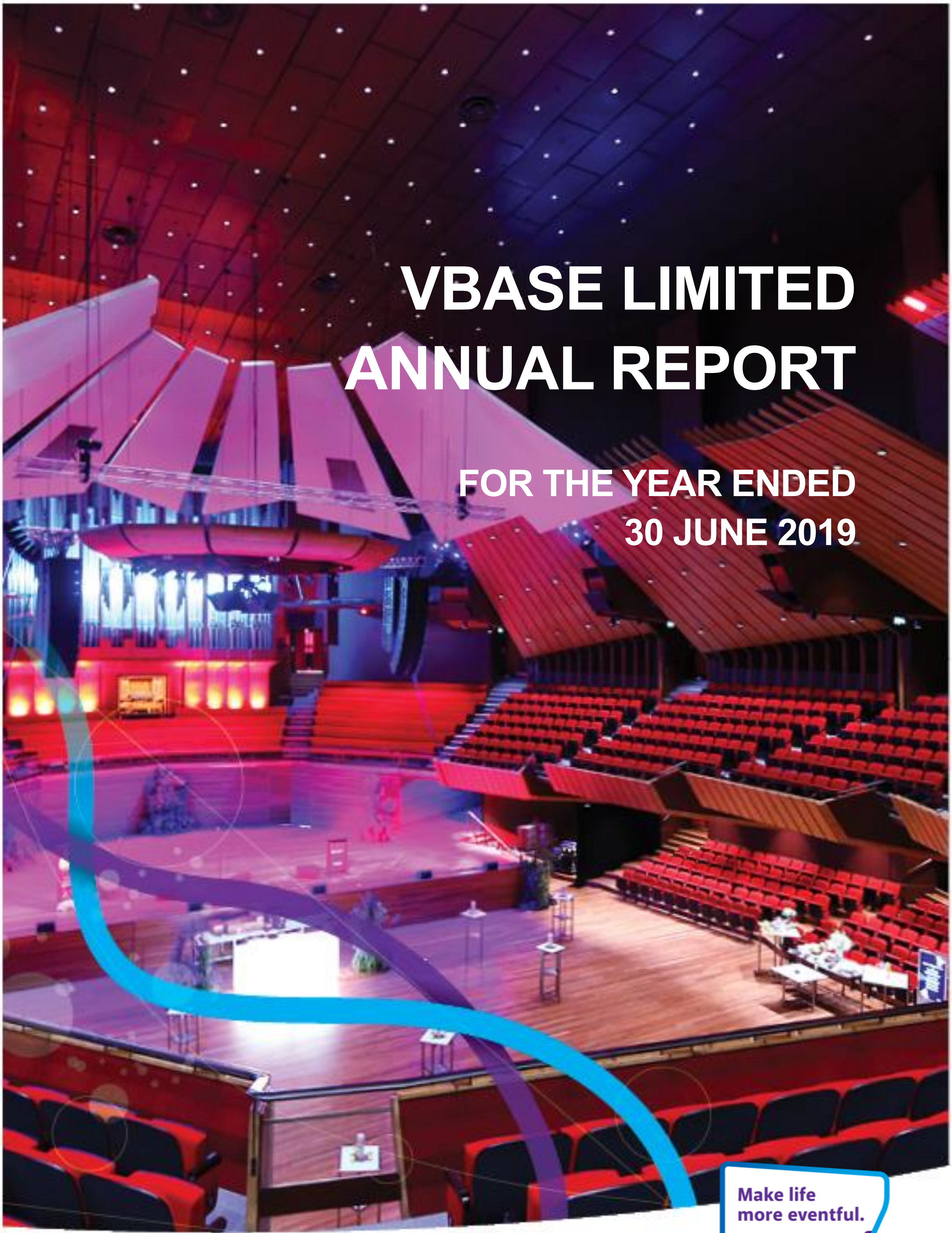
VBASE LIMITED ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2019



Make life more eventful.

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CHRISTCHURCH TOWN HALL + Horncastle ARENA + HAGLEY OVAL + AIR FORCE MUSEUM of New Zealand + Orangetheory STADIUM

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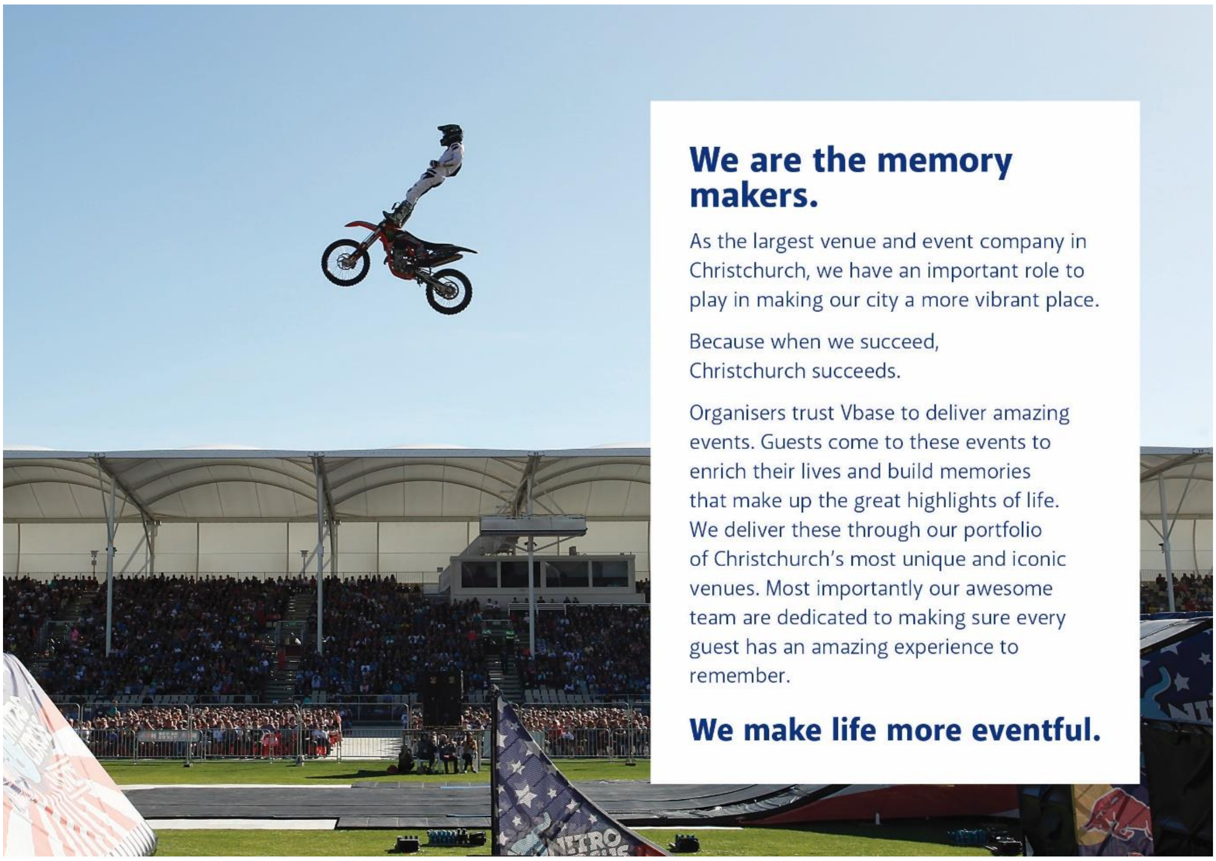

We are the memory makers.
As the largest venue and event company in Christchurch, we have an important role to play in making our city a more vibrant place.
Because when we succeed, Christchurch succeeds.
Organisers trust Vbase to deliver amazing events. Guests come to these events to enrich their lives and build memories that make up the great highlights of life. We deliver these through our portfolio of Christchurch's most unique and iconic venues. Most importantly our awesome team are dedicated to making sure every guest has an amazing experience to remember.
We make life more eventful.

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CHAIRMAN & GENERAL MANAGER'S REPORT

2019 was a mixed year for Vbase with the re-opening of the iconic Christchurch Town Hall, a small increase its number of events, offset by disappointing financial results.

The major highlight of the 2018/19 year was the re-opening the Christchurch Town Hall in February.

The 'city's living room' re-opened its doors on February 23 for a public opening weekend with the first official event, Shapeshifter, providing us a great opportunity to 'test' our 'old but new' venue.

Many of the Town Hall's heritage features remain after the repair and rebuild giving the residents of Christchurch a sense of nostalgia.

With finishing touches still being made, Vbase looks forward to welcoming the Christchurch Symphony Orchestra (CSO) and their administration into the Town Hall in September 2019.

In the year to 30 June 2019, Vbase hosted 374 events across all venues. The Town Hall hosted a credible 73 events in the 3 months it was available.

Our other venues, Horncastle Arena (70), Hagley Oval Pavilion (67), Orangetheory Stadium (35) and the New Zealand Airforce Museum (129) continued to host large and small events.

During the year, Vbase had to mobilise to deal with two significant incidents.

As part of the response to the devastating March 15 Christchurch terror attack, Vbase worked hand-in-hand with Council's Events team and other national agencies to assist and deliver the national and civic events that followed.

Providing help and assistance to the city and our community during this time of grief and despair was a significant and satisfying moment for our organisation to show our support.

In addition, Vbase had to deal with a diesel leak associated with the Horncastle Arena. The costs to repair and remediate the situation were unforeseen and significant and will continue to impact Vbase's results into the next financial year.

