**Draft**

# Dunedin Venues Limited

# Statement of Intent

# For the Year Ending 30 June 2016

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Approved by Dunedin City Council on …………………….

## 1 MISSION STATEMENT

TO PROVIDE THE BEST STADIUM IN NEW ZEALAND FOR SPORTING, CULTURAL AND ENTERTAINMENT EVENTS

## 2 NATURE AND SCOPE OF ACTIVITIES

The principal activity of the Company is to provide a modern stadium for use for public and private events.

## 3 CORPORATE GOVERNANCE STATMENT

The Company is owned by the Dunedin City Council and accordingly is a Council Controlled Trading Organisation (CCTO) as defined by the Local Government Act 2002. The Directors' role is defined in Section 58 of the Act which requires that all decisions relating to the operation of a CCTO shall be made pursuant to the authority of the directorate of the CCTO and its Statement of Intent (SI). In addition to the obligations of the Local Government Act, the Company is also covered by the Companies Act 1993 which places other obligations on the Directors.

The Directors are responsible for the preparation of the SI which, along with the three-year financial plan is approved by the Company's shareholder, Dunedin City Council. Monthly, six monthly and annual reports of financial and operational performance are provided to the shareholder through Dunedin City Holdings Limited (DCHL).

The Directors are responsible for the overall control of the Company but no cost-effective internal control system will permanently preclude all errors and irregularities. The control systems operating within the Company reflect the specific risks associated with the business of the Company.

The Shareholder confirmed by resolution on the 14th May 2012, the transfer of governance accountability for DVL to DCHL to act as its agent (AGENT). This means that DVL reports to the Shareholder through DCHL.

## 4 CORPORATE GOALS

The principal goal of the Company is to operate as a successful business, by achieving the objectives of its Shareholder as specified in this Statement of Intent. The specific corporate goals of the Company are as follows:

**General**

4.1 To ensure that the Statement of Intent and operating strategies for the Company reflect the policies and objectives of the Shareholder for the business.

4.2 To comply with the Statement of Intent and adhere to the operating strategies.
4.3 To keep the shareholder informed of matters of substance affecting the Company.

**Economic**

4.4 To maximise the financial returns reasonably achievable from the venues.
4.5 To maintain the Company's financial strength through sound financial management within the limitations of debt levels.

**Social and Environmental**

4.6 To encourage non-discriminatory, culturally sensitive, equal opportunity and safe work practices by its service providers.
4.7 To act as a socially responsible and environmentally aware corporate citizen.
4.8 To engage with the shareholder on a regular basis where the Shareholder can assist the Company to enable local and regional groups to use the stadium facilities.
4.9 To bring to the attention of the shareholder any strategic or operational matters where there may be a conflict between the Council'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. 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.

## 5 SPECIFIC OBJECTIVES FOR THE YEAR ENDING 30 JUNE 2016

In pursuit of its corporate goals, the Company has the following objectives for the next 12 months:

**General**

5.1 To review the Statement of Intent and strategic plan for consistency with the objective of the Dunedin City Council.
5.2 To review the operating activities of the Company for compliance with the goals and objectives stated in the Statement of Intent and strategic plan.
5.3 To report all matters of substance to the Dunedin City Council or its Agent.

**Economic**

5.4 To achieve all financial projections.
5.5 To ensure that the reporting requirements of the Company and of the shareholder are met.

**Social and Environmental**

5.6 To ensure that the Company operates within environmental and resource laws.

5.7 To review the activities undertaken by the Company for the purposes of being a good corporate citizen.

## 6 PERFORMANCE MEASURES

The objectives set out above will be met on the achievement of the following performance measures:

**General**

6.1 To report matters of substance to the Shareholder within 5 days of occurrence.

**Economic**

6.2 Strive to meet all financial targets highlighted in section 7

**Social and Environmental**

6.3 Keep the shareholder fully informed of the actual implementation and delivery of the organisation's Asset Management Plan

## 7 FINANCIAL PROJECTIONS

The projections in Sections 7 and 8 have been prepared using a number of realistic assumptions about the future and relate to events and actions which have not yet occurred and may not occur. In deriving these projections, judgement has been applied to the uncertain future commercial environment in which the Company operates.

