VBASE LIMITED

ANNUAL REPORT

For the Year Ended
30 June 2015

CONTENTS

DIRECTORY AND STATUTORY DISCLOSURES

Registered Office	53 Hereford Street Christchurch
Directors	Timothy Scandrett Paul Lonsdale James (Jamie) Gough Karleen Edwards
Company secretary	Diane Brandish
Bankers	Westpac Bank Christchurch
Auditors	Audit New Zealand on behalf of the Auditor-General Christchurch

Statutory Disclosures for the year ended 30 June 2015

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

NATURE OF BUSINESS AND STATE OF AFFAIRS

The Christchurch City Council (Council) has entrusted Vbase with ownership and management of three premier entertainment and event venues – Lancaster Park Stadium (formerly AMI Stadium), Christchurch Town Hall for Performing Arts (Town Hall) and Horncastle Arena (formerly the CBS Canterbury Arena).

The 2010 and 2011 earthquakes caused serious damage to the Lancaster Park Stadium (Lancaster Park) and Town Hall and Vbase has been unable to trade in the same manner as it did prior to the earthquakes. On 1 August 2011 Vbase entered into a management services agreement with the Council. Under the agreement Council employs all Vbase staff and charge the Company a management fee equivalent to the employee's salary or wage.

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.

In addition Vbase has secured several management service agreements to operate event/function spaces throughout the Christchurch area. These are:

- The Wigram Air Force Museum. From February 2013 Vbase has been operating a conference and event space in addition to an on-site café from this venue.

- The ilex café and function centre situated in the Christchurch Botanic Gardens. Vbase began operating from this venue in April 2014. 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. In addition to the café and function space Vbase also began operating from the ice cream kiosk, also situated within the Christchurch Botanic Gardens area, in late 2014.

- The Hagley Oval Pavilion. Vbase secured an agreement to exclusively manage this venue as an event function space from 26 September 2014. The venue contains rooms designed to cater from 10 to 280 guests per event.

On 12 June 2015 the Council signed a capital commitment to begin a full repair and restoration of the Town Hall. Council staff are providing project management support for the duration of the project. Work is expected to take 3 years to complete.

For the year ended 30 June 2015, the Company made a net deficit after tax of $28.0 million (2014: Deficit $39.0 million). The majority of the deficit amounts comprise an impairment of property, plant and equipment, in addition to an amortised cost adjustment on a material damage insurance receivable that has been accrued as revenue by the Company.

Arena impairment and comparative restatement

With the changes to the accounting standards framework the classification of the Company as a 'public benefit entity' was reviewed. This review concluded that the Company should be classified as a 'for-profit entity' from 1 July 2014. Applying the 'for-profit entity' suite of accounting standards has resulted in a change of accounting policy regarding the valuation and impairment of buildings which has required the market value to be determined using estimated future cash flows. As a result the Horncastle Arena (Arena) has been revalued on an estimated future cash flows basis. This has resulted in the Arena being valued at $0.61 million at 30 June 2014 and $2.43 million at 30 June 2015 and the Town hall work in progress (WIP) being reduced in value.

The 2014 comparatives in the financial statements have been restated to reflect the Arena being valued on estimated future cash flows from 1 July 2013. This has been done to enhance comparability between the current and comparative years. Further details are in Note 2 *Restatement of comparatives.*

The market value of the Arena is not easy to determine using typical valuation methods. Quotable Value Limited undertook a valuation on an optimised depreciation replacement cost (ODRC) basis and valued it at $36.8 million.

The Directors consider the ODRC value of $36.8 million as an appropriate value for the Arena however have complied with generally accepted accounting practice when preparing the financial statements.

While it is noted that the Arena is impaired for accounting purposes management acknowledge that this does not represent the estimated replacement cost of the Arena which is approximately $66 million.

