|  |  |  |
| --- | --- | --- |
| **Summary of V8 Financials November 2010** |  |  |
| The total cost paid to date for the V8s is $27.4 million plus the additional costs that are subject to confidentiality under the contract with the promoters. The $27.4 million is made up of $20.3 million for set up and related costs, $5.1 million for operational costs, which include $1.39 million for interest paid on the original loan, and $3.5 million on transition costs from the old promoters to V8 Supercars. A net $1.5 million in revenue has been received to offset against these costs after adjusting for the writeoff of revenue unpaid by Caleta Streetrace Management. A further $1.47 million, including interest payments (plus additional costs subject to confidentiality under the contract) will be spent on the 2011 event, with $405,000 from contracted lease revenue to offset this cost. This cost may be reduced further depending on any profit share received. |  |  |
|  |  |  |
| The breakdown is as follows. |  |  |
|  |  |  |
| **Costs paid by HCC to set up the V8's** |  |  |
| **Assets** |  |  |
| Bridges (x5) & Overtrack structures (x3) |  | 1,953,000 |
| Concrete barriers |  | 3,096,000 |
| Debris fencing |  | 1,260,000 |
| Landscaping around track, which was a requirement of the resource consent |  | 158,000 |
| Improvements to the Frankton yard and buildings leased by HCC for use by Promoters and storage of HCC's race assets: office and warehouse repair & refurbishment, improvements to the yard, electric fencing and drainage works |  | 1,937,000 |
| Pit lane building purchased from Caleta Streetrace Management |  | 2,253,000 |
| Pit lane ground works - concrete pad and drainage works |  | 2,407,000 |
| Purchase of house/land on Seddon Rd |  | 467,000 |
| Resource consent costs for HCC to hold the V8 event |  | 996,000 |
| Roading - including resurfacing & realignment, removal of roundabouts (construction of inserts) construction of the chicane and the bolt down of all manhole covers |  | 2,902,000 |
| Timing system & race lights |  | 165,000 |
| Tyre stacks used along the race track |  | 385,000 |
| **Total Costs (Debt)** |  | 17,979,000 |
|  |  |  |
| **Funded by** |  |  |
| Borrowed from the bank and repaid by rates (from the original CBD Upgrade budget) |  | 7,321,000 |
| Borrowed from HCC’s internal cash reserve (V8 reserve debt) to be repaid from V8s profit |  | 10,191,000 |
| Sale of Seddon Road |  | 467,000 |
| **Total** |  | 17,979,000 |
|  |  |  |
| Note: at the end of this financial year (30/6/2011) the V8 reserve debt balance is expected to be $14.16m which includes interest which has been added to the reserve debt, lease income from the pit lane structure and Frankton building, Host City fee monies (Sponsorship) paid in advance to the previous promoter, debt write off for Caleta Streetrace Management and transition costs from Caleta to V8 Supercars. | | |
|  |  |  |
| **Current book value of V8 Assets 30th November 2010** |  |  |
| Bridges (x5) & Overtrack structures (x3) |  | 1,616,000 |
| Concrete barriers |  | 2,052,000 |
| Debris fencing |  | 1,053,000 |
| Pit lane building purchased from Caleta Streetrace Management |  | 1,421,000 |
| Tyre stacks used along the race track |  | 233,000 |
| Assets transferred from Caleta Streetrace Management to HCC (as part of debt write off) |  | 160,000 |
|  |  | 6,535,000 |
| Note: These are the current book values of the assets and do not necessarily represent current market value. |  |  |
|  |  |  |
| **Costs Paid by HCC related to the V8's** |  |  |
| Costs incurred because of the loss of Waikato Stadium No.2 ground and interference use to Willoughby Park and Fraser Tech Park: |  |  |
| - Beetham Park upgrade |  | 1,813,000 |
| - Fred Jones Park upgrade |  | 25,000 |
| - Irrigation equipment & temporary fencing at Fred Jones Park |  | 16,000 |
| - New fencing on Mill St side of Waikato Stadium |  | 78,000 |
| - New lights for Elliot Park for Fraser Tech Rugby Club |  | 145,567 |
| - New lights for Steele Park for Old Boys Rugby Club |  | 39,345 |
|  |  |  |
| Bowling green turf renewal |  | 152,000 |
| Frankton beautification ($50,000 split over 2 years 2010/11 & 2011/12) |  | 25,000 |