From a financial perspective, it was a disappointing year where our budget deficit was exceeded. Over the past few years as the city continues to recover, Vbase has struggled to restore the mix of events that generate higher margins and boost profitability.

With a view to the future an ambitious transformation plan is well underway and will refocus the Vbase team to deliver right mix of events to support the city while maintaining a commercial focus.

In summary, it has been a mixed year for Vbase, though we look forward continuing to deliver more exciting events, contributing to our strong and vibrant city.

Our main shareholder, the Christchurch City Council, continues to support the efforts of the team at Vbase and Vbase is working with them in delivering the transformation plan.

Chairman	22/11/19 Date
General Manager	22.11.19 Date

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BUSINESS AND FINANCIAL OVERVIEW

The Christchurch City Council (Council) has entrusted Vbase with ownership and management of two premier entertainment and event venues – Christchurch Town Hall for Performing Arts (Town Hall) and Horncastle Arena (Arena).

The 2010 and 2011 earthquakes caused serious damage to the Town Hall which has meant Vbase has been unable to trade in the same manner as it did prior to the earthquakes. On 1 August 2011 Vbase entered into a management services agreement with the Council. Under the agreement Council employs all Vbase staff and charges the Company a management fee equivalent to the employee salaries and wages.

Vbase has secured several management service agreements to operate event/function spaces in Christchurch. These are:

- OrangeTheory Stadium (Addington) erected by the Christchurch Stadium Trust to support large scale rugby fixtures and other events.
- The Air Force Museum Wigram. From February 2013 Vbase has been operating a conference and event space in addition to an on-site café from this venue.
- The Hagley Oval Pavilion. Vbase secured an agreement to exclusively manage this venue as an event function space from 26 September 2014. The venue contains rooms designed to cater from 10 to 280 guests per event.

Town Hall repair

On 12 June 2015 the Council signed a capital commitment to begin a full repair and restoration of the Town Hall. Council staff are providing project management support for the duration of the project.

The original section of the building has reopened in stages since March 2019, and all front of house spaces within the building are available for event hire as at 30 June 2019.

A new extension building has been added to the existing structure as part of the restoration project. This annex was completed in mid-August 2019 and is being leased exclusively to the Christchurch Symphony Orchestra, who are using it as their dedicated rehearsal space and administration block.

During the year the project budget was increased by $15 million, raising the overall project budget to $167.2 million. $160.1 million has been spent to date. $12.2 million of the repair costs were expensed during the year with the remaining total spent being classified as a mixture of work in progress (WIP) asset and Buildings in *Note: 7 Property, Plant and Equipment* of the financial statements.

A full componentised valuation of the project costs will be prepared upon completion of the restoration.

Financial result

For the year ended 30 June 2019, the Company had a net deficit after tax of $15.2 million (2018: deficit $11.4 million). Much of the 2019 deficit amount is due to the expense of $12.2 million of repair costs directly related to the Town Hall.

For and on behalf of the Board

Director — Date 22/11/19

Director — Date 22/11/19

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

For the year ended 30 June 2019

	Note	2019 $000	2018 $000
Revenue	1a	18,182	17,668
Expenses	1b	21,449	19,320
Deficit before other expenses and income tax expense		(3,267)	(1,652)
Other expenses			
Depreciation and amortisation	7 & 8	3,827	2,245
Finance costs		1,131	1,131
Demolition costs		-	11,875
Town Hall repair costs		12,217	-
Loss on disposal of assets		-	1
Total other expenses		17,175	15,252
Deficit before income tax expense from operations		(20,442)	(16,904)
Income tax income from operations	2a	5,257	5,522
Deficit from operations for the year		(15,185)	(11,382)
Other comprehensive revenue and expense			
Net movement on property valuations		-	2,292
Deferred tax movement taken to revaluation reserve		-	(642)
Total other comprehensive revenue and expense from operations		-	1,650
Total comprehensive revenue and expense		(15,185)	(9,732)

The accompanying accounting policies and notes form part of these financial statements.

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STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2019

	Capital $000	Asset revaluation Reserve $000	Accumulated surpluses / (deficits) $000	Total $000
Balance at 1 July 2017	189,636	-	(48,115)	141,521
Total comprehensive revenue and expense for the period				
Deficit for the year	-	-	(11,382)	(11,382)
Other comprehensive revenue and expense, net of revenue and expense tax				
Net movement on property valuations	-	2,292	-	2,292
Deferred tax movement taken to revaluation reserve	-	(642)	-	(642)
Total comprehensive revenue and expense for the year	-	1,650	(11,382)	(9,732)
Balance at 30 June 2018	189,636	1,650	(59,497)	131,789
Total comprehensive revenue and expense for the period				
Deficit for the year	-	-	(15,185)	(15,185)
Other comprehensive revenue and expense, net of revenue and expense tax				
Retained earnings on amalgamation	-	-	9	9
Total comprehensive revenue and expense for the year	-	-	(15,176)	(15,176)
Transactions with owners, recorded directly in equity				
Total contributions by, and distributions to, owners	45,000	-	-	45,000
Balance at 30 June 2019	234,636	1,650	(74,673)	161,613

The accumulated surpluses/deficits for 2019 includes a $9k movement resulting from the amalgamation with Tuam Limited on 1 January 2019.

The accompanying accounting policies and notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Note	2019 $000	2018 $000
Current assets			
Cash and cash equivalents	15	9,450	7,061
Trade and other receivables	3a	2,087	4,879
Other financial assets	4a	4,539	-
Inventories	5	309	283
Current tax assets	2b	469	1,491
Other current assets	6	97	156
Total current assets		16,951	13,870
Non-current assets			
Trade and other receivables	3b	-	417
Other financial assets	4b	-	4,539
Property, plant & equipment	7	188,927	161,997
Intangible assets	8	89	131
Deferred tax assets	2d	4,001	8
Total non-current assets		193,017	167,092
Total assets		209,968	180,962
Current liabilities			
Trade and other payables	9a	10,450	13,264
Total current liabilities		10,450	13,264
Non-current liabilities			
Trade and other payables	9b	730	5
Borrowings	10b	14,485	14,485
Deferred tax liabilities	2d	22,690	21,419
Total non-current liabilities		37,905	35,909
Total liabilities		48,355	49,173
Net assets		161,613	131,789
Equity			
Capital and other equity instruments	11	234,636	189,636
Asset revaluation reserve		1,650	1,650
Accumulated surpluses/(deficits)		(74,673)	(59,497)
Total equity		161,613	131,789

The accompanying accounting policies and notes form part of these financial statements.

For and on behalf of the Board

Director	Date	Director	Date

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STATEMENT OF CASH FLOWS

For the year ended 30 June 2019

	Note	2019 $000	2018 $000
Cash flows from operating activities			
Receipts from customers		17,394	17,007
Subvention received		3,286	1,948
Council operating grant		1,000	-
Payments to suppliers and employees		(21,239)	(20,689)
Income tax paid to Council		-	(840)
Net GST movement		1,433	(1,604)
Net cash provided by (used in) operating activities	15	1,874	(4,178)
Cash flows from investing activities			
Amalgamation of Tuam Limited		280	-
Payment for property, plant & equipment		(45,687)	(40,753)
Ground lease refund		2,065	-
Interest received		231	2,226
Sale of property, plant & equipment		-	174
Lancaster Park demolition costs		(243)	(11,632)
Maturity of investments		-	57,473
Purchase of investments		-	(8,286)
Net cash provided by (used in) investing activities		(43,354)	(798)
Cash flows from financing activities			
Proceeds from issues of equity securities		45,000	-
Interest and other finance costs paid		(1,131)	(1,131)
Net cash provided by (used in) financing activities		43,869	(1,131)
Net increase in cash and cash equivalents		2,389	(6,107)
Cash and cash equivalents at beginning of year		7,061	13,168
Cash and cash equivalents at end of year		9,450	7,061

Investing activities include the receipt of $280k cash because of the amalgamation with Tuam on 1 January 2019. This amount represents a $271k deferred tax liability balance and a $9k retained earnings adjustment.

The accompanying accounting policies and notes form part of these financial statements.