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:

Timothy Scandrett	Director	TPS Event Management Ltd
	Director	Civic Building Ltd
	Councillor	Christchurch City Council
Paul Lonsdale	Director	Akaroa Properties 1992 Ltd
	Director	Civic Building Ltd
	Director	Canterbury Development Corporation
	Director	Canterbury Development Corporation Holdings Ltd
	Director	CRIS Ltd (resigned 16 January 2014 and reappointed 19 June 2014)
	Officer	Canterbury Museum Trust Board (appointed 10 February 2014)
	Councillor	Christchurch City Council
Jamie Gough	Director	Civic Building Ltd
	Director	Gough Group Ltd
	Director	Gough Holdings Ltd
	Director	Gough Corporation Holdings Ltd
	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
	Trustee	Antony Gough Trust
	Councillor	Christchurch City Council
Karleen Edwards	Director	Ellerslie International Flower Show Ltd (appointed 12 March 2015)
	Director	Tuam Ltd (appointed 12 March 2015)
	Director	CCC One Ltd (appointed 12 March 2015)
	Director	CCC Five Ltd (appointed 17 December 2014)
	Director	CCC Six Ltd (appointed 17 December 2014)
	Director	CCC Seven Ltd (appointed 17 December 2014)
	Chief Executive	Christchurch City Council

DIRECTORS INSURANCE
The Company has directors' liability insurance for all directors. Premiums to the value of $25,990 were paid in the 2015 year (2014: $32,488).

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 (2014: 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 $500 (2014: $2,508).

DIVIDENDS
There have been no dividends declared for the 2014/15 financial year (2013/14: nil).

EMPLOYEES' REMUNERATION
Effective 1 August 2011 all Company employees were transferred to the Council hence there were no employees in the Company during 2015 (2014 nil).

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

For and on behalf of the Board

Director

30 September 2015
Date

Director

30 September 2015
Date

Statement of Profit or Loss and Other Comprehensive Income
for the year ended 30 June 2015

	Note	2015 $000	2014 $000*
Revenue	3(a)	27,148	22,561
Other expenses	3(b)	27,364	18,759
(Loss) / Profit before depreciation, finance costs and income tax expense		(216)	3,802
Other Expenses			
Depreciation and amortisation	3(b)	1,182	1,600
Finance costs	3(b)	2,516	3,310
Amortised cost change for insurance receivable	3(b)	23,107	28,991
Impairment of property, plant & equipment and held for sale assets	3(b)	3,321	13,293
Total other expenses		30,126	47,194
Other Revenue			
Impairment reversal on PPE	3(a)	1,249	-
Total other revenue		1,249	-
Loss before income tax expense from operations		(29,093)	(43,392)
Income tax income from operations	4(a)	1,091	4,401
Loss from operations for the year		(28,002)	(38,991)
Other comprehensive income			
Net movement on property valuations		48	(210)
Total other comprehensive income from operations		48	(210)
Total comprehensive income		(27,954)	(39,201)

* 2014 comparatives have been restated - see note 2 *Restatement of comparatives*

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

Statement of Changes in Equity
for the year ended 30 June 2015

	Note	Capital $000	Revaluation Reserve $000	Retained Earnings $000*	Total $000
Balance at 1 July 2013		191,845	2,488	(1,926)	192,407
Total comprehensive income for the period					
Loss for the year		-	-	(38,991)	(38,991)
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 year		-	(210)	(38,991)	(39,201)
Transactions with owners, recorded directly in equity					
Contributions by, and distributions to, owners					
Equity component of mandatory redeemable preference shares	18	(1,058)	-	1,058	-
Total contributions by, and distributions to, owners		(1,058)	-	1,058	-
Balance at 30 June 2014		190,787	2,278	(39,859)	153,206
Total comprehensive income for the period					
Loss for the year		-	-	(28,002)	(28,002)
Other comprehensive income, net of income tax					
Net movement on property valuations		-	48	-	48
Total other comprehensive income		-	48	-	48
Total comprehensive income for the year		-	48	(28,002)	(27,954)
Transactions with owners, recorded directly in equity					
Contributions by, and distributions to, owners					
Equity component of mandatory redeemable preference shares	18	(1,151)	-	1,151	-
Total contributions by, and distributions to, owners		(1,151)	-	1,151	-
Balance at 30 June 2015		189,636	2,326	(66,710)	125,252

