



Bay Venues Limited
Financial Statements

For the Year ended
30 June 2020

Contents

Our Year in Numbers	3
Our Year in Service Deliverables	4
Enriching Tauranga for Everyone	5
Stories of the Year	8
Chairperson's Report	9
Chief Executive's Report	11
Statement of Comprehensive Income	14
Statement of Changes in Equity	15
Statement of Financial Position	16
Statement of Cashflows	17
Statement of Accounting Policies	18
Statutory Disclosures	39
Statement of Intent Performance	40
Independent Auditors Report	43

Our Year in Numbers

Revenue: \$18.25m*

- TCC Community Outcome Subsidy: \$2.69m
- Aquatics: \$2.75m
- Indoor Facilities: \$1.18m
- Memberships: \$1.93
- Events & Catering: \$5.57
- COVID-19 Wage Subsidy: \$2.00m
- Other User Fees: \$2.11m

** Excludes TCC Debt Servicing, TCC renewal funding and Rehabilitation expense funding*

*** Refer Notes to Financial Table on Page 39.*

Our People:

112 Full Time

108 Part-Time

95 Casual

Customer Satisfaction

89% Overall satisfaction with their customer experience within Bay Venues facilities.

87% Overall satisfaction with our new Aqua Play Station at Baywave.

91% Overall satisfaction with their experience at Mount Hot Pools.

92% Overall satisfaction with the experience at Clubfit.

93% Overall satisfaction with our BayActive Holiday Shows.

Our Year in Service Deliverables

Visitors

1.788m* visitors to our facilities.**

372,451 Visitors to Trustpower Baypark Arena & Stadium

363,910 Visitors to our Community Centres & Halls

237,851 Visitors to our Indoor Sports Facilities

623,670 Visitors to our Aquatic Facilities

* All facilities were closed due to the COVID-19 lockdown from March 25th – May 12th 2020

** Including BayStation, Clubfit and University of Adams Centre for High Performance.

Events

50 Regional/National Indoor Sporting & Aquatic Tournaments (over 500 pax)

359 Conferences, Trade Shows, Exhibitions, Concerts and other events at Trustpower Baypark.

BVL Led Activity Programmes*

72,488 Adults & Senior participants

66,790 Child/Youth participants

24,394 Pre-School participants

* Including Mount Hot Pools

Community Centres & Halls

24,648 Hours within our 3 Community Centres

14,158 Hours within our 8 Community Halls

Enriching Tauranga for Everyone

In late 2019 our Board met with Tauranga City Council to align our strategic plan for the next three years. Recognising the important part Bay Venues plays in ensuring that our residents have access to facilities to enjoy programmes, sports and recreation, we continue to be guided by our purpose as the kaitiaki of community facilities, caring and optimising our facilities to create value for Tauranga City and enhancing the quality of life of its people now and into the future.

Our employees work to a set of staff-led values and our management team lead the strategic objectives and focus areas through seven pillars.

Facilities

BVL uses community facilities to provide experiences that enhance the quality of life for the residents and visitors of Tauranga City. As such facilities provide the core of our service delivery. Our performance is inherently linked to the state of our facilities. Providing the right facility, in the right place at the right time is essential to meeting our levels of service and maintaining and enhancing community access.

Customer Experiences

BVL play an important role linking people in our community to meaningful experiences that recognise the diversity of our communities and their needs. We are focussed on enhancing the quality of life of the people of Tauranga. Providing experiences and services that motivate, engage and connect people is key to achieving this outcome. To stay relevant to the widest possible user base we need to adapt to the changing needs of our community now and into the future.

Relationships

Some of the outcomes we are required to deliver to the communities of Tauranga are shared by a number of stakeholders. Working in partnership with Tauranga City Council is essential to deliver these shared outcomes including the successful provision of social infrastructure. BVL will focus on strengthening this partnership. This will require a commitment to collaboration from BVL and Tauranga City to develop a shared and clear understanding of the community outcomes that the Council want BVL to deliver. This clarity is the key to Council getting the most out of BVL as a CCO. BVL also need to develop and improve our relationships with a network of other key stakeholders to ensure we can leverage collective effort and investment where appropriate to achieve shared outcomes.

People

Our people are our greatest asset. We will ensure our people have the knowledge and tools they need to do their jobs effectively and efficiently. This will empower our people to make decisions at the appropriate level that contribute to our performance, improve staff engagement, assist with staff retention and ultimately reduce turnover.

Planning & Funding

To meet the need of present and future generations we need to be able to invest in new facilities and activities that provide the platform for community wellbeing. BVL play a key role in planning for future community facilities in collaboration with TCC. Our role is to initiate the thinking and planning in relation to both new facilities and redevelopment of existing facilities and to ensure these investment decisions are made within the context of a network approach.

We must develop funding and investment solutions that allows Tauranga City Council and BVL to invest in existing and new facilities to meet the needs of current and future communities in our high growth city.

Sustainability

As a CCO, the main purpose of BVL is to provide a service to the community rather than operate a business for profit however there is an expectation that the profit made from the more commercial activities within the BVL network will go some way towards subsidising the deficit generated by the community activities. It is important that the financial expectations are sustainable and appropriately balanced against community and environmental outcomes and that we are measuring the right things to deliver all Councils expectations of us.

In addition to financial sustainability BVL, as a CCO and large organisation within the Tauranga business community also has an obligation to be more proactive in our environmental sustainability targets particularly around reduction of waste to landfill and carbon emissions.

Business Systems

We need to develop and maintain robust business processes and systems that provide the foundations to achieve our vision, deliver on our purpose, better enable our people to do their jobs professionally and enable our customers to interact with us seamlessly.

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Stories of the Year

COVID-19

The impact of COVID-19 on Bay Venues was significant, like all businesses and residents in Tauranga. We implemented our Crisis Plan and established our Business Continuity Team making the decision to close all of our facilities to the public on March 25th ahead of Alert Level 4 reopening again under restrictions at Alert Level 2. Adapting to the new way of working, our staff worked from home where they were able to. We instigated a comprehensive communications programme to provide information to our staff, our customers and regular users, our tenants and the general public. We worked with organisers of events through the network on repositioning events later in the year and aligning ourselves with our shareholder make sure we addressed our staff concerns and wellbeing during the four-week lockdown. There was considerable work undertaken as we approached Alert Level 2 and reopening our facilities maintaining public health measures and gathering in spaces restrictions, liaising with sport and recreation industry bodies for best practice approach to the reopening. The financial impact has been substantial; however we have embarked on a review of all our cost centres to identify savings and pivot opportunities and embark on the FY21 with a clear direction from our Board of Directors to continue to provide the best service to our customers ensuring we do so safely and efficiently



Bay Dreams

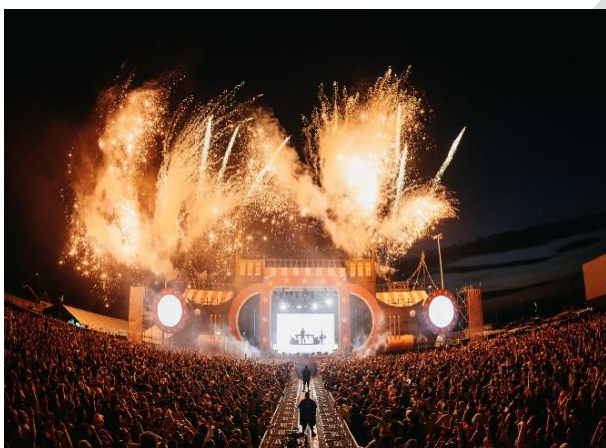
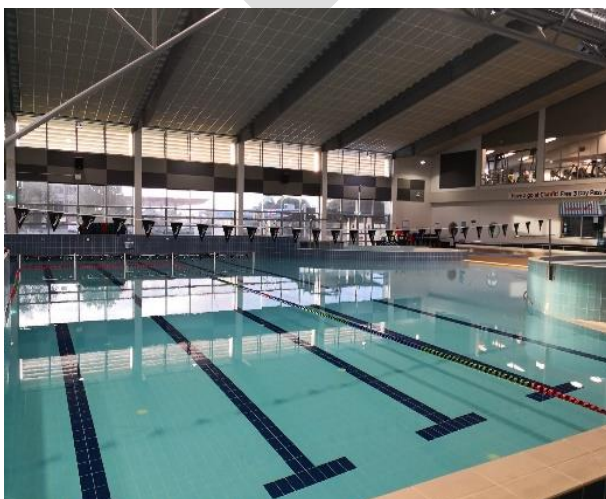


Photo: Bay Dreams Supplied

Tauranga welcomed some 30 plus local, national and international performing artists to the stage at Trustpower Baypark on 2nd January 2020 as part of the Bay Dreams Festival. Staged over four areas on the Trustpower Baypark site the tourism and economic benefits to the city are significant. An economic report by Fresh Info identified 95% of those attending the festival travelled from outside the city, enjoying the accommodation, food and beverage, retail and activities, benefitting the city to the tune of \$4.10m. A real drawcard for the city, the Bay Dreams festival continues to be the summer event to attend as we turn over the calendar into a new year.