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STATEMENT OF SERVICE PERFORMANCE

REPORTING AGAINST THE STATEMENT OF INTENT

OBJECTIVE AND STRATEGY	PERFORMANCE MEASURE 2018/2019	RESULTS AS AT 30 JUNE 2019
1. Health and Safety - Vbase will be a safe place to work and visit		
Provide leadership, policies and practices to clients, contractors and sub-contractors	100% completion of H&S inductions for contractors working at Vbase venues 100% correction of identified sub-standard practices or conditions	Have provided H&S inductions for 100% of contractors working at Vbase during the period. **Target achieved.** Have corrected 100% of identified substandard practices during the period. **Target achieved**.
Continue to improve health and safety processes	Annual health and safety audit completed	Audit undertaken by independent consultant. The Vbase H&S committee will implement all recommended improvements. **Target achieved.**
Minimise the total recordable injury frequency rate (TRIFR) for employees - based on 20,000 hrs worked	Annual employee TRIFR less than 12	An average of 6.71 incidents or near misses per 20,000 hours worked. **Target achieved.**
2. Venue Utilisation		
High utilisation of Horncastle Arena	At least 100 event days are delivered at Horncastle Arena	112 events days have been delivered at Horncastle Arena. **Target achieved.**
Attract events at the temporary stadium outside of the standard Super 15 and provincial rugby fixtures	At least 1 major event is delivered at the temporary stadium	Delivered the Phil Collins concert, Nitro Circus and the Manly versus Warriors NRL game during the period. **Target achieved.**
High utilisation of Air Force Museum	At least 100 events are delivered at Air Force Museum	129 events have been delivered at the Air Force Museum. **Target achieved.**
High utilisation of Hagley Oval Pavilion within the constraints of use	At least 50 event days are delivered at Hagley Oval Pavilion	40 events days have been delivered at the Hagley Oval Pavilion. Limited available parking options close to the venue are impacting the potential bookings by clients. **Target not achieved.**
High utilisation of the Christchurch Town Hall for Performing Arts	At least 12 events are delivered at the Town Hall	73 events have been held in the Christchurch Town Hall since the reopening in March 2019. There has been exceptional demand for the hire of the venue. **Target achieved.**

OBJECTIVE AND STRATEGY	PERFORMANCE MEASURE 2018/2019	RESULTS AS AT 30 JUNE 2019
3. Deliver Outstanding Service Delivery		
Event Owner (Client) satisfaction	Minimum 50 surveys completed during the year Achieve greater than 85% satisfaction during the year	30 surveys completed. **Target not achieved.** 96% satisfaction level achieved. **Target achieved.**
Event Customer (Guest) satisfaction	Minimum 600 guests surveyed throughout the year Achieve greater than 85% satisfaction during the year	3699 surveys completed. 806 and 1156 surveys were received from guests attending the Phil Collins and Michael McIntre shows respectively and this helped exceed the yearly number of surveys target with ease. **Target achieved.** Average satisfaction rating of 93.8%. **Target achieved.**
4. Community Benefit		
Facilitate access to venues for local community and charitable organisations	Total venue discounts equal $200,000	$328,848 in discounts provided. The delay in the reopening of the Town Hall, resulting in increased discounts provided for the Arena space, and the increased use of Vbase venues by community groups after the March 15th attack has contributed to the higher than target result. **Target achieved.**
Secure events that bring visitors to the city to generate positive economic impact	In consultation with ChristchurchNZ, establish a methodology for measurement of the annual estimated economic impact of events across the Vbase portfolio of venues	Have continued to work with ChristchurchNZ on developing a reliable measurement tool. The Company will perform sample testing, using a measurement tool called 'Event Economics' in the next financial year. **Target achieved.**
Secure events that will encourage high usage of the venues	Visitors to venues exceed 500,000	713,393 attendees to Vbase venues for the year. Ticketed events held at OrangeTheory Stadium and Horncastle Arena account for many of the visitors. **Target achieved.**
5. Environmental Considerations		
Ensure recycling of waste is undertaken at events	Recycling undertaken at 97% of events	Recycling was undertaken at 100% of events. **Target achieved.**
Minimise the amount of general waste at Horncastle Arena	27% of waste by weight is recycled	32% of waste by weight was recycled during the year. **Target achieved.**

FINANCIAL PERFORMANCE TARGETS

	2019 Actual $000	2019 Target $000	Variance $000
Income	17,120	16,331	789
Operating expenses	13,950	11,546	(2,404)
Net operating overheads and fixed costs	6,859	7,371	512
EBITDA	(3,689)	(2,586)	(1,103)
Net interest, depreciation and non-operating expenses	(16,753)	(7,457)	(9,296)
Taxation	5,257	(16,612)	21,869
Net deficit after tax	(15,185)	(26,655)	11,470

Major variance descriptions	$ millions	$ millions
Income: Food and beverage revenue is $1.2 million above target and Arena ticketed revenue is $0.4 million below target.		0.8
Operating expenses: The following were either unplanned or higher than plan for the year; $0.4 million for Promoter fees; $1.0 million in food and beverage costs; $0.7 million in ground remediation costs, $0.2 million cleaning costs; $0.1 million Arena repairs and maintenance costs.		(2.4)
Net overheads: $0.6 million savings in management fees for the finance team function offset by $0.1 million of unplanned professional fees.		0.5
Unplanned Town Hall repair expenses. Work performed during the year on evaluating the costs incurred for the Town Hall restoration project has identified a portion of the project cost meeting the test that enables the cost to be treated as an expense. The treatment is supported by an IRD private ruling.	(12.2)	
Depreciation: Building depreciation expense is significantly lower because of the delay in the completion date of the Town Hall.	2.8	
Interest revenue: The variance arose due to larger than planned cash balances on deposit during the year.	0.1	
Total net interest, depreciation and non-operating expenses variance		(9.3)
Taxation: Most of the variance is due to two large impacts resulting from the Town Hall restoration project. The first is a consequence of a delay in the completion of the project which has resulted in the final tax position for the building being unable to be calculated as at 30 June 2019. The budget figures assumed the restoration was complete as at 30 June and the budget contained a final tax position estimate for the Town Hall building. The tax estimate included a significant permanent tax difference calculated on the non-deductable structure portion of the building. Offsetting this variance is the unplanned tax impact on the $12.2 million of Town Hall project costs that were expensed during the year, as detailed above.		21.9
Total variance		**11.5**

RATIO OF SHAREHOLDERS FUNDS TO TOTAL ASSETS

The ratio of shareholders' funds to total assets is:

Actual	Target
77%	73%

The main impact for the ratio variance is due to the $11.5 million variance in the net deficit after tax which is detailed above.

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THE CAPITAL STRUCTURE:

	Actual $000	Target $000	Variance $000
Issued shares and other equity instruments	234,636	234,471	(165)
Debt	14,485	14,485	-
Total assets	209,968	201,148	8,820

The issued shares and other equity instruments target has been met.

The debt balance remains unchanged during the year, which agrees to the target.

Total assets are higher than target due to two main reasons: Firstly, there is a higher than planned property, plant and equipment balance. This is due an increase in the Town Hall restoration project budget during the year, as well as a delay in the project completion date, which has resulted in lower than planned accumulated depreciation for the year.

Secondly, is the impact on the current tax and deferred tax balances which combine to a $19.6 million variance against target. The main causes of the variance are described in tax expense variance commentary that is included on the previous page.

FACILITIES REBUILD

	Actual $000	Target $000	Variance $000
Facilities repair/rebuild			
Arena	887	2,800	1,913
Town Hall repairs	39,800	29,537	(10,263)
	40,687	32,337	(8,350)

Two large planned repair projects for the Arena have been delayed and will now be completed in the 2020 financial year which has resulted in most of the underspend against target for this venue.

The Town Hall repair target has been exceeded due to the target not including the increased spending resulting from a $15 million project budget increase during the current year, as well as additional 2019 project costs that were underestimated when preparing the target budget last year.

EQUITY INJECTION

	Actual $000	Target $000	Variance $000
Equity injection by Council	45,000	44,835	(165)

The target equity injection by Council has been achieved. The Council agreed to a $15 million increase to the Town Hall reinstatement project budget during the year. The budget increase will be funded from receiving a further $15 million Council equity injection, which will be made during the next financial year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

1. PROFIT FROM OPERATIONS

1a Revenue

	2019 $000	2018 $000
Rendering of services	16,542	16,024
Interest revenue:		
Bank deposits	241	686
Related parties	177	441
Total interest revenue	418	1,127
Other revenue:		
Council operating grant	1,000	-
Profit on disposals of assets	4	-
Donated / vested assets	-	52
Other revenue	218	465
Total other revenue	1,222	517
Total revenue	18,182	17,668

1b Operating expenses

	2019 $000	2018 $000
Operating expenses:		
Operating lease expenses - minimum lease payments	254	248
Food and beverage expenses	8,532	7,824
Management fee	4,940	5,781
Donations	40	-
Directors Fees	30	30
Audit fees	59	63
Other expenses	7,594	5,374
Total operating expenses	21,449	19,320

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2. INCOME TAXES

2a Income tax recognised in profit or loss

	2019 $000	2018 $000
Tax expense income comprises:		
Current tax (income)	(1,500)	(1,491)
Adjustments to current tax in prior years	(764)	(175)
Deferred tax relating to temporary differences	(2,993)	(3,856)
Total tax income on operations	(5,257)	(5,522)

Reconciliation of prima facie income tax:

	2019 $000	2018 $000
Surplus/(deficit) from operations	(20,442)	(16,904)
Income tax income calculated at 28%	(5,724)	(4,733)
Non-deductible expenses		
Entertainment	4	2
Building structure repairs adjustment	151	143
Ground lease refund	-	(790)
Accounting (gain) / loss on sale of assets	(1)	-
Tax gain / (loss) on sale of assets	1	(15)
Non-assessable income		
Stadium building retention reversal	-	46
Over provision of previous year's income tax	312	(175)
Income tax income from operations	(5,257)	(5,522)

2b Current tax assets and liabilities

	2019 $000	2018 $000
Current tax (assets):		
Subvention receivable	(469)	(1,491)
Total current tax asset	(469)	(1,491)

2c Imputation credit account balances

There are no imputation credits available for use in subsequent periods (2018: nil)

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2 INCOME TAXES (CONT)

2d Deferred tax balances

Taxable and deductible temporary differences arise from the following:

Year ended 30 June 2019	Opening balance $000	Adjustment to opening balance $000	Charged to income $000	Charged to other comprehensive income $000	Amalgamation $000	Closing balance $000
Deferred tax liabilities:						
Property, plant & equipment	7,233	-	(76)	-	-	7,157
Earthquake recoveries and other items	14,186	1,076	-	-	271	15,533
Total deferred tax liabilities	21,419	1,076	(76)	-	271	22,690
Deferred tax assets:						
Provisions	8	-	5	-		13
Losses carried forward	-	-	3,988	-	-	3,988
Total deferred tax assets	8	-	3,993	-	-	4,001
Net deferred tax liability/(asset) balance	21,411	1,076	(4,069)	-	271	18,689

Year ended 30 June 2018	Opening balance $000	Adjustment to opening balance $000	Charged to income $000	Charged to other comprehensive income $000	Amalgamation $000	Closing balance $000
Deferred tax liabilities:						
Property, plant & equipment	6,261	-	330	642	-	7,233
Earthquake recoveries and other items	18,374	-	(4,188)	-	-	14,186
Total deferred tax liabilities	24,635	-	(3,858)	642	-	21,419
Deferred tax assets:						
Provisions	10	-	(2)	-		8
Total deferred tax assets	10	-	(2)	-	-	8
Net deferred tax liability/(asset) balance	24,625	-	(3,856)	642	-	21,411

The 2019 deferred tax balance includes $271k arising from the amalgamation with Tuam Limited on 1 January 2019.

