

VBASE LIMITED

STATEMENT OF INTENT

Year Ending 30 June 2018

Make life
more eventful.





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1.0 INTRODUCTION

This Statement of Intent (SOI) is prepared by Vbase Ltd (Vbase) in accordance with Section 64(1) of the Local Government Act 2002.

The SOI specifies the objectives, nature and scope of the activities to be undertaken by Vbase, and the performance targets and other measures by which the performance of the company may be judged. It covers the three financial years ending 30 June 2018, 2019 and 2020.

The process of negotiation and determination of an acceptable SOI is a public and legally required expression of the accountability relationship between Vbase and its shareholder, the Christchurch City Council (Council).

The SOI is reviewed annually with Council. Vbase is a Council Controlled Trading Organisation (CCTO) for the purposes of the Local Government Act 2002 and it is a fully owned subsidiary of Council.

Vbase owns, manages and operates a portfolio of venues that have been brought together under the Vbase management and governance structure. On 1 July 2011, as a direct result of the February 2011 earthquake, Vbase entered into an agreement with the Council to have its business managed by the Council. This agreement expires on or before 30 June 2017 and Vbase Ltd will re-commence direct management of its business operations during this SOI three year period.

2.0 DIRECTORY

Address:	Vbase Limited PO Box 13144 Christchurch 8041
Registered Office:	53 Hereford Street Christchurch 8011
Directors:	Tim Scandrett – Chair Paul Lonsdale – Deputy Chair Paul Munro



3.0 OBJECTIVES

3.1 VISION AND VALUES

OUR STORY

We are 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.

VISION

We make life more eventful.

VALUES

At Vbase we live by five key values:

Act as One

We are one team with a single vision. Every success and every challenge is shared by all.

Bring the Energy

Love what you do. Energy is inspiring and infectious.

Explore New Ways

Embrace new ideas and constantly search for creative ways to enhance each experience.

Show the Respect

People always remember how you make them feel.

Own the Experience

Deliver with pride and be the best.

3.2 OUR CURRENT VENUE PORTFOLIO

VENUE	HORNCASTLE ARENA	HAGLEY OVAL	AIR FORCE MUSEUM of New Zealand	amj stadium	CHRISTCHURCH TOWN HALL
TYPICAL EVENTS	Concerts & Performances, Trade & Expos, Dinners & Cocktails, Conferences & Conventions	Dinners & Cocktail, Special Events, Sports	Trade & Expos, Dinners & Cocktails, Conferences & Conventions	Sport, Large Concerts, Small Meetings	Concerts & Performances, Conferences & Conventions Dinners & Cocktails
CAPACITY	Up to 8,888	Up to 230	Up to 1,500	Up to 30,000 (concerts) Up to 22,000 (sport)	Up to 2,200
STATUS	Owned	Managed	Managed	Managed	Owned

3.3 THREE YEAR OBJECTIVES

BUSINESS MODEL

It is intended that by the beginning of the 2019 financial year Vbase will have transitioned to direct management of its business operations. In completing this process Council has indicated changes to the current business structure of Vbase. Options for the future business structure are being discussed with Council. It is expected that a final structure will be confirmed early in the 2018 financial year and work will begin immediately to implement that structure. The final future business structure will also effect the governance structure of the company and it is expected that the Council as shareholder will request changes to the composition of the Vbase board.

It is expected that by the commencement of the 2019 financial year Vbase will have transferred or put in place systems and other infrastructure to be able to operate independently of Council. It may, nonetheless contract services from Council, such as human resource and financial management.

During the period of this three year SOI Vbase will commence operations of the repaired Town Hall at the same time as seeing the expiry of the management agreement with the Royal New Zealand Air Force (RNZAF) Museum Trust Board. While management agreements with owners of other facilities, such as the Air Force Museum, were seen in the best interests of the City in the aftermath of the 2010 and 2011 earthquakes, they do not provide a financially sustainable future for Vbase in the long term.



