$'000	6 months to 31/12/13 (unaudited) \$'000	Year to 30/6/14 (audited) \$,000
INCOME				
Operating income	2	2,000	2,000	4,000
Financial Income	3	23	21	24
TOTAL INCOME		2,023	2,021	4,024
EXPENSES				
Audit fees		8	7	14
Operating expenses		8	6	21
Interest	4	4,238	4,148	8,352
Depreciation	5	3,988	4,176	8,177
TOTAL EXPENSES		8,242	8,337	16,564
LOSS FOR THE PERIOD BEFORE SUBVENTION AND TAXATION		(6,219)	(6,316)	(12,540)
Subvention receipt	6	3,646	3,644	7,754
NET LOSS BEFORE TAX		(2,573)	(2,672)	(4,786)
Income tax expense (credit)	7	(339)	(359)	(247)
NET LOSS AFTER TAX FROM CONTINUING OPERATIONS		(2,234)	(2,313)	(4,539)
ITEMS THAT MAY BE RECLASSIFIED TO PROFIT AND LOSS				
Interest rate swap hedges gains (losses) during the period	8	(922)	2,521	2,832
TOTAL COMPREHENSIVE PROFIT (LOSS) FOR THE PERIOD		(3,156)	208	(1,707)

Statement of Changes in Equity

For the six months ended 31 December 2014

	6 months to 31/12/14 (unaudited) \$'000	6 months to 31/12/13 (unaudited) \$'000	Year to 30/6/14 (audited) \$'000
EQUITY (DEFICIT) AT START OF PERIOD	63,576	63,283	63,283
Comprehensive Income			
Net loss after tax	(2,234)	(2,313)	(4,539)
Other comprehensive income			
Interest rate swap hedges gains	(922)	2,521	2,832
TOTAL COMPREHENSIVE INCOME	(3,156)	208	(1,707)
Capital contribution	1,000	1,000	2,000
EQUITY (DEFICIT) AT END OF PERIOD	61,420	64,491	63,576

The accompanying notes form an integral part of these unaudited financial statements

Dunedin Venues Limited

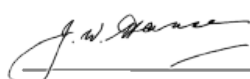
Statement of Financial Position

As at 31 December 2014

	Note	31/12/14 (unaudited) \$'000	31/12/13 (unaudited) \$'000	30/6/14 (audited) \$'000
EQUITY				
Share capital	9	80,689	78,689	79,689
Retained deficits	10	(15,890)	(11,430)	(13,656)
Cash flow hedge reserve	11	(3,379)	(2,768)	(2,457)
		<u>61,420</u>	<u>64,491</u>	<u>63,576</u>
CURRENT LIABILITIES				
Trade and other payables		127	124	132
Interest accrued		1,814	1,802	1,793
Advance Aurora Energy Limited		163	1,101	9
Advance Della Utility Services		18	-	-
Current portion of borrowings		<u>5,345</u>	<u>5,074</u>	<u>5,207</u>
		<u>7,467</u>	<u>8,101</u>	<u>7,141</u>
NON-CURRENT LIABILITIES				
Borrowings	12	130,671	136,016	133,379
Derivative financial instruments	13	3,379	2,767	2,457
		<u>134,050</u>	<u>138,783</u>	<u>135,836</u>
TOTAL EQUITY AND LIABILITIES		<u>202,937</u>	<u>211,375</u>	<u>206,553</u>
CURRENT ASSETS				
Cash and cash equivalents		1,190	1,723	3,753
Trade and other receivables		1,333	670	1,681
Advance DVML		400	636	440
Other receivables		<u>3,552</u>	<u>4,096</u>	<u>246</u>
		<u>6,475</u>	<u>7,125</u>	<u>6,120</u>
NON-CURRENT ASSETS				
Property plant and equipment		196,462	204,250	200,433
TOTAL ASSETS		<u>202,937</u>	<u>211,375</u>	<u>206,553</u>

