



**BAY VENUES LIMITED  
FINANCIAL STATEMENTS**

for the Year Ended 30 June 2014



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## CHAIRPERSON'S REPORT

It is with great pleasure and satisfaction that, on behalf of the Board, I can report that during the 2013/2014 year the amalgamation of TCAL (Tauranga City Aquatics Ltd) and TCVL (Tauranga City Venues Ltd) was completed successfully.

The new amalgamated entity now (August 2014) involves assets of \$90.5m. The organisation is made up of 182 permanent staff and 78 casual staff.

This amalgamation, a result of a significant review undertaken by Tauranga City Council, also included the transfer of staff and assets relating to the technical hire business of Tauranga City Council venues plus the activities of Tauranga Leisure Ltd.

The amalgamated entity's key objectives include achieving significant gains in operational efficiency, increasing revenue and user numbers and developing a cohesive and coordinated medium/long term plan for the city's events, venues and general leisure activities.

Inevitably this amalgamation process was unsettling for the teams within the component entities, and I would like to extend my thanks to everyone for the professional and measured approach the teams have taken to achieve the ongoing and sustainable organisation we have today.

Costs for the amalgamation were significantly higher than expected reflecting the complexity of such an amalgamation, however the Board is confident the ongoing future operational efficiencies gained, together with the increased revenues will ensure substantial improvements in the organisation's net (EBITDA) income, in the 2014/2015 year and beyond.

The operating revenues were \$776,000 above budget at \$14.27m (excluding Tauranga City Council funding of depreciation).

Visitor numbers across all our sites were 1,600,000 compared to Council's KPI target of 1,400,000.

A key focus of the Board and Senior Management has been to engender, strong, unified focus on Customer Satisfaction. The success of which will ensure the continuing improvement in our visitor numbers beyond the 1,600,000 achieved this year.

Health and Safety for our team and our visitors is a priority objective for our Board and I would like to thank the Board Sub-Committee (Shirley Baker – Chair), and Senior Management for the significant progress made in ensuring our venues and systems strive always to achieve best operating practice.

Our other key sub-committees of "People and Performance" (Keith Tempest – Chair), and "Audit & Risk" (John Loughlin – Chair), have also worked very closely with Senior Management to achieve effective amalgamation through focus on best practice within effective revised management structures and systems.

All our key venues have experienced growth in both the number of visitors and the quality of service and services provided to the community.

Of particular mention, is the focus of the Commercial Team to develop innovative events that are not only financially successful but also capture the wider public's enthusiasm, imagination and support.

A good example of this focus is the successful Jetsprint Event held in January at the Baypark Stadium.

This event was a world first (held within a stadium venue), requiring significant team preparation. It was a resounding success financially and will become one of a number of future cornerstone events for Bay Venues Ltd.

The event won the 2014 "New Zealand Best Emerging Event" ahead of the "Auckland Rugby Leagues 9's".

A clear and overriding focus for our team, is fulfilling the undertakings our company made, as a CCO (Council Controlled Organisation), to achieve the objectives as set out in our "Statement of Intent" (SOI).

We are pleased to confirm that, apart from the financial objective, all others were substantially achieved or exceeded.

The financial objective was not achieved as amalgamation costs incurred within this set-up year, were substantially ahead of budget/estimates not withstanding the increased revenues achieved.

The provision to the citizens of Tauranga City of appropriate levels of service in leisure and fitness continues to be an overarching objective, and during the year a substantial number of community programmes and events were completed.

A good example of this is the Bay Venues Ltd/Water Safety NZ/Sport BOP joint initiative entitled "Schools in Pools". The target was to have 2,000 school age children pass through a Swim to Survive programme. Our achievement in the 2013/2014 year was 3,140 children. This initiative saw TECT funding \$100,000, enabling the programme to be delivered to the community.

Strategic Planning was a major component of work undertaken by the Board and Senior Management during the year. The Strategic Plan has been developed by the Board and Senior Management with substantial external input.

As a "Living Document" it sets out our clear future direction and priorities, however it is always subject to ongoing review, including review of any further relevant input from the wider community and Tauranga City Council.

The Bay Catering and Clubfit Gym activities continue to perform well and as future planned operating efficiency gains are achieved, we expect significant progress will occur in future years.

When the amalgamation was initially underway at the beginning of the 2013/2014 year the entity's name was 'Bay Leisure and Events Limited'. This was always an interim name awaiting a more appropriate trading name once all strategic plans had evolved.

The ongoing Trading Name is "Bay Venues Limited". This ongoing new name will also now allow the gradual roll-out of appropriate Branding across all our venues, services and activities.

I would like to pay particular tribute and thanks to the Board and the Senior Management Team for the extra ordinary efforts they have made to bring this quite complex organisation together as a cohesive team.

In particular I would like to thank Gary Dawson who as Chief Executive Officer has led the amalgamation with great skill, sensitivity, commercial and community focus.

Gary has been superbly supported by his Senior Leadership Team of:

Tania Delahunty – Business Performance Manager.  
Ervin McSweeney – Commercial Manager.  
Tina Harris-Ririnui – Venues & Programmes Manager.

Finally, I would also like to acknowledge the very substantial support provided by our shareholder, Tauranga City Council.

We have enjoyed excellent support, advice and guidance from both the Elected Members and the Senior Management of the City Council, including Mayor Stuart Crosby and CEO Garry Poole.

It is the Board's express objective to ensure Bay Venues Limited develops over the next 5 years into the best Venue and Events organisation in New Zealand, providing sustainable levels of service and excellence in product second to none.

The people of Tauranga City deserve no less.

Peter Farmer,  
Chairman,  
Bay Venues Limited.



## STATEMENT OF COMPREHENSIVE INCOME

for the Year Ended 30 June 2014

	Note	2014 Actual (\$,000's)	2014 Budget (\$,000's)	2013 Actual (\$,000's)
<b>Revenue</b>				
User Revenue	2	11,418	10,611	9,221
Other Income	3	180	397	493
TCC Operational Grants		2,672	2,486	2,501
TCC Depreciation Grants		3,766	3,812	4,353
<b>Total Operational Revenue</b>		<b>18,037</b>	<b>17,306</b>	<b>16,568</b>
<b>Expenditure</b>				
Employee Expense	4	7,347	6,399	5,310
Administrative Expense		1,426	1,243	966
Consulting & Governance Expense	4a	476	259	357
Operating Expense (incl. COGS)	5	5,446	4,597	4,355
Repairs & Maintenance Expense		638	528	474
Joint Venture Commission		49	0	0
<b>Total Expenditure before Interest &amp; Depreciation</b>		<b>15,382</b>	<b>13,028</b>	<b>11,462</b>
<b>Operating Profit/Loss before Interest &amp; Depreciation</b>		<b>2,655</b>	<b>4,278</b>	<b>5,106</b>
<b>Other Expenditure</b>				
Interest Expense		2,435	2,780	2,610
Depreciation & Amortisation Expense	6	4,391	3,466	3,901
<b>Total Finance &amp; Depreciation Expense</b>		<b>6,826</b>	<b>6,246</b>	<b>6,511</b>
<b>Net Surplus / (Deficit)</b>		<b>(4,171)</b>	<b>(1,968)</b>	<b>(1,405)</b>
Taxation (Expenses)/Benefit	7	665	0	200
<b>Total Comprehensive Income for the year</b>		<b>(3,506)</b>	<b>(1,968)</b>	<b>(1,205)</b>