Ignoring the potential changes to Vbase's business structure, a transition to direct management will see Vbase with a centralised management and governance structure managing and operating a portfolio of the City's sporting, entertainment, business and cultural events facilities. This model will enhance the objectives of the leadership team to provide:

- Vision, leadership and culture that makes Vbase an attractive employer
- Commitment to service leadership and delivery of outstanding client and guest experience
- Centralised management and operations with one team, system, and process to secure, plan and deliver events to the venue portfolio
- Scale of operations that enable casual event staff recruitment and training to be managed in-house

The above will allow Vbase to successfully compete in all major event market segmentation and customise the venues to suit any event, thereby supporting the City economically, socially and culturally.

Over the course of the next three years, the Board and Management Team of Vbase will work to implement a new business model if required by the Shareholder.

PEOPLE

Vbase is a customer service based organisation and as such places great emphasis on the quality of its team members. This is to ensure that the company continues to be passionate about what it does, has immense pride in what it is achieving, and has a strong belief in supporting the regeneration of our City.

Our people are critical to ensuring that we are successful at attracting and acquiring events, planning those events alongside our clients, and then successfully delivering the varied elements that they comprise of. This includes, amongst other things, presentation and set up of the venues, hosting, cleaning, technical support and catering.

Over the next three years we want to make our people our biggest fans. We will build and enhance the Vbase Academy to invest in and develop our people, ensuring that our team will not only more than meet the expectations of our customers, but will also derive benefits for themselves and the City due to the development of their skills and capabilities.

We will continue to conduct a Vbase team engagement survey to measure how engaged our team members are with the organisation and will listen to our team and implement initiatives as appropriate to improve engagement levels or sustain high levels of engagement.

Critically we also strive to keep our people safe. We will carry out regular reviews of all company policies and procedures, particularly the company health and safety policy, and as necessary carry out audits. We will continue to measure the number of incidents to the proportion of hours that our workforce works and monitor for patterns.

VENUES

There are a number of changes that will be made to the Vbase venue portfolio over the next three years.

Vbase will exit the Botanic Gardens management agreement in October 2017. Vbase will offer the Ilex and Duck Duck brands to the Council's new operator so that it can, if it so wishes, purchase these.

It is anticipated that the Town Hall repair will be completed in late-2018, allowing for the re-opening of this venue to occur during the 2019 financial year. The aspiration of Vbase is to successfully re-open the venue.

While the agreement for Vbase managing the Air Force Museum has been extended due to delays with the new Convention Centre, this will expire in January 2019. A further 12 month extension is being sought but is not yet agreed. It is envisaged that the Air Force Museum will want to have their space returned and therefore Vbase will work with the Air Force Museum and other stakeholders in respect of our exit from the venue at that time.

Vbase will continue to operate the temporary stadium at Addington, noting that the lifespan of this venue is finite due to its temporary nature and there remains a question as to the lifespan of it. There is a risk that the lifespan of this temporary facility could expire toward the end of this SOI period, however the Christchurch Stadium Trust, as owner of the stadium, is working to extend this for at least a further five years.

The demolition of Lancaster Park will commence in the 2018 financial year. This will see the company save approximately \$170,000 in Stadium operational costs each year.

The Board and Management Team remain committed to being involved in new stadium infrastructure in the City and supports the concept of a new multi-purpose arena for not just rugby events but major concerts, entertainment events, other sporting events as well as non-event day uses. It is also important that if this new venue progresses it has day to day activity through the facilities developed as part of a wider precinct. Vbase has a significant level of skills and expertise in not only managing stadiums, but also in their development.

At Horncastle Arena the company will need to continue the work it has commenced in respect of dealing with the quantity of deferred maintenance and asset renewals. Good progress has been made in the 2017 financial year and this is expected to continue in the three financial years of this SOI. Depending on implementation of a possible new business structure, this may involve working closely with the asset owner/manager to ensure these renewals are carried out in an appropriate timeframe to ensure the longevity of Horncastle Arena.

There may also be opportunities for further venues to come under Vbase management with the company being of a size and scale, and having the relevant skills and expertise, to be able to easily transition these into our venue portfolio.



CUSTOMERS

Vbase customers are classified as either *guests* who attend events at Vbase venues or *clients* that bring the events to our venues. Over the last few years Vbase has managed to improve on an already high level of customer satisfaction. During the next three years the company will continue to measure client and guest satisfaction levels with a view to improving, where possible, or sustaining the high levels of satisfaction.

