TAURANGA CITY VENUES LTD

Financial Statements for the Year Ended 30 June 2010

TAURANGA CITY VENUES LTD

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TAURANGA CITY VENUES LTD

Chairman's Report

The past 12 months has seen further progress through the transitional period as TCVL continues to establish its management presence at Baypark as it changes from essentially a privately held venue to a public amenity.

Without doubt the most significant matter to occupy the Board during the year was the involvement of TCVL in preparation for construction of the new Indoor sports and Events centre (TISEC) which commenced on 18 January 2010.

This work included advising on plans and design, negotiating user agreements with existing occupants at Baypark and developing business models to gauge the potential benefits to the community and the City Council.

This facility will not only change the face of Baypark as a destination, but will also impact positively on the opportunities and experiences able to be enjoyed by so many in Tauranga and beyond.

It has been pleasing to note, despite being a year from completion that as the structure emerges from the ground and starts to grow so does the interest and excitement by potential users of the space.

In last year's Annual Report the Chairman identified the key challenges ahead of TCVL and in the main they reflected the difficulty in maintaining key revenues streams at a level required to achieve existing financial objectives.

Unfortunately the past 12 months have seen further economic struggle in the business sector and the community at large and its flow on effect has continued to impact strongly on Baypark's financial performance and in fact on that of our partners established here at Baypark.

TCVL is of course particularly vulnerable to such recessionary periods, as the discretionary and recreational dollar is the first to disappear in these times. There is no simple solution to this issue except to try and "tighten the belt", improve efficiencies and generate what business is possible.

There has also been a transition in the composition of the Board of Directors and acknowledgment must be made of the major contributions of both former Chairman Grant Seagar and Tony McCartney who retired from the Board during this period.

With the appointment of three new directors in May there is of course new energy at the Board table and the staffing complement was added to in the form of a new General Manager and Business Manager during the second half of the year. These latter appointments are aimed at generating the necessary momentum to see TISEC open strongly and an upward swing in returns from the existing facilities at the venue.

Of major importance going forward is the development of a strong strategic framework, and a period of stability of management to allow the growth and potential that is undoubtedly waiting to emerge to in fact do so.

The years financial performance as reported, requires some explanation as the $900,000 surplus showing in the annual accounts was due to the receipt of a large lump sum grant towards the end of the period.

TAURANGA CITY VENUES LTD

Trading outcomes were disappointing as the recession took its toll on hoped for income streams and expenses blew out significantly mainly through a wide range of one off costs relating to the new facility, maintenance of business, increased insurance costs and the reorganization of TCVL personnel. There was also investment in the future of Bay of Plenty rugby as a primary activity at Baypark and as a first division union in terms of the National Provincial Competition.

Income from key aspects such as the corporate boxes, advertising, speedway rental and catering commissions all fell and despite an increase in events and facility hire overall revenues were unfortunately below budget predictions. It is not expected that the position will become immediately easier as the nation’s business sector struggles to develop economic impetus however because of the investments in the future, determined in this period, TCVL is well placed to take advantage of future opportunities.

The Board anticipates TISEC will develop its own excitement as opening day draws closer and have asked TCVL staff to aggressively endeavour to increase the profile and quantum of events across the whole Baypark facility. There is no doubt there is a way to go until the transition period turns into that of sustained growth in business and the ongoing provision of positive community experiences and enjoyment but that is the clear objective of all involved at present and there is real belief that we are on the best pathway to achieve that end.

John Adshead
Chairman

Statement of Comprehensive Income for the Year Ended 30 June 2010

	Note	2010 Actual ($000's)	2010 Budget ($000's)	2009 Actual ($000's)
Operational Revenue				
Functions, Advertising and Sponsorship Revenue	2	751	815	934
Other Revenue	3	2,283	268	369
Total		3,034	1,083	1,303
Operational Expenditure				
Other Expenditure	4	1,824	1,457	1,587
Depreciation	5	311	300	304
Total		2,135	1,757	1,891
Operational Surplus / (Deficit) before taxation		899	(674)	(588)
Taxation Expense/(benefit)	6a	2,556	0	(37)
Operational Net Surplus / (Deficit) after taxation		(1,657)	(674)	(551)
Other Comprehensive Income				
Revaluation of Property, Plant and Equipment		0	0	0
Taxation on Other Comprehensive Income		12	0	0
Total Comprehensive Income for the period		(1,645)	(674)	(551)

Statement of Changes in Equity for the Year Ended 30 June 2010

	Share Capital	Retained Earnings	Revaluation Surplus	Total Equity
Balance as at 1 July 2008	2,000	(450)	627	2,177
Capital Introduced during the year				0
Total Comprehensive Income for the year		(551)		(551)
Tax on Equity				0
Balance at 30 June 2009	2,000	(1,001)	627	1,626
Changes in Equity for 2010				
Total Comprehensive Income for the year		(1,657)		(1,657)
Tax on Equity	0	0	12	12
Balance at 30 June 2010	2,000	(2,658)	639	(19)

The Notes and Statement of Accounting Policies form part of these Financial Statements.