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





## STATEMENT OF CHANGES IN EQUITY

for the Year Ended 30 June 2014

	Note	Share Capital	Retained Earnings	Revaluation Surplus	Schools in Pools Reserve	Total Equity
Balance as at 1 July 2012		20,861	(6,867)	12,743	60	26,797
Capital introduced during the year		13,000	0	0	0	13,000
Total comprehensive income for the year		0	(1,205)	0	0	(1,205)
<b>Balance at 30 June 2013</b>	<b>8</b>	<b>33,861</b>	<b>(8,072)</b>	<b>12,743</b>	<b>60</b>	<b>38,592</b>
Changes in equity for 2014		0	0	0	0	0
Capital introduced during the year		3,000	0	0	0	3,000
Total comprehensive income for the year		0	(3,506)	0	0	(3,506)
<b>Balance at 30 June 2014</b>		<b>36,861</b>	<b>(11,578)</b>	<b>12,743</b>	<b>60</b>	<b>38,086</b>

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





## STATEMENT OF FINANCIAL POSITION

for the Year Ended 30 June 2014

	Note	2014 Actual (\$000's)	2013 Actual (\$000's)
<b>ASSETS</b>			
<u>Current Assets</u>			
Cash and Cash Equivalents	9	515	136
Stock on Hand		231	259
Debtors and Other Receivables	10	785	495
<b>Total Current Assets</b>		1,531	890
<u>Non Current Assets</u>			
Property, Plant and Equipment		88,503	91,179
Intangible Assets		467	683
<b>Total Non Current Assets</b>	24	88,970	91,862
<b>Total Assets</b>		90,501	92,752
<b>LIABILITIES</b>			
<u>Current Liabilities</u>			
Employee Entitlements	14	624	540
Trade and Other Payables	15	2,651	1,905
Loan from Tauranga City Council	17	9,344	3,779
<b>Total Current Liabilities</b>		12,619	6,224
<u>Non Current Liabilities</u>			
Loan from Tauranga City Council	17	31,396	38,871
Deferred Tax	7c	8,400	9,065
<b>Total Non Current Liabilities</b>		39,796	47,936
<b>Total Liabilities</b>		52,415	54,160
<b>Net Assets</b>		<b>38,086</b>	<b>38,592</b>
<b>EQUITY</b>			
Share Capital	18	36,861	33,861
Retained Earnings	19	(11,578)	(8,072)
Revaluation Reserves	20	12,743	12,743
Reserve – Schools in Pools	21	60	60
<b>Total Equity</b>		<b>38,086</b>	<b>38,592</b>

DIRECTOR

Date

27 August 2014

DIRECTOR

Date

27 August 2014

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





## STATEMENT OF CASHFLOWS

for the Year Ended 30 June 2014

	Note	2014 Actual (\$000's)	2013 Actual (\$000's)
<b>OPERATING ACTIVITIES</b>			
<b>Cash was Provided From:</b>			
Cash received from customers		11,053	9,311
Grants received		6,438	8,120
Dividend received		20	0
Cash received from other sources		180	309
		<u>17,691</u>	<u>17,740</u>
<b>Cash was Applied To:</b>			
Payments to Employees		(7,263)	(5,834)
Payments to Suppliers		(7,309)	(4,601)
Interest Paid		(2,435)	(525)
Goods and Services Tax (net)		104	(179)
		<u>(16,903)</u>	<u>(11,139)</u>
<b>Net Cash from Operating Activities</b>	<b>13</b>	<b><u>788</u></b>	<b><u>6,601</u></b>
<b>INVESTING ACTIVITIES</b>			
<b>Cash was Applied To:</b>			
Purchase of Property, Plant and Equipment		(1,509)	(42,220)
Sale of Property, Plant and Equipment		8	0
<b>Net Cash from Investing Activities</b>		<b><u>(1,501)</u></b>	<b><u>(42,220)</u></b>
<b>FINANCE ACTIVITIES</b>			
<b>Cash was Provided From:</b>			
Tauranga City Council Loans		8,090	31,145
Increase in Equity		3,000	13,000
		<u>11,090</u>	<u>44,145</u>
<b>Cash was Applied To:</b>			
Repayment of Tauranga City Council Loans		(9,998)	(8,572)
<b>Net Cash from Financing Activities</b>		<b><u>1,092</u></b>	<b><u>35,573</u></b>
Net Increase / Decrease in Cash Held		379	(46)
Add Opening Cash		136	182
<b>Closing Cash</b>		<b><u>515</u></b>	<b><u>136</u></b>

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 Statement of Accounting Policies form part of these Financial Statements.



# STATEMENT OF ACCOUNTING POLICIES

for the Year Ended 30 June 2014

## Entity Statement

Bay Venues Limited 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 Limited 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.

Bay Venues Limited, previously Tauranga City Venues Limited, was incorporated on 28 June 2007.

The primary objective of Bay Venues Limited is to provide goods and services for the community or social benefit, rather than making a financial return.

Accordingly, Bay Venues Limited, 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 financial statements of Bay Venues Limited are for the year ended 30 June 2014. The financial statements were authorised for issue by Bay Venues Limited Directors on 27 August 2014.

## Basis of Preparation

The financial statements of Bay Venues Limited 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 accounting notes set out below have been applied consistently to all periods presented in these financial statements.

The measurement base adopted is that of historical cost.

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

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains or losses resulting from the settlement of such transactions are recognised in the Statement of Comprehensive Income.



## SIGNIFICANT ACCOUNTING POLICIES

### Revenue Recognition

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

#### Grants and Subsidies

Grants and Subsidies are recognised when the conditions of the grant or subsidy have been met.

#### Leases

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

#### Other Revenue

Products held for sale are recognised when a product or service is sold to the customer.

### Taxation

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

Current tax is the amount of income tax payable based in 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 Bay Venues Limited expects to recover or settle the carrying amount of deferred tax 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 differences arise 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 the accounting profit nor taxable profit.