One of the more indirect measures of achieving high levels of customer satisfaction is the attraction and securing of events that deliver economic, social and cultural benefits to the City. Over the last three years Vbase has delivered approximately \$30m of economic benefit to the City from business events alone. In addition events such as the Foo Fighters and Bruce Springsteen also bring significant economic benefit with approximately 40% to 45% of the audience coming from outside Christchurch.

Vbase welcomes the establishment of ChristchurchNZ (CNZ), the new tourism, events and economic development entity and looks forward to working with it in securing major content for our venues, such as sporting, entertainment or concert events. This will enable Vbase to focus on what it does best by negotiating venue hire terms with promoters and event owners and focussing on delivering events, leaving CNZ to work on wider city promotional, sponsorship and marketing opportunities for major events.

REPUTATION

Over the last couple of years Vbase has moved from working as a business to business (B2B) platform to being more focussed as a business to consumer (B2C) platform. Therefore over the next three years the company wants to firmly establish community recognition of the value of our centralised management of the city's sport, entertainment and cultural venues.

While the Vbase brand is well regarded nationally and internationally within the venue and event management industry, the aim will be to generate wider recognition and support of the Vbase brand at a local level.

4.0 NATURE AND SCOPE OF ACTIVITIES

Vbase undertakes three functions, which in most instances are all inter-related. It provides:

- venue management;
- event management services; and
- café operations supporting our venue portfolio.

In addition to the above Vbase is also making an active contribution to the post-earthquakes rebuild and provides community support by making it possible for community groups to access the venues.

4.1 VENUE MANAGEMENT

HORNCASTLE ARENA

This venue is owned by Vbase and is used for large scale entertainment, cultural, exhibition and sporting events. In the absence of the Town Hall it is also fulfilling the role of a performing arts theatre in a reduced intimate mode setting.

CHRISTCHURCH TOWN HALL

The Town Hall is owned by Vbase. In June 2015 Council passed a resolution to repair it to 100% of New Building Standards. Construction work commenced on site in July 2015 and Vbase continues to support the project to ensure it re-opens fit for purpose in late-2018. The budget for the repair is \$127.5 million, which is being funded by Vbase from the insurance settlement and issuing additional equity to Council.

LANCASTER PARK

Vbase continues to bear the costs associated with security and upkeep of this venue. The demolition of the stands will begin in the 2018 financial year and is expected to be completed before the end of the 2019 financial year.

AMI STADIUM ADDINGTON

The assistance provided by Vbase in the development and continued management of AMI Stadium Addington was part of its, and Council's, commitment to the community to provide a rugby stadium after the earthquakes.

Vbase provides venue and event management services under a Management Services Agreement with the venue owner, the Christchurch Stadium Trust. The agreement is for a non-specified term and renews automatically each year.

AIR FORCE MUSEUM

In February 2013 Vbase entered into a Management Services Agreement with the RNZAF Museum Trust Board for the acquisition and management of events at the Christchurch Air Force Museum. The original agreement ended in January 2016, however a renewal has been negotiated with the RNZAF Museum Trust Board which sees the agreement extended until January 2019. A further 12 month renewal period is currently being sought from the RNZAF Museum Trust Board to cover the period until the Convention Centre is complete and operational.

HADLEE PAVILION, HAGLEY OVAL

In October 2014 Vbase entered a Management Services Agreement with the Canterbury Cricket Trust for the exclusive venue and event management of the Hadlee Pavilion at the Hagley Oval. The term of the Agreement is for ten years. Vbase also has an arrangement with Council to manage all international cricket matches at Hagley Oval.

4.2 EVENT MANAGEMENT

Vbase carries out the full life cycle of event management services as shown in the diagram below.



The company's team of Business Development staff work to attract events to the venues to deliver social and economic benefits to the people of Christchurch. Vbase also has the expertise and resources to successfully plan and deliver these events. This involves a team of event planners who work with our clients as well as both our front and back of house staff. As well as hosting the events, Vbase has its own catering department.