Baywave



In July 2019 we embarked on a significant remediation and rejuvenation project of the Baywave Aquatic & Leisure Centre. A multi aquatic, fitness and childcare facilities in one roof, visitors to the facility are in excess of 300,000 each year, who enjoy the recreational and leisure, sport and fitness and health and therapeutic facilities it provides. A key part of the rejuvenation was the construction of a new aquaplay structure underneath the existing hydroslide along with improving the slide to dial up the fun factor on offer. The project included major renewals work including tiling, painting, water ingress remediation, the introduction of bi-lingual signage and additional family changing rooms and seating. The project was on time within budget and we have

received positive feedback from those who are regular users and visitors to the facility.

BaySwim



Living in Bay of Plenty we are surrounded by water and learning to swim at any age means you gain a life skill that keeps you fit, safe and something to enjoy wherever you go. BaySwim run comprehensive swimming programmes developed by the Northern Arena group which are available for children from three months of age upwards to adults and run at our aquatic facilities in Greerton and Baywave. We have a dedicated team of instructors focused on making sure the lessons are fun and focus on building and developing each swimmers ability, confidence and water safety awareness.

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Chairperson's Report

COVID-19 has been unprecedented in terms of its impact on health, wellbeing, the economy and quite simply the way we go about daily life. Like all businesses, Bay Venues has been significantly affected. The doors on all 24 facilities in our network closed on March 25th as a result of the four-week lockdown and the alert level restrictions under Level 3.

The economic consequences of COVID-19, both as a result of the Level 3 and 4 lockdowns had a significant effect on Bay Venues, resulting in a revised budget and annual plan submission for our shareholder. The senior management team reviewed all areas of business investigating opportunities for cost savings and pivot opportunities submitting to the Board a revised budget to reflect the ongoing uncertainty of the current post COVID-19 environment.

Pre COVID, the Board and Senior Management worked with the senior leadership of Council to align with the strategic direction of our Shareholder, Tauranga City Council. The focus and expectations on BVL are, in partnership with Council to successfully deliver our community outcomes and to be a city that:

- Is well planned, with a variety of successful and thriving compact centres;
- Is inclusive, safe, resilient and healthy;
- Has predictable travel times and transport choice;
- Protects and enhances the natural environment; and
- Attracts businesses, people and visitors.

Bay Venues is committed to enhancing community wellbeing and increasing the quality of life for Tauranga residents. As the city grows and changes, we want to improve the lives of everyone in our community by prioritising investment and resourcing of community facilities and infrastructure in our city, so that Tauranga is a place where people want to live, work, invest and visit.

BVL receives an operating grant from Council to enable BVL to deliver community related outcomes with the key focus of:

Maintaining and enhancing community access: BVL is expected to maintain and enhance community access and ensure awareness of, and the ability to be responsive to changing community needs. In order to contribute to a vibrant city BVL provides accessible opportunities for our diverse population to participate in activities that; encourages them to be more physically active, fosters increased well-being and positive experiences, and promotes and encourages community cohesion and identity within our Community Facilities.

Maintaining levels of service: Ensure consistent high levels of service provided across the network of facilities which will be reflected in high levels of community and customer satisfaction; we strive to ensure that all BVL facilities are safe, welcoming, and well looked after, and that the management of the facilities is conducted in line with best practice.

BVL operates a number of its own businesses such as Clubfit, Bay Catering, Bay Audio Visual, Bay Events, BayStation and Bayswim. These businesses significantly contribute to balancing the costs involved in the provision of community programmes and facilities across the city.

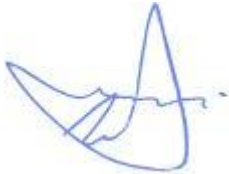
Some of the facilities across the city are no longer fit for purpose and as the city grows the future of these facilities will need to be reviewed to ensure we are offering the citizens of Tauranga the community spaces that reflect today's society. We look forward to working with Council on prioritising investment in community facilities for the 2021-2031 Long Term Plan and 30-year Infrastructure Strategy.

Our governance structure remained unchanged during this challenging time, with extensions to tenure of those Directors due to retire or were at the end of the directorship to ensure consistent governance during this challenge time and I acknowledge their valuable experience and support as we navigate this new territory.

I would like to recognise Gary Dawson who after seven years stepped down as Chief Executive Officer. The Board would like to thank Justine Brennan who has stepped in as interim Chief Executive Officer to lead the senior management team and staff during this period of transition and change.

The Board would like to acknowledge the staff of Bay Venues who each and every day endeavour to provide our community with facilities, services and programmes that enhance their day to day living. Their readiness to adapt to the COVID-19 and working from home, their dedication and hard work to keeping our network of venues well maintained, safe and providing a high-quality visitor experience for our customers is appreciated.

The year and possibly beyond will be dominated by the impacts of the COVID-19 pandemic which at present are difficult to predict with any surety. Responding well to these economic and societal changes on the horizon is the Board's focus.



Michael Smith
Chairman

Chief Executives Report

BVL exists to look after community facilities and use them to enhance the quality of life for the people of Tauranga. In doing so we play a key role in enriching the city of Tauranga for everyone. These are some fairly lofty aspirations and it is useful to have some well-defined measures of success to help us determine whether we have been successful in achieving these goals. We have specific targets across 7 key areas of the business to assess our performance. I am incredibly proud to report that despite a challenging year on a number of fronts, we met or exceeded the majority of these targets, including all five non-financial targets in the areas of health and safety, asset management, our people, our customers and our community outputs.

Health and Safety continues to be a key focus for us and whilst it was pleasing to achieve our target of a declining trend in facility related incidents from the previous year, my focus for the coming year is more about committing to the constant and on-going effort required to build a culture of continuous improvement around our health and safety culture.

Asset management is also a key area of focus. It was pleasing that there were no unplanned outages across the network over the year and is a reflection of our team who are passionate about the facilities they manage and work hard to ensure they are well looked after. This is evidenced by the state of our ageing network. Many of our community facilities are old, many of the hall and pools were built in the 1950s, but we are totally committed to giving them the care they need to ensure they can keep serving the community. These are challenging times and the city is facing many financial constraints around funding new infrastructure. Whilst we are playing our part by ensuring that the ageing assets within our network are well looked after and can continue to be of service to the community. We are also aware that the ongoing maintenance and renewals for some of these facilities will put increasing pressure on our ability to keep them up to standard. BVL have an obligation to think ahead and plan for a future where new community facilities can be developed in this city. In this regard we are committed to working collaboratively with Tauranga City Council to ensure we remain aspirational in this area.

Another pleasing result was the improvement in staff turnover. Traditionally we have struggled with high staff turnover which, whilst to some extent is a reflection of the industry that we are in, still comes at a significant cost both from a financial and an organisational culture perspective. Last year saw a dramatic improvement in staff turnover which dropped significantly from 38% to 24%. There is no doubt that this result was assisted by the uncertainty introduced to the workforce by COVID-19 however we were seeing positive movement in this area prior to March as a result of the efforts in building staff culture and engagement and providing training and development opportunities.

The hero result for us last year, was in the area of customer satisfaction. Whilst we have consistently met our targets in this area over recent years, this year has presented a much more challenging environment as the survey was taken during Alert Level 2 which introduces the inconvenience of contact tracing and restricted numbers and entry times in some facilities. Under these conditions, we saw an improvement on the previous year's results with 89% of customers either satisfied or very satisfied with their customer experience. This result is backed up by the comments and interactions coming from customers over the last few months which suggest that our community was pleased with the way we have navigated the COVID landscape including the clear and regular communications they received from us throughout this time.