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.

### Borrowing Costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

### 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.

Commitments and contingencies are disclosed exclusive of GST.

The net amount of GST recoverable from, or payable to the Inland Revenue Department (IRD) is included as part of receivables or payables in the statement of financial position.

The net GST paid to, or received from the IRD, including GST relating to investing and financing activities, is classified as an operating cash flow in the statement of cash flows.



## Property, Plant and Equipment

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

### Depreciation

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

Non Infrastructural Assets	Useful Life (Years)	Depreciation Method	Depreciation Rate
Land	N/A	N/A	0%
Buildings	2–100	SL	1% to 50%
Improvements	2–25	SL	4% to 50%
Computer Equipment	4–5	SL	20% to 25%
Office Furniture / Equipment	8–12	SL	6.7% to 33%
Other Plant & Equipment	3–50	SL	2% to 12.5%
Vehicles	5–10	SL	14.3% to 22%

### Valuation

Those asset classes that are revalued are valued on a three yearly valuation cycle on a basis described below. All other asset classes are carried at depreciated historical cost. The carrying values of all assets not revalued in any year are reviewed at each balance date to ensure that those values are not materially different to fair value.

Buildings, improvements, plant and equipment were valued at fair value as determined from market-based evidence by an independent Valuer. The most recent valuations were undertaken on 1 July 2011 by Property Solutions BOP Limited and related to all buildings and improvements.

Bay Venues Limited 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 Bay Venues Limited 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

Intangible Assets include computer software and goodwill on the purchase of the Speedway business. 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 financial performance. 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:

Intangible Assets	Useful Life (Years)	Depreciation Method	Depreciation Rate
Computer Software	3–4	SL	25% to 33%
Buildings	3–8	SL	12.5% to 33%

## Impairment of Property, Plant and Equipment and Intangible Assets

Property, Plant and Equipment and Intangible Assets are reviewed for indicators of impairment at each balance date. When there is an indicator of impairment the asset's recoverable amount is estimated. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Value in use is depreciated replacement cost for an asset where the future economic benefits or service potential of the asset are not primarily dependant on the asset's ability to generate net cash inflows and where the company would, if deprived of the asset, replace its remaining future economic benefits or service potential.

If an asset's carrying amount exceeds its recoverable amount, the asset is impaired and the carrying amount is written down to the recoverable amount. The impairment loss is recognised in the statement of financial performance.

## 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 (SL) 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 Bay Venues Limited 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 initially measured at fair value and subsequently measured at amortised cost using the effective interest rate method, less any provision for impairment.

A provision for impairment of receivables is established when there is objective evidence that Bay Venues Limited will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, and default in payments are considered indicators that the receivable is impaired. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate. The carrying amount of an impaired receivable is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of financial performance. When the receivable is uncollectable, it is written off against the allowance account. Overdue receivables that have been renegotiated are reclassified as current (ie. not past due).

## Inventories

Inventories held for sale on a commercial basis are valued at the lower of cost and net realisable value. The cost of the inventory is determined using the first-in-first-out method.

## 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 Bay Venues Limited's option within no more than two working days and which Bay Venues Limited 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 Bay Venues Limited.

## Creditors and Other Payables

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

## Provisions

Bay Venues Limited recognises a provision for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that expenditures will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as a finance cost.

## Borrowings

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

## Amalgamations

Bay Venues Limited has accounted for the amalgamation as a short form amalgamation under S222 of the Companies Act, by aggregating the previous companies' financials in order to create a single entity set of comparative information.





## Critical Accounting Estimates and Assumptions

In preparing these financial statements, Bay Venues Limited 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 of future events that are believed to be reasonable under the circumstances.

Estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities with the next financial year are discussed below:

### Going Concern

Bay Venues Limited relies on the Letter of Comfort from Tauranga City Council to support the going concern assumption. The letter gives assurance and guarantee that Tauranga City Council will continue to provide financial support to Bay Venues Limited to ensure that the amalgamated company remains solvent and a going concern post amalgamation. Council will not demand repayment of any loan given to Bay Venues Limited if making that repayment would cause solvency issues for Bay Venues Limited at the time of the demand. Refer to note 28.

### Property, Plant and Equipment Useful Lives and Residual Value

At each balance date Bay Venues Limited reviews the useful life and residual values of its property, plant and equipment. Assessing the appropriateness of useful life and residual value estimates of property, plant and equipment requires Bay Venues Limited to consider a number of factors such as the physical condition of the asset, expected period of use of the asset by the company and expected disposal proceeds from the future sale of the asset.

An incorrect estimate of the useful life or residual value will impact on the depreciable amount of an asset, therefore impacting on the depreciation expense recognised in the statement of comprehensive income and carrying amount of the asset in the statement of financial position. Bay Venues Limited minimises the risk of this estimation uncertainty by:

- Physical inspection of assets
- Asset replacement programs
- Review of second hand market prices for similar assets
- Analysis of prior asset sales

Bay Venues Limited has not made significant changes to past assumptions concerning useful lives and residual values. The carrying amount of property, plant and equipment are disclosed in note 24.

## Statements and Interpretations not yet Adopted

NZ IFRS 9 Financial Instruments will eventually replace NZ IAS 39 Financial Instruments: Recognition and Measurement.

NZ IAS 39 is being replaced through the following 3 main phases:

Phase 1 Classification and measurement, Phase 2 Impairment Methodology and Phase 3 Hedge Accounting.

Phase 1 on the classification and measurement of financial assets has been completed and has been published in the new financial instrument standard. NZ IFRS 9 uses a single approach to determine whether a financial asset is

measured at amortised cost or fair value, replacing the many different rules in NZ IAS 39. The approach in NZ IFRS 9 is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets.

The financial liability requirements are the same as those of NZ IAS 39, except for when an entity elects to designate a financial liability at fair value through surplus/deficit. The new standard is required to be adopted for the year ended 30 June 2016. However, as a new Accounting Standards Framework will apply before this date, there is no certainty when an equivalent standard to NZ IFRS 9 will be applied by public benefit entities.

The Minister of Commerce has approved a new Accounting Standards Framework (incorporating a Tier Strategy) developed by the External Reporting Board (XRB).

Due to the change in the Accounting Standards Framework for public benefit entities, it is expected that all new NZ IFRS and amendments to existing NZ IFRS will not be applicable to public benefit entities. Therefore, the XRB has effectively frozen the financial reporting requirements for public benefit entities up until the new Accounting Standard Framework is effective. Accordingly, no disclosure had been made about new or amended NZ IFRS that exclude public benefit entities from their scope.