4.3 CAFÉ OPERATIONS

Vbase has two hospitality cafés within its venue management portfolio: Lot 55 at Horncastle Arena, and the Tuck Shop at the Air Force Museum. It is intended that the café at the Air Force Museum is rebranded as the Tuck Shop brand is being returned to being a stadium retail brand.

4.4 COMMUNITY SUPPORT

An important set of activities the company undertakes is delivering benefit to the community in which we operate. Vbase supports the community in the following ways:

VENUE DISCOUNTS

At the request of Council, Vbase provides support to community organisations by offering venue rental discounts. These can only be applied to the venues that Vbase owns, unless a venue owner gives specific permission in the case of an event at a managed venue.

The venue rental discounts allow community groups to access venues they would not otherwise be able to afford. It is proposed that for the 2018 financial year that Vbase continues to provide total discounts of \$300,000 to groups meeting the criteria that Vbase set. However, with the Town Hall re-opening at the beginning of the 2019 financial year, there will not be the opportunity to deliver the same level of discounts as a number of the 'resident' community hirers will move from Horncastle Arena to the Town Hall. As rental rates for the Town Hall are proportionally lower than Horncastle Arena, the community discount available will reduce in the 2019 financial year. The community discounts are therefore as follows:

2018	\$300,000
2019	\$100,000
2020	\$100,000

In providing these discounts it should be noted that Vbase will not make a commercial return on these events, they are instead a cost to the business, and will negatively impact financial performance.

SPONSORSHIPS

The Vbase sponsorship portfolio allows the company to actively demonstrate our commitment to the local community. In recent years our commitments have covered a range of charitable and not-for-profit sectors including health, children, business and sport.

In recognition of these solid and successful relationships the company has entered into long-term sponsorship agreements that offer profiling for Vbase as well as returning benefits to these organisations and their efforts in the community.

Vbase regularly receives a number of requests for sponsorship and as much as we would like to assist everyone it is simply not possible to do so. Vbase will, however, continue to review its sponsorship portfolio on an annual basis.

COMMUNITY OUTCOMES

Vbase is conscious of attracting events to Christchurch that support the Council's Community Outcomes for Christchurch particularly those that assist in:

- making Christchurch a great place to work, live, visit, and do business;
- ensuring that arts and culture thrive in Christchurch;
- people participate in a wide range of recreational activities and;
- assets, financial resources and infrastructure are well managed, now and in the future.

5.0 GOVERNANCE

Subject always to the provisions in relation to acquisitions and disposals and other significant transactions set out in section 10.0 below, the Board is responsible for the strategic direction and control of the activities of the company.

The Board guides and monitors the business and affairs of Vbase and is accountable to Council as shareholder for the performance of the Company.

The primary function of the Board is to ensure that Vbase meets its objectives and requirements as listed in the SOI. Additionally, the Board has obligations under the Local Government Act 2002 to deliver an annual Statement of Intent and relevant half-yearly and annual reports to the Shareholder.

Appointments to the Board are confirmed by Council resolution.

During three years of this SOI Vbase will have transitioned to direct management with the agreement with Council to manage the company on a temporary basis expiring. This will result in some temporary governance changes as referred to in section 3.3 above, and a more permanent governance structure will be required after this period.

6.0 PERFORMANCE TARGETS

6.1 FINANCIAL PERFORMANCE TARGETS

Vbase's key financial objective is to be as financially sustainable as the business model allows. It is acknowledged that asset structures such as town halls, entertainment and sporting arenas, and stadia do not provide a normal commercial level of return.

Vbase earns revenue from venue rental, food and beverage, naming rights, sponsorship, equipment hire, ticketing and other categories. Major expense items are food and beverage materials, service and management fees, business development, facilities costs, interest, insurance and depreciation and impairment.