Statement of Financial Position
as at 30 June 2010

	Note	Actual 2009/2010 ($000's)	Actual 2008/2009 ($000's)
Assets			
Current Assets			
Cash and Cash Equivalents	7	24	42
Debtors and Other Receivables	8a	106	76
Total Current Assets		130	118
Non Current Assets			
Property, Plant and Equipment	18b	12,256	12,473
Intangible Assets - Software	18b	0	0
Loan to Tauranga City Council (TECT Funding)	8b	2,004	0
Total Non Current Assets		14,260	12,473
Total Assets		14,390	12,591
Liabilities			
Current Liabilities			
Creditors and Other Payables	11	216	242
Loan from Tauranga City Council	13	1,531	605
Redeemable Preference Shares	13	2,000	2,000
Total Current Liabilities		3,747	2,847
Non Current Borrowings			
Redeemable Preference Shares	13	6,000	8,000
Loan from TCC - Pref Share Repayment	13	2,000	0
Deferred Tax Liability	6c	2,662	118
Total Non Current Liabilities		10,662	8,118
Total Liabilities		14,409	10,965
Net Assets		(19)	1,626
Equity			
Share Capital	14	2,000	2,000
Revaluation Reserve		639	627
Retained Earnings	15	(2,658)	(1,001)
Total Equity		(19)	1,626

The Notes and the Statement of Accounting Policies form part of these Financial Statements.

John Adshead
Chairman

24 September 2010

Rex Pollock
Director

24 September 2010

Statement of Cashflows for the Year Ended 30 June 2010

	Note	2009/2010 ($000's)	2008/2009 ($000's)
CASHFLOWS FROM OPERATING ACTIVITIES			
Functions, Advertising and Sponsorship Revenue		718	991
Other Revenue		2,246	369
Payments to Suppliers and employees		(1,485)	(1,336)
Interest Paid on RPS		(325)	(474)
Tax Paid		0	0
NET CASH FROM OPERATING ACTIVITIES	10	1,155	(450)
CASHFLOWS FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment		(95)	(78)
NET CASH FROM INVESTING ACTIVITIES		(95)	(78)
CASHFLOWS FROM FINANCING ACTIVITIES			
Loan from Tauranga City Council - Working Capital		926	525
Loan from Tauranga City Council - Repay Bob Dividend		2,000	0
Pay RM & CM Clarkson - Dividend due 01.07.09		(2,000)	0
Proceeds from Borrowings		0	0
Loan to TCC (TECT Funding)		(2,004)	0
NET CASH FROM FINANCING ACTIVITIES		(1,078)	525
NET INCREASE/(DECREASE) IN CASH		(18)	(3)
CASH AT THE BEGINNING OF THE YEAR		42	45
CASH AND CASH EQUIVALENT AT THE END OF THE YEAR	7	24	42

The GST (net) component of operating activities reflects the net GST paid and received with the Inland Revenue Department. The GST (net) component has been presented on a net basis, as the gross amounts do not provide meaningful information for financial statement purposes.

The Notes and the Statement of Accounting Policies form part of these Financial Statements.

Notes to the Financial Statements

NOTE 1 - STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2010

ENTITY STATEMENT

Tauranga City Venues Ltd (TCVL) is a Council Controlled Organisation (CCO) as defined in Section 6 of the Local Government Act 2002. The Company is wholly owned by Tauranga City Investments Ltd which is in turn, wholly owned by Tauranga City Council. The company is registered under the Companies Act 1993 and is a reporting entity for the purposes of the Financial Reporting Act 1993.

Tauranga City Venues Ltd was incorporated on 28 June 2007. The company commenced trading on 19 September 2007. The first year's reporting was for 9.5 months for the period end 30 June 2008. The last two years reporting have been for a full 12 months each to the year end 30 June 2009 and 30 June 2010.

The primary objective of TCVL is to provide goods and services for the community or social benefit, rather than making a financial return. Accordingly, TCVL, as part of the Tauranga City Council group, has designated itself as a Public Benefit Entity for the purposes of New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

The financial statements have been prepared in accordance with NZ GAAP. They comply with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards, as appropriate for public benefit entities.

The Company qualifies for Differential Reporting exemptions as it has no public accountability. All available reporting exemptions allowed under the Framework for Differential Reporting have been adopted with the exception of a Statement of Cashflows and Taxation as presented.

The financial statements of Tauranga City Venues Limited are for the year ended 30 June 2010. The financial statements were authorised for issue by TCVL Directors on 30 September 2010.

BASIS OF PREPARATION

The financial statements of Tauranga City Venues Ltd have been prepared in accordance with the requirements of the Companies Act 1993, the Financial Reporting Act 1993 and the Local Government Act 2002, which includes the requirements to comply with New Zealand generally accepted accounting practice (GAAP).