* 2014 comparatives have been restated - see note 2 *Restatement of comparatives*

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

Statement of Financial Position
as at 30 June 2015

	Note	2015 $000	2014 $000*	2013 $000*
Current assets				
Cash and cash equivalents	22	17,905	4,630	9,865
Trade and other receivables	6a	21,997	12,279	183,676
Other financial assets	7	18,709	33,754	42,678
Inventories	8	342	251	285
Current tax assets	4(b)	483	700	3,170
Held for sale assets	13	9,476	9,699	-
Other current assets	9	185	247	698
Total current assets		69,097	61,560	240,372
Non-current assets				
Trade and other receivables	10	106,630	139,495	2,760
Property, plant & equipment	11	10,510	8,764	27,622
Intangible assets	12	36	37	32
Deferred tax assets	4(c)	-	4,466	-
Total non-current assets		117,176	152,762	30,414
Total assets		186,273	214,322	270,786
Current liabilities				
Trade and other payables	14	5,075	6,425	7,061
Borrowings	15	18,902	13,251	-
Total current liabilities		23,977	19,676	7,061
Non-current liabilities				
Trade and other payables	16	96	71	113
Borrowings	17	14,485	18,985	46,416
Deferred tax liabilities	4(c)	22,463	22,384	24,789
Total non-current liabilities		37,044	41,440	71,318
Total liabilities		61,021	61,116	78,379
Net assets		125,252	153,206	192,407
Equity				
Capital and other equity instruments	18	189,636	190,787	191,845
Reserves		2,326	2,278	2,488
Retained earnings		(66,710)	(39,859)	(1,926)
Total equity		125,252	153,206	192,407

* 2013 and 2014 comparatives have been restated - see note 2 *Restatement of comparatives*

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

For and on behalf of the Board

Director — 30 September 2015 *Date*

Director — 30 September 2015 *Date*

Statement of Cash Flows
For the year ended 30 June 2015

	Note	2015 $000	2014 $000
Cash flows from operating activities			
Receipts from customers		25,026	15,170
Subvention received		5,852	-
Payments to suppliers and employees		(26,324)	(19,713)
Net GST movement		68	38
Net cash provided by / (used in) operating activities	22	4,622	(4,505)
Cash flows from investing activities			
Proceeds from sale of investments		-	198
Payment for property, plant & equipment		(6,629)	(3,687)
Receipts from material damage insurance		-	9,359
Interest received		1,503	2,218
Sale of assets held for sale		73	-
Maturity of investments		83,362	168,450
Purchase of investments		(68,317)	(159,526)
Net cash provided by investing activities		9,992	17,012
Cash flows from financing activities			
Interest and other finance costs paid		(1,339)	(2,504)
Repayment of loan from related party		-	(15,238)
Net cash used in financing activities		(1,339)	(17,742)
Net increase / (decrease) in cash and cash equivalents		13,275	(5,235)
Cash and cash equivalents at beginning of year		4,630	9,865
Cash and cash equivalents at end of year		17,905	4,630

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

Notes to the Financial Statements for the year ended 30 June 2015

1. Statement of significant accounting policies

Reporting entity

The Company is a wholly owned subsidiary of the Council and owns, manages and develops Horncastle Arena and has secured management service agreements to manage the operations at the Air Force Museum of New Zealand, AMI Stadium (Addington), ilex café and function centre in addition to an ice cream kiosk situated in the Christchurch Botanic Gardens, and the Pavilion at the Hagley Cricket Oval. The Company also owns the earthquake damaged Christchurch Town Hall of Performing Arts which is scheduled to be fully repaired and operational by the end of 2018.

From 1 July 2014 the Company has been designated as a 'for-profit' entity for purposes of the New Zealand equivalents to International Financial Reporting Standards. Prior to this the Company was designated as a 'public benefit entity' but it has been determined that current business operating structure is such that a 'for-profit entity' designation is appropriate at this time.