The financial performance targets for Vbase are as follows:

	2017/18	2018/19	2019/20
	\$000	\$000	\$000
Direct operating income	17,654	16,460	16,992
Direct Operating expenses	13,639	12,546	13,621
Net operating overheads and fixed costs	6,844	7,027	7,214
EBITDA	(2,829)	(3,113)	(3,843)
Net profit / (deficit) after tax	(36,929)	(18,941)	(5,430)

RATIO OF SHAREHOLDER FUNDS TO TOTAL ASSETS

The forecast ratio of Shareholder funds to total assets for the next three years is:

	2017/18	2018/19	2019/20
Percentage	98%	78%	73%

FORECAST CAPITAL STRUCTURE

The forecast capital structure for the next three years is:

	2017/18	2018/19	2019/20
	\$000	\$000	\$000
Issued shares and other equity instruments	211,662	220,108	220,108
Debt	14,485	14,485	14,485
Total Assets	44,631	42,465	37,661
Total Equity	43,561	33,066	27,636

For accounting purposes, Vbase values its buildings at market value and depreciates all buildings, plant and equipment. The value attached to buildings is reviewed annually for the preparation of the financial statements and have been incorporated into the Vbase budget.

COUNCIL EQUITY

The following equity injections are forecast to be made by Council. This equity is required to fund the repair of the Town Hall.

	2017/18	2018/19	2019/20
	\$000	\$000	\$000
Equity injection by Council	22,026	8,446	-

FACILITIES REBUILD

The forecast capital expenditure on the repair and rebuild of the Vbase's owned venues is detailed below.

	2017/18	2018/19	2019/20
	\$000	\$000	\$000
Facilities rebuild/repair			
Town Hall repairs	41,562	15,646	-
Arena	1,087	1,000	1,000
	42,649	16,646	1,000

The Town Hall repairs are being funded from Vbase's insurance settlement in addition to equity injections by Council. The Arena repairs over the SOI period are being funded by existing cash on deposit.

The construction of the new Stadium is not expected to begin until 2022/23 and is outside the timeframe of this SOI.

6.2 OPERATIONAL PERFORMANCE TARGETS

In addition to the above financial performance measures, Vbase will report to the Shareholder on a quarterly basis progress against each of the objectives stated in section 3.3. Vbase will also use the following measures to assess its operational performance:

OBJECTIVE AND STRATEGY	PERFORMANCE MEASURE		
	2017/2018	2018/2019	2019/2020
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	100% completion of H&S inductions for contractors working at Vbase venues 100% correction of identified sub-standard practices or conditions	100% completion of H&S inductions for contractors working at Vbase venues 100% correction of identified sub-standard practices or conditions
Continue to improve health and safety processes	Annual health and safety audit completed	Annual health and safety audit completed	Annual health and safety audit completed
Minimise incidents and near misses for staff and contractors	Less than 3.5 incidents or near misses on average per 10,000 hours worked	Less than 3.5 incidents or near misses on average per 10,000 hours worked	Less than 3.5 incidents or near misses on average per 10,000 hours worked
Minimise incidents and near misses for visitors	Less than 2.0 incidents or near misses on average per 10,000 hours worked	Less than 1.5 incidents or near misses on average per 10,000 hours worked	Less than 1.5 incidents or near misses on average per 10,000 hours worked
2. Venue Utilisation			
High utilisation of Horncastle Arena	At least 90 event days are delivered at Horncastle Arena	At least 75 event days are delivered at Horncastle Arena	At least 65 event days are delivered at Horncastle Arena
Attract events at the temporary stadium outside of the standard Super and provincial rugby fixtures	At least 1 major event is delivered at the temporary stadium	At least 1 major event is delivered at the temporary stadium	At least 1 major event is delivered at the temporary stadium
High utilisation of Air Force Museum	At least 150 event days are delivered at Air Force Museum	At least 50 event days are delivered at Air Force Museum*	Not managed*
High utilisation of Hagley Oval Pavilion within the constraints of use	At least 50 event days are delivered at Hagley Oval Pavilion	At least 50 event days are delivered at Hagley Oval Pavilion	At least 50 event days are delivered at Hagley Oval Pavilion