| **Total Costs** |  | 2,293,912 |
|  |  |  |
| **Funded by** |  |  |
| Borrowed from the bank and repaid by rates (Beetham Park) |  | 1,813,000 |
| Paid from operating budgets directly funded by rates |  | 480,912 |
| **Total** |  | 2,293,912 |
|  |  |  |
| The orginal resource consent for the Waikato Stadium required modifications to the No.2 ground, which would have been required to be completed in the future. The V8 event triggered this redevelopment. | | |
|  |  |  |
| The pit lane sculpture "Passing Red" was generously paid for by a $150,000 grant from the Perry Foundation. |  |  |
|  |  |  |
| **Annual operating costs of the V8 event** |  |  |
|  | **Prior years 3 events - 2008/09/10** | **2010/11** |
| Advertising and marketing | 513,700 | 100,000 |
| Claudelands Campground operating costs - year 1 set up costs (cancelled after the 2008 event due to low numbers) | 74,000 | - |
| Concert costs - hireage of ground, field protection & reinstatement, & noise monitoring ($150,000 allowed for in the budget) | - | 85,000 |
| Economic impact study & event review (consultant costs) - year 1 only | 95,600 | - |
| Equipment hire (generators & lighting at the Frankton V8 yard and temporary lights at Stan Heather Park in Melville for Old Boys Rugby Club) - year 1 only | 427,900 | - |
| Equipment maintenance - repairs to V8 infrastructure eg; pit lane | 201,100 | 60,000 |
| Feasibility report costs - year 1 only | 77,000 | - |
| Ground maintenance - parks and gardens | 162,900 | 64,000 |
| Insurance | 59,400 | 5,000 |
| Project Management - costs for HCC staff involved in the event | 285,000 | 72,000 |
| Race accreditation (with FIA) & event monitoring (a resource consent requirement) | 71,100 | 46,000 |
| Security fencing rental | 450,000 | 150,000 |
| Security for Frankton yard - year 1 only (now have electric fence) | 136,000 | - |
| Site rental for Frankton yard - for storage of track infrastructure | 778,300 | 241,000 |
| Tidy up of Frankton - year 1 only | 33,100 | - |
| Traffic Management Plan - year 1 only | 82,700 | - |
| Event sponsorship fund used to repay V8 reserve debt | - | 150,000 |
| Transportation costs - removal & reinstatement of road markings, temporary kerbing, roundabouts, and traffic signals | 303,900 | 160,000 |
| **Total operating cost \*** | 3,751,700 | 1,133,000 |
|  |  |  |
| **Operating Revenue** |  |  |
| Revenue from Caleta Streetrace Management used to repay V8 reserve | 2,894,000 | - |
| Caleta Streetrace Management debt write-off | (1,580,000) | - |
| Rental from Pit Lane and Building to offset V8 reserve debt | - | 405,000 |
| Projected profit share fior 2011 event to offset V8 reserve debt | - | 360,000 |
| Ticketing & Catering revenue received | 211,600 | - |
|  | 1,525,600 | 765,000 |
|  |  |  |
| **Net operating costs** | 2,226,100 | 368,000 |
|  |  |  |
| \*In addition to the operating costs set out above, HCC pays each year, a Host City Fee to the promoter (Sponsorship), which is confidential under the contract and so cannot be disclosed unless required by law | | |
|  |  |  |
| **Interest Costs Paid by HCC** |  |  |
|  | **2009/10** | **2010/11** |
| Interest - on $7.3m debt raised, repaid from rates (current year is an estimate) | 1,393,000 | 336,000 |
|  |  |  |
| **Notes** |  |  |
|  |  |  |
| \* The new promoters pay rent to HCC for the lease of Pit Lane and the Frankton Yard building. | | |
| \* HCC has forecast to receive $360,000 profit from the 2011 race event. Any profits received and the rent income for 2011 and future events will be used to pay off some of the V8 reserve debt. | | |
| \* HCC and V8 Supercars have shared transition costs concerning the transfer of the event from Caleta Streetrace Management to V8 Supercars. HCC agreed to pay creditors owed money by Caleta after the 2010 event.  These payments, totalling $3.5 million, were made to ensure that there was no negative impact on suppliers to the event from the failure of Caleta. The contract provides for the possibility of future revenue from the event which will be applied towards the funding of these costs. | | |
| \* HCC has written off debt of $1.58m (plus GST) owed by Caleta Streetrace Management and it will not be pursued. | | |
|  |  |  |