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3 TRADE AND OTHER RECEIVABLES

3a Current trade receivables

		2019 $000	2018 $000
Exchange transactions			
Trade receivables		708	624
Provision for impairment	3d	(17)	-
Net trade receivables		691	624
Exchange transactions other receivables		317	162
Exchange transactions related party other receivables		1,045	2,375
Total exchange receivables		2,053	3,161
Non-exchange transactions			
GST receivable		34	1,718
Total non-exchange receivables		34	1,718
Total current trade and other receivables		2,087	4,879

3b Non-current trade and other receivables

	2019 $000	2018 $000
Related party receivables	-	417
Total non-current other receivables	-	417

The carrying value of debtors and other receivables approximate their fair value.

The carrying value of receivables that would otherwise be past due or impaired whose terms have been renegotiated amount to nil (2018: nil).

3c Current trade receivables aging

The status of trade receivables as at 30 June 2019 and 2018 are detailed below:

	2019 $000			2018 $000		
	Gross $000	Impairment $000	Net $000	Gross $000	Impairment $000	Net $000
Not past due	615	-	615	614	-	614
Past due 31 - 120 days	93	(17)	76	10	-	10
Total	708	(17)	691	624	-	624

The carrying value of receivables that would otherwise be past due or impaired whose terms have been renegotiated amount to nil (2018: nil).

3d Current trade receivables impairment movement

The impairment provision opening balance is nil with specific provisions totalling $17,455 being made during the year, $582 written off, leaving a closing balance of $16,872 at 30 June 2019. The 2018 provision for impairment of the individual debtor balances is nil and there were no movements in the provision during the year.

The expected credit loss rates for receivables at 30 June 2019 are based on the payment profile of trade receivables over the prior 2 years at the measurement date and the corresponding historical credit loss experiences for that period. The historical loss rates are adjusted for current and forward-looking macroeconomic factors that might affect the recoverability of receivables. Given the short period of credit risk exposure, the impact of macroeconomic factors is not considered significant and no credit losses are expected other than the specific provision referred to above.

4 OTHER FINANCIAL ASSETS

4a Other current financial assets

	2019 $000	2018 $000
Deposits held with the Council	4,539	-
Total other current financial assets	4,539	-

4b Other non-current financial assets

	2019 $000	2018 $000
Deposits held with the Council	-	4,539
Total other non-current financial assets	-	4,539

None of the financial assets are past due. There were no impairment provisions for other financial assets during the year.

5 CURRENT INVENTORIES

	2019 $000	2018 $000
Inventory held to be consumed in the rendering of services	309	283
Total current inventories	309	283

No inventories are pledged as security for liabilities (2018: nil).

There was no write-down of inventories (2018: nil).

6 OTHER CURRENT ASSETS

	2019 $000	2018 $000
Prepayments	97	156
Total other current assets	97	156

7 PROPERTY, PLANT & EQUIPMENT

	Buildings (fair value) $000	WIP Assets $000	Plant & equipment (cost) $000	Total $000
Gross carrying amount:				
Balance at 1 July 2017	139,197	78,606	9,676	227,479
Additions	817	41,995	631	43,443
Disposals	(67,846)	-	(547)	(68,393)
Transfer between asset class	180	(180)	-	-
Net revaluation (decrements)	(2,009)	-	-	(2,009)
Balance at 30 June 2018	70,339	120,421	9,760	200,520
Additions	891	39,800	2,236	42,927
Disposals	-	-	(11)	(11)
Town Hall repairs	-	(12,217)	-	(12,217)
Transfer between asset class	129,700	(129,700)	-	-
Balance at 30 June 2019	200,930	18,304	11,985	231,219
Accumulated depreciation and impairment:				
Balance at 1 July 2017	(101,425)	-	(7,393)	(108,818)
Disposals	67,803	-	407	68,210
Depreciation expense	(1,528)	-	(688)	(2,216)
Reversed on revaluation	4,301	-	-	4,301
Balance at 30 June 2018	(30,849)	-	(7,674)	(38,523)
Disposals	-	-	11	11
Depreciation expense	(2,981)	-	(799)	(3,780)
Balance at 30 June 2019	(33,830)	-	(8,462)	(42,292)
Net book value as at 30 June 2018	39,490	120,421	2,086	161,997
Net book value as at 30 June 2019	167,100	18,304	3,523	188,927

Valuation

Buildings, consisting of the Horncastle Arena, were valued at 30 June 2018 by an independent registered valuer, Quotable Value (QV) Limited in accordance with PBE IPSAS 17.

The 2019 buildings total consists of the Town Hall and Horncastle Arena. The Arena is valued at $39.3 million as at 30 June 2018 using the optimised depreciated replacement cost method, and lease hold improvements which are valued at historical cost less accumulated depreciation. The 2018 valuation amount, plus the additions during the year, less accumulated depreciation, is considered to reflect the fair value of the asset as at 30 June 2019.

The partial opening of the Town Hall during the year has resulted in $129.7 million of the Town Hall WIP total being reclassified from WIP over to the building category at 30 June 2019. The building will be valued by an independent registered valuer upon completion of the full restoration.

WIP assets are valued at historical cost and consist of costs associated with the final phase of the Town Hall restoration project, which is the brand-new annex building that is being leased to the CSO.

$12.2 million of the WIP amount was expensed to the statement of comprehensive revenue and expense during the year. The amount represents the value of the project that has been deemed to meet the expense test based on a private tax ruling made under s 91E of the Tax Administration Act 1994.

Plant and equipment assets are valued at historical costs less accumulated depreciation.

8 INTANGIBLE ASSETS

	2019 $000	2018 $000
Gross carrying amount:		
Opening balance	1,031	954
Additions	5	77
Closing gross carrying amount balance	1,036	1,031
Accumulated amortisation and impairment:		
Opening balance	(900)	(871)
Amortisation expense	(47)	(29)
Closing accumulated amortisation and impairment balance	(947)	(900)
Total intangible assets	89	131

9 TRADE AND OTHER PAYABLES

9a Current trade and other payables

	2019 $000	2018 $000
Exchange transactions		
Trade payables	2,592	1,843
Owing to related parties	6,865	10,600
Income in advance	993	821
Current trade and other payables from exchange transactions	10,450	13,264
Total current trade and other payables	10,450	13,264

The carrying value of trade and other payables approximates their fair value.

9b Non-current trade and other payables

	2019 $000	2018 $000
Exchange transactions		
Income in advance	730	5
Non-current trade and other payables from exchange transactions	730	5
Total non-current trade and other payables	730	5

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10 BORROWINGS

10a Current borrowings

The 2019 fair value of the current borrowing of the Company is nil. (2018: nil)

10b Non-current

	2019 $000	2018 $000
Unsecured:		
Loan from related party - Council	14,485	14,485
Total non-current borrowings	14,485	14,485

The fair value of the non-current borrowing of the Company is $16,951,995 (2018: $17,055,185) based on cash flows discounted using the market borrowing rate of 5.54% (2018: 5.60%).

Interest is payable semi-annually on all borrowings. The interest rate is calculated using the Council's average borrowing cost plus margin. The average interest rate for the loan balance as at 30 June 2019 is 7.81% (2018: 7.81%)

11 CAPITAL AND OTHER EQUITY INSTRUMENTS

All shares are $1 shares and are fully paid. There is no uncalled capital. All shares carry equal voting rights. Redeemable preference shareholders have first call on any surplus on winding up of the Company. The A redeemable preference shares may be redeemed by the Company giving the shareholder five working days' notice of the intention to do so. None of the shares carry fixed dividend rights.

	2019 $000	2018 $000
Capital and other equity instruments		
Fully paid ordinary shares	145,136	100,136
Fully paid A redeemable preference shares	89,500	89,500
Balance at end of financial year	234,636	189,636
Fully paid ordinary shares		
Balance at beginning of financial year	100,136	100,136
Share issue 2019 year	45,000	-
Balance at end of financial year	145,136	100,136

12 CAPITAL COMMITMENTS

On 12 June 2015 Council signed a capital commitment with Hawkins Construction to perform a full restoration and repair of the Town Hall with completion expected in the first quarter after balance date. The Council is using its resources and expertise to project manage the repair on behalf of the Company.

