VBASE LIMITED

ANNUAL REPORT

For the Year Ended
30 June 2014

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Vbase Limited Annual Report Year Ended 30 June 2014

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Directory and Statutory Disclosures

REGISTERED OFFICE	53 Hereford Street Christchurch
DIRECTORS	James (Jamie) Gough Paul Lonsdale (appointed 28 November 2013) Timothy Scandrett (appointed 28 November 2013) Karleen Edwards (appointed 16 June 2014) Jane Parfitt (appointed 4 October 2013 and resigned 13 June 2014) Ngaire Button (resigned 28 November 2013) Robert Parker (resigned 28 November 2013) Tony Marryatt (resigned 12 September 2013)
COMPANY SECRETARY	Diane Brandish
BANKERS	Westpac Bank Christchurch
AUDITORS	Audit New Zealand on behalf of the Office of the Auditor General Christchurch

Statutory Disclosures For the year ended 30 June 2014

SHAREHOLDER		
Christchurch City Council	Ordinary Shares	100,136,204
	Redeemable Preference Shares – equity	89,500,000

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NATURE OF BUSINESS

The Christchurch City Council (Council) has entrusted Vbase with ownership and management of the four premier entertainment and event venues – Lancaster Park Stadium (Formally AMI Stadium), Christchurch Town Hall for Performing Arts, Christchurch Convention Centre and Horncastle Arena (renamed from the former CBS Canterbury Arena on 23 July 2014).

The 2010 and 2011 earthquakes have caused serious damage to all venues other than Horncastle Arena, and Vbase has been unable to trade in the same manner as it did prior to the earthquakes.

The Christchurch Convention Centre has been demolished and under the cost sharing agreement between the Crown and the Council the Crown will fund the rebuild of a new convention centre as part of the Convention Centre Precinct project. Vbase will not be involved in operating the new Convention Centre.

With the unavailability of Lancaster Park Stadium Vbase secured a management service agreement to operate the temporary stadium – AMI Stadium (Addington) erected by the Christchurch Stadium Trust to support large scale rugby fixtures and other events. The first game was held in this stadium in March 2012.

Vbase has also secured a management service agreement with the Wigram Air Force Museum Trust from February 2013. This agreement covers the temporary conference and event space provided by the Museum's new extension and the on-site café. Since 1 July 2013 Vbase has had access to the entire museum space to host events.

In April 2014 Vbase signed a management agreement to operate at the ilex café at the Christchurch Botanical Gardens. The venue consists of a café with indoor and outdoor seating as well as a separate space that can be used to accommodate private functions for up to 120 people.

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DIRECTORS INTERESTS

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:

Jamie Gough	Director	Civic Building Ltd
	Director	Gough Group Ltd
	Director	Gough Holdings Ltd
	Director	Gough Corporation Holdings Ltd (appointed 18 June 2014)
	Director	Gough Gough & Hamer Ltd
	Director	Gough Gough & Hamer Properties Ltd
	Director	Transport Wholesale Ltd
	Director	Transport Specialties Ltd
	Director	Gough Finance Ltd
	Director	Gough Transport Supplies Ltd
	Director	VBL One Ltd (formerly AMI Stadium Ltd)
	Director	Christchurch City Holdings Ltd (appointed 13 December 2013)
	Director	CRIS Ltd (appointed 23 January 2013 and resigned 20 December 2013)
	Director	Canterbury Development Corporation (resigned 20 December 2013)
	Director	Canterbury Development Corporation Holdings Ltd (resigned 20 December 2013)
	Trustee	Antony Gough Trust
	Councillor	Christchurch City Council
Paul Lonsdale	Director	Akaroa Properties 1992 Ltd
(appointed 28 November 2013)	Director	Civic Building Ltd (appointed 28 November 2013)
	Director	Canterbury Development Corporation (appointed 20 December 2013)
	Director	Canterbury Development Corporation Holdings Ltd (appointed 20 December 2013)
	Director	CRIS Ltd (appointed 20 December 2013, resigned 16 January 2014 and re-appointed 19 June 2014)
	Officer	Canterbury Museum Trust Board (appointed 10 February 2014)
	Councillor	Christchurch City Council
Timothy Scandrett	Director	TPS Event Management Ltd
(appointed 28 November 2013)	Director	Civic Building Ltd (appointed 28 November 2013)
	Councillor	Christchurch City Council
Karleen Edwards (appointed 16 June 2014)	Chief Executive	Christchurch City Council

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Jane Parfitt (resigned 13 June 2014)	Director	Tuam Ltd
	Director	Brackenridge Estate Ltd (resigned 4 March 2014)
	Chief Operating Officer	Christchurch City Council
	Officer	Brackenridge Estate Ltd
	Officer	Nurse Maude Association (resigned 2 December 2013)
	Officer	The Nurse Maude Foundation (resigned 2 December 2013)
Robert Parker (resigned 28 November 2013)	Mayor	Christchurch City Council
	Director	Parker New Media Ltd
	Director	Stewart Properties Ltd
	Director	Christchurch City Holdings Ltd
	Director	Civic Building Ltd
	Director	Canterbury Development Corporation
	Officer	Canterbury Museum Trust Board
	Officer	Christchurch Agency For Energy Trust Board
Ngaire Button (resigned 28 November 2013)	Deputy Mayor	Deputy Mayor
	Director	Canterbury Development Corporation
	Director	Canterbury Development Corporation Holdings Ltd
	Director	CEDF Trustee Ltd
	Director	Civic Building Ltd
	Director	Randolph Sunglasses NZ Ltd
	Director	CRIS Ltd
	Officer	Neighbourhood Trust
Tony Marryatt (resigned 12 September 2013)	Chief Executive	Christchurch City Council
	Director	AJM Holdings Ltd
	Director	New Zealand Local Government Insurance Corporation Ltd
	Director	Local Government Mutual Funds Trustee Ltd
	Trustee	Civic Property Pool

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DIRECTORS' INSURANCE
The Company has directors' liability insurance for all directors and indemnified each of the directors by agreement in writing. Premiums to the value of $32,488 were paid in the 2014 year (2013: nil).

REMUNERATION OF DIRECTORS
Total remuneration and other benefits paid or due and payable to directors for services as a director during the year was nil (2013: nil).

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 made by the Company during the year totalled $2,508 (2013: nil).

DIVIDENDS
There have been no dividends declared for the 2013/14 financial year (2012/13: nil).

EMPLOYEES' REMUNERATION
Effective 1 August 2011 all Company employees were transferred to the Council hence there were no employees in the Company during 2014.

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.

For and on behalf of the Board

Director — 30 September 2014 *Date*

Director — 30 September 2014 *Date*

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Statement of Comprehensive Income
for the year ended 30 June 2014

	Note	2014 $000	2013 $000
Revenue	3(a)	22,561	18,507
Other expenses	3(b)	18,759	23,203
Profit / (Loss) before depreciation, finance costs and income tax expense		3,802	(4,696)
Depreciation and amortisation	3(b)	3,396	3,850
Finance costs	3(b)	3,310	3,455
Amortised cost change for insurance receivable	3(b)	28,991	-
Revaluation of property, plant & equipment	3(b)	24,179	-
Impairment of property, plant & equipment	3(b)	310	500
Loss before income tax expense from operations		(56,384)	(12,501)
Income tax (expense) / income from operations	4(a)	8,039	4,640
Loss from operations for the period		(48,345)	(7,861)
Other comprehensive income			
Net movement on property valuations		(210)	2,488
Total other comprehensive income from operations		(210)	2,488
Total comprehensive income		(48,555)	(5,373)