# NOTES TO THE FINANCIAL STATEMENTS

## Note 2: USER REVENUE

	2014 Actual (\$000's)	2014 Budget (\$000's)	2013 Actual (\$000's)
Arena (incl. Technical)	1,387	1,245	919
Stadium	897	642	428
Catering	2,318	2,244	2,042
Speedway	442	544	547
Indoor Facilities	1,058	718	400
Aquatics	5,316	5,218	4,885
	<b>11,418</b>	<b>10,611</b>	<b>9,221</b>

## Note 3: OTHER INCOME

	2014 Actual (\$000's)	2014 Budget (\$000's)	2013 Actual (\$000's)
Rental	27	260	111
Dividends received	20	16	16
Interest	2	0	107
Staff hire & recoveries	63	5	29
Sundry events	20	10	91
Sponsorship	48	106	139
	<b>180</b>	<b>397</b>	<b>493</b>

## Note 4: EMPLOYEE EXPENSES

	2014 Actual (\$000's)	2014 Budget (\$000's)	2013 Actual (\$000's)
Salaries and Wages	6,962	6,053	5,158
Defined contribution plan employer contributions (Kiwisaver)	134	104	53
Other personnel expense	251	242	99
	<b>7,347</b>	<b>6,399</b>	<b>5,310</b>

## Note 4a: CONSULTING & GOVERNANCE EXPENSES

	2014 Actual (\$000's)	2014 Budget (\$000's)	2013 Actual (\$000's)
Audit fees	65	59	73
Consulting	155	182	166
Director fees	256	18	118
	<b>476</b>	<b>259</b>	<b>357</b>

## Note 5: OPERATING EXPENSES

	2014 Actual (\$000's)	2014 Budget (\$000's)	2013 Actual (\$000's)
Arena (incl. Technical)	565	546	368
Stadium	557	320	396
Catering	2,046	1,622	1,661
Speedway	244	253	279
Indoor Facilities	372	337	0*
Aquatics	1,662	1,519	1,651
	<b>5,446</b>	<b>4,597</b>	<b>4,355</b>

\* Indoor Facilities were managed by Tauranga Leisure Ltd (TLL) under contract to Council prior to 13/14. This contract ceased 30 June 2013 and the staff were merged into Bay Venues Ltd.

## Note 6: DEPRECIATION & AMORTISATION

	2014 Actual (\$000's)	2014 Budget (\$000's)	2013 Actual (\$000's)
Buildings and Improvements	3,322	2,655	3,090
Office Furniture and Equipment	130	319	131
Plant and Equipment	640	311	433
Vehicles	19	8	22
Intangible	280	173	225
	<b>4,391</b>	<b>3,466</b>	<b>3,901</b>



## Note 7: TAXATION

	2014 (\$000's)	2013 (\$000's)			
<b>Relationship between tax expense and accounting profit</b>					
<b>a) Operational Surplus /Deficit) before Taxation</b>	(4,171)	(1,405)			
Prima Facie Taxation at 28% (2013: 28%)	(1,168)	(393)			
Non-deductible expenditure	1,447	1,064			
Non Taxable income	(1,441)	(1,318)			
Deferred Tax Adjustment	497	(108)			
Loss forfeited on amalgamation	0	555			
<b>Taxation expense/(benefit)</b>	<b>(665)</b>	<b>(200)</b>			
<b>Components of tax expense</b>					
Current Taxation	0	0			
Deferred Taxation expense/(benefit)	(665)	(200)			
	<b>(665)</b>	<b>(200)</b>			
	<b>2014</b>	<b>2013</b>			
	<b>(\$000's)</b>	<b>(\$000's)</b>			
<b>b) Imputation Account</b>					
<b>Imputation credits available for use in subsequent periods</b>	<b>3,062</b>	<b>3,062</b>			
<b>c) Deferred Tax Asset (Liability)</b>	<b>Property, plant and equipment</b>	<b>Employee Entitlement</b>	<b>Other Provisions</b>	<b>Tax losses</b>	<b>Total</b>
Balance at 30 June 2012	(11,363)	78	0	2,019	(9,266)
Charged to Surplus or Deficit	208	1	0	(9)	201
<b>Balance at 30 June 2013</b>	<b>(11,155)</b>	<b>79</b>	<b>0</b>	<b>2010</b>	<b>(9,065)</b>
Charged to Surplus or Deficit	35	21	0	608	665
<b>Balance at 30 JUNE 2014</b>	<b>(11,119)</b>	<b>100</b>	<b>0</b>	<b>2,618</b>	<b>(8,400)</b>

## Note 8: AMALGAMATION

On 1 July 2013, Tauranga City Aquatics Limited was amalgamated with Tauranga City Venues Limited to form Bay Leisure and Events Limited. During the financial year the company changed its name to Bay Venues Limited. This amalgamation was undertaken via a short form amalgamation under S222 of the Companies Act. Tauranga City Venues Limited was the continuing company with a name change to Bay Leisure and Events Limited and a further name change to Bay Venues Limited.

The effect of this transaction is that Tauranga City Aquatics Limited ceased to exist from 1 July 2013. The net assets of Tauranga City Aquatics Limited were amalgamated with Tauranga City Venues Limited (Bay Venues Limited) and the equity of Tauranga City Aquatics Limited was amalgamated with Tauranga City Venues Limited (Bay Venues Limited).

The amalgamation also included the transfer of staff and assets relating to the technical hire business of Tauranga City Council Venues and Events on 1 July 2013, at their written down value of \$248,350 (GST exclusive). A loan was provided to Bay Venues Limited from Tauranga City Council to fund this purchase.

Indoor space assets remain in the ownership of Tauranga City Council with the management undertaken by Bay Venues Limited.

The impact of the amalgamation on the 2012/13 comparative figures have been noted to the right:

	TCAL 30 June 2013 (\$000's)	TCVL 30 June 2013 (\$000's)	Bay Venues Ltd 30 June 2013 (\$000's)
<b>Statement of Comprehensive Income</b>			
Total Revenue	9,285	7,283	16,568
Total Expenditure	8,456	9,517	17,973
Net Surplus/(deficit)	829	(2,234)	(1,405)
Taxation (expense)/benefit	(416)	616	200
<b>Comprehensive Income</b>	<b>413</b>	<b>(1,618)</b>	<b>(1,205)</b>
<b>Statement of Financial Position</b>			
<b>Equity</b>			
Share Capital	18,861*	15,000	33,861
Retained Earnings	(5,270)	(2,802)	(8,072)
Asset Revaluation Reserve	5,039	7,704	12,743
Schools in Pools Reserve	60	0	60
<b>Total Equity</b>	<b>18,690</b>	<b>19,902</b>	<b>38,592</b>
Total Current Assets	304	586	890
Total Non Current Assets	30,545	61,317	91,862
Total Current Liabilities	978	5,246	6,224
Total Non Current Liabilities	11,180	36,756	47,936
<b>Net Assets</b>	<b>18,690</b>	<b>19,902</b>	<b>38,592</b>

Tauranga City Aquatics Limited Equity was transferred to Tauranga City Venues Limited on amalgamation.