The last of our non-financial targets relates to the 13 community outcomes that Council set for us each year. Whilst we have undertaken all the actions and activities specified by Council, we did not achieve our utilisation target, due to the major impact of an 8-week facility closure across the network during Alert Levels 2 and 3. The total visits this year across the funded network were 1.5m, 26% short of set targets*. Hours of Use totalled nearly 104,000, 25% below the full year target. We were encouraged by the way the user visits have bounced back following the march/April lockdown, which is another sign that our facilities play a major role in enriching the lives of people in the Tauranga community. At year end:

- Baywave and the other Community Pools were recording 11% more weekly visits than the same period last year.
- Our preschool Tumble Time programme exceeded pre-COVID numbers, with parents keen to get their children back into physical activity and socialising with others.
- Compared to the same period last year, Sports League team registrations are at 84% with Football reaching capacity.
- BaySwim Learn to Swim enrolments reached a total of 850 enrolments for the remainder of Term 2.

In terms of our financial results, we did not reach our revenue or EBITDA targets for FY20. Our revenue result was \$18,605,000, approximately \$1.9m short of budget. Of this the COVID related revenue loss (from user fees and commercial revenues) was approximately \$3.7m. At the outset of the crisis, we worked hard to stem the flow of expenditure whilst at the same time keeping our people in jobs and ready to spring back into action as soon as the Alert Levels allowed. This swift action resulted in savings of operating expenditure of over \$527k in the last 4 months of FY20 which, along with some assistance from Governments wage subsidy scheme, saw us manage the impact on EBITDA to a loss of less than \$1m. Essentially the cost of COVID to BVL in FY20 was \$967k, with the hardest hit areas being Events, Bay Catering, Clubfit, and Aquatics.

Despite the challenges, there were several major highlights for us this year.

- Baywave was closed for four weeks during July/August 2019 for a combination of regular maintenance and structural repair work including the preparation of a new water heating bore. We also took the opportunity to install a new pirate themed aquaplay station. This was a significant project with a number of complex workstreams. On top of this the deadline for project completion was the Aims Games so there was no room for slippage. The project was managed exceptionally well with all internal works completed on time and under budget. A new production bore has been commissioned which will provide a reliable source of heating for the Baywave facility for a number of years to come. We received very positive feedback from customers in particular the refreshed look of the much loved facility and the new aquaplay area, which has been a hit with our littlest customers.
- Bay Dreams 2020 was also a highlight with over 30,000 concert-goers and 30 national and international bands across four stages at Trustpower Baypark in early January, for what has become one of NZs most iconic music events and continues to contribute significantly to Tauranga economy.
- This year saw the development and approval of a new digital transformation strategy which will enable us to work our way through many legacy issues in the information technology space, making it easier for staff to do their jobs and for customers to interact with us. As part of this initiative we have developed and rolled out a new document management system which has moved our documents from the server and into the cloud and are now focused on replacing our main software system for customer transactions in the community facilities. This project represents an exciting move towards becoming more data driven and getting to know who are customers are how they interact with us across our network.

*Based on user visits over last 3-years, plus 5% increase.

Ironically whilst COVID represented the major challenge for us this year, it was also the cause of one of our biggest highlights, our ability to perform in the face of a crisis. Some personal highlights for me during this time included:

- The early decision to close our facilities, in advance of the Government's Level 3 announcement which provided certainty and comfort to the community and our staff and mitigated any risk of facilities inadvertently acting as vectors in community transmission. Within hours of making this decision, all our key stakeholders were systematically notified, all venues were shut and memberships suspended
- Throughout the Lockdown period, the wellbeing of staff and preserving jobs was a key focus, as well as providing regular communication to staff and customers. Most staff were able to work from home and the time was used productively to review and improve systems and progress major projects. Daily communications were issued to all staff ensuring they remained engaged and connected to the organisation.
- All 24 facilities were operational within a week of the Alert Level 2 announcement with protocols in place for contact tracing, physical distancing and increased cleaning regimes for all venues to ensure we could safely operate our venues within the Government Alert Level Guidelines.
- As a result of our actions and behaviours we have received extremely positive feedback from our users and customers regarding the timeliness and clarity of communication BVL provided ahead, during and post the COVID-19 crisis.

As I write this report we are facing another escalation of Alert Levels in the battle against COVID-19. I remain optimistic that we can continue to navigate the challenges ahead and contribute to enriching Tauranga for everyone.



Justine Brennan
Interim Chief Executive

Draft

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSES
for the Year Ended 30 June 2020

	Note	2020 Actual \$,000's	2020 Budget \$,000's	2019 Actual \$,000's
Revenue				
User Revenue	2	13,416	17,741	16,641
Other Income	3	140	135	145
TCC Operational Grant	2	2,692	2,670	2,767
TCC Debt Servicing Grant	2	550	520	520
TCC Renewal Funding	2	3,862	8,050	2,437
Rehabilitation Expense Funding	2	241	-	-
COVID-19 Wage Subsidy	2	2,007	-	-
Total Operational Revenue		22,908	29,116	22,510
Expenditure				
Employee Expense	4	11,755	12,152	11,440
Administrative Expense	8	1,183	1,323	1,242
Consulting & Governance Expense	5	653	520	636
Operating Expense (incl. COGS)	6	5,019	5,576	5,415
Repairs & Maintenance Expense		739	755	704
Rehabilitation Expense		202	-	204
Finance Costs		939	905	715
Depreciation & Amortisation Expense	7	6,980	6,703	6,256
Total Operating Expenditure		27,470	27,934	26,612
Surplus/(Deficit) before Tax		(4,562)	1,182	(4,102)
Income Tax (Expense)/Benefit	9	2,551	-	882
Surplus/(Deficit) after tax		(2,011)	1,182	(3,220)
Other Comprehensive Revenue & Expenses				
Gain on Property, Plant & Equipment Revaluation		-	-	-
Tax on Revaluation		-	-	-
Total Comprehensive Income for the year		(2,011)	1,182	(3,220)

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

STATEMENT OF CHANGES IN EQUITY
for the Year Ended 30 June 2020

	Retained Earnings \$'000	Revaluation Surplus \$'000	Other Reserves \$'000	Total Equity \$'000
Balance as at 1 July 2018	(19,941)	28,348	750	93,390
Comprehensive Income				
Surplus or deficit for the year	(3,220)	-	-	(3,220)
Other Comprehensive Income				
Transfer from ASB Reserve	750	-	(750)	-
Transfer to Trustpower Reserve	(133)	-	133	-
Total other comprehensive income, net of tax	617	-	(617)	-
Balance as at 30 June 2019	(22,544)	28,348	133	90,170
Balance as at 1 July 2019	(22,544)	28,348	133	90,170
Comprehensive Income				
Surplus or deficit for the year	(2,011)	-	-	(2,011)
Other Comprehensive Income				
Revaluation adjustment on Disposal	-	-	-	-
Tax on revaluation gain	-	-	-	-
Transfer to Trustpower Reserve	(200)	-	200	-
Total other comprehensive income, net of tax	(200)	-	200	-
Balance at 30 June 2020	(24,755)	28,348	333	88,159

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

STATEMENT OF FINANCIAL POSITION
As at 30 June 2020

	Note	2020 (\$000's) Actuals	2019 (\$000's) Actuals
ASSETS			
<u>Current Assets</u>			
Cash and Cash Equivalents	10	553	364
Inventories	11	345	373
Debtors and Other Receivables	12	664	1,571
Total Current Assets		1,562	2,308
<u>Non-Current Assets</u>			
Other non-current assets	15	1,870	1,178
Intangible Assets	13	443	596
Property, Plant and Equipment	14	114,295	115,742
Total Non-Current Assets		116,608	117,516
Total Assets		118,170	119,824
LIABILITIES			
<u>Current Liabilities</u>			
Employee Entitlements	16	1,427	1,157
Creditors and Other Payables	17	3,383	3,176
Borrowings – UoW Adams Centre Loan	18	1,000	974
Total Current Liabilities		5,810	5,307
<u>Non-Current Liabilities</u>			
Borrowings	18	17,112	14,707
Deferred Tax	9	7,087	9,638
Total Non-Current Liabilities		24,199	24,345
Total Liabilities		30,009	29,652
Net Assets		88,161	90,172
EQUITY			
Share Capital	19	84,232	84,232
Retained Earnings	20	(24,752)	(22,542)
Other Reserves	22	333	133
Revaluation Reserves	21	28,348	28,349
Total Equity		88,161	90,172