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 2014

	Note	Capital $000	Revaluation Reserve $000	Retained Earnings $000	Total $000
Balance at 1 July 2012		192,819	-	38,792	231,611
Total comprehensive income for the period					
Loss for the period		-	-	(7,861)	(7,861)
Other comprehensive income, net of income tax					
Net movement on property valuations		-	2,488	-	2,488
Total other comprehensive income		-	2,488	-	2,488
Total comprehensive income for the period		-	2,488	(7,861)	(5,373)
Transactions with owners, recorded directly in equity					
Contributions by and distributions to owners					
Equity component of mandatory redeemable preference shares	19	(974)	-	974	-
Total contributions by and distributions to owners		(974)	-	974	-
Balance at 30 June 2013		191,845	2,488	31,905	226,238
Balance at 1 July 2013		191,845	2,488	31,905	226,238
Total comprehensive income for the period					
Loss for the period		-	-	(48,345)	(48,345)
Other comprehensive income, net of income tax					
Net movement on property valuations		-	(210)	-	(210)
Total other comprehensive income		-	(210)	-	(210)
Total comprehensive income for the period		-	(210)	(48,345)	(48,555)
Transactions with owners, recorded directly in equity					
Contributions by and distributions to owners					
Equity component of mandatory redeemable preference shares	19	(1,058)	-	1,058	-
Total contributions by and distributions to owners		(1,058)	-	1,058	-
Balance at 30 June 2014		190,787	2,278	(15,382)	177,683

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

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Statement of Financial Position
as at 30 June 2014

	Note	2014 $000	2013 $000
Current assets			
Cash and cash equivalents	24	4,630	9,865
Trade and other receivables	6a	12,279	183,676
Other financial assets	7	33,754	42,678
Inventories	8	251	285
Current tax assets	4(b)	700	3,170
Held for sale assets	13	9,699	-
Other current assets	9	247	698
Total current assets		61,560	240,372
Non-current assets			
Trade and other receivables	10	139,495	2,760
Property, plant & equipment	11	42,759	74,609
Intangible assets	12	37	32
Deferred tax assets	4(c)	4,466	-
Total non-current assets		186,757	77,401
Total assets		248,317	317,773
Current liabilities			
Trade and other payables	14	6,425	7,061
Borrowings	15	13,251	-
Total current liabilities		19,676	7,061
Non-current liabilities			
Trade and other payables	17	71	113
Borrowings	18	18,985	46,416
Deferred tax liabilities	4(c)	31,902	37,945
Total non-current liabilities		50,958	84,474
Total liabilities		70,634	91,535
Net assets		177,683	226,238
Equity			
Capital and other equity instruments	19	190,787	191,845
Reserves		2,278	2,488
Retained earnings		(15,382)	31,905
Total equity		177,683	226,238

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

For and on behalf of the Board

Director — 30 September 2014 *Date*

Director — 30 September 2014 *Date*

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Statement of Cash Flows
For the year ended 30 June 2014

	Note	2014 $000	2013 $000
Cash flows from operating activities			
Receipts from customers		15,170	13,465
Subvention received		-	2,742
Payment of business interruption insurance		-	(810)
Payments to suppliers and employees		(19,713)	(17,236)
Net GST movement		38	(104)
Net cash used in operating activities	24	(4,505)	(1,943)
Cash flows from investing activities			
Proceeds from sale of investments		198	-
Payment for property, plant & equipment		(3,687)	(477)
Receipts from material damage insurance		9,359	26,688
Interest received		2,218	2,356
Maturity of investments		168,450	68,646
Purchase of investments		(159,526)	(102,156)
Net cash provided by / (used in) investing activities		17,012	(4,943)
Cash flows from financing activities			
Interest and other finance costs paid		(2,504)	(2,493)
Repayment of loan from related party		(15,238)	-
Net cash used in financing activities		(17,742)	(2,493)
Net decrease in cash and cash equivalents		(5,235)	(9,379)
Cash and cash equivalents at beginning of year		9,865	19,244
Cash and cash equivalents at end of year		4,630	9,865

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

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Notes to the Financial Statements for the year ended 30 June 2014

1. Statement of significant accounting policies

Reporting entity

NCC (New Zealand) Ltd was incorporated on 21 November 1995 under the Companies Act 1993 and changed its name to Vbase Venue Management Group Ltd on 13 September 2005. The subsequent change to Vbase Ltd was made on 5 April 2007. The Company is a wholly owned subsidiary of the Council.

The Company owns, manages and develops Horncastle Arena and has secured management service agreements to manage the operations at the Air Force Museum of New Zealand, and AMI Stadium (Addington) and the ilex café situated in the Christchurch Botanic Gardens.

The Company's operations have been significantly affected by the February 2011 earthquake. See note 2 for details.

The Company has been designated as a public benefit entity for purposes of the New Zealand equivalents to International Financial Reporting Standards. This designation will be reviewed for the 2015 financial year in light of the new accounting standards that apply from 1 July 2014.

The financial statements of the Company have been prepared in accordance with the Financial Reporting Act 1993, the Companies Act 1993 and the Local Government Act 2002.

The financial statements of the Company are for the year ended 30 June 2014. The financial statements were authorised for issue by the Board of Directors on 30 September 2014.

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 the New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable financial reporting standards, as appropriate, for public benefit entities.

The financial statements 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 Standards and Interpretations

There have been no new standards, interpretations and amendments adopted for 2014.

b. Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling on the day of the transaction.

Foreign currency monetary assets and liabilities at the balance date are translated to NZ dollars at the rate ruling at that date.

c. Financial Assets

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

d. Trade and other receivables

Trade and other receivables 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 j).

e. 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.

f. 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 three months 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.

g. Property, plant and equipment

The following assets are shown at fair value based on periodic valuations by external independent valuers, less subsequent accumulated depreciation:

- Land
- Buildings

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.

Where the Company has elected to account for revaluations of property, plant and equipment on a class of asset basis, increases in the carrying amounts arising on revaluation of a class of assets are credited directly to equity under the heading revaluation reserve. However, the net revaluation increase shall be recognised in comprehensive income to the extent it reverses a net revaluation decrease of the same class of assets previously recognised in comprehensive income.

When the Company revalue's its assets it assumes in the absence of specific information to the contrary that the original useful life of the asset is unchanged. For the 2011, 2012 and 2013 financial statements the uncertainty of the impact on earthquake damage on assets life meant that the Company assumed that they remained unchanged. As of 30 June 2014 there is more information available and the valuation received at balance date has provided the Company with a current estimate of asset life which the Company consider is appropriate and the remaining life on revalued assets has been adjusted.

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All other property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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.

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 statement of comprehensive income during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives.

Assets subject to depreciation include:

Operational Assets:	
Site works	60 yrs
Building shell fit-out	5-60 yrs
Furniture, fittings, plant and equipment	1-15 yrs

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date. This was performed in 2014 but due to the scale of earthquake damage, the Company had not complied with this requirement for 2013.

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 NZ IAS 36 (PBE) – Impairment of Assets. This applies also if the estimated repair cost was greater than its carrying amount.

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

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.

h. 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.

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- **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 yrs

i. Held for sale assets

Non-current assets are classified as held for sale and stated at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction rather than continuing use.

Non-current assets are not depreciated or amortised while they are classified as held for sale.

j. Impairment

The carrying amounts of the Company's assets, other than inventories (see Inventories policy e) and deferred tax assets (see Income Tax policy r), are reviewed at each balance 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 exceeds its recoverable amount

Impairment losses on property, plant and equipment are recognised through comprehensive income. Impairment losses on revalued assets offset any balance in the asset revaluation reserve for that class of assets, with any remaining impairment loss being posted to comprehensive income.

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

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

k. Trade and other payables

Trade and other payables are stated at cost.

l. Share capital

(i) 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.

(ii) 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 statement of comprehensive income as interest expense.

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

m. 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 statement of comprehensive income over the period of the borrowings on an effective interest basis.

n. 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.

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 statement of comprehensive income on a straight-line basis over the term of the lease. Lease incentives received are recognised in the statement of comprehensive income as an integral part of the total lease expense.

p. Revenue
Revenue is measured at the fair value of consideration received.

(i) Services rendered
Revenue from services rendered is recognised in the statement of comprehensive income in proportion to the stage of completion of the transaction at the statement of financial position date.

(ii) Interest income
Interest income is recognised in the statement of comprehensive income as it accrues, using the effective interest method.