## Note 9: CASH AND CASH EQUIVALENTS

	2014 (\$000's)	2013 (\$000's)
Cash	511	132
Till Floats	4	4
	<b>515</b>	<b>136</b>

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. The carrying value of cash and till floats approximates their fair value.

## Note 10: DEBTORS AND OTHER RECEIVABLES

	2014 (\$000's)	2013 (\$000's)
Trade debtors (as below)	514	368
Related Parties	186	2
Accruals	71	111
Prepayments	10	9
Others	4	5
	<b>785</b>	<b>495</b>

	2014 (\$000's)	Impairment (\$000's)	2014 (\$000's)	2013 (\$000's)	Impairment (\$000's)	2013 (\$000's)
	Gross		Net	Gross		Net
<b>Trade Debtors</b>						
Not Past Due	439	0	439	165	0	165
Aged Receivables: 31-60 days	45	0	45	195	0	195
Aged Receivables: 61-90 days	22	0	22	6	0	6
Aged Receivables: greater than 90 days	8	0	8	0	0	0
GST Receivable	0	0	0	4	0	4
	<b>514</b>	<b>0</b>	<b>514</b>	<b>370</b>	<b>0</b>	<b>370</b>

The carrying value of receivables approximates their fair value.

## Note 11: STATEMENT OF COMMITMENTS

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.

	2014 (\$000's)	2013 (\$000's)
<b>Capital Commitments</b>		
Capital expenditure (property, plant and equipment) contracted for at balance date but not yet incurred.		
Advance Fitness Distribution Ltd	0	86
Datacom	40	0
	<b>40</b>	<b>86</b>

	2014 (\$000's)	2013 (\$000's)
<b>Operating Commitments</b>		
Operating Leases as lessor		
Not later than one year	15	20
	<b>15</b>	<b>20</b>

The Company leases equipment in the normal course of its business for a range of terms from 3 – 60 months. The future aggregate minimum lease payments payable under non-cancellable operating leases are as follows:

	2014 (\$000's)	2013 (\$000's)
<b>Operating Leases</b>		
Not later than one year	328	303
Later than one year and not later than five years	332	401
Later than five years	8	0
	<b>668</b>	<b>704</b>

## Note 12: CONTINGENCIES

### Contingent Liabilities

Bay Venues Limited has no contingent liabilities at balance date. (2013: nil)

## Note 13: RECONCILIATION OF NET SURPLUS WITH NET CASHFLOWS FROM OPERATIONS

	2014 (\$000's)	2013 (\$000's)
Net Surplus / (Deficit) from Statement of Comprehensive Income	(3,506)	(1,205)
<b>Add/(Deduct) Non Cash Items</b>		
Interest Expense	0	2,038
Depreciation/Amortisation + Loss on disposal	4,390	3,907
<b>Add/(Deduct) Movements in Working Capital</b>		
Movement in Trade and other Receivables	(290)	1,209
Movement in Inventories	29	69
Movement in Employee Entitlements	84	48
Movement in Trade and other Payables	642	910
Movement in GST Payable	104	(175)
Movement in deferred tax asset	(665)	(200)
<b>Net Cash from Operating Activities</b>	<b>788</b>	<b>6,601</b>

## Note 14: EMPLOYEE ENTITLEMENTS

	2014 (\$000's)	2013 (\$000's)
Accrued pay	190	149
Annual leave	352	355
ACC Employer Contribution	45	5
Payroll taxes	37	31
	<b>624</b>	<b>540</b>

Note 15: TRADE AND OTHER PAYABLES

	2014 (\$000's)	2013 (\$000's)
Income in Advance	1,012	1,067
Trade & Other Payables	318	355
Related Parties	9	28
Accrued Expenditure	1,208	455
GST Payable	104	0
	<b>2,651</b>	<b>1,905</b>

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

Note 16: RELATED PARTY TRANSACTIONS

	2014 (\$000's)	2013 (\$000's)
<b>Tauranga City Council (Shareholder of TCIL who wholly own Bay Venues Limited)</b>		
Grants received (including accruals)	(6,253)	(7,313)
Loans received	(5,626)	(32,770)
Interest paid	2,433	2,460
Capital	0	11,017
To TCC Administration/rates services provided	541	184
From TCC for normal business	470	492
Loans repaid	9,998	19,335
Equity Injection	3,000	2,000
Loan received for Preference shares payment	0	4,000
Interest received	0	51
<b>Farmer Motor Group Ltd (Peter Farmer is a Director of the company)</b>		
Motor vehicle servicing costs – service contract in place for three years. (GST inclusive)	1	1
<b>McKenzie Elvin Barristers &amp; Solicitors (Graeme Elvin is a Director of the company)</b>		
Expenses	0	1
Revenue	0	1
<b>Pollock &amp; Sons Crane Hire Ltd (Rex Pollock was a Director of the company ceasing 31 March 2013)</b>		
Expenses	1	8
Revenue	1	25

2014  
(\$000's)

2013  
(\$000's)

**Flamecrusher  
(Company owned by Bernie Gillon)**

Expenses	0	6
Revenue	0	21

**Bernie Gillon Motorsport Ltd  
(Bernie Gillon was a Director of the  
company ceasing 30 June 2013)**

Expenses	0	6
Revenue	0	5

2014  
(\$000's)

2013  
(\$000's)

**Transactions with Key Management Personnel**

Salaries and other short term employee benefits	565	490
Post employment benefits	0	0
Other long term benefits	0	0
Termination benefits	0	0
Share-based payment	0	0
	<b>565</b>	<b>490</b>

Key management personnel include the Chief Executive, Business & Performance Manager, Commercial Manager, Venues and Programmes Manager.



## Note 17: BORROWINGS

	2014 (\$000's)	2013 (\$000's)
<b>Current Borrowings</b>		
Loan from Tauranga City Council	9,344	3,779
<b>Non-current Borrowings</b>		
Loan from Tauranga City Council	31,396	38,871
	<b>40,740</b>	<b>42,650</b>

### Loan from Tauranga City Council

The loan from Tauranga City Council (TCC) to Bay Venues Limited was recognised at cost under previous NZ GAAP. Bay Venues Limited designated the loan as a Financial Liability and recognised it initially at fair value under NZ IAS 39. The repayment date is 30 June 2016. The interest rate for 2014 was 6.25% (2013: 6.5%), and is fixed annually. An increase of 1% pa would increase the deficit by \$407,400 (2013: \$426,500) and a decrease of 1% pa would reduce the deficit by \$407,400 (2013: \$426,500).