OBJECTIVE AND STRATEGY	PERFORMANCE MEASURE		
	2017/2018	2018/2019	2019/2020
High utilisation of the Christchurch Town Hall for Performing Arts	Not open	At least 60 event days are delivered at the Town Hall**	At least 150 event days are delivered at the Town Hall
3. Deliver Outstanding Service Delivery			
Event Owner (Client) satisfaction	Minimum 50 surveys completed during the year Achieve greater than 85% satisfaction during the year	Minimum 50 surveys completed during the year Achieve greater than 85% satisfaction during the year	Minimum 50 surveys completed during the year Achieve greater than 85% satisfaction during the year
Event Customer (Guest) satisfaction	Minimum 1000 guests surveyed throughout the year Achieve greater than 85% satisfaction during the year	Minimum 1000 guests surveyed throughout the year Achieve greater than 85% satisfaction during the year	Minimum 1000 guests surveyed throughout the year Achieve greater than 85% satisfaction during the year

4. Community Benefit			
Facilitate access to venues for local community and charitable organisations	Total venue discounts equal \$300,000	Total venue discounts equal \$100,000	Total venue discounts equal \$100,000
Secure conferences and conventions that bring visitors to the city to generate positive economic impact	Utilising Covec data, delegate spends in excess of \$15 million	Utilising Covec data, delegate spends in excess of \$12 million	Utilising Covec data, delegate spends in excess of \$15 million
Secure events that will encourage high usage of the venues	Visitors to venues exceed 500,000	Visitors to venues exceed 450,000	Visitors to venues exceed 500,000
5. Environmental Considerations			
Ensure recycling of waste is undertaken at events	Recycling undertaken at 96% of events	Recycling undertaken at 97% of events	Recycling undertaken at 97.5% of events
Minimise the amount of general waste at Horncastle Arena	26% of waste by weight is recycled	27% of waste by weight is recycled	28% of waste by weight is recycled

* The management contract with Air Force Museum expires in January 2019.

** The Town Hall is currently expected to re-open at the during the 2018/19 financial year.

7.0 ACCOUNTING POLICIES

In 2015 Vbase reviewed its operations and objectives and determined that for the purposes of the New Zealand Accounting Standards Framework that it was a for-profit entity.

Vbase is considered 'large' for the purposes of the New Zealand's financial reporting regime. As a result it applies Tier 1 For-profit Accounting Standards. This tier of accounting standards requires the full application of NZ IFRS accounting standards.

Vbase has adopted accounting policies that are consistent with New Zealand International Financial Reporting Standards, generally accepted accounting practice and the policies adopted by the Company.

The company's current detailed accounting policies are available in our most recent annual report for the year ended 30 June 2016, as published on the Christchurch City Council website.

<https://www.ccc.govt.nz/assets/Uploads/VBASE-LIMITED-2016-final-signed-version-with-audit-report.pdf>

New and amended Standards and Interpretations

Those NZ IFRS Standards and Interpretations that have been issued or amended which may impact the Company, and are effective during the SOI period are:

NZ IFRS 15 *Revenue from Contracts with Customers*. This standard will replace NZ IAS 11 *Construction Contracts* and NZ IAS 18 *Revenue* and related revenue interpretations. The core principle of NZ IFRS 15 is that an entity recognises revenue to reflect the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods. The standard is effective for the year ended 30 June 2018. The Company has not yet determined the potential impact of this standard.

NZ IAS 7 *Statement of Cash Flows – Disclosure Initiative*. This amendment is a disclosure initiative that requires an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash flow changes. The amendment to the standard is effective for the year ended 30 June 2017. The Company has not yet determined the potential impact of this amendment.

NZ IFRS 9 *Financial Instruments*. This standard will supersede NZ IAS 39 *Financial Instruments: Recognition and Measurement* and specifies how an entity should classify and measure financial assets. The standard is effective for the year ended 30 June 2018. The Company has not yet determined the potential impact of this standard.

NZ IFRS 16 *Leases*. This standard will replace NZ IAS 17 *Leases* and requires lessees to account for all leases under a single on-balance sheet model (subject to certain exemptions) in a similar way to finance leases under NZ IAS 17. The standard is effective for the year ended 30 June 2019. The Company has not yet determined the potential impact of this standard.

8.0 DISTRIBUTIONS

During the period of this SOI Vbase will not return capital funds to its Shareholder.