MICHAEL SMITH - DIRECTOR

KEITH TEMPEST - DIRECTOR

Date

Date

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

STATEMENT OF CASHFLOWS for the Year Ended 30 June 2020

	Note	2020 (\$000's) Actuals	2019 (\$000's) Actuals
OPERATING ACTIVITIES			
Cash received from customers		16,011	17,352
Grants received		7,103	5,724
Dividend received		40	19
Cash received from other sources		245	298
Goods & Services Tax (net)		4	103
		23,403	23,496
Payments to Employees		(11,483)	(11,285)
Payments to Suppliers		(7,151)	(8,032)
Interest Paid		(939)	(715)
		(19,573)	(20,032)
Net Cash from Operating Activities	24	3,830	3,464
INVESTING ACTIVITIES			
Cash Flows from Investing Activities			
Proceeds from Sale of Property, Plant and Equipment		233	27
		233	27
Purchase of Property, Plant and Equipment		(5,611)	(3,882)
Depreciation on Investment		(692)	(452)
		(6,303)	(4,334)
Net Cash from Investing Activities		(6,070)	(4,307)
FINANCE ACTIVITIES			
Cashflows from Financing Activities			
Proceeds from borrowings		11,730	14,180
		11,730	14,180
Repayment of TCC borrowings		(9,300)	(12,580)
Repayment of TECT borrowings		-	(732)
		(9,300)	(13,312)
Net Cash from Financing Activities		2,430	868
Net Increase / Decrease in Cash Held		190	25
Cash & cash equivalents at beginning of year		364	339
Cash & cash equivalents at end of the year	10	554	364

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

Statement of Accounting Policies

for the Year Ended 30 June 2020

1.1 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 Council. The Company is registered under the Companies Act 1993 and is a reporting entity for the purposes of the Financial Reporting Act 1993.

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 (PBE) for financial reporting purposes.

The financial statements of Bay Venues Limited are for the year ended 30 June 2020. The financial statements were authorised for issue by Bay Venues Limited Directors on 7th September 2020.

1.2 Basis of Preparation

The financial statements have been prepared on the going concern basis and the accounting policies have been applied consistently throughout the period.

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 Tier 2 PBE accounting standards on the basis that Bay Venues Limited is not publicly accountable and expenses are between \$2 million and \$30 million. However, Bay Venues Limited will not be taking advantage of all Tier 2 exemptions. These financial statements comply with PBE standards.

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

Measurement base

The financial statements have been prepared on historical cost basis, modified by the revaluation of land, plant and buildings.

Functional and presentation currency

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.

Standards, amendments, and interpretations issued that are not yet effective

Standards, amendments, and interpretation issued that are not yet effective will have a minimal impact on the entity.

1.3 Revenue Recognition

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

Sale of Goods	Revenue from the sale of goods is recognised when the product is sold to the customer.
User Fees & Charges	User fees and charges are recognised on the basis of actual services provided. Any fees and charges received in advance are recognised as unearned income.
Grant Income	Grant income is recognised upon entitlement, as conditions pertaining to eligible expenditure have been fulfilled.

Revenue is classified as exchange and non-exchange. Subsidised income received is recognised as non-exchange revenue.

1.4 Borrowing Costs

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

1.5 Income Taxation

Income tax expense is the current period movements in relation to deferred tax only.

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 surplus.

Deferred tax is measured at the tax rates that are expected to apply when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at balance date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the group 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 or 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 in the surplus or deficit for the period, except to the extent that it relates to a business combination, or to transactions recognised in other comprehensive income or directly in equity.

1.6 Leases

Operating Lease

An operating lease is a lease that does not transfer substantially all the risks and benefits of ownership of the leased item to the lessee.

Lease payments under an operating lease are recognised as expenses in the surplus or deficit on a straight-line basis over the lease term.

1.7 Cash and Cash Equivalents

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

1.8 Debtors and Other Receivables

Debtors and other receivables are included at their net realisable value after deduction of a provision for doubtful debts.

1.9 Impairment of Financial Assets

Financial assets are assessed for objective evidence of impairment at each balance date. Impairment losses are recognised in the surplus or deficit.

Receivables

Impairment is established when there is objective evidence that Bay Venues Limited will not be able to collect amounts due according to the original terms of the debt. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy and default on the payments are considered indicators that the asset 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. For debtors and other receivables, the carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the surplus or deficit. When the receivable is uncollectable, it is written off against the allowance account. Overdue receivables that have been renegotiated are reclassified as current (that is not past due). Impairment in term deposits is recognised directly against the instrument's carrying value.

1.10 Inventories

Inventories (such as spare parts and other items) held for distribution or consumption in the provision of services that are not supplied on a commercial basis is measured at cost, adjusted when applicable, for any loss of service potential. The loss of service potential of inventory held for distribution is determined on the basis of obsolescence. Where inventories are acquired at no cost or for nominal consideration, the cost is the current replacement cost at the date of acquisition.

Inventory held for use in the production of goods and services on a commercial basis is valued at the lower of cost and net realisable value. The cost of purchased inventory is determined using the first in first out (FIFO) method.

Inventories held for distribution or consumption in the provision of services that are not supplied on a commercial basis are measured at cost adjusted for any loss of service potential.

The amount of any write-down for the loss of service potential or from cost to net realisable value is recognised in the surplus or deficit in the period of the write-down.

1.11 Property, Plant and Equipment

Property, plant and equipment is shown at cost or valuation, less accumulated depreciation and impairment losses.

Revaluation

Land, buildings and Plant are revalued with sufficient regularity to ensure that their carrying amount does not differ materially from fair value and at least every three years. All other asset classes are carried at depreciated historical cost. Revaluations of property, plant, and equipment are accounted for on a class of asset basis.

The net revaluation results are credited or debited to other comprehensive income and are accumulated to an asset revaluation reserve in equity for that class of asset. Where this would result in a debit balance in the asset evaluation reserve, this balance is not recognised in other comprehensive income but is recognised in the surplus or deficit. Any subsequent increase on revaluation that reverses a previous decrease in value recognised in the surplus or deficit will be recognised first in the surplus or deficit up to the amount previously expensed, and then recognised in other comprehensive revenue and expenses.

The most recent valuation was performed by Quotable Values with the valuation being effective as at 1 July 2017.

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.

Costs incurred subsequent to initial recognition are capitalised only when 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 cases an item of property plant and equipment is initially recognised at its cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value as at the date of acquisition.

Work in progress is recognised at cost less impairment and is not depreciated.

Disposals

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposal are included in the surplus or deficit. When revalued assets are sold, the amounts included in the asset revaluation reserves in respect of those assets are transferred to retained earnings.

Depreciation

All assets are depreciated over their expected useful lives. Depreciation is provided on a straight line (SL) basis, at rates calculated to allocate the asset cost less estimated residual value over the estimated useful life. When assets are revalued, depreciation rates are overridden by the new annual depreciation rates to accurately reflect the useful life of the asset.

Class of asset depreciated	Useful Life (Years)	Depreciation Method
Operational Assets		
Buildings & Improvements	1-100	SL
Plant and Equipment	1-100	SL
Computer Equipment	3-10	SL
Office Furniture & Equipment	1-20	SL

Motor Vehicles	4.5-10	SL
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1.12 Intangible Assets

Software Acquisition and Development

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs associated with maintaining computer software are recognised as an expense when incurred. Staff training costs are recognised as an expense when incurred.

Intellectual Property Development

Class of Intangible Assets	Estimated Useful Life (Years)	Amortisation Rates
Acquired Computer Software	3-10 years	10 – 33.3%

1.13 Impairment of Property, Plant and Equipment and Intangible Assets

Property, plant and equipment 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 entity would, if deprived of the asset, replace its remaining future economic benefits or service potential.

The value in use for cash generating assets and cash generating units is the present value of expected future cash flows.