### Security

The loan from TCC is unsecured.

## Note 18: SHARE CAPITAL

	2014 (\$000's)	2013 (\$000's)
<b>a) Fully paid ordinary shares</b>		
Balance at beginning of financial year	33,861	20,861
Capital Introduced – Equity Injection	3,000	2,000
Capital Introduced – Purchase of Arena	0	11,000
	<b>36,861</b>	<b>33,861</b>

- Fully paid ordinary shares carry one vote per share and carry the right to dividends
- No ready market for these shares so recognised at cost.
- 18,000,000 ordinary shares at \$1 per share are fully paid out and carry the right to dividends per share.
- Bay Venues Limited also holds \$18,000,000 uncalled shares of \$1 per share.
- During the year Tauranga City Investments Limited subscribed to 3,000,000 \$1 ordinary shares issued by Bay Venues Limited. This was completed in two tranches of 2,000,000 on 1 July 2013 and 1,000,000 on 27 June 2014.

## Note 19: RETAINED EARNINGS

	2014 (\$000's)	2013 (\$000's)
Retained Earnings Opening Balance	(8,072)	(6,867)
Surplus / (Deficit) after tax	(3,506)	(1,205)
	<b>(11,578)</b>	<b>(8,072)</b>

## Note 20: RESERVE – REVALUATIONS

	2014 (\$000's)	2013 (\$000's)
Revaluation reserve opening balance	12,743	12,743
Buildings & Improvements revaluation reserve	0	0
	<b>12,743</b>	<b>12,743</b>

## Note 21: RESERVE – SCHOOLS IN POOLS

	2014 (\$000's)	2013 (\$000's)
Opening Balance	60	60
Transfer from Retained Earnings	0	0
	<b>60</b>	<b>60</b>

The Schools in Pools Reserve has been set up to encourage schools to add learning to swim to their curriculum. Bay Venues are working with Sports Bay of Plenty and schools to continue the development of a water safety programme.

## Note 22: CAPITAL MANAGEMENT

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

Bay Venues Limited's constitution 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 Bay Venues Limited's equity is to ensure that Bay Venues Limited effectively achieves its objectives and purpose, whilst remaining a going concern.

## Note 23: EVENTS OCCURRING AFTER BALANCE DATE

On 1 July 2014, Tauranga City Investments Limited was amalgamated with Bay Venues Limited. This was under taken via a short form amalgamation under S222 of the Companies Act. Bay Venues Limited is the continuing company.

The effect of the amalgamation is that Tauranga City Investments Limited ceases to exist from 1 July 2014. The assets and liabilities of Tauranga City Investments Limited are transferred to Bay Venues Limited at their book value and without changes to their Balance Sheet classification, as they will continue to be used by the group. The equity of Tauranga City Investments Limited is amalgamated with Bay Venues Limited.

Tauranga City Investments Limited was struck off the Companies register on 1 July 2014. There is no intention by Tauranga City Council to re-register the company.

No other significant events, favourable or unfavourable, that impact on the financial statements have occurred since balance date.

## Note 24: ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT

Bay Venues Limited as at 30 June 2014	2013 Cost/ Valuation (\$000's)	2013 Acc Depn (\$000's)	2013 Opening Book Value (\$000's)	2014 Asset Additions (\$000's)	2014 Assets Disposed (\$000's)	2014 Revalua- tion (\$000's)	2014 Current Depn (\$000's)	2014 Cost Reval (\$000's)	2014 Accum Depn (\$000's)	2014 Closing Book Value (\$000's)
<b>At Cost</b>										
Buildings & Improvements	89,960	(4,862)	85,095	241	0	0	(3,325)	90,201	(8,187)	82,014
Office equipment, furniture & computer equipment	1,052	(469)	583	366	0	0	(130)	1,418	(602)	816
Plant and Equipment	5,640	(909)	4,731	1,356	0	0	(640)	6,996	(1,549)	5,447
Vehicles	165	(100)	66	3	0	0	(19)	168	(118)	50
Intangible	1,051	(368)	683	65	0	0	(280)	1,116	(649)	467
	<b>97,868</b>	<b>(6,711)</b>	<b>91,159</b>	<b>2,031</b>	<b>0</b>	<b>0</b>	<b>(4,394)</b>	<b>99,884</b>	<b>(11,105)</b>	<b>88,794</b>
Work In Progress*	701	0	701	985	(1,510)	0	0	176	0	176
	<b>98,569</b>	<b>(6,711)</b>	<b>91,860</b>	<b>3,016</b>	<b>(1,510)</b>	<b>0</b>	<b>(4,394)</b>	<b>100,060</b>	<b>(11,105)</b>	<b>88,970</b>

  

Bay Venues Limited as at 30 June 2013	2012 Cost/ Valuation (\$000's)	2012 Acc Depn (\$000's)	2012 Opening Book Value (\$000's)	2013 Asset Additions (\$000's)	2013 Assets Disposed (\$000's)	2013 Revalua- tion (\$000's)	2013 Current Depn (\$000's)	2013 Cost Reval (\$000's)	2013 Accum Depn (\$000's)	2013 Closing Book Value (\$000's)
<b>At Cost</b>										
Buildings & Improvements	49,373	(1,772)	47,601	40,587	0	0	(3,093)	89,960	(4,865)	85,095
Office equipment, furniture & computer equipment	831	(338)	493	221	0	0	(131)	1,052	(469)	583
Plant and Equipment	5,130	(476)	4,654	514	(4)	0	(433)	5,640	(909)	4,731
Vehicles	164	(78)	85	1	0	0	(22)	165	(100)	66
Intangible	742	(143)	599	309	0	0	(225)	1,051	(368)	683
	<b>56,240</b>	<b>(2,807)</b>	<b>53,433</b>	<b>41,632</b>	<b>(4)</b>	<b>0</b>	<b>(3,904)</b>	<b>97,868</b>	<b>(6,711)</b>	<b>91,159</b>
Work In Progress*	110	0	110	1,993	(1,406)	0	0	701	0	701
	<b>56,350</b>	<b>(2,807)</b>	<b>53,543</b>	<b>43,625</b>	<b>(1,406)</b>	<b>0</b>	<b>(3,904)</b>	<b>98,569</b>	<b>(6,711)</b>	<b>91,860</b>

\*Work in Progress - additional work is shown within the New Assets column and any capitalised assets are shown in Assets Disposed column.