The project budget cost is $167.2 million, increasing from $152.2 million in 2018. $160.2 million (2018: $120.4 million) of the budget has been spent. $12.2 million has been expensed in the statement of comprehensive revenue and expense during the year. $129.7 million is classified as buildings and $18.3 million is classified as buildings and WIP assets in *Note: 7 Property, Plant & Equipment.*

13 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The accounts exclude a 2018 tax return deduction of approximately $11.5 million in relation to a land lease surrendered to Council during the 2018 financial year. At this stage it is unclear whether the deduction meets the probability threshold for financial reporting purposes. As a result, it has not been recognised in the calculation of the tax balances of the Company. If the tax impact of the intangible asset were to be recognised there would be an increase in the deferred tax asset and a decrease in tax expense of $3.22 million.

There were no material contingent assets or liabilities in 2018 for the Company.

14 EVENTS AFTER BALANCE DATE

Due to delays in the completion of the 2018/19 audit, the Company did not meet its reporting deadline pursuant to the Local Government Act 2002 (LGA02) for the 2019 financial year. The LGA02 requires the Company to deliver an annual report to its shareholder within three months after the end of the financial year.

Town Hall Repair and Refurbishment
As at the date of signing the annual report the new annex to the Town Hall building has been completed and it is now being fully occupied by the CSO.

Management Structure
An executive director has been employed to oversee the transition of the Company.

15 NOTES TO THE CASH FLOW STATEMENT

	2019 $000	2018 $000
Cash and cash equivalents		
Cash on hand	4,169	6,552
Call and term deposits	5,281	509
Total cash and cash equivalents	9,450	7,061
Reconciliation of surplus / (deficit) for the period to net cash flows from operating activities:		
Surplus / (deficit) for the period from operations	(15,185)	(11,382)
Non cash items		
Depreciation and amortisation of non-current assets	3,827	2,245
Amortisation of ground rent	-	65
Town Hall repair expenses	12,217	-
Movement in deferred tax	(2,993)	(3,856)
Items classified as investing / financing activities		
Movement in capital creditors	2,759	(2,759)
Gain on disposal of property, plant & equipment	(4)	-
Loss on disposal of property, plant & equipment	-	1
Stadium demolition costs	243	11,632
Interest revenue received	(231)	(2,226)
Finance and interest costs paid	1,131	1,131
Ground lease refund	(2,065)	-
Movement in working capital		
(Decrease) / increase in creditors	(2,089)	703
(Increase) / decrease in receivables	4,290	233
Decrease / (increase) in inventory	(26)	35
Net cash from operating activities	1,874	(4,178)

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16 RELATED PARTY TRANSACTIONS

The Council is the ultimate controlling party of the Company.

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 conditions no more or less favourable than those that it is reasonable to expect Vbase and the Company Group 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 entities within the Council Group and key management personnel where the transactions are consistent with the normal operating relationships between the entities and are on normal terms and conditions for such group transactions.

Related Party Transactions required to be disclosed.
Council provide the Company with all finance services and employ all Vbase staff. These costs are represented in the management fee in the below table.

Outlined below are the transactions that occurred with group companies during the year that are not considered to be arm's length.

	2019 $000	2018 $000
Non-arms length revenue from related parties:		
Subvention payments received from Council group entities	3,286	1,948
Council operating grant	1,000	-
Total receipts / receivables from related parties	4,286	1,948
Non-arms length costs incurred with related parties:		
Lease of Town Hall land from the Council	101	100
Management fee paid to Council	4,940	5,781
Income tax payment to Council	-	840
Ground lease rental amortisation - Council	-	65
Total non-arms length costs incurred with related parties:	5,041	6,786
Year end balances (inclusive of GST)		
Accounts payable and payment accruals to Council	40	125
Accounts receivable from Council	-	2,375
Other balances:		
Cash on amalgamation of Tuam	281	-
Deferred tax liability for amalgamation of Tuam	(271)	-
Subvention payments receivable from group companies	469	1,491

During the year a limited number of complimentary tickets were provided to Councillors, Vbase and Council staff to attend Vbase events.

The Company expects to transfer losses of $1.7 million to other members of the Council Group (2018: $5.33 million) by way of subvention payment of $0.5 million (2018 $1.49 million). Tax losses totalling $14.2 million have been carried forward in the Company's deferred tax asset balance to be utilised by the Council Group in future years.

KEY MANAGEMENT PERSONNEL

Key management personnel of the Company have interests in other entities that transact with Company members.

Vbase has entered into a management services agreement with Council whereby Council provides management and financial service support.

No provision has been required, nor any expense recognised, for impairment of receivables from related parties (2018: nil).

The company obtains key management service personnel as part of the management services provided from Council in addition to the outsourced catering services provided by Spotless Facility Services (NZ) Limited. The compensation paid for these services is $0.6 million.

During the year directors' fees of $30,000 were paid to Paul Lonsdale (2018: $29,423)

17 LEASES

17a Non-cancellable operating lease commitments

The Company leases property, plant and equipment in the normal course of business. The future aggregate minimum lease payments to be paid under non-cancellable operating leases are as follows:

	2019 $000	2018 $000
No later than one year	370	351
Later than one year and not later than five years	1,246	1,255
Later than five years	3,953	4,073
Total non-cancellable operating lease commitments	5,569	5,679

A large portion of the lease commitments relate to a long-term ground lease which has an initial term out to 31 March 2043 and a further renewal period of 33 years out to 31 March 2076.

During the period the Company received an advance payment of lease rental revenue from the Christchurch Symphony Trust. Another advance rental payment will be made by the Christchurch Symphony Trust upon commencement of the lease, which is expected to be September 2019. The initial lease term is for 24 years, with one right of renewal of 10 years, and provides the CSO exclusive use and occupation of a new annex building which is being added onto the existing Town Hall structure. The prepaid lease rental made during the year is sitting as part of the income in advance total in *Note 9: Trade and other payables.*

There are no restrictions imposed by lease arrangements.

The Company has no non-cancellable operating leases as lessor.

18 FINANCIAL RISK MANAGMENT

Financial instrument risk

The Company has a series of policies to manage the risks associated with financial instruments. The Company is risk averse and seeks to minimise exposure from its financing activities.

Credit risk management

Credit risk is the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company.

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and short-term investments and accounts receivables. The Company places its cash and short-term investments with Council and various high-credit-quality banking institutions and there are no deposits with finance companies.

The Company's concentration of accounts receivables credit risk lies with the clients who are contracted to occupy and use our venues. Credit risk is mitigated to a degree as a result of the Company requiring clients to pay venue rental deposits prior to the actual event taking place. The venue deposit requirement also helps mitigate any foreseeable risk associated with a decline in future economic conditions.

The maximum credit exposure for each class of financial instrument is the same as the carrying value.

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Liquidity risk management

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The Company manages liquidity risk by continuously monitoring forecast and actual cash flows and maintaining adequate reserves with the maturity profile of financial assets being matched to the financial liabilities. The Company maintains a borrowing facility with its parent, the Council.

Interest rate sensitivity analysis

The Company is not sensitive to movements in interest rates in respect of its borrowing obligations as all the borrowings are fixed. The Company had a portion of its surplus cash entered into fixed term deposits that mirror the projected costs for the repair of the Town Hall. Most of these deposits were fully spent in the month of maturity. As such only cash and deposits that are not specifically allocated against the projected Town Hall repair schedule have been included in the calculation to determine interest rate sensitivity on cash and term deposits. Accordingly, a 1% movement either way on cash and term deposit balances would have the effect of increasing / decreasing the Company's profit before tax by $151,252 or $108,901 after tax (2018: $40,985 before tax, $29,509 after tax).

Market risk management

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates and market prices, will affect the Company’s profit or the value of its holdings in financial instruments.

Interest rates

Interest rate risk is the risk that the cash flows from a financial instrument will fluctuate because of changes in market interest rates. Borrowings and investments issued at variable interest rates expose the Company to interest rate risk.

Interest rates on the Company's borrowing facility with the Council are fixed.

Foreign exchange

Foreign exchange risk is the risk that the cash flows from a financial instrument will fluctuate due to changes in foreign exchange rates.

The Company has little exposure to foreign exchange risk. Any small foreign payments are settled at the rate prevalent on the due date. Should any large foreign currency transactions arise, the Company would enter into forward foreign exchange contracts to fix the foreign currency risk exposure.

Price risk

Price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate as a result of changes in market prices.

The Company is not exposed to price risk on its financial instruments.

Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to Standard and Poor's credit ratings (if available) or to historical information about counterparty default rates:

	2019 $000	2018 $000
Counterparties with credit ratings		
Cash at bank and bank term deposits		
AA-	9,450	7,061
Total cash at bank and term deposits	9,450	7,061
Loans to related parties		
A+	4,539	4,539
Total loans to related parties	4,539	4,539
Debtors and other receivables		
Related parties receivables (A+)	1,045	2,792
Existing counterparty with no defaults in the past	1,008	786
Total debtors and other receivables	2,053	3,578

Classification of financial instruments

The Company has no financial assets or financial liabilities designated at fair value, fair value through other comprehensive revenue and expense or held to maturity in 2019 or 2018.