These financial statements have been prepared in accordance with NZ GAAP. They comply with NZ IFRS, and other applicable Financial Reporting Standards, as appropriate to public benefit entities.

The measurement base adopted is that of historical cost and modified periodically through revaluation of buildings and improvements.

Business combinations are accounted for by applying the purchase method. On acquisition net assets are measured at their fair values. Any excess or deficiency of the cost of acquisition over or below the fair value of the identifiable net assets acquired is recognised as goodwill or discount on acquisition. After reassessment any excess of the acquirer's interest in the net fair value of the acquiree's identifiable net assets over the cost of the business combination is recognised in the profit and loss.

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars ($ 000). The functional currency of TCVL is New Zealand dollars.

REVENUE RECOGNITION

Revenue is recognised at fair value of the consideration received or receivable.

- Leases
  Lease revenue is recognised on a straight line basis over the term of the lease.

TAXATION

Income tax expense comprises both current tax and deferred tax, and is calculated using tax rates that have been enacted or substantively enacted by balance date.

Current tax is the amount of income tax payable based on the taxable profit for the current year, plus any adjustments to income tax payable in respect of prior years.

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

The measurements of deferred tax reflects the tax consequences that would follow from the manner in which the entity expects to recover or settle the carrying amount of its assets and liabilities.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset and liability in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is recognised on taxable differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the company can control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Current tax and deferred tax is charged or credited to the statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the tax is dealt with in equity.

GOODS & SERVICES TAX

All items in the financial statements are exclusive of goods and services tax (GST) with the exception of receivables and payables, which are stated with GST included. When GST is not recoverable as input tax, it is recognised as part of the related asset expense.

PROPERTY, PLANT & EQUIPMENT

Property, Plant and Equipment consist of assets including buildings, improvements, computer equipment, office furniture/equipment and plant and equipment.

Non Infrastructural Assets	Useful Life (Years)	Depreciation and Amortisation Method
Land	N/A	N/A
Buildings	50-100	SL
Improvements	20-25	SL
Computer Equipment	4-5	SL
Office Furniture / Equipment	8-12	SL
Other Plant & Equipment	8-20	SL
Motor Vehicles	5-10	SL

Depreciation and Amortisation

All assets are depreciated over their expected useful live. Depreciation and amortisation is provided on a straight line (SL) or diminishing value (DV) basis, at rates calculated to allocate the asset cost less estimated residual value over the estimated useful life.

Valuation

Buildings and improvements are revalued with sufficient regularity to ensure that the carrying amount does not differ materially from fair value and at least every 3 years. Fair value is determined from market-based evidence by an independent valuer. All other asset classes are carried at depreciated historical cost. The carrying values of revalued items are reviewed at each balance date to ensure that those values are not materially different to fair value. Additions between revaluations are recorded at cost.

Buildings and improvements were valued at fair value as determined from market-based evidence by an independent valuer. The most recent valuations were undertaken by Quotable Value Ltd, at 30 June 2008 and related to the Baypark Stadium. Plant and equipment is not valued.

TCVL accounts for revaluations of Property, Plant and Equipment on a class of asset basis.

Additions

The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to TCVL and the cost of the item can be measured reliably.

In most instances, an item of property, plant and equipment is recognised at its cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value when control over the asset is obtained.

Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are included in the statement of comprehensive income.

INTANGIBLE ASSETS

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Costs associated with computer software are recognised as an expense when incurred.

The carrying value of an intangible asset with a finite life is amortised on a straight line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date the asset is derecognised. Amortisation charge for each period is recognised in the statement of comprehensive income.

Intangible assets capitalised to other assets are amortised at the rate of the principal asset to which they have been capitalised.

The useful lives for associated amortisation rates of major classes of intangible assets have been estimated as follows:

Computer Software	3 years	33%

LEASES

Operating lease revenue, where the lessors effectively retain substantially all the risks and benefits of ownership of the leased item, are recognised as revenue on a straight line basis over the term of the lease.

The assets subject to the lease are included in the statement of financial position according to the nature of the asset. The leased assets are depreciated over the period TCVL expect to benefit from their use.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

DEBTORS AND OTHER RECEIVABLES

Debtors and other Receivables are included at their net realisable value after any deduction for doubtful debts.

STATEMENT OF CASHFLOWS

The following definitions have been used for the preparation of the Statement of Cashflows:

Cash
Coins, notes, demand deposits, or highly liquid investments for which there is a recognised ready market and which are unconditionally convertible to coins and notes at TCVL's option within no more than two working days and which TCVL regards as part of its day-to-day cash management.

Operating Activities
Includes cash received from all sources of the company and records the cash payments made for the supply of goods and services.

Investing Activities
Activities relating to the acquisition, holding and disposal of fixed assets and of investments, such as securities.