For revalued assets the impairment loss is recognised against the revaluation reserve for that class of asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in the surplus or deficit.

For assets not carried at a revalued amount, the total impairment loss is recognised in surplus or deficit.

The reversal of an impairment loss on a revalued asset is credited to other comprehensive income and increases the asset revaluation reserve for that class of asset. However, to the extent that an impairment loss for that class of asset was previously recognised in the surplus or deficit, a reversal of the impairment loss is also recognised in the surplus or deficit.

For assets not carried at a revalued amount the reversal of an impairment loss is recognised in the surplus or deficit.

1.14 Creditors and Other Payables

Creditors and other payables are recognised at fair value and subsequently measured at amortised cost.

1.15 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.

Borrowings are classified as current liabilities unless Bay Venues Limited has an unconditional right to defer settlement of the liability for at least 12 months after balance date, or if the borrowings are expected to be settled within 12 months of balance date.

1.16 Employee Entitlements

Short-term Employee Entitlements

Salaries, wages and annual leave, that are due to be settled within 12 months after the end of the period in which the employee renders the related service, are measured at nominal values based on accrued entitlements at current rates of pay.

A liability and an expense are recognised for bonuses where Bay Venues Limited has a contractual obligation or where there is a past practice that has created a constructive obligation.

Long-term employee entitlements

Employee entitlements are those entitlements that are due to be settled beyond 12 months after the end of the period in which the employee renders the related service, such as long service leave and retirement gratuities. The calculations are based on:

- likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement, and contractual entitlement information; and
- the present value of the estimated future cash flows.

Superannuation Schemes

Obligations for contributions to KiwiSaver are accounted for as defined contribution superannuation schemes and are recognised as an expense in the surplus or deficit when incurred.

Annual leave and long service leave, expected to be settled within 12 months of balance date, are classified as a current liability. All other employee entitlements are classified as a non-current liability.

1.17 Provisions

Bay Venues Limited recognises a provision for future expenditure of an 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 measured at the present value of the expenditures expected to be required to settle the obligation. Provisions are not recognised for future operating losses.

1.18 Equity

Equity is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into the following components.

- Share Capital
- Retained Earnings
- Property, Plant and Equipment Revaluation Reserve
- Other reserves

Property revaluation reserve

This reserve relates to the revaluation of property, plant and equipment to fair value.

The revaluation reserve will be realised when the assets within the class of property, plant and equipment to which the surplus relates to, are retired or disposed of.

Other reserves

This reserve relates to the Trustpower naming rights reserve.

1.19 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 or 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.

1.20 Budget Figures

The budget figures are those adopted by Bay Venues Limited and approved by Tauranga City Council in its 2019/20 Annual Plan. The budget figures have been prepared in accordance with NZ GAAP and are consistent with the accounting policies adopted by Bay Venues Limited for the preparation of the financial statements.

1.21 Critical Judgements in Applying Accounting Policies

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 or future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed below:

Property revaluations

Note 14 provides information about the estimates and assumptions exercised in the measurement of revalued land and buildings, and equipment.

1.22 Explanation of major variances against budget

Note 27 provides explanations of major variances against budget.

Note 2. REVENUE FROM EXCHANGE AND NON-EXCHANGE TRANSACTIONS

	2020 (\$000's) Actuals	2020 (\$000's) Budget	2019 (\$000's) Actuals
Non-Exchange			
TCC Operational Grant	2,692	2,670	2,767
TCC Debt Serving Grant	550	520	520
TCC Renewal Funding	3,862	8,050	2,437
Aquatics	2,757	3,681	3,398
Indoor Facilities	1,185	1,678	1,400
Childcare	242	311	229
Memberships	178	214	204
Rehabilitation Expense Funding	241	-	-
COVID-19 Wage Subsidy	2,007	-	-
Total Non-Exchange	13,714	17,124	10,955

Exchange			
Memberships	1,751	2,147	2,012
Events and Catering	5,572	7,021	6,718
Other User Fees and Charges	1,872	2,825	2,825
Total Exchange	9,195	11,993	11,555
Total Exchange and Non-Exchange Revenue	22,909	29,117	22,510

Note 3: OTHER REVENUE

	2020 (\$000's) Actuals	2020 (\$000's) Budget	2019 (\$000's) Actuals
Rental	24	33	33
Dividends	40	19	19
Interest Received	-	-	-
Sponsorship	76	83	93
Total Other Revenue	140	135	145

Note 4: EMPLOYEE EXPENSES

	2020 (\$000's) Actuals	2020 (\$000's) Budget	2019 (\$000's) Actuals
Salaries and Wages	11,231	11,498	10,895
Defined Contribution Plan employer contributions (KiwiSaver)	256	266	249
Other Personnel Expense	268	388	296
Total Employee Expenses	11,755	12,152	11,440

Note 5: CONSULTING & GOVERNANCE EXPENSES

	2020 (\$000's) Actuals	2020 (\$000's) Budget	2019 (\$000's) Actuals
Audit fees	91	81	76
Consulting	246	147	263
Director Fees	261	239	257
TCC Shared Services	22	23	23
Tax Advisory	33	30	17
Total Consulting & Governance Expenses	653	520	636

Note 6: OPERATING EXPENSES

	2020 (\$000's) Actuals	2020 (\$000's) Budget	2019 (\$000's) Actuals
Costs of Good Sold	1188	1,430	1,295
Electricity	900	1,022	957
Insurance	332	203	252
Other *	1,981	2,093	1,911
Events Expenses	211	402	536
Marketing	407	426	464
Total Operating Expenses	5,019	5,576	5,415

* Other Operating Expenditure includes such items as: (i) Cleaning (ii) Rates (iii) Recoverable Expenses

Note 7: DEPRECIATION & AMORTISATION EXPENSE

	2020 (\$000's) Actuals	2019 (\$000's) Actuals
Buildings and Improvements	4,419	4,387
Intangibles	181	178
Office Furniture and Equipment	484	388
Plant and Equipment	1,857	1,268
Motor Vehicles	39	35
Total Depreciation & Amortisation Expense	6,980	6,256

Note 8: ADMINISTRATIVE EXPENSES

	Actual 2020 (\$000's)	Actual 2019 (\$000's)
Operating Lease costs	127	234
Other Administrative Expenses	1,055	1,008
Total Administrative Expenses	1,182	1,242

Note 9: INCOME TAX EXPENSE/(BENEFIT)

	Actual 2020 (\$000's)	Actual 2019 (\$000's)
a) Operational Surplus / (Deficit) before Taxation	(4,562)	(4,102)
Prima Facie Taxation at 28% (2019: 28%)	(1,277)	(1,148)
Non-deductible expenditure	925	942
Non Taxable income	(2,085)	(1,619)
Deferred Tax Adjustment	3,623	943
Recognition of Buildings Tax Base	(3,737)	-
Taxation expense/(benefit)	(2,551)	(882)
Components of tax expense		
Current Taxation	-	-
Deferred Taxation expense/(benefit)	(2,551)	(882)
Taxation Expenses / (Benefit)	(2,551)	(882)

b) Deferred Tax Asset (Liability)	Property, Plant and Equipment (\$'000's)	Employee Entitlement (\$'000's)	Other Provisions (\$'000's)	Tax Losses (\$'000's)	Total (\$'000's)
Balance at 30 June 2018	(17,542)	136	25	6,860	(10,521)
Charged to Surplus or Deficit	(102)	24	5	955	882
Charged to other comprehensive income	1	-	-	-	1
Balance at 30 June 2019	(17,642)	159	30	7,815	(9,638)
Charged to Surplus or Deficit	400	37	(4)	2,118	2,551
Charged to other comprehensive revenue and expense	-	-	-	-	1

Balance at 30 June 2020	(17,242)	196	26	9,932	(7,088)
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Note 10: CASH & CASH EQUIVALENTS

	Actual 2020 (\$000's)	Actual 2019 (\$000's)
Cash	553	364
Total Cash & Cash Equivalents	553	364

The carrying value of cash at bank or till floats approximates their fair value. There is no restriction on their use.

Note 11: INVENTORIES

	Actual 2020 (\$000's)	Actual 2019 (\$000's)
Held for Distribution Inventories		
Chemicals at Cost	10	6
Held for Commercial Inventories		
Merchandise at Cost	222	200
Food & Beverages	113	167
Total Inventories	345	373

There is no write down of inventory during the year. No inventory is pledged as security for liabilities (2019 \$nil).