(iii) Insurance recoveries
Insurance recoveries are recognised in the statement of comprehensive income when it becomes virtually certain that the recoveries are receivable.

(iv) Other income
Other income includes revenue from the reimbursement of venue operating expenses as well as rental revenue and revenue from the sale of investments.

q. 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 statement of comprehensive income using the effective interest rate method.

Interest payable on borrowings is recognised as an expense through the statement of comprehensive income as it accrues.

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r. Income tax

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

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 balance 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.

s. 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.

t. Critical judgements, estimates and assumptions in applying the Company's accounting policies

Preparing financial statements to conform to NZ IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income 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 when determining whether earthquake related expenditure to assets is repairs and maintenance and should be expensed in the current year or capital expenditure. One such judgement has been made in relation to the expenditure on the Town Hall during the 2014 year. Council passed a resolution at the 29 August 2013 meeting to commit to the rebuild of the Town Hall back to 100% of the building code. All relevant costs incurred during 2014 that are construction related have been capitalised to a work in progress fixed asset. All other costs have been treated as an expense in the statement of comprehensive income.

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- Management are required to exercise judgement when determining whether insurance payments and recoveries from insurers are probable or virtually certain and should be recognised as revenue in the current year. In making this assessment they make judgements about the likelihood of payment by insurers based on the agreements in place.

- Management are required to exercise judgement in calculating provisions for doubtful debts. Management have considered whether the insurance receivables are fully recoverable and consider that the insurance receivables recognised to date will be fully recovered.

- Management can assess whether individual assets are impaired by estimating the future cash flows that those assets are expected to generate. Assumptions such as rates of expected revenue growth or decline, expected future margins and the selection of an appropriate discount rate for discounting future cash flows are required. One such material estimate is around the amortised cost discount adjustment applied to the insurance receivable in 2014.

- Management have had to estimate the adjustments to the deferred tax provision and the tax expense for the year as a result of the changes in the 2010 Government Budget which removed the ability to claim tax depreciation on buildings with useful lives of 50 years or more. Judgement is required to determine those parts of a building that are separately depreciable as plant or fixtures and fittings, and which parts are integral to the building and hence not depreciable.

- When the Company revalue's its assets it assumes in the absence of specific information to the contrary that the original useful life of the asset is unchanged. For the 2011, 2012 and 2013 financial statements the uncertainty of the impact on earthquake damage on assets life meant that the Company assumed that they remained unchanged. As of 30 June 2014 there is more information available and the valuation received at balance date has provided the Company with a current estimate of asset life which the Company consider is appropriate and the remaining life on revalued assets has been adjusted.

- The Company has assumed that Lancaster Park stadium is irreparable and the Company intends to rebuild a replacement stadium. Treating the asset as irreparable results in the venue being treated as sold for income tax purposes. This assumption has significant implications to the Company's current and deferred tax balances.

2. Impact of Canterbury earthquakes

Operational Impacts of Earthquake
The impact of the earthquake on the operations of the Company continues to be significant. The Horncastle Arena was the only Vbase owned building able to operate during the 2013/14 financial year.

The remaining three Vbase owned buildings all sustained major structural damage and have been closed since 22 February 2011. These buildings are the Lancaster Park Stadium, Christchurch Town Hall for Performing Arts (Town Hall) and Christchurch Convention Centre.

The Christchurch Convention Centre has been demolished and the new convention centre is not expected to be completed until at least 2016/17. The cost sharing agreement between the Crown and the Council was announced on 27 June 2013. This stated that the Crown will invest $284 million into the Convention Centre Precinct project. Vbase will not be involved in operating the new Convention Centre.

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The future of Lancaster Park Stadium remains uncertain. The Hadlee Stand was demolished in mid 2012 and the stand was written off in the 2012 financial year. Further Hadlee Stand fit out items were identified and written off in the 2014 financial year. The cost sharing agreement between the Crown and Council has the Crown investing $37 million and the Council $253 million on building a new stadium. No decisions have been made regarding the operation of the new stadium at this stage. Vbase currently manages AMI Stadium (Addington) as part of it's and the Council's commitment to the community to provide a rugby stadium after the 2010/2011 earthquakes.

The Council has agreed for up to $127.5 million to be allocated for rebuild of the Town Hall. This will be funded by a mixture of material damage insurance recoveries and Council equity injections to the Company. Work began on the repair of the building during the 2014 year. All relevant capital related costs have been capitalised into a work in progress (WIP) fixed asset as a direct cost of the capital rebuild.

Financial impacts recorded in financial statements

The Company has business interruption insurance covering revenues lost as a result of the earthquake for a maximum period of two years from the date of the February 2011 earthquake event. The Company has received payments under the policy but the quantum of the future recoveries cannot be reliably measured until the insurers risk adjuster has completed a review of the business interruption claim and the insurance company has agreed with their recommendations.

The Company also has additional increased cost of working (AICOW) insurance covering increase costs to continue to operate as a result of the earthquake. The policy is for a maximum 36 months from the date of the February 2011 earthquake. To date no payments have been received under the policy and the quantum of future recoveries cannot be reliably measured until the insurers risk adjuster has completed a review of the AICOW claim and the insurance company has agreed with their recommendations.

The Company has secured insurance cover for the Horncastle Arena and its assets at managed venues. The cover could only be obtained through paying significantly increased premiums when compared to pre earthquake rates.

Lancaster Park Stadium and the Town Hall were valued at zero in the financial statements based on an independent valuation report as at 30 June 2012 while the Christchurch Convention Centre and Hadlee Stand buildings were de-recognised in the 2010/11 financial statements.

One area that will continue to impact the company's results is assessing the fair value of the insurance recoveries receivable. The timing of any receipts will impact the future fair value calculation of the receivable.

Contingent asset in respect of insurance recoveries

The Company has received payments under the business interruption policy but the quantum of the future recoveries cannot be reliably measured until all financial data up to February 2013 is assessed by the insurers risks adjuster and the insurance company has agreed with their final payout recommendations.

The Company has not received any payments under the AICOW insurance policy and the quantum of the future recoveries cannot be reliably measured until all financial data up to February 2014 is assessed by the insurers risks adjuster and the insurance company has agreed with their final payout recommendations.

BW

3. Profit from operations

(a) Revenue

	2014 $000	2013 $000
Rendering of services	13,851	12,000
Interest revenue:		
Bank deposits	1,809	1,848
Related parties	-	327
	1,809	2,175
Other revenue:		
Revaluation of property, plant & equipment	-	1,036
Insurance monies received	5,674	1,901
Profit on disposals of assets	9	11
Donated/vested asset revenue	98	-
Other income	1,120	1,384
	6,901	4,332
Total revenue from operations	22,561	18,507

In 2013 insurance revenue was reduced by a payment of $810,000 to the Council. This amount had been recorded as insurance revenue in the 2011 financial statements but was subsequently determined by the insurer as belonging to Council.