Financing Activities
Activities which result in changes in the size and composition of equity and the capital structure of TCVL.

BORROWING POLICY

Borrowings are initially recognised at their fair value. After initial recognition, all borrowings are measured at amortised cost using the effective interest rate method.

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

In preparing these financial statements TCVL has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances.

NOTE 2 - FUNCTIONS, ADVERTISING AND SPONSORSHIP REVENUE

	Actual 2010 ($000's)	Actual 2009 ($000's)
Corporate Box Rentals	272	389
Caterers Revenue and Commissions *	155	176
Event Centre Functions	91	75
Naming Rights	0	0
Perimeter and Billboard Advertising	73	89
Rugby Game Revenue	26	56
Speedway Revenue	134	149
	751	934

* TCVL has little control over the receipt of $155 of catering commission.

NOTE 3 - OTHER REVENUE

	Actual 2010 ($000's)	Actual 2009 ($000's)
Rentals (incl Pavilions) *	99	49
Interest	158	235
Sundry Events	26	85
TECT Grant	2,000	0
	2,283	369

*Reclassification of BOPRU Office Rental to Other Revenue for 2010

NOTE 4 - OTHER EXPENDITURE

	Actual 2010 ($000's)	Actual 2009 ($000's)
Administration	88	113
Audit	18	17
Bad Debts	2	0
Provision for Doubtful Debts	(5)	7
Caterers Expense	0	0
Consultants and Directors Fees	40	53
Employee Costs	460	319
Operating Costs	437	252
Maintenance	109	104
Interest on RPS	477	707
Interest Paid	198	15
	1,824	1,587

NOTE 5 - DEPRECIATION

	Actual 2010 ($000's)	Actual 2009 ($000's)
Buildings and Improvements	264	265
Plant and Equipment	33	28
Office Furniture and Equipment	5	3
Motor Vehicles	9	7
Software	0	1
	311	304

NOTE 6 - TAXATION

		2010 ($000's)	2009 ($000's)
(a)	Surplus /Deficit) before Taxation	899	(588)
	Prima Facie Taxation at 30%	270	(176)
	Plus (less) tax effect of:		
	Non-deductible expenditure	99	170
	Depreciation and amortisation adjustment	0	2
	Unrecognised Tax Losses	0	57
	Doubtful Debt Adjustment	0	3
	Loss on Sale Adjustment	0	1
	Non- taxable income	(600)	0
	Tax rate adjustment	(178)	0
	Deferred Tax Adjustment	2,965	(94)
	Taxation Expense/(loss benefit)	2,556	(37)
	Represented As:		
	Current Taxation	0	0
	Deferred tax on temporary difference	2,734	0
	Deferred tax adjustment for reduction in tax rate	(178)	0
	Deferred taxation expense/(benefit)	0	(37)
		2,556	(37)

The one-off increase in income tax expense of $2.6 million, with a corresponding increase in deferred tax liabilities has been booked in the accounts. This is as a result of tax changes announced in the New Zealand Government Budget, which were enacted on 27 May 2010.

The amount represents a one-off charge resulting from the withdrawal of tax depreciation deductions for buildings with estimated life of 50 years or more, and is required under International Financial Reporting Standards (IFRS).

It is a non-cash adjustment to the income statement and has no impact on the underlying trading performance or cash flows for the 30 June 2010 year.

		2010 ($000's)	2009 ($000's)
(b)	Imputation Account		
	Opening balance 1 July	511	748
	Resident Withholding Tax	0	0
	Imputation Credits received	858	0
	Less Tax Refunds	0	0
	Imputation credits attached to dividends	(156)	(237)
	Closing balance at 30 June	1,213	511

With effect from 28 June 2007, the company, along with its parent shareholder, Tauranga City Investments Limited formed an imputation group (ICA Group). The closing imputation credit account balances represent the imputation credits available to the ICA Group.

Income tax flows and imputation credit movements are reported on an ICA Group across all members of the ICA Group. The credits are available to the shareholders (and shareholders of the ICA Group members) through the company's inclusion in the ICA Group.

		Property, Plant & Equip	Other Provisions	Tax Losses	Total
(c)	Deferred Tax Liability				
	Balance as at 30 June 2008	(214)	0	59	(155)
	Charged to income	39		(2)	37
	Charged to equity	0		0	0
	Balance at 30 June 2009	(175)	0	57	(118)
	Charged to income	(2,779)	5	218	(2,556)
	Charged to equity	12	0	0	12
	Balance at 30 June 2010	(2,942)	5	275	(2,662)

Refer Taxation expense Note 6a.