Note 12: DEBTORS AND OTHER RECEIVABLES

	Actual 2020 (\$000's)	Actual 2019 (\$000's)
Trade Debtors	326	1,233
Accruals	147	185
Provision for doubtful receivables	(2)	(10)
Prepayments	193	163
Total Debtors & Other Receivables	664	1,571
Receivables from Non Exchange Transactions	203	494
Receivables from Exchange Transactions	462	1,077
Total Debtors & Other Receivables	665	1,571

	2020 (\$000's) Gross	Impairment (\$000's)	2020 (\$000's) Net	2019 (\$000's) Gross	Impairment (\$000's)	2019 (\$000's) Net
Trade & Related Parties Debtors						
Not Past Due	264	-	264	1,049	-	1,049
Aged Receivables: 31-60 days	31	-	31	62	-	62
Aged Receivables: 61-90 days	4	-	4	20	-	20
Aged Receivables: greater than 90 days	29	(2)	27	100	(10)	90
	328	(2)	326	1,231	(10)	1,221

Fair Value

Debtors and Other receivables are non-interest bearing and receipt is normally 30 day term. Therefore, the carrying amount of debtors and other receivables approximates to their fair value.

Impairment

An impairment of \$1,650 was provided for doubtful debt at 30 June 2020. (2019: \$10,050)

No debtor is pledged as security for liabilities (2019: \$nil)

Note 13: INTANGIBLE ASSETS

	Computer Software (\$,000's)	Total (\$,000's)
Cost		
Balance at 1 July 2018	1,517	1,517
Additions	141	141
Balance as at 30 June 2019	1,658	1,658
Balance at 1 July 2019	1,658	1,658
Additions	30	30
Disposals	(2)	(2)
Balance as at 30 June 2020	1,686	1,686
Accumulate amortisation and impairment		
Balance as at 1 July 2018	(884)	(884)
Amortisation charge 2018	(178)	(178)
Balance as at 30 June 2019	(1,062)	(1,062)
Balance as at 1 July 2019	(1,062)	(1,062)
Amortisation charge 2019	(181)	(181)
Balance as at 30 June 2020	(1,243)	(1,243)
Carrying Amounts		
As at 1 July 2018	633	633
As at 30 June 2019	596	596
As at 30 June 2020	443	443

There are no restrictions over the title of intangible assets. No intangible assets are pledged as security for liabilities.

Note 14: PROPERTY, PLANT AND EQUIPMENT

Bay Venues Ltd	2019 Cost/ Valuation \$,'000's	2019 Accum Depr (\$,'000's)	Opening Book Value (\$,'000's)	2020 Asset Additions (\$,'000's)	2020 Asset Disposals (\$,'000's)	Current Deprn (\$,'000's)	Cost Reval (\$,'000's)	2020 Accum Deprn (\$,'000's)	2020 Closing Book Value (\$,'000's)
As at 30 June 2019									
<u>At Cost & valuation</u>									
Land	900	-	900	-	-	-	900	-	900
Buildings & Improvements	107,088	(8,711)	98,377	1,115	(18)	(4,415)	108,145	(13,085)	95,060
Plant & Equipment	15,485	(2,531)	12,954	4,563	(119)	(1,859)	19,686	(4,191)	15,537
Office Furniture & Equipment	3,308	(2,060)	1,248	507	(32)	(484)	2,750	(1,512)	1,239
Motor Vehicles	474	(258)	217	210	(64)	(39)	473	(148)	324
SubTotal	127,255	(13,559)	113,696	6,395	(233)	(6,797)	131,954	(18,936)	113,060
Work in Progress	2,047	-	2,047	5,581	(6,395)	-	1,234	-	1,234
Total	129,302	(13,559)	115,743	11,976	(6,628)	(6,797)	133,188	(18,936)	114,294

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

Bay Venues Ltd	2018 Cost/ Valuation \$,'000's	2018 Accum Depr (\$,'000's)	Opening Book Value (\$,'000's)	2019 Asset Additions (\$,'000's)	2019 Asset Disposals (\$,'000's)	Current Deprn (\$,'000's)	Cost Reval (\$,'000's)	2019 Accum Deprn (\$,'000's)	2019 Closing Book Value (\$,'000's)
As at 30 June 2019									
<u>At Cost & valuation</u>									
Land	900	-	900	-	-	-	900	-	900
Buildings & Improvements	106,634	(4,328)	102,305	467	(10)	(4,385)	107,088	(8,711)	98,377
Plant & Equipment	14,296	(1,266)	13,030	1,207	(18)	(1,268)	15,485	(2,531)	12,954
Office Furniture & Equipment	2,948	(1,673)	1,276	361	-	(388)	3,308	(2,060)	1,248
Motor Vehicles	402	(222)	180	73	-	(35)	474	(258)	217
SubTotal	125,180	(7,489)	117,691	2,107	(28)	(6,076)	127,255	(13,560)	113,696
Work in Progress	413	-	413	3,741	(2,107)	-	2,047	-	2,047
Total	125,593	(7,489)	118,104	5,848	(2,135)	(6,076)	129,302	(13,560)	115,743

Valuation

Land & Buildings

Land is valued at fair value using market-based evidence based on its highest and best use with reference to comparable land values. Adjustments have been made to the "unencumbered" land value where there is a designation against the land or use of the land or the use of the land is restricted because of reserve or endowment status. These adjustments are intended to reflect the negative effect on the value of the land where an owner is unable to use the land more intensively.

Specialised buildings are valued at fair value using Depreciated Replacement Cost (DRC) because no reliable market data is available for such buildings.

Depreciated replacement cost is determined using a number of significant assumptions. Significant assumptions include:

- The replacement asset is based on the replacement with modern equivalent assets with adjustments where appropriate for obsolescence due to over-design or surplus capacity.
- The replacement cost is derived from recent construction contracts of similar assets and Property Institute of New Zealand cost information.
- The remaining useful life of assets is estimated.
- Straight-line depreciation has been applied in determining the depreciated replacement cost value of the asset.

Non specialised buildings (for example, residential buildings) are valued at fair value using market based evidence. Market rents and capitalisation rates were applied to reflect market value.

The most recent valuation was performed by a registered independent valuer, Mairi Macdonald of the firm Quotable Value Limited, and the valuation is effective 1 July 2017.

Restrictions

Bay Venues Limited does not own any of the land that Building, and Improvements are located except for a house at Miro Street. All land is owned by Tauranga City Council, with some of this land being reserve land. As such there are restrictions on both use and disposal of these Buildings and Improvements.

There is no restriction on the other classes of asset in the account and no amount of any property, plant and equipment was pledged as security for liabilities.

Plant

The approach utilised is a "fair" or "equitable" value which is reflected as market value for the existing use. Market value being defined as the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

Generally, values have been calculated utilising either a comparable sales approach or on a depreciated replacement cost basis, whichever was more appropriate. Depreciated replacement cost is defined as the gross current replacement cost reduced by factors providing for age, physical depreciation and technical and functional obsolescence taking into account the assets total estimated useful life and anticipated residual value.

The age of each asset has been established utilising:

- Data provided;
- Research;
- On-site assessment;
- Assessment based on the assets being combined with other fixtures.

The plant valuation was undertaken by Forbes Valuation, on behalf of Quotable Value Limited during May 2018, and the valuation is effective 1 July 2017.

Work in Progress

The total amount of property, plant, and equipment in the course of construction is \$1,233,697 (2019 \$2,164,640).

Note 15: OTHER INVESTMENTS – NON-CURRENT PORTION

	Actual 2020 (\$000's)	Actual 2019 (\$000's)
Related Party Investments		
Depreciation Investment	1,870	1,178
Total Other Investments – Non-Current Portion	1,870	1,178

Bay Venues Limited transfer funds to Tauranga City Council to be held in a depreciation reserve to fund future renewals capital for Bay Venues Limited.