BW

3 Profit from operations (cont)

(b) Expenses and costs

	Note	2014 $000	2013 $000
Finance costs:			
Interest on related party loans		2,252	2,481
Unwinding of discount on RPS		1,058	974
		3,310	3,455
Depreciation and amortisation:			
Depreciation of non-current assets	11	3,180	3,640
Amortisation of non-current assets	12	6	-
Amortisation of ground rent		210	210
		3,396	3,850
Revaluation of property, plant & equipment		24,179	-
Impairment of property, plant & equipment		310	500
		24,489	500
Amortised cost change for insurance receivable	6 & 10	28,991	-
		28,991	-
Other expenses:			
Operating lease expenses - minimum lease payments		174	196
Food and beverage expenses		6,477	5,938
Management fee		4,785	4,048
Donations		3	-
Earthquake repairs and costs		1,622	7,429
Loss on disposal of assets		56	-
Loss on de-recognition of fixtures and fittings		505	-
Other expenses		5,137	5,592
		18,759	23,203
Total expenses from operations		78,945	31,008

BW

4. Income taxes

(a) Income tax recognised in profit or loss

	2014 $000	2013 $000
Tax expense / (income) comprises:		
Current tax (income)	(700)	(3,170)
Adjustments recognised in current year in relation to the current tax of prior years	3,170	(14,150)
Adjustments recognised in current year in relation to the deferred tax of prior years	(2,634)	16,527
Adjustments recognised in current year in relation to prior year subvention	-	(2,742)
Deferred tax expense / (income) relating to the instigation and reversal of temporary differences	(7,875)	(1,105)
Total tax (income) on operations	(8,039)	(4,640)

Reconciliation of prima facie income tax:

	2014 $000	2013 $000
Loss from operations	(56,384)	(12,501)
Income tax expense calculated at 28%	(15,788)	(3,500)
Non-deductible expenses		
Redeemable preference shares (RPS) interest	296	274
Entertainment	2	-
Amortised cost adjustment	7,178	-
Impairment movement	(140)	-
Accounting loss/(gain) on sale of assets	13	-
Tax loss/(gain) on sale of assets	(162)	-
Accounting asset loss / cost re earthquake - revaluation to P&L	141	(290)
Non-assessable income		
Insurance accrual on rebuild assets	-	(759)
Held for sale reclassification	(60)	
Gain on sale of shares	(55)	-
Over provision of previous year's income tax	536	(365)
Income tax (income) from operations	(8,039)	(4,640)

(b) Current tax assets and liabilities

	2014 $000	2013 $000
Current tax (assets):		
Subvention receivable	(700)	(3,170)
	(700)	(3,170)

(c) Deferred tax balances

Taxable and deductible temporary differences arise from the following:

Year ended 30 June 2014	Opening balance $000	Adjustment to opening balance $000	Charged to income $000	Charged to other comprehensive income $000	Closing balance $000
Deferred tax liabilities:					
Property, plant and equipment	21,615	-	(7,082)	-	14,533
Provisions	49	-	(1)	-	48
Earthquake recoveries and expenses	16,281	393	647	-	17,321
	37,945	393	(6,436)	-	31,902
Deferred tax assets:					
Losses carried forward	-	(3,027)	(1,439)	-	(4,466)
	-	(3,027)	(1,439)	-	(4,466)
Net deferred tax balance	37,945	(2,634)	(7,875)	-	27,436

Year ended 30 June 2013	Opening balance $000	Adjustment to opening balance $000	Charged to income $000	Charged to other comprehensive income $000	Closing balance $000
Deferred tax liabilities:					
Property, plant and equipment	21,920	-	(305)	-	21,615
Intangible assets	(13)	-	13	-	-
Provisions	51	-	(2)	-	49
Earthquake recoveries and expenses	565	16,527	(811)	-	16,281
	22,523	16,527	(1,105)	-	37,945

(c) Imputation credit account balances

	2014 $000	2013 $000
Imputation credits available for use in subsequent periods	-	-

5. Remuneration of auditors

	2014 $000	2013 $000
Audit of the financial statements	53	54
	53	54

Bw

6a. Current trade and other receivables

	Note	2014 $000	2013 $000
Trade receivables		659	1,493
Related party receivables	25	40	382
Provision for impairment		(2)	(6)
Net trade receivables	6b	697	1,869
Insurance receivable		10,984	180,590
GST receivable		202	425
Other receivables		396	792
		11,582	181,807
		12,279	183,676

The carrying value of debtors and other receivables approximate their fair value. A discount rate of 5.82% has been applied against the expected insurance receivable cash flows in the next twelve months resulting in an amortised cost adjustment of $639,306 current portion of the insurance receivable in 2014 (2013 nil). Note 10 includes a $28,352,169 amortised cost adjustment for the non-current portion of the insurance receivable. When added together the overall amortised cost adjustment is $28,991,475 which is included under expenses in Note 3b.

It is noted that the insurance receivable is still subject to ongoing negotiations between the Company, Christchurch City Council and Civic Assurance.

The estimated value of cash flows has been determined based on the expected rebuild schedule for the designated replacement facilities under the insurance contract.

The carrying value of receivables that would otherwise be past due or impaired whose terms have been renegotiated amount to nil (2013: nil).

6b. Current trade receivables aging

The status trade receivables as at 30 June 2014 and 2013 are detailed below:

	2014			2013		
	Gross $000	Impairment $000	Net $000	Gross $000	Impairment $000	Net $000
Not past due	643	-	643	1,343	-	1,343
Past due 31 - 60 days	36	-	36	497	-	497
Past due 61 - 120 days	20	(2)	18	30	(1)	29
Past due > 120 days	-	-	-	5	(5)	-
Total	699	(2)	697	1,875	(6)	1,869

The carrying value of receivables that would otherwise be past due or impaired whose terms have been renegotiated amount to nil (2013: nil).

6c. Current trade receivables impairment movement

The provision for impairment has been based on a review of individual debtor balances.

	2014 $000	2013 $000
Individual impairment	(2)	(6)
Total impairment	(2)	(6)

Movement in provision for impairment		
As at 1 July	(6)	(23)
Additional provisions made during the year	(2)	(8)
Provisions reversed during the year	5	6
Receivables written off during the year	1	19
Balance at 30 June	(2)	(6)

7. Other current financial assets

	2014 $000	2013 $000
Term deposits	33,754	42,678
	33,754	42,678

There were no impairment provisions for other financial assets. None of the financial assets are either past due or impaired.

8. Current inventories

	2014 $000	2013 $000
Inventory held for use in the provision of services	251	285
	251	285

No inventories are pledged as security for liabilities (2013: nil).

There was no write-down of inventories (2013: nil).

9. Other current assets

	2014 $000	2013 $000
Prepayments	247	698
	247	698

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10. Non-current trade and other receivables

	2014 $000	2013 $000
Prepayments	2,550	2,760
Building lease bond	16	-
Insurance receivable	136,929	-
	139,495	2,760

The carrying value of the insurance receivable approximates the fair value. A discount rate of 5.82% has been used applied against the expected insurance receivable cash flows expected beyond 1 July 2015 resulting in an amortised cost adjustment of $28,352,169 for the non-current portion of insurance receivable in 2014 (2013 nil). The cash flows have been estimated based on the expected rebuild schedule for the designated replacement facilities under the insurance contract. It is currently expected that these will be received by June 2018. Note 6 includes a $639,306 amortised cost adjustment for the current portion of the insurance receivable. When added together the overall fair value amortised cost adjustment is $28,991,475 which is included under expenses in Note 3b.

It is noted that the insurance receivable is still subject to ongoing negotiations between the Company, Christchurch City Council and Civic Assurance.

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11. Property, plant and equipment

	Freehold land (fair value) $000	Buildings (fair value) $000	WIP Assets $000	Finance lease assets (fair value) $000	Plant & equipment (cost) $000	Total $000
Gross carrying amount:						
Balance at 30 June 2012	5,200	162,212	5,889	267	8,385	181,953
Additions	-	33	-	-	1,721	1,754
Disposals	-	-	-	(250)	(16)	(266)
Net movements in WIP	-	-	(5,889)	-	-	(5,889)
Net revaluation increments	3,524	-	-	-	-	3,524
Balance at 30 June 2013	8,724	162,245	-	17	10,090	181,076
Additions	-	89	4,835	-	1,386	6,310
Disposals	-	-	-	(17)	(1,205)	(1,222)
Transfer to held for sale	(8,515)	(2,330)	-	-	-	(10,845)
Net revaluation (decrements)	(209)	(28,733)	-	-	-	(28,942)
Balance at 30 June 2014	-	131,271	4,835	-	10,271	146,377
Accumulated depreciation, amortisation and impairment:						
Balance at 1 July 2012	-	(98,563)	-	(267)	(3,762)	(102,592)
Disposals	-	-	-	250	15	265
Depreciation expense	-	(2,629)	-	-	(1,011)	(3,640)
Impairment losses	-	(500)	-	-	-	(500)
Balance at 30 June 2013	-	(101,692)	-	(17)	(4,758)	(106,467)
Disposals	-	-	-	17	623	640
Depreciation expense	-	(2,263)	-	-	(917)	(3,180)
Impairment charge	-	(310)	-	-	-	(310)
Impairment reversal on asset transferred to held for sale	-	810	-	-	-	810
Transfer to held for sale	-	335	-	-	-	335
Reversed on revaluation	-	4,554	-	-	-	4,554
Balance at 30 June 2014	-	(98,566)	-	-	(5,052)	(103,618)
Net book value as at 30 June 2013	8,724	60,553	-	-	5,332	74,609
Net book value as at 30 June 2014	-	32,705	4,835	-	5,219	42,759

As a result of the 2010/11 earthquake events, damage was sustained to all Vbase venues. The Christchurch Convention Centre and the Hadlee Stand at Lancaster Park Stadium have already been demolished. These two buildings were de-recognised in the 2011 financial statements. The turf at Lancaster Park Stadium was also de-recognised in 2011.