NOTE 7 - CASH AND CASH EQUIVALENTS

	2010 ($000's)	2009 ($000's)
Cash	24	42
	24	42

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

NOTE 8a - TRADE AND OTHER RECEIVABLES

	2010 ($000's)	2009 ($000's)
Accrued Income	3	0
Prepayments	14	8
Trade and other Receivables	88	65
GST	0	3
RWT	1	0
	106	76

The status of receivables as at 30 June 2010 as detailed as follows:

	2010			2,009		
	Gross	Impairment	Net	Gross	Impairment	Net
Receivables						
Not past due	48		48	33		33
Past due 1-60 days	30		30	9		9
Past due 61-90 days	4		4	8		8
Past due > 90 days	11	(5)	6	23	(8)	15
	93	(5)	88	73	(8)	65

NOTE 8b - NON CURRENT ASSETS

	2010 ($000's)	2009 ($000's)
Loan to TCC (TECT Funding)	2,004	0
	2,004	0

NOTE 9 - STATEMENT OF COMMITMENTS AND CONTINGENCIES

The statement represents extraordinary or exceptionally large commitments for that type of expenditure within the normal course of business, which have been contractually entered into.

There are no commitments and contingencies as at 30 June 2010 (NIL, 2009).

NOTE 10 - RECONCILIATION OF NET SURPLUS/(DEFICIT) WITH NET CASHFLOWS FROM OPERATIONS

	2010 ($000's)	2009 ($000's)
Net Surplus / (Deficit) from Statement of Comprehensive Income	899	(588)
Add / (Deduct) Non Cash Items		
Depreciation	311	304
Add / (Deduct) Movements in Working Capital		
Decrease / (Increase) in Trade and Other Receivables	(30)	57
Increase / (Decrease) in Trade and Other Payables	(25)	(223)
Net Cash from Operating Activities	1,155	(450)

NOTE 11 - TRADE AND OTHER PAYABLES

	2010 ($000's)	2009 ($000's)
Trade and Other Payables		
Accrued Expenditure	61	68
Trade and Other Payables	33	65
Income in Advance - Corporate Box, Signage	99	102
Employee Accruals	20	7
GST	3	0
Total Trade and Other Payables	216	242

Trade and other payables are non-interest bearing and are monthly settled on 30 day terms, therefore the carrying value of trade and other payables approximates their value.

NOTE 12 - RELATING PARTY TRANSACTIONS

	2010 ($000's)	2009 ($000's)
Tauranga City Council (Shareholder of TCIL who wholly owns TCVL)		
Interest Received - TCC	4	0
Interest Paid - TCC	198	0
Administration Services Provided	0	4
Purchase of Baypark Speedway and Events Centre	0	0
Loans Repaid	88	220
Loans Received	2,816	745
Loan to TCC	2,000	0
Tauranga City Venues Ltd		
Administration Services Provided		
Grant Seagar - Hartford Capital Ltd	88	43
John Adshead - John Adshead Promotions Ltd	71	19
Operating Services Provided		
Rex Pollock - Pollock and Sons Crane Hire Ltd	4	1
Capital Costs		
Tony McCartney - CPG New Zealand Ltd	34	10
Operating Services Provided		
Tony McCartney - CPG New Zealand Ltd	12	0
Charged to TCC		
Tony McCartney - CPG New Zealand Ltd	15	0

NOTE 13 - BORROWINGS

	2010 ($000's)	2009 ($000's)
Borrowings		
Loan from Tauranga City Council	1,531	605
Loan from Tauranga City Council	2,000	
RM & EM Clarkson Family Trust Partnership - Redeemable Preference Shares	8,000	10,000
Total Borrowings	11,531	10,605
Less Current Borrowings	3,531	2,605
Total Non-Current Borrowings	8,000	8,000

Loan from Tauranga City Council

The loan from Tauranga City Council (TCC) to Tauranga City Venues Ltd (TCVL) is designated as a Financial Liability and recognised it initially as fair value under NZ IFRS 39. After initial recognition it is on demand.

Security

The loan from TCC is unsecured.

Redeemable Preference Shares

On commencement Tauranga City Venues Ltd classified the $10m fixed rate redeemable preference shares (RPS) issued to RM & ME Clarkson Family Trust Partnership as debt under NZ IFRS. Instalments of $2m were due on 1 July 2009, 1 July 2010 and have been paid.

Future instalments are due on 1 July 2011, 1 July 2012 and the final maturity on 1 July 2013.

The interest paid on RPS for the year ending 30 June 2010 was $324,460 (2009: $474,142), imputation credits paid in relation to these shares was $152,667 (2009: $233,532). The interest and attached imputation credits are recognised as interest expense in the Statement of Comprehensive Income.

Refer to Note 17 - Payment of Redeemable Preference Shares of $2m was made on 1 July 2010.

NOTE 14 - SHARE OF CAPITAL

	2010 ($000's)	2009 ($000's)
Opening Balance	2,000	2,000
Capital Introduced - Ordinary Shares - TCIL	0	0
Total Share Capital	2,000	2,000

2,000,100 ordinary shares @ $1 per share are fully paid up.