The projections are based on the current debt and funding structure and do not include any adjustments from the stadium review report approved by Council. The revised stadium funding and debt structure approved by Council needs to go through a public consultative process before it is formally adopted. Once this occurs the final financial projections will be updated.

| Financial year ending 30 June | **2016 $'000** | **2017 $'000** | **2018 $'000** |
|---|---|---|---|
| EBITDA | 3,968 | 3,968 | 3,968 |
| Net Surplus (Loss) | (4,600) | (4,319) | (4,233) |
| Operating Cashflow | 3,550 | 3,831 | 3,917 |
| Capital Expenditure | 238 | 13 | 437 |
| Term Debt | 127,892 | 122,106 | 116,002 |
| Shareholders Funds | 57,875 | 55,556 | 53,323 |
| Dividends | - | - | - |

**Risk Factors**

- The above financials are based on the current structure of DVL. The outcome of the review will change the financial figures significantly
- The above budget for 2017 includes interest on term borrowing at a rate of 6.5% p.a. There is term funding of $110M in place until 15/4/16 at an average rate of 6.5%. A further interest rate swap contract of $25M is in place from 15/4/16 to 15/4/2021 at a rate of 6.8%. The risk is that the interest rate from 15/4/16 will be higher than 6.5% p.a.

## 8 RATIO OF SHAREHOLDERS FUNDS TO TOTAL ASSETS

| As At 30 June | 2016 | 2017 | 2018 |
|---|---|---|---|
| Shareholder's Funds to Total Assets | 30% | 30% | 31% |

Shareholder's funds are represented by the paid up capital and retained earnings.

Total assets means the aggregate amount of all current and non-current assets.

## 9 DIVIDEND POLICY

It is not anticipated that a dividend will be paid to the Shareholder in the period to 30 June 2018.

## 10 REPORTING TO THE SHAREHOLDER

10.1 **Annual** – prior to 1 December 2015
- (i) Draft Statement of Intent.

10.2 **Annual** – prior to 30 June 2015
- (i) Statement of Intent.

10.3 **Monthly to DCHL as agent for the Council**
- (i) Statement of Financial Performance (as contained in DVL board papers).
- (ii) Statement of Financial Position (as contained in DVL board papers).

10.4 **Half Yearly** – within two months of the end of the six month period
- (i) Directors' Report – a review of performance over the half year.
- (ii) Statement of Financial Performance.
- (iii) Statement of Movements in Capital.
- (iv) Statement of Financial Position.
- (v) Statement of Cash Flows/Notes to the Financial Statements.

10.5 **Annual**

(i) Directors' Report – a review of the Company's performance over the full year, including a comparison of performance against objectives and key performance measures.

(ii) Statement of Financial Performance.

(iii) Statement of Movements in Capital.

(iv) Statement of Financial Position.

(v) Statement of Cash Flows/Notes to the Financial Statements.

(vi) Auditor' Report on the above Financial Statements.

## 11 ACCOUNTING POLICIES

### 11.1 General Accounting Policies

The accounting policies recognised by the New Zealand Institute of Chartered Accountants complying with NZ International Financial Reporting Standards will be adopted by the Company.

### 11.2 Particular Accounting Policies

The particular accounting policies which materially affect the measurement and reporting of financial performance and financial position are fully listed in the Company annual report.

## 12 ACQUISTION OF SHARES IN ANY COMPANY OR ORGANISATION

The Company will only invest in the shares of another company or organisation if the shares are considered to be likely to produce added value to the Company. Any purchase will require written approval of the Shareholder or Agent of the Shareholder.

## 13 PROCEDURES FOR PURCHASING NEW ASSETS

Individual asset purchases per individual item in excess of $500,000 will require the approval of the Shareholder or Agent of the Shareholder.

## 14 MATTERS AGREED BETWEEN THE COMPANY AND THE SHAREHOLDER

14.1 The approval of the Shareholder is required before the Company can dispose of any segment of its business or share in a subsidiary or associate company.

14.2 Use of Common Insurance Broker and Tax Advisor

The Company undertakes, for the benefit of the group of companies and the DCC, to use the insurance broker and tax advisor appointed by the DCC from time to time.

14.3 Appointment of Directors

In accordance with the Companies Act 1993 the DCC has the power to appoint Directors of their subsidiaries. DCC may exercise its power of appointment by passing an ordinary resolution.

## 15 ESTIMATE OF COMMERCIAL VALUE OF INVESTMENT

The commercial value of the Shareholder's investment in the Company is considered by Directors to be not less than the Shareholders funds as published in the last annual report.

## 16 USE OF OTAGO MANUFACTURED GOODS AND SERVICES

The Company will endeavour to use Otago manufactured goods and services subject to price, quality and other strategic considerations being met.

## 17 COMPENSATION SOUGHT

The Company does not have any activities in respect of which its Board wishes to seek compensation from any local authority.