2019	**Loans & receivables $000**	**Other amortised cost $000**	**Total carrying amount $000**
Financial assets			
Cash and cash equivalents	9,450	-	9,450
Trade and other receivables	1,008	-	1,008
Other financial assets	4,539	-	4,539
Related party receivables	1,045	-	1,045
Total financial assets	16,042	-	16,042
Financial liabilities			
Trade and other payables	-	2,592	2,592
Other (related party)	-	6,865	6,865
Borrowings	-	14,485	14,485
Total financial liabilities	-	23,942	23,942

2018	**Loans & receivables $000**	**Other amortised cost $000**	**Total carrying amount $000**
Financial assets			
Cash and cash equivalents	7,061	-	7,061
Trade and other receivables	786	-	786
Related party receivables	2,792	-	2,792
Other financial assets	4,539	-	4,539
Total financial assets	15,178	-	15,178
Financial liabilities			
Trade and other payables	-	1,843	1,843
Other (related party)	-	10,600	10,600
Borrowings		14,485	14,485
Total financial liabilities	-	26,928	26,928

Contractual maturity analysis

As at 30 June 2019	Carrying amount $000	Contractual cashflows $000	Less than 1 year $000	1 - 2 years $000	3 - 5 years $000	More than 5 years $000
Financial assets						
Cash and cash equivalents	9,450	9,467	9,467	-	-	-
Trade receivables	1,008	1,008	1,008	-	-	-
Other financial assets	4,539	5,260	5,260	-	-	-
Other (related party receivables)	1,045	1,045	1,045	-	-	-
Total financial assets	16,042	16,780	16,780	-	-	-
Financial liabilities						
Trade and other payables	(2,592)	(2,592)	(2,592)	-	-	-
Borrowings	(14,485)	(25,803)	(1,131)	(1,131)	(3,392)	(20,149)
Other (related party)	(6,865)	(6,865)	(6,865)	-	-	-
Total financial liabilities	(23,942)	(35,260)	(10,588)	(1,131)	(3,392)	(20,149)

Other financial assets and cash and cash equivalents contractual cash flows include interest receivable of $737,395 under the term deposits entered into (2018: $720,808).

As at 30 June 2018	Carrying amount $000	Contractual cashflows $000	Less than 1 year $000	1 - 2 years $000	3 - 5 years $000	More than 5 years $000
Financial assets						
Cash and cash equivalents	7,061	7,061	7,061	-	-	-
Trade receivables	786	786	786	-	-	-
Other financial assets	4,539	5,260	-	5,260	-	-
Other (related party receivables)	2,792	2,792	2,375	417	-	-
Total financial assets	15,178	15,899	10,222	5,677	-	-
Financial liabilities						
Trade and other payables	(1,843)	(1,843)	(1,843)	-	-	-
Borrowings	(14,485)	(26,934)	(1,131)	(1,131)	(3,392)	(21,280)
Other (related party)	(10,600)	(10,600)	(10,600)	-	-	-
Total financial liabilities	(26,928)	(39,377)	(13,574)	(1,131)	(3,392)	(21,280)

19 CAPITAL MANAGEMENT

The Company's capital is its equity, which comprises accumulated comprehensive revenue and expenses and all equity reserves. Equity is represented by net assets.

The Company is a Council Controlled Organisation as defined by the Local Government Act 2002 which includes restrictions on how it operates and defines reporting and accountability processes. Council has a general security agreement over all Company assets which restricts the ability to dispose of certain property and to enter into new borrowing arrangements.

The Company manages its revenues, expenses, assets, liabilities, investments and general financial dealings prudently and in a manner that promotes the current and future interest of the community. The Company's equity is largely managed as a by-product of managing revenues, expenses, assets, liabilities and general financial dealings.

The objective of managing the Company's equity is to ensure that it effectively and efficiently achieves the goals and objectives for which it has been established, while remaining a going concern.

20 STATUTORY REPORTING DECLARATION

The Local Government Act 2002 requires the Company to submit half year accounts and a Statement of Intent to its Board and to its shareholder within specified timeframes. For the 2018/19 financial year the Company met the specified timeframes as set out in the legislation for the submission of its half year accounts and draft Statement of Intent to its shareholder.

21 SIGNIFICANT ACCOUNTING POLICIES

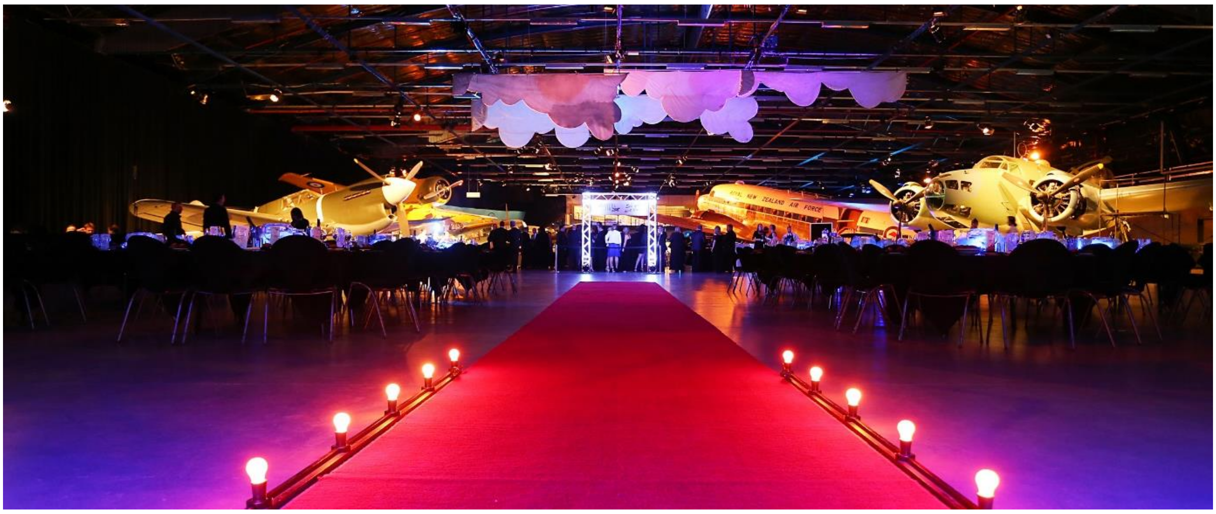
REPORTING ENTITY

The Company is incorporated under the Companies Act 1993 and is domiciled and operates in New Zealand. It is a wholly owned subsidiary of the Council and owns, manages and develops Horncastle Arena and has secured management service agreements to manage the operations at the Air Force Museum of New Zealand, OrangeTheory Stadium formerly AMI Stadium (Addington), and the Pavilion at the Hagley Cricket Oval. The Company also owns the Christchurch Town Hall of Performing Arts which has been in partial operation since the beginning of March 2019. The completion date of repair is scheduled in the first quarter after balance date at which point the building will have a new annex that will be leased by the Company to the Christchurch Symphony Orchestra.

During the year the Tuam Limited Board passed a resolution to amalgamate the company with Vbase. A short form amalgamation was performed with the effective amalgamation date being 1 January 2019.

Additional commentary has been included in the notes to the financial statements where they have been impacted by the amalgamation.

The financial statements of the Company are for the year ended 30 June 2019. The financial statements were authorised for issue by the Board of Directors on 22 November 2019.



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a. Basis of financial statement preparation

The financial statements of the Company have been prepared in accordance with the requirements of the Local Government Act 2002: Part 6 Section 98 and Section 111, and Part 3 of Schedule 10, which includes the requirement to comply with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP'). They comply with Public Benefit Entity Standards ('PBE Standards') as appropriate for Tier 1 public benefit entities.

The financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets.

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

Except where specified, the accounting policies set out below have been applied consistently to all periods presented in these financial statements.

New accounting Standards and Interpretations

Early adoption of PBE IFRS Financial instruments

The Company has early adopted all requirements of PBE IFRS 9 *Financial instruments* (PBE IFRS 9) as of 1 July 2018. The early adoption of this standard is so that the Company has consistent accounting treatment with its parent company, the Christchurch City Council. PBE IFRS 9 supersedes part of PBE IPSAS 29 *Financial instruments: Recognition and Measurement* (PBE IPSAS 29). PBE IFRS 9 includes three areas of change:

- Classification and measurement of financial instruments;
- A single, forward looking, 'expected credit loss' impairment model; and
- Substantially reformed approach to hedge accounting.

The impact of implementing this standard is summarised as follows:

1: Classification and measurement of financial assets and financial liabilities.

The unsophisticated nature of the Company's financial assets and liabilities means that they will be all classified and accounted for as amortised cost under PBE IFRS9. This treatment is consistent with prior years therefore no restatement of comparatives is required under the adoption PBE IFRS 9.

The Company completed an assessment of its financial assets and liabilities as at 1 July 2018. The following table shows the original classification under PBE IPSAS 29 and the new classification under PBE IFRS 9:

Financial assets	Classification under PBE IPAS 29	New classification under PBE IFRS 9
Cash and cash equivalents	Amortised cost	Amortised cost
Trade receivables	Amortised cost	Amortised cost
Exchange transactions other receivables	Amortised cost	Amortised cost
Exchange transactions related party other receivables	Amortised cost	Amortised cost
Deposits held with Council	Amortised cost	Amortised cost

The requirements of PBE IPSAS 29 for classification and measurement of financial liabilities were carried forward in PBE IFRS 9, so the Company's accounting policy, with respect to classifying financial liabilities at amortised cost, is unchanged.

2: Impairment of financial assets.