Note 16: EMPLOYEE ENTITLEMENT LIABILITIES

	Actual 2020 (\$000's)	Actual 2019 (\$000's)
Accrued Pay	472	323
Annual Leave	699	569
ACC Employer Contribution	93	106
Payroll Taxes	163	159
Total Employee Entitlements	1,427	1,157

Note 17: CREDITORS AND OTHER PAYABLES

	Actual 2020 (\$000's)	Actual 2019 (\$000's)
Income in Advance	1,153	1,567
Trade & Other Payables	670	299
Accrued Expenditure	1,434	1,187
Deposits & Bonds	13	12
Other payables	7	8
GST Payable/(Receivable)	107	103
Total Creditors & Other Payables	3,384	3,176
Payables from Non-Exchange Transactions	2,392	2,360
Payables from Exchange Transactions	992	816
Total Creditors & Other Payables	3,384	3,176

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. There is a liability calculated by ASB Bank for our Credit Card Clearing account \$9,556 (2019: \$10,325)

Note 18: BORROWINGS

	Actual 2019 (\$000's)	Actual 2018 (\$000's)
Current Borrowings		
University of Waikato Adams Centre for High Performance	1,000	974
<i>Total Current Portion</i>	<u>1,000</u>	<u>974</u>
Noncurrent Borrowings		
Loan from Tauranga City Council	17,112	14,707
Total Borrowings	<u>17,112</u>	<u>14,707</u>

Security

Tauranga City Council loan is unsecured.

Council has agreed to guarantee the University of Waikato Adams Centre for High Performance loan on the terms contained in the Agreement.

Finance Costs

Tauranga City Council charge interest at 5%.

University of Waikato charge interest to the value of 55% of the total rental fee for the High Performance Centre.

Note 19: Share Capital

(a) Fully paid ordinary shares	Actual 2020 (\$000's)	Actual 2019 (\$000's)
Balance at Beginning of Financial Year	84,232	84,232
Reclassification of Capital	-	-
Total Closing Share Capital	<u>84,232</u>	<u>84,232</u>

- 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.
- Bay Venues Limited also holds \$18,000,000 uncalled shares of \$1 per share.
- 84,232,000 ordinary shares at \$1 per share are fully paid out and carry the right to dividends per share.

Note 20: RETAINED EARNINGS

	Actual 2020 (\$000's)	Actual 2019 (\$000's)
Accumulated Funds		
Balance at 1 July	(22,541)	(19,941)
Surplus/(Deficit) for the year	(2,011)	(3,220)
Transfer to/from ASB Reserve	-	750
Transfer to Trustpower Reserve	(200)	(133)
Disposal of land	-	-
Balance 30 June	<u>(24,752)</u>	<u>(22,542)</u>

Note 21: REVALUATION RESERVE

	2020 (\$000's)	2019 (\$000's)
Balance at 1 July	28,348	28,348
Net revaluation gains	-	-
Balance at 30 June	28,348	28,348

Note 22: OTHER RESERVES

	2020 (\$000's)	2019 (\$000's)
Naming Rights	333	133
Balance at 30 June	333	133

The Naming Rights reflects the Trustpower naming rights arrangement for Trustpower Baypark. The ASB naming rights ended last year and a new contract was signed with Trustpower.

Note 23: CONTINGENCIES

Bay Venues Limited has no contingent liabilities at 30 June 2020 (2019: nil).

Bay Venues Limited has no contingent assets at 30 June 2020 (2019: nil).

Bay Venues Limited has no contingent rent recognised during the year. (2019: nil)

Note 24: RECONCILIATION OF NET SURPLUS/ (DEFICIT) AFTER TAX TO NET CASHFLOW FROM OPERATING ACTIVITIES.

	Actual 2020 (\$000's)	Actual 2019 (\$000's)
Net Surplus / (Deficit) from Statement of Comprehensive Income	(2,011)	(3,220)
Add/(Deduct) Non-Cash Items		
Depreciation / Amortisation plus Loss on Disposal + Revaluation gain	6,980	6,256
Add/(Deduct) Movements in Working Capital		
Movement in Trade and Other Receivables	906	24
Movement in Inventories	28	(49)
Movement in Employee Entitlements	271	155
Movement in Trade and Other Payables	203	1,078
Movement in GST Payable	4	103
Movement in Deferred Tax Asset	(2,551)	(883)
Net Cash from Operating Activities	3,830	3,464

Note 25: CAPITAL COMMITMENTS AND OPERATING LEASES

Capital commitments represent capital expenditure contracted for at balance date but not yet incurred.

	Actual 2020 (\$000's)	Actual 2019 (\$000's)
Baywave Upgrade and Renewal	-	1,481
Roading Network	-	-
Childcare Upgrade	-	-
Buildings	-	-
Fire Detection	-	4
Total Capital Commitments	-	1,485

Operating Leases as Lessee

The Company leases equipment in the normal course of its business for a range of terms from 1 – 60 months. The future aggregate minimum lease payments payable under non-cancellable operating leases are as follows:

	Actual 2020 (\$000's)	Actual 2019 (\$000's)
Not later than one year	141	141
Later than one year and not later than five years	10	117
Later than five years	-	-
Total Operating Leases as Lessee	124	258

Operating Leases as Lessor

The Company provides leased office spaces in the normal course of its business. Signed lease agreements are in place for periods from 12 to 180 months.

	Actual 2020 (\$000's)	Actual 2019 (\$000's)
Not later than one year	620	581
Later than one year and not later than five years	1,261	1,390
Later than five years	691	880
Total Non-cancellable Operating Leases	2,572	2,851

No contingent rents have been recognised during the year (2019: nil).

Note 26: RELATED PARTY TRANSACTIONS

Related party disclosures have not been made for transactions with related parties that are within a normal supplier or client/recipient relationship on terms and condition no more or less favourable than those that it is reasonable to expect the Company would have adopted in dealing with the party at arm's length in the same circumstances.

Related party disclosures have also not been made for transactions with Council (such as funding), where the transactions are consistent with the normal operating relationships between the entities and are on normal terms and conditions for such transactions.

	Actual 2020 (\$000's)	Actual 2019 (\$000's)
Transactions with Key Management Personnel		
Salaries and other Short-Term Employee Benefits	1,138	1,040
Directors Fees and Travel	244	256
Total key management personnel remuneration	1,381	1,296
Total full-time equivalent personnel	7	7

Key management personnel include the Board of Directors, Chief Executive, Chief Financial Officer, Commercial Manager, Venues & Programmes Manager, Chief Operating Officer and People & Performance Manager. Directors fees and travel excludes meeting costs such as catering. Due to the difficulty in determining the full-time equivalent for all Directors, the full-time equivalent is taken as one.

Note 27: EXPLANATIONS OF MAJOR VARIANCES AGAINST BUDGET

Explanations for major variations from the Company's budget figures in the 2019-20 Financial Statements are as follows:

Statement of Comprehensive Revenue and Expense

Operating Revenue was behind budget largely due to closure of facilities during COVID-19. This was partly offset by the COVID-19 wage subsidy.

TCC Renewal Funding was lower than budget primarily due to the Baywave remediation contingency costs not required. Memorial Pool renewals project has also been put on hold.

Operating Expenditure was below budget due to savings realised during COVID-19 closures.

Note 28: FINANCIAL INSTRUMENTS**(A) Financial Instrument Categories**

	Actual 2020 (\$000's)	Actual 2019 (\$000's)
Financial Assets		
Cash & Cash Equivalents	553	364
Debtors and Other Receivables	666	1,408
Total Financial Assets	1,219	1,772
Financial Liabilities		
Creditors and Other Payables	2,104	1,486
Borrowings – UoW Adams Centre Loan	1,000	974
Borrowings - TCC Loan	17,112	14,707
Borrowings – Tauranga Energy Consumer Trust	-	-
Total Financial Liabilities	20,216	17,167

Financial Instrument Risks

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 minimise 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.

(a) Market Risk

Fair value interest rate risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. All borrowings are from Tauranga City Council. The interest rates are fixed annually on 1 July each year.

Cash flow interest rate risk

Cash flow interest rate risk 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.

Currency risk

Currency risk is the risk that the fair value or future cash flows from a financial instrument will fluctuate due to changes in foreign exchange rates.

Bay Venues Limited purchases events from overseas event promoters, which require it to enter into transactions dominated in foreign currencies. As a result of these activities, exposure to currency risk arises.