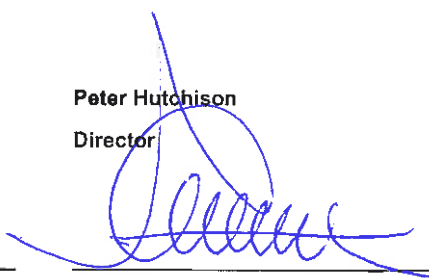
For and on behalf of the Board

Sir John Hansen
Chairman



Date: 30 January 2015

Peter Hutchison
Director



Date: 30 January 2015

The accompanying notes form an integral part of these unaudited financial statements

Dunedin Venues Limited

Statement of Cash Flows

For the six months ended 31 December 2014

	Note	31/12/14 (unaudited) \$'000	31/12/13 (unaudited) \$'000	30/6/14 (audited) \$'000
Cash from Operating Activities				
Cash was provided from:				
Rental received		1,667	2,000	3,666
Interest received		15	18	25
Taxation credit		-	-	773
Subvention payment received		1,361	1,361	7,754
		<u>3,043</u>	<u>3,379</u>	<u>12,218</u>
Cash was dispersed to:				
Payments to suppliers		-	20	43
Interest paid		4,208	4,148	8,360
Net GST		-	-	-
		<u>4,208</u>	<u>4,168</u>	<u>8,403</u>
Net cash from Operating Activities	14	<u>(1,165)</u>	<u>(789)</u>	<u>3,815</u>
Cash from Investing Activities				
Cash was dispersed to:				
Purchase of property, plant and equipment		-	190	364
Net Cash from Investing Activities		<u>-</u>	<u>(190)</u>	<u>(364)</u>
Cash from Financing Activities				
Cash was provided from:				
Calls on capital		1,000	1,000	2,000
Loan DCTL		-	-	-
Inter group advances		172	742	92
		<u>1,172</u>	<u>1,742</u>	<u>2,092</u>
Cash was dispersed to:				
Repayment of advance DCC		-	-	-
Repayment of borrowings		2,570	2,440	4,944
Repayment of inter group advances		-	-	246
		<u>2,570</u>	<u>2,440</u>	<u>5,190</u>
Net cash from Financing Activities		<u>(1,398)</u>	<u>(698)</u>	<u>(3,098)</u>
Net increase (decrease) in cash held		<u>(2,563)</u>	<u>(1,677)</u>	<u>353</u>
Add opening balance		3,753	3,400	3,400
Closing balance		<u>1,190</u>	<u>1,723</u>	<u>3,753</u>
Represented by:				
Cash and cash equivalents		1,190	1,723	3,753

The accompanying notes form an integral part of these unaudited financial statements

Dunedin Venues Limited

Notes to the Financial Statements

For the six months ended 31 December 2014

1. REPORTING ENTITY

The unaudited interim financial statements presented are those of Dunedin Venues Limited ("DVL" or "the Company").

DVL owns the Forsyth Barr Stadium ("the Stadium") and has responsibility for the asset management of the venue including maintenance in conjunction with the operator Dunedin Venues Management Limited ("DVML").

DVL is a council controlled organisation as defined by the Local Government Act 2002 and is a wholly owned subsidiary of the Dunedin City Council ("DCC"). DVL is a public benefit entity, incorporated and domiciled in New Zealand under the Companies Act 1993. The interim financial statements have been prepared in accordance with the requirements of the Local Government Act 2002, which include the requirement to comply with generally accepted accounting practice in New Zealand (NZ GAAP), as appropriate for public benefit entities that qualify for and apply differential reporting.

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

Statement of Compliance

The unaudited interim financial statements are prepared in accordance with Generally Accepted Accounting Practice (NZ GAAP) and comply with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS), as appropriate for public benefit entities that qualify for and apply differential reporting for interim financial statements (NZ IFRS 34). The interim financial statements should be read in conjunction with the DVL annual report for the year ended 30 June 2014.

The interim financial statements have been prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The financial statements are presented in New Zealand dollars.