NOTE 15 - RETAINED EARNINGS

	2010 ($000's)	2009 ($000's)
Retained Earnings Opening Balance	(1,001)	(450)
Surplus / (Deficit) after Tax	(1,657)	(551)
Total Retained Earnings	(2,658)	(1,001)

NOTE 16 - CAPITAL MANAGEMENT

TCVL's capital is its equity, which comprises TCVL capital and retained surpluses. Equity is represented by net assets.

TCVL's deed requires the Board of Directors to manage its revenues, expenses, assets, liabilities, investments, and general financial dealings prudently. The equity is largely managed as a by-product of managing revenues, expenses, assets, liabilities, investments and general financial dealings.

The objective of managing TCVL's equity is to ensure that TCVL effectively achieves its objectives and purpose, whilst remaining a going concern.

NOTE 17 - SIGNIFICANT EVENTS AFTER BALANCE DATE

$2m of Redeemable Preference Shares were paid to RM & ME Clarkson Family Trust Partnership on 1 July 2010.

TECT have allocated to Tauranga City Venues Ltd a $6m grant towards the purchase of the new Events and Exhibition Centre. As at balance date $2m of the grant had been received with a further $3.9m paid on the 20 August 2010, plus a further $100k in Sponsorship on completion of the building.

The Sports and Exhibition Centre that commenced building in January 2010 is currently being funded by Tauranga City Council and ownership of the building will transfer to Tauranga City Venues Ltd on completion which is due to be September 2011.

NOTE 18a - ACQUISITION OF BAYPARK ASSETS

Tauranga City Venues Limited was established to purchase Baypark assets and further develop the site to include a new indoor sports and exhibition centre.

Tauranga City Venues Limited was incorporated 20 28 June 2007 and commenced trading on 19 September 2007. The company is wholly owned by Tauranga City Investments Limited which in turn is wholly owned by Tauranga City Council.

Name of Business Assets Acquired	Principal Activity	Date of Acquisition	Proportion of Shares Held	Cost of Acquisition $000's
2008:				
Baypark Assets	Sports and Exhibition Centre	21 September 2007		$12,000

The cost of the acquisition of Baypark assets was $12m comprising cash of $2m and $10m in redeemable preference shares. The fair value of the assets at the date of acquisition was $12m.

Baypark Assets Acquired	Book Value $000's	Fair Value Adjustment $000's	Fair value of Acquisition $000's
Non Current Assets			
Buildings, Plant and Equipment	$12,000	$0	$12,000

NOTE 18b - ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT

	2009	2009	2009	2009	2009	2010	2010	2010	2010	2010	2010	2010
	Asset Additions ($000's)	Accum Depn & Amort ($000's)	Asset Depn Write Back ($000's)	Reval Surplus ($000's)	Cost Reval ($000's)	Opening Book Value ($000's)	Asset Additions ($000's)	Asset Disposed ($000's)	Asset Depn Written Back ($000's)	Current Depn Amort ($000's)	Accum Depn & Amort ($000's)	Closing Book Value ($000's)
At Cost												
Buildings & Improvements	12,268	(265)			12,003	12,003	57			(264)	(529)	11,796
Plant & Equipment	464	(64)			400	400	27	(1)	(1)	(33)	(97)	392
Office Furniture & Equipment	33	(7)			26	26	11			(5)	(12)	32
Motor Vehicles	56	(12)			44	44	1	0	0	(9)	(21)	36
Software	1	(1)			0	0					(1)	0
	12,822	(349)	0	0	12,473	12,473	96	(1)	(1)	(311)	(660)	12,256

The Baypark Stadium was valued by registered valuer Quotable Value NZ Limited, as at 30 June 2008.