PBE IFRS 9 prescribes an 'expected credit loss' model instead of a previous incurred loss model, so it is no longer necessary for a trigger event to have occurred before recognising credit losses. NZ IFRS 9 requires the Company to base the measurement of expected credit losses on forward-looking information, as well as current and historic information. There was no material expected credit loss allowance recognised as a result of adoption, as the Company has not experienced a history of significant credit losses, and no current or forward-looking information at 30 June 2019 indicated a significant increase in credit risk.

3: Hedge accounting

The Company does not hedge account, so this section of the standard is not applicable.

Accounting standards and interpretations issued but not yet effective

The following new standards, interpretations and amendments have been issued but not yet effective as at 30 June 2019. The Company has not early adopted these standards and interpretations.

PBE IPSAS 21 *Impairment of Non-Cash Generating Assets* and PBE IPSAS 26 *Impairment of Cash-Generating Assets*

In April 2017, the XRB issued Impairment of Revalued Assets (PBE IPSAS 21 *Impairment of Non-Cash Generating Assets* and PBE IPSAS 26 *Impairment of Cash-Generating Assets*), which now clearly scopes revalued property, plant, and equipment into the impairment accounting standards. Previously, only property, plant and equipment measured at cost were scoped into the impairment accounting standards. Under the amendment, a revalued asset can be impaired without having to revalue the entire class of asset to which the asset belongs.

This amendment is effective for the 30 June 2020 financial statements, with early adoption permitted, and is not expected to have any material impact on the Company.

PBE FRS 48 Service Performance Reporting

This standard was issued in November 2017 and establishes requirements for PBEs to select and present service performance information.

PBEs within the scope of this Standard will need to provide users with:

- Sufficient contextual information to understand why the entity exists, what it intends to achieve in broad terms over the medium to long term, and how it goes about this; and
- Information about what the entity has done during the reporting period in working towards its broader aims and objectives.

This Standard is effective for the 30 June 2022 financial statements, with early adoption permitted, and is not expected to have any material impact on the Company.

b. Revenue

Revenue may be derived from either exchange or non-exchange transactions.

Revenue from exchange transactions

Revenue from exchange transactions arises where the Company provides goods or services to another entity and directly receives approximately equal value (primarily in the form of cash) in exchange.

Revenue from non-exchange transactions

Revenue from non-exchange transactions arises from transactions that are not exchange transactions. These are transactions where the Company receives value from another party without giving approximately equal value directly in exchange for the value received.

Revenue is measured at the fair value of consideration received and comprises the following:

- **Services rendered**
  Revenue from services rendered is recognised in the net surplus or deficit in proportion to the stage of completion of the transaction at the statement of financial position date. Amounts received in advance for services to be provided in future periods, determined by reference to the stage-of-completion of the contract, are recognised as a liability until such time as the service is provided if there are remaining substantive obligations to be met.

- **Interest revenue**
  Interest revenue is recognised in the net surplus or deficit as it accrues, using the effective interest method.

- **Other revenue**
  Other revenue includes rental, naming rights revenue and grant revenue. The grants are received from the Council are used to fund the ongoing operating deficits of the Company due to operating civic asset buildings which provide social and economic benefits to the community. There are no return of funds conditions attached to the grant revenue. The comparative year also includes revenue from reversing previously held capital retention provisions.

c. Financing costs

Finance costs comprise interest payable on borrowings calculated using the effective interest rate method.

The interest expense component of finance lease payments is recognised through the net surplus or deficit using the effective interest rate method.

Interest payable on borrowings is recognised as an expense through the net surplus or deficit as it accrues unless the interest relates to borrowings directly attributable to the acquisition, construction or production of a *qualifying asset* in which case it will be capitalised into the cost of the asset.

A *qualifying asset* is an asset that takes a substantial period of time to get ready for its intended use or sale. The Company considers a *qualifying asset* to be acquisition or construction of property, plant, and equipment where construction costs exceed $50 million and the construction is greater than two years in duration.

d. Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the net surplus or deficit except to the extent that it relates to items recognised directly in equity or other comprehensive revenue and expense, in which case it is recognised in other comprehensive revenue and expense.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the statement of financial position liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for goodwill which is not deductible for tax purposes, and the initial recognition of assets or liabilities that affect neither accounting nor taxable profit.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

e. Trade and other receivables

Trade and other receivables are classified as financial assets at amortised cost and are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment (see Impairment Policy).

Trade and other receivables are categorised in the financial statements as either exchange or non-exchange trade and other receivables.

Trade and other receivables from exchange transactions

Trade and other receivables from exchange revenue transactions arise where the Company provides goods or services to another entity and directly receives approximately equal value (primarily in the form of cash) in exchange.

Trade and other receivables from non-exchange transactions

Trade and other receivables from non-exchange revenue transactions arise from transactions that are not exchange transactions. These are transactions where the Company receives value from another party without giving approximately equal value directly in exchange for the value received.

Short-term receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include the debtor being in liquidation

f. Provisions

A provision is recognised in the statement of financial position when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of expenditures, the amount of which can be reliably estimated, will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

g. Other financial assets

Term deposits with maturities greater than 90 days are measured at cost and have been designated as loans and receivables.

At year-end, the assets are assessed for indicators of impairment (see Impairment Policy).

h. Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The cost of inventories is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

i. Property, plant and equipment

Property, plant and equipment consists of the following asset classes: buildings, work in progress assets, and plant and equipment.

Revaluations

The buildings are shown at fair value, based on periodic valuations by external independent valuers, less subsequent depreciation. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Valuations are performed with sufficient regularity, but at least every 3 years, to ensure revalued assets are carried at a value that is not materially different from fair value.

The Company accounts for revaluations of property, plant and equipment on a class of asset basis. The net revaluation results are credited or debited to other comprehensive revenue and expense 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 revaluation reserve, this balance is not recognised in other comprehensive revenue and expense 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 expense. When the Company revalues its assets it assumes in the absence of specific information to the contrary that the original useful life of the asset is unchanged.

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 the Company and the cost of the item can be measured reliably. Work in progress is recognised at cost.

In most instances, an item of property, plant, and equipment is initially recognised at its cost. Where an asset is acquired through a non-exchange transaction, it is recognised at its fair value as at the date of acquisition.

Subsequent costs
Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the net surplus or deficit during the financial period in which they are incurred.

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

Depreciation
Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives. The total useful lives associated depreciation rates or major classes of property, plant and equipment have been estimated as follows:

Building shell fit-out: 17-85 years (1% to 6%)

Furniture, fittings, plant & equipment: 1-17 years (6% to 100%)

Work in progress assets: Not depreciated

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date.

Impairment of property, plant and equipment
Assets are considered cash-generating where their primary objective is to generate a commercial return.

The buildings, excluding WIP asset balances are classified as non-cash generating assets. Non-cash-generating assets are those assets that are not held with the primary objective of generating a commercial return.

For non-cash-generating assets, value in use is determined using the optimised depreciable replacement cost (ODRC) approach.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount in accordance with the requirements of PBE IPSAS 21 – *Impairment of Non-Cash-Generating Assets* and PBE IPSAS 26 - *Impairment of Cash-Generating Assets*. For assets not carried at a revalued amount, the total impairment loss is recognised in the surplus or deficit.

The reversal of an impairment loss on a revalued asset is credited to other comprehensive revenue and expense 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.

Distinction between capital and revenue expenditure
Capital expenditure is defined as all expenditure incurred in the creation of a new asset and any expenditure that results in a significant restoration or increased service potential for existing assets. Constructed assets are included in property, plant and equipment as each becomes operational and available for use. Revenue expenditure is defined as expenditure that is incurred in the maintenance and operation of the property, plant and equipment of the Company.

j. Intangible assets

- **Computer software**
  Acquired computer software licenses are capitalised on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives.

  Computer software development costs recognised as assets are amortised over their estimated useful lives.

- **Amortisation**
  An intangible asset with a finite useful life is amortised on a straight-line basis over the period of that life. The asset is reviewed annually for indicators of impairment and tested for impairment if these indicators exist. The asset is carried at cost less accumulated amortisation and accumulated impairment losses. Estimated useful life of computer software is 1-10 years.

k. Trade and other payables
Trade and other payables are stated at cost.

l. Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the net surplus or deficit over the period of the borrowings on an effective interest basis.

m. Share capital

- **Ordinary share capital**

  Ordinary shares are classified as equity.

  Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

- **Preference share capital**

  Preference share capital is classified as equity if it is non-redeemable and any dividends are discretionary or is redeemable but only at the Company's option. Dividends on preference share capital classified as equity are recognised as distributions within equity.

  Preference share capital is classified as a liability if it provides for mandatory redemption by the issuer for a specific amount at a specific date (or gives the holder the right to require such redemption from the issuer), or if it gives the holder the right to put it back to the issuer for cash or another financial asset. Dividends are recognised in the net surplus or deficit as interest expense.

- **Dividends**

  Dividends are recognised as a liability in the period in which they are declared.

n. Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits, and other short-term highly liquid investments with original maturities of 90 days or less. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows and in current liabilities on the statement of financial position.

o. Operating leases

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset.

Payments made under operating leases are recognised in the net surplus or deficit on a straight-line basis over the term of the lease. Lease incentives received are recognised in the net surplus or deficit as an integral part of the total lease expense.

p. Impairment

For trade receivables, the Company applies the simplified approach permitted by PBE IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

For all other financial instruments, the Company recognises expected lifetime credit losses when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12 months of expected credit losses. The assessment of whether expected lifetime credit losses should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

Lifetime expected credit losses represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12 months expected credit losses represent the portion of lifetime expected credit losses that are expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Impairment of non-financial assets

For the purpose of assessing impairment indicators and impairment testing, the Company classifies non-financial assets as either cash-generating or non-cash-generating assets. The Company classifies a non-financial asset as a cash-generating asset if its primary objective is to generate a commercial return. All other assets are classified as non-cash-generating assets.