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Valuation
The Company has had an independent valuation report on its buildings prepared by registered valuers Knight Frank Valuation Christchurch. The valuation date for the Town Hall and Lancaster Park Stadium buildings is 30 June 2012. The Horncastle Arena has a valuation date of 30 June 2014.

The basis of valuation used is:

- Horncastle Arena: The value is based on depreciable replacement cost.
- Town Hall: The value is based on depreciable replacement cost of the building less estimated repair costs to bring the building to 100% of the New Building Standards (NBS).
- Lancaster Park Stadium: The value is based on depreciable replacement cost of the building less estimated repair costs to bring the building to 100% of the New Building Standards (NBS).

The 2012 valuation report concluded that the public would only accept these public buildings to be rebuilt to 100% of NBS standards.

The 30 June 2012 valuation report concluded that the Lancaster Park Stadium and Town Hall structures were to be valued at nil.

The 30 June 2014 report concluded that the Horncastle Arena valuation is $32.62 million. This has resulted in a $28.73 million valuation decrease in the gross carrying amount of the asset. The valuation also resulted in the reversal of $4.55 million of accumulated depreciation which had been previously recorded against the asset.

The valuation complies with Valuation Standard 3 issued by the Property Institute of New Zealand and with the New Zealand equivalent to International Accountant Standard 16 (NZ IAS16 (PBE)), issued by the New Zealand External Reporting Board.

Town Hall
The Company is required by its shareholders to rebuild the Town Hall. To this end the Council has allocated up to $127.5 million for the rebuild project. As at 30 June 2014 the Company has spent $7.7 million of the allocated budget. $2.9 million of these costs are of an expense nature and have been recorded in the statement of comprehensive income in the year incurred. $4.8 million is capital in nature and has been treated as a work in progress capital asset. The Company will be funding the rebuild through a mixture of material damage insurance recoveries and equity injections from Council. The repair is forecast to be complete in 2017.

12. Intangible assets

Software	**2014 $000**	**2013 $000**
Gross carrying amount:		
Opening balance	794	786
Additions	11	8
Closing balance	805	794
Accumulated amortisation and impairment:		
Opening balance	(762)	(762)
Amortisation expense	(6)	-
Closing balance	(768)	(762)
	37	32

13. Assets held for sale

	2014 $000	2013 $000
Land and buildings	9,699	-
	9,699	-

The Company has agreed to sell a portion of land with the transaction due to complete after balance date. The land was valued at $159,000 at 30 June 2013 by registered valuers Knight Frank Valuation Christchurch based on an open market value. The agreed sale price of the land is $159,000 and was transacted on 16 July 2014.

The Company has also engaged the services of a real estate agent to sell, on the Company's behalf, a vacant section of land in addition to two other properties which are all located in the Christchurch central business district.

Valuation
The Company has had an independent valuation report on its land prepared by registered valuers Knight Frank Valuation Christchurch. The valuation date is 30 June 2013.

The basis of valuation used is:

- Wilsons Road: Market value based on comparison with other sites sold.
- Peterborough Street: The market value has been arrived at on the basis of a capitalisation of potential income, with reference to market comparisons.
- Kilmore Street: The value is based on reference to limited comparative sales of bare land, with no specific allowance for any additional foundation costs that may be necessary.

The valuation complies with Valuation Standard 3 issued by the Property Institute of New Zealand and with the New Zealand equivalent to International Accountant Standard 16 (NZ IAS16 (PBE)), issued by the New Zealand External Reporting Board.

14. Current trade and other payables

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

	Note	2014 $000	2013 $000
Trade payables		2,579	2,745
Owing to related parties	25	2,994	2,957
Income in advance		852	1,359
		6,425	7,061

15 Current Borrowings

	Note	2014 $000	2013 $000
Redeemable preference shares - Council	25	13,251	-
		13,251	-

The fair value of the current borrowing of the Company is $13,609,645 (2013: nil) based on cash flows discounted using the market borrowing rate of 5.82% (2013: 4.70%).

BW

16. Employee Entitlements

On 1 August 2011 all employees of the Company were transferred to the Council. As such the Company has no further liability for employee entitlements.

17. Non-current trade and other payables

	2014 $000	2013 $000
Income in advance	71	113
	71	113

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

18. Non-current borrowings

Interest is payable quarterly and semi annually on all borrowings. The interest rate is calculated using the Council's borrowing cost plus margin. The average interest rate for the loan balance as at 30 June 2014 is 6.97% (2013: 7.20%)

	Note	2014 $000	2013 $000
Unsecured:			
Loan from related party - Council	25	18,985	34,223
Redeemable preference shares - Council		-	12,193
		18,985	46,416

The fair value of the non current borrowing of the Company is $20,757,640 (2013: $55,369,060) based on cash flows discounted using the market borrowing rate of 5.82% (2013: 4.70%).

19. 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.

	2014 $000	2013 $000
Fully paid ordinary shares	100,136	100,136
Fully paid A redeemable preference shares	89,500	89,500
Equity component of mandatory redeemable preference shares	1,151	2,209
	190,787	191,845
Fully paid ordinary shares		
Balance at beginning of financial year	100,136	100,136
Balance at end of financial year	100,136	100,136
Fully paid A redeemable preference shares		
Balance at beginning of financial year	89,500	89,500
Balance at end of financial year	89,500	89,500
Equity component of mandatory redeemable preference shares		
Balance at beginning of financial year	2,209	3,183
Unwinding of discount	(1,058)	(974)
Balance at end of financial year	1,151	2,209

Prior to 2009, $14,402,000 of the redeemable preference shares carried a cumulative preferential dividend at the rate of 8.5% per annum. When the shares vested in the Council, they were converted to a 0% dividend and therefore have been discounted to their present value using a discount rate of 8.5%. The discounting will be unwound through to the redemption date. The shares are to be redeemed in June 2015 although the Company has the right to redeem shares prior to that date.

20. Equity

	2014 $000	2013 $000
Balance at 1 July	226,238	231,611
Total comprehensive income	(48,555)	(5,373)
Balance at 30 June	177,683	226,238

21. Capital commitments

The Company has no capital commitments (2013: nil).

BW

22. Contingent liabilities and contingent assets

There is business interruption insurance in place which entitles the Company to recover any lost revenues for a maximum 24 month period from the date of an event adversely affecting one or more of its venues. The February 2011 earthquake event triggered the claim process under the policy in relation to the three closed venues. The Company has received payments under the policy but the quantum of the future recoveries cannot be reliably measured until the insurers risk adjuster has completed a review of the business interruption claim and the insurance company has agreed with their recommendations.

The Company has additional increased cost of workings (AICOW) insurance covering increase costs to continue to operate as a result of the earthquake. The policy is for a maximum 36 months from the date of the February 2011 earthquake. To date no payments have been received under the policy and the quantum of future recoveries cannot be reliably measured until the insurers risk adjuster has completed a review of the AICOW claim and the insurance company has agreed with their recommendations.

The Company has a claim for outstanding payments from Heartland Bank under the Arena Sponsorship Agreement. Heartland Bank has alleged a counter claim against the Company for breach of the Arena Sponsorship Agreement.