9.0 INFORMATION TO BE REPORTED TO THE SHAREHOLDER

NO SURPRISES

Vbase will operate on a 'no surprises' basis in respect of significant Shareholder related matters, to the extent possible in the context of commercial sensitivity and confidentiality obligations. Any sensitive issue that could result in media attention or issues will be communicated to the Shareholder as soon as possible.

The Board aims to ensure that the Shareholder is informed of all major developments affecting the company's state of affairs, while at the same time recognising commercial sensitivity may preclude certain information from being made public. Within this constraint, information is communicated to the Shareholder through periodic reports, occasional briefings and informal updates on important issues.

LOCAL GOVERNMENT ACT 2002 REPORTING REQUIREMENTS

Vbase will provide information requested by the Shareholder in accordance with the requirements of the Local Government Act 2002.

An annual report will be submitted to the Shareholder. The annual report will include audited financial statements and such other details as are necessary to permit an informed assessment of the company's performance and financial position during the reporting period provided to the Shareholder.

Half yearly reports will also be provided to the Shareholder. These reports will contain unaudited information and comply with NZ IAS 34.

The SOI will be submitted to the Shareholder for consultation annually, as required by the Local Government Act 2002. The Directors will include any other information they consider appropriate. Where it is necessary due to significant changes revised forecasts will be submitted to the Shareholder.

OTHER REPORTING

Quarterly reports will also be provided to the Shareholder, which will include the financial and non-financial performance of the company. In addition regular meetings will be held with the shareholder.

10.0 ACQUISITION/DIVESTMENT AND OTHER SIGNIFICANT TRANSACTIONS POLICY

The subscription or acquisition of securities in any company or organisation, or a divestment of part of the existing business, will only be considered where it is consistent with the long term strategic and commercial objectives of Vbase.

When the subscription, acquisition or divestment is considered by Directors to be significant to Vbase's business operations, it will be subject to consultation with the Shareholder.

Major transactions as defined in the Companies Act 1993, s129(2), will be subject to Shareholder approval by special resolution. The Board shall obtain the Shareholder's prior written approval before taking any action or decision or making any proposal in relation to any of the following matters:

- Entry into any arrangement, contract or transaction outside the ordinary course of Vbase's business or otherwise than on arm's length terms.
- Entry into any arrangement, contract or transaction for the purchase of materials, works and/or services for an amount exceeding \$500,000 where such materials, works and/or services are not budgeted for in Vbase's annual budget and plan.
- The giving of notice of termination of any arrangements, contracts or transactions which are material to Vbase's business, or materially varying any such arrangements, contracts or transactions.

Where Vbase decides to incorporate or subscribe for shares in subsidiaries to undertake its commercial activities, the company will ensure effective management of that subsidiary. Control of any subsidiary is exercised by Vbase directors and management.

11.0 COMPENSATION SOUGHT FROM LOCAL AUTHORITY

At the request of the Shareholder, Vbase may undertake activities that are not consistent with normal commercial objectives. Specific financial arrangements will be entered into to meet the full commercial cost of providing such activities.

Vbase may from time to time provide venue or event management services to Council or for the benefit of Council or Christchurch as a whole. Recent examples include Cricket World Cup and Fifa U20 World Cup. On such occasions Vbase will agree with Council any appropriate charges or reimbursement for the services provided. Future examples could include a subsidy to assist with the costs to operate the Town Hall.

Currently Vbase has entered into a number of arrangements which originated immediately post-earthquake to provide stadium and conference facilities until the new conference centre and stadium were built and the Town Hall repaired. These arrangements do not provide Vbase a normal commercial return. The provision of these services allows events to be held in the city which provide a significant economic benefit to the city and region. There are also holding costs associated with some non-operating venues. The cost of Vbase of these arrangements is estimated below:

AMI Addington Stadium	\$400,000 per annum
Community Discount	\$300,000 per annum
Holding costs for the Town Hall	\$100,000 per annum
Holding costs for Lancaster Park	\$170,000 per annum
Total	\$970,000 per annum

12.0 ESTIMATE OF COMMERCIAL VALUE

The Shareholder has recorded the value of its investment in Vbase Ltd in its accounts at 30 June 2016 as \$109.0 million and this is considered an appropriate estimation of the commercial value of the Company.