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

The financial statements of the Company are for the year ended 30 June 2015. The financial statements were authorised for issue by the Board of Directors on 30 September 2015.

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), the International Reporting Standards and other applicable Financial Reporting Standards, as appropriate, for 'for-profit' entities.

The Company is a Tier 1 for-profit entity and has elected to report in accordance with Tier 1 For-profit Accounting Standards. The Company must report under Tier 1 For-profit Accounting Standards as it is considered 'large' for reporting purposes. A 'large' for-profit reporting entity is one that has expenses over $30 million in the reporting period.

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 and amended Standards and Interpretations

Vbase has been classified as a 'for-profit entity' in the current year and accordingly has adopted the 'for-profit entity' suite of standards from 1 July 2014. The financial statements were produced using 'public benefit entity' (PBE) standards for the year to 30 June 2014 and the change in accounting policy resulted in some material property, plant and equipment (PPE) disclosure differences. In order to bring comparability to the financial statements the 2014 PPE valuations were restated to comply with 'for-profit entity' reporting standards. The full impact is detailed in note 2 *Restatement of comparatives*.

The following new standards, interpretations and amendments have been adopted for the year ended 30 June 2015 which have only had presentational or disclosure effect. The nature and the material impact of each new applicable standard and amendment is described below:

The fair value of an asset is measured under NZ IFRS 13 *Fair Value Measurement.* The framework of measuring fair value looks at a market based measurement when this is observable. When a market based measurement is not available an entity measures fair value using another valuation technique that maximises the use of relevant observable inputs and minimises the use of unobservable inputs. Under this standard it is not appropriate to use an optimised depreciated replacement cost which is allowed under the equivalent PBE *property, plant and equipment* standard.

Those NZ IFRS Standards and Interpretations that have been issued or amended which may impact the Company, but are not yet effective and have not been adopted by the group for the year ended 30 June 2015 are:

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

NZ IFRS 9 *Financial Instruments.* This standard will supersede NZ IAS 39 *Financial Instruments: Recognition and Measurement* and specifies how an entity should classify and measure financial assets. The standard is effective for the year ended 30 June 2016. The Company has not yet determined the potential impact of this standard.

A restatement has been recorded in the comparatives as a result of applying NZ IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors.* The restatement is due to a significant valuation measurement change in relation to PPE.

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

c. 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 i).

d. 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.

e. 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.

f. Property, plant and equipment
The buildings are shown at fair value less subsequent accumulated depreciation and amortisation.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Valuations are performed with sufficient regularity, but at least every 3 years, to ensure revalued assets are carried at a value that is not materially different from fair value.

The Company is required to account for revaluations of PPE on an asset by asset basis. Increases in the carrying amounts arising on revaluation of an asset are credited, through comprehensive income, to equity under the heading revaluation reserve. However, the net revaluation increase shall be recognised in the statement of profit or loss to the extent it reverses a net revaluation decrease of the same asset previously recognised in the statement of profit of loss. A revaluation decrease is charged as an expense in profit and loss to the extent that it exceeds the balance, if any, held in the asset revaluation reserve from previous revaluations of that asset.

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.

All other PPE 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 PPE 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 profit or loss and other comprehensive income during the financial period in which they are incurred.

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	50 yrs
Building shell fit-out	5-100 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.

An asset's carrying amount is written down immediately to its recoverable amount if that asset's carrying amount is greater than its estimated recoverable amount in accordance with the requirements of NZ IAS 36 *Impairment of Assets.*

Gains and losses on disposals are determined by comparing proceeds against the carrying amount of the asset and are included in the statement of profit or loss. 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 PPE as each becomes operational and available for use. Revenue expenditure is defined as expenditure that is incurred in the maintenance and operation of the PPE of the Company.

g. Intangible assets

- **Computer software**

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

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

- **Amortisation**

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

h. 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.

i. Impairment
The carrying amounts of the Company's assets, other than inventories (see Inventories policy d) and deferred tax assets (see Income Tax policy q), 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. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs of disposal and its value in use.