Statement of Intent

Key Performance Indicators

<table>
<tr><th></th><th>Objectives for 2009/10</th><th>Performance Indicators</th><th>Targets</th><th>Actual</th></tr>
<tr><td>1.</td><td>To meet, and where possible exceed, the expectation of Tauranga City Investments Limited, Tauranga City Council, and all of the stakeholders of the company.</td><td>• Comply with our adopted Statement of Intent.
• That TCVL operates at no cost to the rate payers and that Council notes that the financial projections indicate that this will take three years to achieve.</td><td>100%.
100%.</td><td>100%.
TECT Grant improved TCVL's results and when there are no grants TCC supports TCVL's cashflow facilities.</td></tr>
<tr><td>2.</td><td>Operate the facilities within its control so that the company meets all its financial and non financial requirements.</td><td>FINANCIAL TARGETS
Business and Strategic Monitoring
• To implement year one of a year five year strategic plan.
• To achieve and or exceed the annual plan targets.
• Grow revenue and operating surplus each year for the next five years.</td><td>100%.
100%.
Revenue - 15% p.a.
Operating Surplus -15% p.a.</td><td>Developing a new long term strategic plan in 2010 with new Board of Directors.
100%.
Achieved
Achieved</td></tr>
<tr><td></td><td></td><td>Financial Contract Monitoring
• To develop an annual business plan with achievable goals and an approved budget.
• Monitor each of TCVL's direct control financial centres to ensure the forecast revenue and cost budget targets are met.
• Monitor the financial centres not under TCVL's direct control to identify opportunity for improvement.
• Report on all financial data including variance's and forecasts</td><td>100%.
<table><tr><td>Direct Control Revenue</td><td>$575,000</td></tr><tr><td>Other Revenue</td><td>$355,000</td></tr><tr><td>Operating Cost</td><td>$814,000</td></tr><tr><td>Net Surplus Before Borrowing Costs</td><td>$116,000</td></tr></table>Proactively engage with the owners of the non controlled centres to improve performance.
100% compliance with reporting environment.</td><td>100%.
<table><tr><td>Direct Control Revenue</td><td>561,000</td></tr><tr><td>Other Revenue</td><td>2,320,000</td></tr><tr><td>Operating Costs</td><td>1,151,000</td></tr><tr><td>Net Surplus Before Borrowing Costs</td><td>1,730,000</td></tr></table>Regular contact and communications are in place aiming to maximise performance.</td></tr>
</table>

	Objectives for 2009/10	Performance Indicators	Targets	Actual
		NON FINANCIAL TARGETS Quality Assurance and Safety		
		• TCVL will ensure quality assurance plans are in place for the site and that these are properly monitored. Any non conformance will be reported in a timely manner.	TCVL will ensure that all contracted parties are conversant with the QA system.	Not achieved, quality assurance system still to be finalised.
		• TCVL will commission six monthly and annual independent operational audits of its facilities.	Six monthly audits completed. 100% compliance with the Quality assurance provisions of the relevant contract conditions.	As above.
		• TCVL will ensure the health and safety plans are operative and undertake annual safety audits and warrant of fitness inspections on all buildings under its control or ownership.	100% compliance with the Health and Safety and/or maintenance provisions of the relevant contract conditions. Annually completed.	As above.
		Marketing		
		• TCVL will be required to maintain the marketing and promotion plan for all other activities undertaken on the site.	TCVL will prepare an annual marketing plan and constantly monitor the results.	Marketing Plan to be finalised.
		Further TCVL will monitor the measurable components of the plan to ensure management is maximizing the effectiveness of its marketing spend.	75% satisfaction rate. TCVL will undertake one survey during each of the speedway and rugby seasons.	Surveys not completed.
		Customer Satisfaction and Service		
		• TCVL will undertake annual independent surveys to monitor customer satisfaction and business performance.	Six monthly operational audits monitor a sample of customer service documents to ensure contractual obligations.	100% Achieved – Actioned Customer Complaints.
		• TCVL will ensure there is a complaints process maintained and any customer complaint will be acted upon within five working days of identification/lodgement.	100% compliance.	100% Completed.
		• TCVL will ensure all contracted agencies meet all their obligations under the terms of the agreement.	Completed by December 2009 and reviewed quarterly.	
		Risk Management To develop risk management strategies in our key business areas.		A Risk Management Plan is being compiled.

	Objectives for 2009/10	Performance Indicators	Targets	Actual
3.	Review and if appropriate adopt any relevant business practices that would enable the company to better meet its objectives.	• Undertake an annual joint governance and operational strategy workshop.	Complete by December 31st each year.	Workshops not undertaken but a better relationship has been established, between Council and TCVL and the expertise of each is being better shared to achieve the company's objectives and desired outcomes.
		• To identify any facility and service enhancements and conduct feasibility and business plans for such improvements.	Completed as required.	The Business Strategy has been prepared which identifies a number of prioritised projects which will help provide a sustainable business proposition.
4	Ensure the effective and efficient management of Assets within its control so as to achieve the optimum financial results within the policy requirements of its shareholders.	Asset Management • TCVL will implement the asset management plans completed for each facility and maintain appropriate budget allocations to meet the cost of annual maintenance renewals and improvements.	TCVL will ensure that all maintenance scheduled in the AMP is undertaken each year. TCVL will ensure that all capital and renewals program is undertaken within each year.	A draft Asset Management plan has been completed for its adoption by the Board and subsequent implementation.
5	Manage and monitor the contractual relationships, so as to drive optimum benefit to the company and its stakeholders.	• TCVL will ensure they receive regular performance reports and discuss the outcome of those reports with all contracted parties. • To transform current contractual relationships into partnerships that assist in enhancing and developing our facilities.	100% compliance with contracted conditions. Documented reports and consultative meetings. Annual Partnering workshops with all contracted parties. Clearly report demonstrable strategic benefits to both parties.	While TCVL meet every 3 months approx, with contracted parties, they recognize there are still some difficulties remaining which need to be resolved to achieve a better long term outlook.
6	Develop strategic plans for both short and long term operation of the facilities.	• TCVL will develop an annual plan that meets the companies' mission statement.	Completed and reviewed annually.	Strategic Plan needs to be finalised but annual plan has been reviewed.
		• TCVL will develop a Strategic Plan that meets the companies' mission statement.	Completed and reviewed annually.	
7	To keep all stakeholders informed of the performance of the company.	To implement and maintain communication procedures to ensure all stakeholders are provided with appropriate and timely information on the operation of all facilities under TCVL control.	All communication strategies completed.	TCVL have met with the shareholder and attend regular Council meetings, but have to finalise a communication Strategy.