The same accounting policies and methods of computation are followed in these interim financial statements as were applied in the preparation of the Company's financial statements for the year ended 30 June 2014. The following accounting policies have been adopted during the period:

Key Judgements in applying accounting policies:

- **Asset recognition**

The Stadium asset has been recognised at a cost of \$224,270,000 less depreciation as determined by an independent valuation dated 6th September 2013 carried out by Crighton Anderson Property and Infrastructure Limited. This valuation was substantiated by an independent valuation performed in July 2014.

Trade and other payables

Trade and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

Trade and other receivables

Trade and other receivables are carried at estimated realisable value after providing against debts where collection is doubtful.

Property Plant and Equipment

Property plant and equipment is shown at cost less accumulated depreciation.

Depreciation is provided on a straight line basis on all property plant and equipment that will write-off the cost of assets to their expected residual values over their useful lives. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

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

	31/12/14 (unaudited) \$000's	31/12/13 (unaudited) \$000's	30/6/14 (audited) \$000's
2. OPERATING INCOME			
Rentals from Dunedin Venues Management Limited	2,000	2,000	4,000
3. FINANCIAL INCOME			
Interest received on deposits	23	21	24
4. INTEREST			
Interest Dunedin City Treasury Limited	4,238	4,148	8,352
5. DEPRECIATION			
Buildings	1,265	1,265	2,529
Fit out	1,824	1,884	3,802
Pitch construction	129	179	215
External site works	118	118	236
Fixtures, fittings & equipment	652	730	1,395
Total depreciation	3,988	4,176	8,177

6. SUBVENTION RECEIPTS

The Company has recognised subvention receipts of \$3,646,000 in this period (31/12/13: \$3,644,000, 30/6/14: \$7,754,000). A payment of \$681,000 was received during the period and a further amount of \$2,965,000 has been treated as a subvention receipt due.

7. INCOME TAX

Operating loss	(2,573)	(2,672)	(4,786)
Income tax expense (credit) calculated at 28%	(720)	(748)	(1,340)
Tax effect of the following adjustments:			
Non-deductible building depreciation	381	389	762
Group tax offset			331
Income tax expense (credit)	(339)	(359)	(247)
Comprising			
Current tax provision	(339)	(359)	(247)
Deferred tax provision			
Income tax	(339)	(359)	(247)

8. GAIN ON INTEREST RATE SWAPS

During the period the fair value of the company interest rate swap liability increased by \$922,000 and this has been recognised as an interest rate swap hedge loss in the statement of comprehensive income (31/12/13: \$(2,521,000) 30/6/14: \$(2,832,000))

	31/12/14 (unaudited) \$000's	31/12/13 (unaudited) \$000's	30/6/14 (audited) \$000's
9. EQUITY – SHARE CAPITAL			
Issued Capital			
80,688,931 fully paid ordinary shares	80,689	78,689	79,689
164,311,069 unpaid ordinary shares	-	-	-

The Company has 245,000,000 issued shares of \$1 each.

During this period there were calls on capital of \$500,000 on 15th July 2014 and \$500,000 on 15th October 2014.

Subsequent to the 31st December 2014 a further call on capital of \$500,000 has been received.

10. RETAINED DEFICITS

Balance at the beginning of the period	(13,656)	(9,117)	(9,117)
Profit (Loss) for the period	(2,234)	(2,313)	(4,539)
Balance at the end of the period	<u>(15,890)</u>	<u>(11,430)</u>	<u>(13,656)</u>

11. RESERVES

Cash flow Hedge Reserve			
Balance at beginning of period	(2,457)	(5,289)	(5,289)
Interest rate swap hedges gains during the period	(922)	2,521	2,832
Balance at end of the period	<u>(3,379)</u>	<u>(2,768)</u>	<u>(2,457)</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.