Impairment losses on PPE 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 asset. However, to the extent that an impairment loss for that asset was previously recognised in the profit and loss, a reversal of the impairment loss is also recognised in the profit and loss.

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.

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

k. Share capital

- **Ordinary share capital**
  Ordinary shares are classified as equity.

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

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

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

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

l. Interest-bearing borrowings

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

m. 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.

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

o. Revenue

Revenue is measured at the fair value of consideration received.

- **Services rendered**
  Revenue from services rendered is recognised in the statement of profit or loss and other comprehensive income in proportion to the stage of completion of the transaction at the statement of financial position date.

- **Interest income**
  Interest income is recognised in the statement of profit or loss and other comprehensive income as it accrues, using the effective interest method.

- **Insurance recoveries**
  Insurance recoveries are recognised in the statement of profit or loss and other comprehensive income when it becomes virtually certain that the recoveries are receivable.

- **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.

p. 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 profit or loss and other comprehensive income using the effective interest rate method.

Interest payable on borrowings is recognised as an expense through the statement of profit or loss and other comprehensive income as it accrues unless the interest relates to borrowings directly attributable to the acquisition, construction or production of a *qualifying asset* in which case it will be capitalised into the cost of the asset.

A *qualifying asset* is an asset that takes a substantial period of time to get ready for its intended use or sale. The Company considers a *qualifying asset* to be acquisition or construction of property, plant and equipment where construction costs exceed $50 million and the construction is greater than 2 years in duration

q. 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.

r. 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.

s. 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. All relevant costs incurred during 2014 and 2015 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 profit or loss and other comprehensive income.

- 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. These judgements are required to determine and calculate the value in use and subsequent impairment for Horncastle Arena and the Town Hall work in progress asset. In addition, judgments were made in calculating the amortised cost discount adjustment applied to the insurance receivable in 2014 and 2015.

- 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. As assets are revalued the estimate of remaining useful life is reviewed.

- 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.

t. Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, based on the highest and best use of that asset.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows:

- Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period.
- Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.
- Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Where a specific valuation technique has been used it is described in the relevant note.

2. Restatement of comparatives

Impact on restated Statement of Financial Position

	Notes	Original balance 30 June 2013 $000	Building restatement 2013 $000	Restated balance 30 June 2013 $000	Original balance 30 June 2014 $000	Building/WIP restatement 2014 $000	Restated balance 30 June 2014
Equity							
Retained earnings		31,905	(33,831)	(1,926)	(15,382)	(24,477)	(39,859)
		-	-		-		
Non-current assets							
Property, plant & equipment.	11	74,609	(46,987)	27,622	42,759	(33,995)	8,764
Non-current liabilities							
Deferred tax liabilities	4c	37,945	(13,156)	24,789	31,902	(9,518)	22,384

Impact on restated Statement of Profit or Loss and Other Comprehensive Income

	Notes	Original balance 30 June 2014 $000	Building restatement 2014 $000	Restated balance $000
Depreciation and amortisation	3	3,396	(1,796)	1,600
Revaluation of property, plant & equipment	11	24,179	(24,179)	-
Impairment of property, plant and equipment and assets held for sale	11	310	12,983	13,293
Loss before income tax from operations		(56,384)	12,992	(43,392)
Income tax (expense) / income from operations	4a	8,039	(3,638)	4,401
Loss from operations for the year		(48,345)	9,354	(38,991)

Adoption of new standards and interpretations

In the current year, the Vbase Board approved that the Company is to report under the standards for 'for-profit entities' from 1 July 2013 and restate comparatives. In 2014 the financial statements were prepared following 'public benefit entity' (PBE) accounting standards.

Applying NZ IAS 36 *Impairment of Assets* require the Company to estimate the value in use of an impaired asset based on an estimate of future cash flows generated by the asset being valued. Vbase valued the Arena at 30 June 2015 on a basis of estimated future cash flows. The valuation amount was a materially different from the 2014 valuation for the building where the valuation was originally based on an optimised depreciated replacement cost method allowed under the PBE standards.