The Company has a contingent asset in relation to an insurance claim from another party relating to damage incurred by a small fire in the Horncastle Arena during the 2014 year. As at 30 June 2014 no decision has been released by the fire authority on the cause of the fire. The Company is confident that both the client hiring the facility at the time, or their subcontractor, will be found responsible and at that point a claim will be lodged to recover costs incurred from their insurer.

Other than the above the Company had no material contingent assets as at 30 June 2014 (2013: $180,000).

Other than the Heartland Bank contingent liability there were no material contingent liabilities for the Company (2013: nil).

23. Events after balance date

On 23 July 2014 the Company entered into a five-year agreement with Horncastle Homes to rename the CBS Canterbury Arena to Horncastle Arena.

There are no other material events known to the Directors occurring subsequent to balance date that would have a significant impact on the financial statements for the year ended 30 June 2014.

24. Notes to the cash flow statement

	2014 $000	2013 $000
Cash and cash equivalents		
Cash on hand	(329)	147
Call and term deposits	4,959	9,718
	4,630	9,865
Reconciliation of profit for the period to net cash flows from operating activities		
Net profit for the period from operations	(48,345)	(7,861)
Non cash items		
Depreciation and amortisation of non-current assets	3,396	3,850
Reclassification of fixed assets WIP	-	4,546
Unwinding of discount on RPS	1,058	974
Movement in deferred tax	(10,510)	15,422
Revaluation of property, plant & equipment	24,179	(1,036)
Temporary impairment of buildings	310	500
Items classified as investing / financing activities		
Movement in capital creditors	(2,603)	69
Gain on disposal of property, plant and equipment	(9)	(11)
Loss on disposal of property, plant and equipment	561	-
Profit on sale of shares	(198)	-
Interest revenue received	(2,218)	(2,356)
Finance and interest costs paid	2,504	2,493
Material damage insurance recoveries	(9,359)	-
Movement in working capital		
(Decrease)/Increase in creditors	(678)	1,045
Decrease/(Increase) in receivables	37,373	(19,518)
Decrease/(Increase) in inventory	34	(60)
Net cash from operating activities	(4,505)	(1,943)

BW

25. Related-party transactions

The Council is the ultimate controlling party of the Company. The following transactions were carried out with related parties during the year:

	2014 $000	2013 $000
Transactions and balances with Christchurch City Council Group companies		
Receipts from related parties:		
Hire of rooms and related services to:		
Council	158	262
Christchurch International Airport Ltd	28	33
Riccarton Bush Trust	1	1
Orion Ltd	2	662
Christchurch City Holdings Ltd	3	3
Redbus Ltd	-	1
Enable Services Ltd	-	1
Enable Networks Ltd	-	1
Total receipts from rooms and related services	192	964
Subvention payments received from Council group entities	-	2,742
Sales proceeds from JEFL disposal	198	-
Interest received from Council	-	986
Total receipts from related parties:	**390**	**4,692**
Payments to related parties:		
Lease of Town Hall from the Council	91	106
Insurance, rates, repair on-charges and other services provided by Council	5,646	5,273
Loan repayments to Council	15,238	-
Interest expense to Council	2,504	2,493
Services provided by City Care Ltd	146	235
Services provided by Connetics Ltd	1	1
Services provided by Orion Ltd	-	7
Services provided by Red Bus Ltd	25	39
Tax losses offset to Council group entities	-	7,051
Total payments to related parties:	**23,651**	**15,205**

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

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Related-party transactions (cont)

	2014 $000	2013 $000
Year end balances (inclusive of GST):		
Accounts Payable and accruals to:		
Council	-	1,903
Accounts payable City Care Ltd	-	39
Accounts payable Red Bus Ltd	5	11
Accounts payable Enable Networks Ltd	1	-
Creditor accrual Red Bus Ltd	7	-
Creditor accrual City Care Ltd	41	-
Creditor accrual Council	2,748	560
Accrued interest payable to Council	192	444
Accounts payable and accruals related parties total:	2,994	2,957
Accounts receivable from:		
Council	36	381
Christchurch International Airport Ltd	4	-
Enable Networks Ltd	-	1
Accounts receivable related parties total:	40	382
Other balances:		
Loan advances from Council	18,985	34,223
Redeemable preference shares from Council	13,251	-
Subvention payments receivable from group companies	700	3,170
Total other related party year end balances	**32,936**	**37,393**

The Company expects to transfer losses of $2,500,000 to other members of the Council group (2013: $11,321,430) by way of subvention payment of $700,000 (2013 $3,170,000). The final Council group tax position for the 2013 tax year resulted in Vbase unable to transfer any of its tax losses for the 2013 tax year.

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, financial, legal and IT service support.

All transactions were carried out on a commercial and arm's length basis.

No provision has been required, nor any expense recognised, for impairment of receivables from related parties (2013: nil).

BW

26. Leases

(a) 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:

	2014 $000	2013 $000
No later than one year	202	207
Later than one year and not later than five years	747	764
Later than five years	4,684	4,867
	5,633	5,838

There are no restrictions imposed by lease arrangements.

(b) Non-cancellable operating leases as lessor

The Company owns two buildings which it leases for use by other parties. The future aggregate minimum lease receivables under these leases are as follows:

	2014 $000	2013 $000
No later than one year	159	98
Later than one year and not later than five years	42	113
	201	211

As at 30 June 2014 there are two leases associated with one building. The first lease expired on 30 June 2014 and will be replaced by a new lease on 01 July 2014. The second lease expires in January 2016.

Due to the extent of earthquake damage the second building was not leased during the 2014 financial year.

27. Financial instruments

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 various high-credit-quality banking institutions, and has no deposits with finance companies.

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

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Other than already noted in the accounts, the Company has no significant exposure to credit risk. The Company does have credit concentration within the accounts receivable balance in relation to the insurance debtor that has been accrued as owing from Civic Assurance.

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.

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.

Redeemable preference shares are at a rate of 0%.

Interest rates on the Company's borrowing facility with the Council vary, depending on when the tranche was drawn down. The majority of rates are fixed with the exception of one tranche which is floating.

The Company is not sensitive to movements in interest rates in respect of its borrowing obligations as the majority of the borrowings are fixed. Interest rate movements would, however, affect the amount of interest income received by the Company on surplus cash – a 1% movement either way would have the effect of increasing / decreasing the Company's profit before tax by $454,840 or $327,485 after tax (2013: $527,913 before tax, $380,097 after tax).

The Company is also sensitive to movement in the Discount rate that is applied to the amortisation calculation for the insurance receivable. A 1% decrease from the discount rate used in the June 2014 insurance receivable amortised cost adjustment would have the effect of reducing the expense adjustment before tax by $3,687,515 or $2,655,010 after tax. A 1% increase from the discount rate used in the June 2014 insurance receivable amortised cost adjustment would have the effect of increasing the expense adjustment before tax by $3,536,942 or $2,546,598 after tax.

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.

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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:

	2014 $000	2013 $000
Counterparties with credit ratings		
Cash at bank and bank term deposits		
AA-	38,384	52,543
Total cash at bank and term deposits	38,384	52,543
Counterparties without credit ratings		
Debtors and other receivables		
Related parties receivables	40	382
Existing counterparty with no defaults in the past	149,168	183,294
Total debtors and other receivables	149,208	183,676

Classification of financial instruments

The Company has no financial assets or financial liabilities designated at fair value, fair value through other comprehensive income or held to maturity in 2014 or 2013.