Property, plant and equipment measured at fair value is not required to be reviewed and tested for impairment. The carrying values of revalued assets are assessed annually to ensure that they do not differ materially from the assets' fair values. If there is a material difference, then the off-cycle asset classes are revalued.

The carrying amounts of the deferred tax assets (see Income Tax Policy), are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit (CGU) exceeds its recoverable amount.

Impairment losses are recognised through surplus or deficit, unless the asset is carried at a revalued amount in which case any impairment loss is treated as a revaluation decrease and recorded within other comprehensive revenue and expense.

For intangible assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each reporting date.

vbase

q. Goods and services tax

The financial statements are prepared exclusive of GST with the exception of receivables and payables that are shown inclusive of GST. Where GST is not recoverable as an input tax, it is recognised as part of the related asset or expense.

r. Critical judgements, estimates and assumptions in applying the Company's accounting policies

Preparing financial statements to conform to PBE IPSAS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, revenue and expenses. The estimates and associated assumptions have been based on historical experience and other factors that are believed to be reasonable under the circumstances. These estimates and assumptions have formed the basis for making judgements about the carrying values of assets and liabilities, where these are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are regularly reviewed. Any change to estimates is recognised in the period if the change affects only that period, or into future periods if it also affects future periods.

In the process of applying these accounting policies, management has made the following judgements, estimates and assumptions that have had the most significant impact on the amounts recognised in these financial statements:

- Management are required to exercise judgement in calculating provisions for doubtful debts.

- $129.7 million of the PPE Town Hall WIP balance has been reclassified as 'Buildings' in the PPE note. The value is based on construction costs assigned to the portion of the Town Hall building that is available for use as at 30 June. The construction value associated with the CSO annex, which is not complete at 30 June, is classified as WIP in the PPE note. The building will be valued by an independent registered valuer upon completion of the full restoration.

- The Company has recognised $12.2 million of Town Hall repair costs in the statement of comprehensive revenue and expense for the current year. The expense amount reflects the amount calculated in the data provided to the Inland Revenue Department for the Town Hall restoration project private tax ruling application.

  As at 30 June 2019 the Company has received a draft private ruling which permits an upfront tax deduction for certain costs incurred under the project. The immediate tax deduction has been replicated as an expense in the financial statements. The Company is comfortable with the accounting expense reflecting the tax treatment for this project.

- The Company's buildings are specialised and as such are valued at fair value using ODRC because no reliable market data is available for such buildings. The ODRC value is determined by an independent expert using a number of significant assumptions. The ODRC begins with assessing the current replacement cost or Modern Equivalent Asset of the assets as at the date of valuation less an allowance for all forms of functional obsolescence including physical and economic obsolescence to date and for any over-or under design. All types of obsolescence are measured by making comparisons between the subject asset and the asset of equal utility upon which the cost estimate is based and include assumptions on the assets useful life. The balance of the replacement cost less all forms of obsolescence and over design represents the fair value of the asset.

- Vbase Limited is a member of the Christchurch City Council Consolidated Tax Group (Tax Group). The Tax Group filed its 2017/18 tax return in March 2019 and included the recognition of a permanent tax impact of the de-recognition of an intangible asset. As at balance date, the assessment by the Inland Revenue Department has not been completed. Directors consider that until the assessment is complete it is prudent to not recognise the impact de-recognition of an intangible asset in the 2018/19 financial statements. If the tax impact of the de-recognition of an intangible asset were to be recognised there would be an increase in the deferred tax asset and a decrease in tax expense of $3.22 million.

vbase

DIRECTORY AND STATUTORY INFORMATION

Registered Office	53 Hereford Street Christchurch
Directors	Timothy Scandrett Paul Lonsdale Paul Munro
Bankers	Westpac Bank Christchurch
Auditors	Audit New Zealand on behalf of the Auditor-General Christchurch

Directors' interests as at 30 June 2019

The following Directors have made general disclosures of interest with respect to any transaction that may be entered into with certain organisations on the basis of them being a Director, Partner, Trustee or Officer of those organisations during the year:

Timothy Scandrett	Director	TPS Consulting Ltd
	Director	VBL One Ltd
	Director	ChristchurchNZ Ltd
	Director	ChristchurchNZ Holdings Ltd
	Trustee	Christchurch Operatic Incorporated
	Councillor	Christchurch City Council
Paul Lonsdale	Director	Akaroa Properties 1992 Ltd
	Director	ARC COM Ltd
	Director	MainStreet Management Ltd
	Director	Ōtautahi Community Housing Development GP Ltd
	Trustee	Ōtautahi Community Housing Trust
	Trustee	Life in Vacant Spaces Charitable Trust
	Manager	New Brighton Land Owners Association (resigned January 2019)
	Manager	Central City Business Association
	Partner	Zachery Partnership
Paul Munro	Director	CCHL (2) Ltd
	Director	CCHL (4) Ltd
	Director	CCHL (5) Ltd
	Director	Christchurch City Networks Ltd
	Director	Electricity Ashburton Ltd
	Director	Versatile Properties Ltd
	Director	Versatile Australia Holdings Ltd
	Director	Spanbild New Zealand Ltd
	Director	Spanbild Holdings Ltd
	Director	Portabuild (2007) Ltd
	Director	Spanbild Investments Ltd
	Director	Verve Apartments (General Partner) Ltd
	Director	Spanbild Projects Ltd
	Director	Enviro-Mark Solutions Ltd
	Director	Central Plains Water Limited (resigned February 2019)
	Chief Executive	Christchurch City Holdings Ltd

DIRECTORS INSURANCE

The Company has directors' liability insurance for all directors. Premiums to the value of $25,265 were paid in the 2019 year (2018: $23,500).

REMUNERATION OF DIRECTORS

Remuneration was paid or due and payable to directors for services as a director during the year as follows:

Paul Lonsdale: $30,000 (2018: $29,423)

USE OF COMPANY INFORMATION

During the year the Board received no notices from members or directors of the Company requesting to use company information received in their capacity as members or directors which would not otherwise have been available to them.

DONATIONS

Donations of $40,390 were made by the Company during the year (2018: $425). The Company donated the net revenue generated from the You Are Us/ Aroha Nui concert to the Christchurch Foundation. The Foundation is helping those affected by the Christchurch terror attacks of 15 March 2019.

DIVIDENDS

There have been no dividends declared for the 2018/19 financial year (2017/18: nil).

EMPLOYEES' REMUNERATION

Effective 1 August 2011 all Company employees were transferred to the Council hence there were no employees in the Company during 2019 (2018: nil).

AUDITORS

The Office of the Auditor-General is appointed as auditor under Section 14 of the Public Audit Act 2001 and Section 70 of the Local Government Act 2002. Audit New Zealand has been appointed to provide these services.

SHAREHOLDER

The Christchurch City Council is a 100% shareholder of the Company. The composition of the shareholding as at 30 June 2019 is:

Ordinary shares 145,136,204
Redeemable preference shares – equity 89,500,000

Independent Auditor's Report

To the readers of Vbase Limited's financial statements and performance information for the year ended 30 June 2019

The Auditor-General is the auditor of Vbase Limited (the company). The Auditor-General has appointed me, Andy Burns, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and performance information of the company on his behalf.

Opinion

We have audited:

- the financial statements of the company on pages 4 to 7 and 12 to 32, that comprise the statement of financial position as at 30 June 2019, the statement of comprehensive revenue and expense , 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 performance information of the company on pages 8 to 11.

In our opinion:

- the financial statements of the company on pages 4 to 7 and 12 to 32:
    - present fairly, in all material respects:
        - its financial position as at 30 June 2019; and
        - its financial performance and cash flows for the year then ended; and
    - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Accounting Standards; and

- the performance information of the company on pages 8 to 11 presents fairly, in all material respects, the company's actual performance compared against the performance targets and other measures by which performance was judged in relation to the company's objectives for the year ended 30 June 2019.

Our audit was completed on 22 November 2019. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements and the performance information, we comment on other information, and we explain our independence.

Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors for the financial statements and the performance information

The Board of Directors is responsible on behalf of the company for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand. The Board of Directors is also responsible for preparing the performance information for the company.

The Board of Directors is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the performance information, the Board of Directors is responsible on behalf of the company for assessing the company's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Board of Directors intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors' responsibilities arise from the Local Government Act 2002.

Responsibilities of the auditor for the audit of the financial statements and the performance information

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of these financial statements and the performance information.

For the budget information reported in the financial statements and the performance information, our procedures were limited to checking that the information agreed to the company's statement of intent.

We did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- We obtain an understanding of internal control relevant to the audit 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.

- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- We evaluate the appropriateness of the reported performance information within the company's framework for reporting its performance.

- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 2, 3, 33 and 34, but does not include the financial statements and the performance information, and our auditor's report thereon.

Our opinion on the financial statements and the performance information does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements and the performance information, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the performance information or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independence

We are independent of the company in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1(Revised): Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

Other than the audit, we have no relationship with, or interests in, the company.

Andy Burns
Audit New Zealand
On behalf of the Auditor-General
Christchurch, New Zealand