Applying the NZ IAS 36 *Impairment of Assets* methodology to the 2014 Town Hall WIP balance has also resulted in a restatement of the WIP total for 2014.

The material difference between the two valuation methodologies has resulted in the need to restate the 2014 comparatives.

An asterisk (*) has been added after all $000 column headings in the financials and accompanying notes where a comparative has changed as detailed in the restatement tables above. A note description, stating a comparative value change, has also been included under all tables that have restated comparative.

3. Profit from operations

(a) Revenue

	2015 $000	2014 $000
Rendering of services	24,548	13,851
Interest revenue:		
Bank deposits	1,477	1,809
	1,477	1,809
Other revenue:		
Insurance monies received	-	5,674
Profit on disposals of assets	16	9
Donated/vested asset revenue	14	98
Other income	1,093	1,120
	1,123	6,901
Total revenue from operations	27,148	22,561
Impairment reversal on PPE	1,249	-
Total revenue	28,397	22,561

3. Profit from operations (cont)

(b) Expenses and costs

	Note	2015 $000	2014 $000*
Finance costs:			
Interest on related party loans		1,366	2,252
Unwinding of discount on RPS		1,150	1,058
		2,516	3,310
Depreciation and amortisation:			
Depreciation of non-current assets	11	934	1,384
Amortisation of non-current assets	12	38	6
Amortisation of ground rent		210	210
		1,182	1,600
Impairment of property, plant & equipment and held for sale assets		3,321	13,293
		3,321	13,293
Amortised cost change for insurance receivable	6a & 10	23,107	28,991
		23,107	28,991
Other expenses:			
Operating lease expenses - minimum lease payments		200	174
Food and beverage expenses		10,828	6,477
Management fee		6,455	4,785
Donations		1	3
Earthquake repairs and costs		346	1,622
Loss on disposal of assets		18	56
Loss on de-recognition of fixtures and fittings		-	505
Other expenses		9,516	5,137
		27,364	18,759
Total expenses from operations		57,490	65,953

* 2014 comparatives have been restated - see note 2 *Restatement of comparatives*

4. Income taxes

(a) Income tax recognised in profit or loss

	2015 $000	2014 $000*
Tax expense income comprises:		
Current tax (income)	(483)	(700)
Adjustments recognised in current year in relation to the current tax of prior years	700	3,170
Adjustments recognised in current year in relation to the deferred tax of prior years	5,237	(2,634)
Adjustments recognised in current year in relation to prior year subvention	(5,852)	-
Deferred tax expense income relating to the instigation and reversal of temporary differences	(693)	(4,237)
Total tax income on operations	(1,091)	(4,401)

Reconciliation of prima facie income tax:

	2015 $000	2014 $000*
Loss from operations	(29,093)	(43,392)
Income tax income calculated at 28%	(8,146)	(12,150)
Non-deductible expenses		
Redeemable preference shares (RPS) interest	322	296
Entertainment	4	2
Movement in amortised cost adjustment	6,644	7,178
Impairment movement	-	(140)
Legal costs	5	-
Accounting loss on sale of assets	-	13
Tax gain on sale of assets	(5)	(163)
Accounting asset loss / cost re earthquake - revaluation to P&L	-	141
Non-assessable income		
Held for sale reclassification	-	(59)
Gain on sale of shares	-	(55)
Over provision of previous year's income tax	85	536
Income tax income from operations	(1,091)	(4,401)

* 2014 comparatives have been restated - see note 2 *Restatement of comparatives*

(b) Current tax assets and liabilities

	2015 $000	2014 $000
Current tax (assets):		
Subvention receivable	(483)	(700)
	(483)	(700)

4. Income taxes (cont)

(c) Deferred tax balances

Taxable and deductible temporary differences arise from the following:

Year ended 30 June 2015	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	5,015	-	50	-	5,065
Provisions	48	-	3	-	51
Earthquake recoveries and expenses	17,321	772	(746)	-	17,347
	22,384	772	(693)	-	22,463
Deferred tax assets:					
Losses carried forward	(4,466)	4,466	-	-	-
	(4,466)	4,466	-	-	-
Net deferred tax balance	17,918	5,238	(693)	-	22,463