2014	Loans & receivables $000	Other amortised cost $000	Total carrying amount $000
Current assets			
Cash and cash equivalents	4,630	-	4,630
Trade and other receivables	12,239	-	12,239
Other financial assets	33,754	-	33,754
Other (related party receivables)	40	-	40
	50,663	-	50,663
Non current assets			
Trade and other receivables	136,929	-	136,929
	136,929	-	136,929
Total Financial Assets	187,592	-	187,592
Current liabilities			
Trade and other payables	-	6,425	6,425
Borrowings	-	13,251	13,251
	-	19,676	19,676
Non current liabilities			
Borrowings	-	18,985	18,985
Other (income in advance)	-	71	71
	-	19,056	19,056
Total Financial Liabilities	-	38,732	38,732

2013	Loans & receivables $000	Other amortised cost $000	Total carrying amount $000
Current assets			
Cash and cash equivalents	9,865	-	9,865
Trade and other receivables	183,294	-	183,294
Other financial assets	42,678	-	42,678
Other (related party loans)	382	-	382
Total Financial Assets	236,219	-	236,219
Current liabilities			
Trade and other payables	-	7,061	7,061
	-	7,061	7,061
Non current liabilities			
Borrowings	-	46,416	46,416
Other (income in advance)	-	113	113
	-	46,529	46,529
Total Financial Liabilities	-	53,590	53,590

Contractual Maturity Analysis

As at 30 June 2014	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	4,630	4,630	4,630	-	-	-
Trade receivables	149,168	178,159	12,879	34,633	130,647	-
Other financial assets	33,754	34,281	34,281	-	-	-
Other (related party receivables)	40	40	40	-	-	-
	187,592	217,110	51,830	34,633	130,647	-
Financial liabilities:						
Trade and other payables	2,579	2,579	2,579	-	-	-
Borrowings	32,236	49,479	15,725	1,323	7,842	24,589
Other (income in advance)	923	923	851	48	24	-
Other (related party)	2,994	2,994	2,994	-	-	-
	38,732	55,975	22,149	1,371	7,866	24,589

The 2014 carrying amount of trade receivables reflects the fair value as detailed in note 6 and 10. Other financial assets contractual cash flows include interest receivable of $527,030 under the term deposit entered into (2013: nil).

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Contractual Maturity Analysis (cont)

As at 30 June 2013	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	9,865	9,865	9,865	-	-	-
Trade receivables	183,294	183,294	183,294	-	-	-
Other financial assets	42,678	42,678	42,678	-	-	-
Other (related party receivables)	382	382	382	-	-	-
	236,219	236,219	236,219	-	-	-
Financial liabilities:						
Trade and other payables	3,375	3,375	3,375	-	-	-
Borrowings	46,416	80,605	2,466	16,867	11,573	49,699
Other (income in advance)	842	842	728	43	71	-
Other (related party)	2,957	2,957	2,957	-	-	-
	53,590	87,779	9,526	16,910	11,644	49,699

28. Capital Management

The Company's capital is its equity, which comprises retained earnings and property valued at fair value through comprehensive income 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.

29. 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 2013/14 financial year the Company met the specified timeframes as set out in the legislation for the submission of its half year accounts to its shareholder. The submission of its draft Statement of Intent to its shareholder was delayed by less than a month.

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Statement of Service Performance

Reporting against the Statement of Intent

Objective and Strategy	Performance Measure 2013/14	Results as at 30 June 2014
1 - Great Stages – Vbase will tailor a great stage for any event:		
• Maximise the number of events at Horncastle Arena;	At least 90 events are delivered at Horncastle Arena.	A total of 96 events were delivered. Target achieved and exceeded.
• Maximise the number of event days at Horncastle Arena.	At least 54% of available event days utilised at Horncastle Arena.	Target not achieved. A total of 186.5 event days were reached which is equivalent to 51% of the available event days utilised at Horncastle Arena.
2 - Great Hosting – deliver an outstanding client and service experience:		
• Guest satisfaction with events delivered at Vbase venues (client satisfaction survey).	Achieve greater than 80% satisfaction during year.	Of the survey respondents a 91% client satisfaction level has been achieved.
3 - Growth – utilise assets and capabilities for growth:		
• Support the Council in endeavours to increase the available conference venues.	Vbase will work with Council and other interested stakeholders assessing new conference venue development initiatives.	Opened ilex Cafe and Events in the Botanic Gardens at the end of April 2014. Submitted a 'Request for Proposal' in April 2014 to be the preferred operator for the management of the new Convention Centre. The submission was unsuccessful. Working to secure the venue management of other venues in Christchurch.
4 - Valuable Partnerships – great to do business with and a great place to work:		
• Secure National events at the Wigram Air Force Museum (AFM);	Greater than 100 events;	A total of 127 national events were delivered. Target achieved and exceeded.
• Secure local events at the AFM;	Greater than 190 events;	A total of 128 local events were delivered. Target not achieved.

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• Secure events that will encourage high usage of the venues ;	Visitors to venues exceeds 250,000;	Achieved and exceeded target. Total visitors for the year to 30 June were: AFM 114,221 Arena 275,053 AMI 198,410 Gardens 1,001 Total 588,685
• Facilitate access to the venues for local sporting, charitable and cultural organisations.	Total venue discounts exceed $300,000.	Vbase provided a total of $307,605 of venue discounts during the year for organisations meeting the criteria.

Financial performance targets

	2014 Actual $000	2014 Target $000	Variance $000
Income	15,078	12,369	2,709
Less: operating expenses	18,759	14,796	3,963
EBITDA	(3,681)	(2,427)	(1,254)
Add:			
Interest received	1,809	547	1,262
Insurance	5,674	19,088	(13,414)
Profit on sale of land	-	3,154	(3,154)
Less:			
Interest expense	3,310	3,584	(274)
Depreciation	3,396	3,858	(462)
Amortised cost change for insurance receivable	28,991	-	28,991
Revaluation of property, plant & equipment	24,179	-	24,179
Impairment of property, plant and equipment	310	-	310
Net profit/(deficit) before tax	(56,384)	12,920	(69,304)
Taxation	(8,039)	(1,301)	(6,738)
Net profit/(deficit) after tax	(48,345)	14,221	(62,566)
Depreciation	3,396	3,858	(462)
Fair value movement for insurance receivable	28,991	-	28,991
Revaluation of property, plant & equipment	24,179	-	24,179
Impairment of property, plant and equipment	310	-	310
Cash gain/(loss)	8,531	18,079	(9,548)
Non-operating cash revenue	5,674	22,242	(16,568)
Operating cash loss	2,857	(4,163)	7,020

Operating revenue and expenses are significantly higher than target forecast. All Vbase managed venues, with the exception of the Arena generated higher than forecast operating revenue. The higher revenue also resulted in higher cost of sales which contributed to larger than forecast operating costs. Operating expenses also include $1.6 million of earthquake related repairs and expenses which were not included in the budget. There is also a $0.5 million unfavourable variance relating to a loss on de-

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recognition during the year which was not included in the budget. Actual EBITDA for the year to June 2014 is down on target by $1.3 million. The main contributors to this unfavourable variance are a loss on de-recognition and higher than forecast earthquake costs expenses referred to above.

Interest received is higher than target due to less money spent on the facility rebuild than forecast. See facility rebuild target below for further details.

Insurance income was less than target due to the Company not recognising all material damage margin clause insurance recoveries that are believed owing under the material damage insurance policy. When applying New Zealand Accounting Standards, it was determined that the level of certainly required to accrue all margin clause insurance recoveries was not met. As such only a portion of material damage margin clause income has been recognised at this point in time.

In addition the forecast sale of land did not take place during the year.

An amortised cost adjustment has been applied against the material damage insurance accrual that is sitting in current and noncurrent assets. This adjustment uses a discount rate of 5.82% and is based on the expected cash flows around the timing of the repair and the receipt of material damage insurance recoveries. The result is a $29 million expense recorded in the 2014 year which was not in the budget.

A building valuation was performed in June 2014 which resulted in a valuation decrease of $24 million being recorded as an expense. This valuation was not included in the budget.

Ratio of Shareholders funds to total assets

The ratio of Shareholders funds to total assets is:

Actual	Target
72%	82%

The main contribution to the ratio difference is the $29 million amortised cost adjustment related to the insurance receivable and the valuation decrease of $24 million, both of which were not included in the forecast.

The capital structure is:

	Actual $000	Target $000	Variance $000
Issued shares and other equity instruments	190,787	192,819	2,032
Debt	32,236	47,519	15,283
Total assets	248,317	329,401	81,084
Total equity	177,683	270,164	92,481

The issued shares and other equity instruments target incorrectly excluded $2 million of RPS share interest which is reflected in the actual total.