Statutory Disclosures

There have been no changes to the nature of the business of the company.

Transactions involving self-interest have been disclosed in the interests register during the period.

Please refer to Note 12.

Directors during the year and directors fees accrued were as follows:

Director	Start Date	End Date	Fees Accrued	Fees Paid
Grant Seagar	28.09.07	31.12.09	$0.00	$4,999
Rex Pollock	28.09.07	Still a director	$0.00	$10,000
Tony McCartney	28.09.07	31.03.10	Nil	$7,499
John Adshead	28.09.07	Still a director	$0.00	$10,000
Stuart Crosby	22.08.08	Still a director	Unpaid Director	$0
Bernie Gillon	01.05.10	Still a director	$0.00	$1,667
Daryl French	01.05.10	Still a director	$0.00	$1,667
Graeme Elvin	01.05.10	Still a director	$1,667	$0

There were no remunerations paid in excess of $10,000.

Donations of $2,000 were made during the year.

The company paid $16,970 in Financial Audit Fees during the year, and accrued $18,000 for the year ended 30 June 2010 audit.

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Audit Report

**To the readers of
Tauranga City Venues Limited's
financial statements and performance information
for the year ended 30 June 2010**

The Auditor-General is the auditor of Tauranga City Venues Limited (the Company). The Auditor-General has appointed me, Clarence Susan, using the staff and resources of Audit New Zealand, to carry out the audit on her behalf. The audit covers the financial statements and performance information included in the annual report of the Company for the year ended 30 June 2010.

Qualified Opinion – Our work was limited because of limited control over revenue

Prior to being recorded, control over the receipt of $69,000 (2009 $123,000) of catering commission revenue, which is included within the total of caterers revenue and commissions of $155,000 (2009 $176,000) in note 2, is limited and there are no satisfactory audit procedures that we could adopt to confirm independently that all catering commission revenue was properly recorded.

In our opinion:

- Except for adjustments that might have been found to be necessary had we been able to obtain sufficient evidence concerning catering commission revenue, the financial statements of the Company on pages 3 to 18 and page 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 2010; and
        - the results of its operations and cash flows for the year ended on that date.
- The performance information of the Company on pages 19 to 21 gives a true and fair view of the achievements measured against the performance targets adopted for the year ended 30 June 2010.
- Based on our examination the Company kept proper accounting records.

The audit was completed on 24 September 2010, and 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 the Auditor, and explain our independence.

Basis of opinion

We carried out the audit in accordance with the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards. However, the scope of our work was limited because of the limited control over revenue.

We planned and performed the audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the financial statements and performance information did not have material misstatements, whether caused by fraud or error.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements and performance information. We were unable to determine whether there are material misstatements in relation to catering commission revenue because the scope of our work was limited, as we referred to in our opinion.

The audit involved performing procedures to test the information presented in the financial statements and performance information. We assessed the results of those procedures in forming our opinion.

Audit procedures generally include:

- determining whether significant financial and management controls are working and can be relied on to produce complete and accurate data;
- verifying samples of transactions and account balances;
- performing analyses to identify anomalies in the reported data;
- reviewing significant estimates and judgements made by the Board of Directors;
- confirming year-end balances;
- determining whether accounting policies are appropriate and consistently applied; and
- determining whether all required disclosures are adequate.

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

We evaluated the overall adequacy of the presentation of information in the financial statements and performance information. We did not obtain all the information and explanations we required due to the limited control over revenue, as explained above.

Responsibilities of the Board of Directors and the Auditor

The Board of Directors is responsible for preparing the financial statements in accordance with generally accepted accounting practice in New Zealand. The financial statements must give a true and fair view of the financial position of the Company as at 30 June 2010 and the results of its operations and cash flows for the year ended on that date. The Board of Directors is also responsible for preparing performance information that gives a true and fair view of service performance achievements for the year ended 30 June 2010. The Board of Directors' responsibilities arise from the Financial Reporting Act 1993 and the Local Government Act 2002.

We are responsible for expressing an independent opinion on the financial statements and performance information and reporting that opinion to you. This 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.

Clarence Susan
Audit New Zealand
On behalf of the Auditor-General
Tauranga, New Zealand

TAURANGA CITY VENUES LTD