## Note 25: EXPLANATIONS OF MAJOR VARIANCES AGAINST BUDGET

Explanations for major variations from the Company's budget figures in the 2013-2014 Financial Statements are as follows:

### Revenue

Arena revenue was higher than budgeted and the first Jet sprints event brought in unexpected revenue for both the Stadium and Catering. Technical Services and Speedway revenue were down from budget. Aquatics lane hire for the year was very strong but offset by a reduction in Clubfit health club and Go Café revenue.

Tauranga City Council funding was per budgeted with the exception of additional funding provided for some costs associated with the merger.

### Operating expenditure

With the amalgamation of three businesses in the 2013/14 financial year, there were significant costs that were not anticipated at the time the budgets were adopted. Original budgets were based on Tauranga City Aquatics Limited and Tauranga City Venues Limited "business as usual". Some of the business costs for the contracting company, Tauranga Leisure Limited, who managed the dry sites on behalf of Tauranga City Council, were not held by either CCO and the costs associated with bringing this part of the business into Bay Venues Limited was not in the adopted budgets. Unanticipated, or higher than budgeted, costs include recruitment and consultancy costs, marketing and rebranding, staffing relating to the amalgamation process, new Information Technology network and associated software in order for the new business to function and new governance structures.

## Note 26: FINANCIAL INSTRUMENTS

Bay Venues Limited complies with Tauranga City Councils policies to manage the risks associated with financial instruments. Bay Venues Limited is risk averse and seeks to minimize exposure from its financial instruments. Bay Venues Limited complies with Tauranga City Council's established Council approved Liability Management and Investment policies. These policies do not allow any transactions that are speculative in nature to be entered into.

### Market Risk

#### Fair value interest rate risk

This is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. Bay Venues Limited does not borrow externally. All borrowings are from Tauranga City Council. The interest rates are fixed annually on 1 July each year.

#### Cash flow interest rate risk

This is the risk that the cash flows from a financial instrument will fluctuate because of changes in market interest rates. Bay Venues Limited only borrows, or invests, with Tauranga City Council.

### Credit Risk

This is the risk that a third party will default on its obligations to Bay Venues Limited, causing the company to incur a loss. In the normal course of business, Bay Venues Limited incurs credit risk from accounts receivables only.

The carrying of financial instruments in the Statement of Financial Position reflects their credit risk exposure. The exposures are net of any recognized provisions for losses on these financial instruments. No collateral is held.

Bay Venues Limited complies with Councils Treasury Policy which permits a minimum credit rating of A for registered banks and other organisations. At 30 June 2013 all financial instruments were held with the New Zealand registered trading banks which are rated AA-

### Liquidity Risk

This is the risk that Bay Venues Limited will encounter difficulty raising liquid funds to meet commitments as they fall due. Prudent liquidity management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities, in Bay Venues Limited case, via funding through Tauranga City Council. Bay Venues Limited mostly manages liquidity risk by continuously monitoring forecast and actual cashflow requirements.

	2014 (\$000's)	2013 (\$000's)
<b>Financial Assets</b>		
Cash and equivalents	515	136
Debtors and other receivables	785	495
<b>Total Financial Assets</b>	<b>1,300</b>	<b>631</b>
<b>Financial Liabilities</b>		
Creditors and other payables	3,275	2,445
TCC Loan (Current)	9,344	3,779
TCC Loan	31,396	38,871
<b>Total Financial Liabilities</b>	<b>44,015</b>	<b>45,095</b>





**Note 27: EMPLOYEES REMUNERATION EXCEEDING \$100,000**

Total Remuneration paid or payable	
100,000 – 110,000	2
110,001 – 120,000	1
160,000 – 170,000	1
170,001 – 180,000	2

**Note 28: LETTER OF COMFORT**

The Company has received a Letter of Comfort from the Tauranga City Council dated 22 August 2014.

The reason for the Letter of Comfort is the Company receives a significant portion of normal operational funding from the Tauranga City Council through its Long Term Plan and Annual Plan on a yearly basis. The Company is also making deficits at the present time and is reliant on TCC not calling up borrowings. In addition, the Company is presently going through an amalgamation process having just amalgamated Tauranga City Aquatics Limited and Tauranga City Venues Limited on 1 July 2013 to form an amalgamated company named Bay Leisure and Events Limited, subsequently renamed Bay Venues Limited. A further amalgamation has occurred on 1 July 2014 when Tauranga City Council's council-controlled organisation Tauranga City Investments Limited was amalgamated with Bay Venues Limited.

The purpose of the letter is to give Bay Venues Limited Tauranga City Council's assurance and guarantee that the Council will not demand payment of any loan if solvency issues were to occur as a result and to provide financial support to the Company, to ensure that the amalgamated company remains solvent and a going concern post amalgamation. This letter remains in effect for eighteen months from the date of signing. Refer to critical Accounting Estimates and Assumptions.

**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.

**Chief Executive Remuneration**

Total Remuneration paid or payable	2014	2013
170,000-180,000	1	2

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

Director	Appointed Date	Resigned Date	Director Fees		Travel and Accommodation		
			2014 \$	2013 \$	2014 \$	2013 \$	
Peter Farmer (Chair)	1 Apr 2013	Still a Director	55,000		0	6,875	0
Keith Tempest	1 Apr 2013	Still a Director	30,000		0	3,750	0
Shirley Baker	1 May 2010	Still a Director	30,000		0	26,750	
Murray Gutry	1 Apr 2013	Still a Director	30,000		1,140	3,750	0
John Loughlin	1 Apr 2013	Still a Director	30,000		6,668	3,750	0
Graeme Elvin	1 May 2010	Still a Director	30,000		0	21,250	0
Dean Waddell	8 Jul 2013	Still a Director	30,000		0	0	0
Bernie Gillon	1 May 2010	30 June 2013	0		0	10,000	0

There were no Director remuneration benefits paid in excess of \$100,000.

There were no donations made by the company during the period.

# STATEMENT OF INTENT 2013/14

## Statement of Intent Performance

The Company has complied with Section 64 of the Local Government Act 2002 and has had the Statement of Intent formally adopted by Council for the year ended 30 June 2014.