Actual debt includes a $15 million principal repayment during the year which was not forecast.

There are two significant contributors to the total asset variance.

1) The forecast rebuild activity during the year which did not eventuate (refer to Facilities rebuild below for details).

2) The significant insurance debtor amortised cost adjustment and building valuation during the year which in total reduced the fixed asset balance by $53 million.

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There are three distinct amounts that add up to the total equity variance of $92.5 million. The first is the $62.6 million variance in the net profit/(deficit) after tax for the 2014 year (as detailed above). The second is an $8 million tax expense adjustment relating to deferred tax movements that was recorded directly against equity for budget purposes. This was not recorded in the financial accounts. Finally there is a $22 million variance in the opening balance of equity between the forecast and the financial statements. This is due to the budget being finalised before the 2013 financial statements were completed, resulting in the forecast not reflecting the 2013 financial year closing position.

Facilities rebuild

	Actual $000	Target $000	Variance $000
Convention Centre replacement	25	10,750	10,725
Lancaster Park replacement	641	25,300	24,659
Town Hall repairs	5,553	22,660	17,107
	6,219	58,710	52,491

The target rebuild spend was set before the cost sharing agreement between the Crown and the Council was released on 27 June 2013. The agreement stated that the Crown would be rebuilding a new convention centre for Christchurch. Prior to the agreement it was assumed that Vbase would be building a new convention centre and had forecast the above rebuild spend accordingly.

The timing of the Lancaster Park replacement stadium and Town Hall repair has changed since the target setting process with both being deferred further than was forecast.

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AUDIT NEW ZEALAND
Mana Arotake Aotearoa

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Fax: 03 961 3059

30 September 2014

Diane Brandish
Corporate Finance Manager
Christchurch City Council
PO Box 73015
Christchurch 8154

Dear Diane

Vbase Limited: Audit for the year ended 30 June 2014

Please find attached the following documents for your records:

- authenticated copy of the signed financial statements of Vbase Limited for the year ended 30 June 2014; and
- signed copy of our audit report dated 30 September 2014.

I wish to thank you and Patricia Christie for the help we received during the audit.

Yours sincerely

Julian Tan
Director
julian.tan@auditnz.govt.nz

Independent Auditor's Report

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

The Auditor-General is the auditor of Vbase Limited (the company). The Auditor-General has appointed me, Julian Tan, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and statement of service performance of the company on her behalf.

We have audited:

- the financial statements of the company on pages 6 to 38, that comprise the statement of financial position as at 30 June 2014, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the statement of service performance of the company on pages 39 to 42.

Disclaimer of opinion on the financial statements other than the statement of cash flows

Reasons for our disclaimer of opinion

Carrying value of insurance receivable

The company has recognised an insurance receivable of $147,913,000. No allowance has been made for any amount that may not be recoverable. We have been unable to obtain sufficient appropriate audit evidence that the full amount of the insurance receivable will be recovered and there are no practical audit procedures that could be undertaken to determine the amount of any non-recoverable portion. If the full amount is not recovered then the company will need to recognise an expense for the amount not received.

Further, the company has recognised an expense of $28,991,000 for a reduction in the nominal value of the insurance receivable because it will be received in future years. Any reduction in the recoverable amount would reduce that expense.

Revaluation of CBS Arena

The company has revalued the CBS Arena in 2014 to a carrying value of $31,602,000. We have obtained sufficient appropriate audit evidence to support that carrying value.

The revaluation has resulted in a devaluation expense of $24,197,000 in the statement of comprehensive income. However, the audit opinions on the company's financial statements for the years ended 30 June 2013 and 2012 were qualified because we were unable to obtain

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sufficient appropriate audit evidence to support the carrying values of the CBS Arena in those years of $58,926,980 and $61,300,000 respectively.

If there was any misstatement of the 2013 and 2012 carrying values of the CBS Arena then a corresponding amount of the devaluation expense in the statement of comprehensive income should have been recognised in those years, and this year's expense would be overstated by that amount.

Current and deferred tax

Any misstatement in the company's financial statements arising from the above matters would have a consequential impact on the company's current and deferred tax asset and liability.

Further, and as disclosed on page 16, the company has assumed, for tax purposes, that Lancaster Park Stadium is irreparable and that a replacement stadium will be built. If those assumptions are incorrect then there could be a material increase in the company's current and deferred tax liabilities. We are unable to determine whether or not the current and deferred tax balances are materially correct until such time as the matter is decided.

Disclaimer of opinion on the financial statements other than the statement of cash flows

Because of the significance of the matters described in the "Reasons for our disclaimer of opinion" paragraph above, we are unable to form an opinion on the financial statements other than the statement of cash flows. Accordingly, we do not express an opinion on the company's financial statements other than the statement of cash flows.

Attention is also drawn to the fact that we issued a qualified opinion on the company's 30 June 2013 financial statements and statement of service performance because we were unable to obtain sufficient appropriate audit evidence to support the carrying value of the CBS Arena of $58,926,980.

Opinion on the statement of cash flows

In our opinion, the statement of cash flows on page 9 complies with generally accepted accounting practice in New Zealand and gives a true and fair view of the company's cash flows for the year ended 30 June 2014.

Qualified opinion on the statement of service performance

Reasons for our qualified opinion

Because of the matters described in the "Reasons for our disclaimer of opinion" paragraph above, we have been unable to obtain sufficient appropriate audit evidence to support the 'financial performance targets' section of the statement of service performance and the associated variance explanations set out on pages 39 to 42.

Qualified opinion on the company's statement of service performance

In our opinion, except for the possible effects of the matters referred to in the "Reasons for our qualified opinion" above, the statement of service performance of the company on pages 39 to 42:

- complies with generally accepted accounting practice in New Zealand; and

- gives a true and fair view of the company's service performance achievements measured against the performance targets adopted for the year ended 30 June 2014.

Other legal requirements

In accordance with the Financial Reporting Act 1993 we report that, in our opinion, proper accounting records have been kept by the company as far as appears from an examination of those records.

Our audit was completed on 30 September 2014. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities, and explain our independence.

Basis of opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements and statement of service performance are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence readers' overall understanding of the financial statements and statement of service performance. We are unable to determine whether there are material misstatements in the financial statements and statement of service performance because the scope of our work was limited, as we referred to in our disclaimer of opinion on the financial statements other than the statement of cash flows and our qualified opinion on the statement of service performance.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements and statement of service performance. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and statement of service performance whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the company's financial statements and statement of service performance that give a true and fair view of the matters to which they relate. We consider internal control in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Board of Directors;
- the adequacy of all disclosures in the financial statements and statement of service performance; and

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- the overall presentation of the financial statements and statement of service performance.

We did not examine every transaction, nor do we guarantee complete accuracy of the statement of cash flow and statement of service performance.

In accordance with the Financial Reporting Act 1993, we report that we have not obtained all the information and explanations we have required with the consequence that we have issued a disclaimer of opinion on the financial statements other than the statement of cash flows and a qualified opinion on the statement of service performance.

Responsibilities of the Board of Directors

The Board of Directors is responsible for preparing financial statements and a statement of service performance that:

- comply with generally accepted accounting practice in New Zealand;
- give a true and fair view of the company's financial position, financial performance and cash flows; and
- give a true and fair view of its service performance.

The Board of Directors is responsible for such internal control as it determines is necessary to enable the preparation of financial statements and a statement of service performance that are free from material misstatement, whether due to fraud or error. The Board of Directors is also responsible for the publication of the financial statements and statement of service performance, whether in printed or electronic form.

The Board of Directors' responsibilities arise from the Local Government Act 2002 and the Financial Reporting Act 1993.

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and statement of service performance and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001 and section 69 of the Local Government Act 2002.

Independence

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.

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

Julian Tan
Audit New Zealand
On behalf of the Auditor-General
Christchurch, New Zealand