12. BORROWINGS

Dunedin City Treasury Limited Loan	136,016	141,090	138,586
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The repayment period on the borrowings is as follows:

Less than on year	5,345	5,074	5,207
Repayable within one to two years	5,634	5,344	5,487
Repayable within two to five years	18,838	17,850	18,335
Repayable later than five years	106,199	112,822	109,557

The Company has an approved loan facility of \$145,600,000 drawn to \$136,016,000

The first tranche of \$29,059,000 is repayable over 10 years and is funded by an amount equivalent to the revenue from initial memberships and sponsorship sold by DVML and passed through to DVL by way of rent.

The second tranche of \$117,540,569 was planned to be repaid over 40 years, however the Dunedin City Council has agreed to contribute further equity funding of \$2 million per year.

It is proposed that the equity contribution from Dunedin City Council together with additional funds available when the first tranche of borrowing is repaid will enable the second tranche to be repaid over 17 years.

At the Council meeting on 24 November 2014 the Council adopted, subject to the consultative process of the long term annual plan for 2015/16 – 2024/25, the recommendations of the stadium review report. One of the implications of the report is to transfer \$30,000,000 of DVL debt to the DCC. This will come in place on 1 July 2015.

The loan is secured by way of a registered first ranking mortgage and GSA over the assets and undertakings of Dunedin Venues Limited.

The weighted average interest rate for the loan facility at period end, inclusive of any current portion, was 6.05%

	31/12/14 (unaudited) \$000's	31/12/13 (unaudited) \$000's	30/6/14 (audited) \$000's
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13. DERIVATIVE FINANCIAL INSTRUMENTS

Fair value			
Interest rate swaps	3,379	2,767	2,457
Analysed as:			
Current		-	-
Non-current	3,379	2,767	2,457
Total	3,379	2,767	2,457

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.

During this period there were losses on interest swaps of \$922,000

14. RECONCILIATION OF NET LOSS FOR THE PERIOD TO CASH FLOWS FROM OPERATING ACTIVITIES

Net loss for the period	(2,234)	(2,313)	(4,539)
Less non-cash items:			
Depreciation	3,988	4,176	8,177
Revenue and expenses paid via advance to DVML	21	-	-
Add/(less) movements in Working Capital items			
(Increase) / decrease in taxation credit	(339)	(359)	526
(Increase) / decrease in subvention due	(2,965)	(2,282)	-
(Increase) / decrease in receivables	348	3	(334)
(Increase)/ decrease in interest receivable	-	-	1
Increase / (decrease) in trade and other payables	(5)	(14)	(8)
Increase /(decrease) in interest accrued	21	-	(8)
	1,165	(789)	3,815

15. CONTINGENT LIABILITIES

There were no contingent liabilities at 31 December 2014, (31/12/13 Nil, 30/6/14 Nil).

16. COMMITMENTS

The Company had no significant commitments at balance date. (31/12/13: Nil, 30/6/14: Nil)

17. RELATED PARTIES

The Company is a wholly owned subsidiary of the Dunedin City Council and undertakes transactions with other Dunedin City Council controlled entities.

Dunedin City Treasury Limited

The Company had loans from Dunedin City Treasury Limited at balance date of \$136,016,000 (31/12/13: \$141,090,000, 30/6/14: \$138,586,000)

Aurora Energy Limited

The Company received a subvention payment from Aurora Energy Limited during the period of \$681,000 (31/12/13: \$681,000, 30/6/14: \$7,292,000)

Dunedin Venues Management Limited

DVML operates the Forsyth Barr Stadium. During the period, DVL derived rental income from DVML of \$2,000,000 (31/12/13: \$2,000,000, 30/6/14: \$4,000,000).

City Forests Ltd

The Company received no subvention payment from City Forests Ltd during the period (31/12/13 \$nil, 30/6/14 \$462,000)

18. GOING CONCERN

The financial statements have been prepared on the assumption that the Company will continue in existence for the foreseeable future. This assumption is valid provided the Company continues to be supported by a shareholder advance from the Dunedin City Council. At balance date, the Company had 164,311,069 uncalled shares of \$1 each. This uncalled capital provides some headroom for the Company to continue operating on a going concern basis

19. EVENTS SUBSEQUENT TO BALANCE DATE

Since balance date the Company has received calls on capital of \$500,000.