It is Bay Venues Limited's policy to manage foreign currency risks arising from contractual commitments and liabilities that are above \$20,000 by entering into forward foreign exchange contracts to manage the foreign currency risk. This means that Bay Venues Limited is able to fix the New Zealand dollar amount payable for the delivery of these events.

(b) Credit Risk

Credit risk 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 value of financial instruments in the Statement of Financial Position reflects their credit risk exposure. The exposures are net of any recognised 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 2020 all financial instruments were held with the New Zealand registered trading banks which are rated AA--.

(c) Liquidity risk

Liquidity risk 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.

	Actual 2020 (\$000's)	Actual 2019 (\$000's)
Financial Assets		
Cash and Cash Equivalents	553	364
Debtors and Other Receivables	666	1,408
Total Financial Assets	1,219	1,772
Financial Liabilities		
Creditors and Other Payables	2,104	1,486
Borrowings - University of Waikato Adams Centre for High Performance Loan	1,000	974
Borrowings - TCC Loan	17,112	14,707
Total Financial Liabilities	20,216	17,167

Note 29: EMPLOYEES REMUNERATION EXCEEDING \$100,000

	Actual Number of Employee	
	2020	2019
\$110,001 - \$120,000	3	2
\$120,001 - \$130,000	1	-
\$130,001 - \$140,000	-	2
\$150,001 - \$160,000	2	-
\$160,001 - \$170,000	-	2
\$170,001 - \$180,000	1	1
\$180,001 - \$190,000	1	-
\$190,001 - \$200,000	1	-
\$260,001 - \$270,000	-	1
\$270,001 - \$280,000	1	-
Total Number of Employees	10	8

Remuneration includes paid and payable at 30 June 2020

Note 30: EVENTS OCCURRING AFTER BALANCE DATE

There are no adjusting events occurring after balance date.

Note 31: COVID-19 IMPACT DISCLOSURE

The Directors have considered the current and future potential effects on the business caused either directly or indirectly by COVID-19. The overall impact in FY20 was a reduction to user fees of \$3.683M and a reduction to profitability of \$0.967M. The budgeted future impact to FY21 is a reduction to user fees of \$3.293M and a reduction to profitability of \$1.033M.

BVL received a total of \$2.808M for the COVID-19 wage subsidy, recognised as income in both FY20 and FY21 (included in above profitability figures).

Level 3 and 4 restrictions over April and May 2020 resulted in full closure of all BVL facilities. Various mitigations were put in place during this time including a reduction in casual and contract staff and all non-essential expenditure put on hold.

All facilities re-opened after transition to level 2, and we have seen a strong rebound in visitation to aquatic facilities, with a more delayed return to normal at community and sports facilities. The commercial events business has been significantly impacted through to the end of FY20 and early FY21, with all major events cancelled or postponed during this time.

International travel restrictions and reduced tourist volumes will impact the events business and Mount Hot Pools for the foreseeable future, this has been factored into the FY21 budget.

To mitigate the impact on COVID-19 revenues, BVL has frozen all remuneration increases, staff training and recruitment expenses in FY21. Other operating expenses have been reduced or delayed where possible.

Other future potential effects are speculative and unknown. Directors believe that any potential negative effects would likely be limited unless there is a sustained economic downturn, which has been predicted by some economic commentators. In that event, the events revenue may be at risk of further decline resulting from a general downturn in the events industry. This would also have a flow on effect to BVL's Catering and Audio-Visual businesses.

Legislation

Due to disruption caused by the COVID-19 pandemic, an extension was provided by the Shareholder, Tauranga City Council, to submit the final Statement of Intent for 2020/21 to 2022/23 to the 30th of July 2020, being one month after the statutory requirement under Schedule 8 of the Local Government Act 2002.

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STATUTORY DISCLOSURES

Nature of Business

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

Chief Executive Remuneration

Total Remuneration paid or payable	2020	2019
260,001 – 270,000	-	1
270,001 - 280,000	1	-

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

Director	Appointed Date	Resigned Date	Director fees	Travel and Accommodation	Director fees	Travel and Accommodation
			2020	2020	2019	2019
			\$	\$	\$	\$
Peter Farmer	1-Apr-13	30-Apr-19	-	-	55,000	-
Keith Tempest	1-Apr-13	N/A	31,900	-	33,000	-
Murray Gutry	1-Apr-13	30-Apr-19	-	-	27,500	2,447
Michael Smith (Chair)	1-Jul-17	N/A	63,800	-	45,375	-
Kylie Hawker Green	1-Jul-17	N/A	31,900	1,172	33,000	2,809
Nick Lowe	1-Jul-17	N/A	31,900	-	33,000	-
Mary-Anne MacLeod	1-May-19	N/A	31,900	-	5,500	-
Colin Groves	1-May-19	N/A	31,900	-	5,500	-
Dr Bruce Bryant	1-May-19	N/A	31,900	-	5,500	-

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

Donations

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




Interest Register






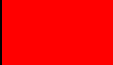
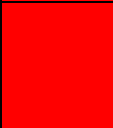
There have been no disclosures of self-interest during the year.

2019 – 2020 Statement of Intent Performance

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Balanced Scorecard 2019-2020

Traffic Light Status Key	
	On track and remaining so
	Off track but likely to be on target at YE
	Off track and needing further monitoring

Activity	Target	Weighting	Status	Commentary
Health and Safety	Declining trend in facility related incidents measured from previous year.	10%		The graph is showing a decline in facility related incidents measured on the previous year. Along with the effect of COVID the other major factors were the reduction in aqua play issues, and increased work done on eliminating slips within our aquatic facilities. Total number of BVL related incidents for this year was 139 in comparison to 144 in FY19.
Asset Management	Rated on zero major service disruptions > 4 hours due to asset maintenance or operational deficiencies	10%		There were no unplanned outages across the network over the year that can be considered a major service disruption due to asset maintenance or operational deficiency.
People	Turnover of permanent staff trending downwards measured from previous year.	10%		Permanent staff turnover of 24.3% against last year of 38% to end of June. It is acknowledged that as a result of COVID-19, staff turnover has improved significantly and the variance year on year if this had not occurred would have been smaller but still achieved.
Customer Satisfaction	85% of respondents in annual customer survey are satisfied or higher with the overall customer experience received.	20%		Our annual customer survey was not undertaken using the same methodology as previous years due to COVID-19. However, we were able to connect with six of our business areas and seek their customer experience feedback. We received 89% Satisfied or Very Satisfied.
Community Outputs	Undertake all 13 actions/activities identified in the Schedule A of the Statement of Intent.	20%		We have undertaken all the actions/activities as per Schedule A of the SOI completing the actions and activities set out in the Schedule. It is noted that the utilisation outcome was not achieved due to the impact of COVID-19 on the closure of all the community spaces in Bay Venues network.
Financial	<ul style="list-style-type: none"> Revenue ('000) - Achieve EBITDA ('000) - Achieve 	10% 10%		Revenue: \$18,605,000 (Budget \$20,547,000) EBITDA: -\$918,000 (Budget \$221,000)
Return on investment	TCC Fee for Service per user ratio is trending downwards measured from previous year	10%		Year-end ROI was \$1.49, which was 22% behind last year's result of 1.22. The main factors in this result is due to the closure of Baywave in the July/August period in 2019 along with the end of March lockdown and full closure of our community facilities during Alert Levels 4 and 3.

Financial

	19/20 Actual (\$,000's)	19/20 Budget (\$,000's)	18/19 Actual (\$,000's)
Revenue	18,605	20,547	19,554
Less Cost of Goods Sold	1,188	1,430	1,295
Gross Profit	17,418	19,116	18,258
Less Operating Expenditure	18,336	18,895	18,141
EBITDA Surplus	(918)	221	118

Notes:

- Includes TCC Community Outcome Subsidy, excludes TCC funding for depreciation, debt servicing and renewals. Excludes expenditure related to depreciation and debt servicing.
- Revenue includes user fees and charges, other sundry revenue earned and COVID-19 Wage Subsidy.
- Operating expenditure includes costs relating to employees, administration, marketing, governance, normal business operations and repairs and maintenance.
- Details on the results and variances to budget are reported within the Annual Financial Statements and notes.
- Operating costs exclude extra-ordinary expenses of \$137k that relate to prior year.

Independent Auditor's Report
To the readers of Bay Venues Limited's financial statements
and performance information for the year ended 30 June 2020

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