### Principal Objectives

As required by Section 59 of the Local Government Act 2002, the principal objectives of Bay Venues Ltd are:

Objective	Performance Target	Achievement
Establishment of Corporate Vision	Corporate Vision developed and consulted with the Shareholder.	Achieved Various meetings were held between Bay Venues Limited Management and Tauranga City Council Management as well as informal presentations to Elected Members on the Strategic Plan.
Development of medium and long term Strategic Plans	<p>Five year Strategic Plan adopted which addresses:</p> <ul style="list-style-type: none"> <li>Contribution to TCC visions &amp; outcomes</li> <li>Partnership approach with TCC &amp; other CCOs</li> <li>Business improvement &amp; development strategies</li> </ul> <p>Risk management</p> <p>Asset management</p>	<p>Partly achieved</p> <p>A Strategic Plan 2014- 2017 has been completed. This plan was completed in consultation with Tauranga City Council Management and Elected Members. A new organisational structure has implemented to ensure business growth and delivery on the strategic plan.</p> <p>Initial focus has been on the Health &amp; Safety risk to the company. An H&amp;S Officer has been recruited as part of the new structure providing the focus on H&amp;S for the organisation. In 2014/15, Bay Venues will be completing a risk management stock take to consider other risks such as Asset Management and other operational risks such as PR.</p> <p>A stock take of all Asset Management plans has now been completed and work is underway to ensure any outstanding plans will be completed. An Operations role has been recruited as part of the new structure to provide a focus on proactive management of assets including maintenance planning, renewals and new capital projects.</p>

Objective	Performance Target	Achievement																								
Employment of an appropriate organisation staffing structure	Staffing structure responsive to business needs developed and implemented.	Achieved Bay Venues Limited organisational structure was in place 30 June 2014.																								
Develop a Financial Plan	Financial Plan and Strategy developed.	<p>Not Achieved</p> <p>The Annual Plan budgets were largely set before the objectives of the merger were known. The budget was a combination of the two pre amalgamation entities "business as usual" budgets. No information was available to accurately budget for the impacts of the dry sites (previously managed by an external contractor Tauranga Leisure Limited to Tauranga City Council) that were part of the amalgamation into Bay Venues Limited. As such the costs of the amalgamation are reflected in the results.</p> <table border="1"> <thead> <tr> <th></th> <th>Total Budget</th> <th></th> <th>Total Actual</th> </tr> </thead> <tbody> <tr> <td>Revenue</td> <td>\$11,148,527</td> <td>Revenue</td> <td>\$15,365,000</td> </tr> <tr> <td>Expenditure</td> <td>\$13,168,748</td> <td>Expenditure</td> <td>\$15,382,000</td> </tr> <tr> <td>Operating Revenue less Exp.</td> <td>(\$2,020,221)</td> <td>Operating Revenue less Exp.</td> <td>(\$17,000)</td> </tr> <tr> <td>Operational Funding</td> <td>\$2,486,475</td> <td>Operational Funding</td> <td>\$2,672,000</td> </tr> <tr> <td>Operational surplus</td> <td>\$466,254</td> <td>Operational surplus</td> <td>\$2,655,000,</td> </tr> </tbody> </table> <p>Please note: the above budgets do not include depreciation, interest or transition costs.</p> <p>Please note: the above results do not include depreciation or interest.</p>		Total Budget		Total Actual	Revenue	\$11,148,527	Revenue	\$15,365,000	Expenditure	\$13,168,748	Expenditure	\$15,382,000	Operating Revenue less Exp.	(\$2,020,221)	Operating Revenue less Exp.	(\$17,000)	Operational Funding	\$2,486,475	Operational Funding	\$2,672,000	Operational surplus	\$466,254	Operational surplus	\$2,655,000,
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Identify efficiencies resulting from the amalgamation	Assessment of possible efficiencies developed. Implementation plan for approved efficiency initiatives in place.	Achieved Reflected in the organisation structure and the adopted budget surplus for 14/15.																								
Achieve TCC Community objectives	Constructive input provided into enhancement of the Service level Agreement.	Achieved The Service Level Agreement was completed in conjunction with Tauranga City Council management. Monthly and Quarterly reporting completed 100%.																								
Operational Performance		Achieved Tauranga City Council funding was as per adopted budget, with some additional funding approved for the merger transition.																								



# INDEPENDENT AUDITOR'S REPORT

## To the readers of Bay Venues Limited's financial statements and statement of service performance for year ended 30 June 2014

The Auditor-General is the auditor of Bay Venues Limited (the company). The Auditor-General has appointed me, B H Halford, 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 3 to 33, that comprise the statement of financial position as at 30 June 2014, 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 35 to 36.

## Qualified opinion on the comparative information in the financial Statements

### Reason for our qualified opinion

Bay Venues Limited is a company formed from the amalgamation of two former companies owned by Tauranga City Council: Tauranga City Aquatics Limited (TCAL) and Tauranga City Venues Limited. The amalgamation occurred on 1 July 2013.

The audit opinion on TCAL's financial statements for the year ended 30 June 2013 was qualified in respect of certain revenue items as explained below. TCAL's 2013 information is included in the comparative information of Bay Venues Limited.

The audit opinion on TCAL's financial statements for the year ended 30 June 2013 was qualified because, prior to being recorded, control over cash receipts of \$3,637,944 from swimming pool, gym, café and merchandise takings was limited and there were no satisfactory audit procedures that we could adopt to confirm independently that all cash receipts revenue was properly recorded. These revenue items are included within the total User Revenue for 2013 of \$9,221,000 in note 2. Should there have been any misstatement of User revenue

for the year ended 30 June 2013 then the comparative information in these financial statements could be correspondingly misstated.

### Qualified opinion on the financial statements

In our opinion, except for the effects of the matter described in the "Reason for our qualified opinion" paragraph above the financial statements of the company on pages 3 to 33:

- comply with generally accepted accounting practice in New Zealand;
- give a true and fair view of the company's:
  - financial position as at 30 June 2014; and
  - financial performance and cash flows for the year ended on that date.

## Unmodified opinion on the statement of service performance

In our opinion the statement of service performance of the company on pages 35 to 36:

- 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 2014.

## 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 27 August 2014. 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. We are unable to determine whether there are material misstatements in relation to User Revenue comparative information because the scope of our work was limited, as we referred to 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 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. Also we did not evaluate the security and controls over the electronic publication of the financial statements and statement of service performance.

In accordance with the Financial Reporting Act 1993, we report that we did not receive all the information and explanations we have required, although we believe we have obtained sufficient and appropriate audit evidence to provide a basis for our qualified 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 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.



B H Halford  
Audit New Zealand  
On behalf of the Auditor-General  
Tauranga, New Zealand



Selected photos in the annual report courtesy of Neil Jones, Inshot Photography (cover), and the Bay of Plenty Times.





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INCORPORATING

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**ASB**

BAYPARK  
ARENA  
STADIUM

**BAYPARK**  
SPEEDWAY

**BVe**  
BAY VENUES EVENTS

**CLUBfit**

*Baywave*  
TECT Aquatic & Leisure Centre

*Mount Hot Pools*

**BayCatering**

**BayAudioVisual**

**BayKids**

**BayActive**

**BaySwim**