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	8,459	-	(3,444)	-	5,015
Provisions	49	-	(1)	-	48
Earthquake recoveries and expenses	16,281	393	647	-	17,321
	24,789	393	(2,798)	-	22,384
Deferred tax assets:					
Losses carried forward	-	(3,027)	(1,439)	-	(4,466)
	-	(3,027)	(1,439)	-	(4,466)
Net deferred tax balance	24,789	(2,634)	(4,237)	-	17,918

* 2014 comparatives have been restated - see note 2 *Restatement of comparatives*

(d) Imputation credit account balances

	2015 $000	2014 $000
Imputation credits available for use in subsequent periods	-	-

5. Remuneration of auditors

	2015 $000	2014 $000
Audit of the financial statements	52	53
	52	53

6a. Current trade and other receivables

	Note	2015 $000	2014 $000
Trade receivables		926	659
Related party receivables	25	42	40
Provision for impairment		(4)	(2)
Net trade receivables	6b	964	697
Insurance receivable		20,517	10,984
GST receivable		174	202
Other receivables		342	396
		21,033	11,582
		21,997	12,279

The carrying value of debtors and other receivables approximate their fair value. A discount rate of 5.60% (2014: 5.82%) has been applied against the expected insurance receivable cash flows in the next twelve months resulting in an amortised cost adjustment of $1,148,954 current portion of the insurance receivable. (2014: $639,306). Note 10 includes a $50,949,022 amortised cost adjustment for the non-current portion of the insurance receivable (2014: $28,352,169). The overall fair value amortised cost adjustment is $52,097,976 built up by $23,106,501 in 2015 and $28,991,475 in 2014, which is included under expenses in Note 3b.

Unobservable inputs have been used in the fair value calculation thus it will fall under level 3 of the Fair Value Hierarchy as defined in NZ IFRS 13 *Fair value Measurement*. Management has based the calculation on assumptions around the timing of the receipt of the insurance

A 1% decrease from the discount rate used in the June 2015 insurance receivable amortised cost adjustment would have the effect of reducing the expense adjustment before tax by $7,511,460 (2014:$3,687,515) or $7,179,701 (2014: $2,655,010) after tax. A 1% increase from the discount rate used in the June 2015 insurance receivable amortised cost adjustment would have the effect of increasing the expense adjustment before tax by $6,892,812 (2014: $3,536,942) or $6,569,078 (2014: $2,546,598) after tax.

It is noted that the insurance receivable is still subject to ongoing negotiations between the Company, Christchurch City Council and the Local Authority Protection Programme (LAPP).

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 (2014: nil).

6b. Current trade receivables aging

The status trade receivables as at 30 June 2015 and 2014 are detailed below:

	2015			2014		
	Gross $000	Impairment $000	Net $000	Gross $000	Impairment $000	Net $000
Not past due	917	-	917	643	-	643
Past due 31 - 60 days	24	-	24	36	-	36
Past due 61 - 120 days	9	-	9	20	(2)	18
Past due > 120 days	18	(4)	14	-	-	-
Total	968	(4)	964	699	(2)	697

The carrying value of receivables that would otherwise be past due or impaired whose terms have been renegotiated amount to nil (2014: nil).

6c. Current trade receivables impairment movement

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

	2015 $000	2014 $000
Individual impairment	(4)	(2)
Total impairment	(4)	(2)
Movement in provision for impairment		
As at 1 July	(2)	(6)
Additional provisions made during the year	(12)	(2)
Provisions reversed during the year	1	5
Receivables written off during the year	9	1
Balance at 30 June	(4)	(2)

7. Other current financial assets

	2015 $000	2014 $000
Term deposits	18,709	33,754
	18,709	33,754

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

8. Current inventories

	2015 $000	2014 $000
Inventory held to be consumed in the rendering of services	342	251
	342	251

No inventories are pledged as security for liabilities (2014: nil).

There was no write-down of inventories (2014: nil).

9. Other current assets

	2015 $000	2014 $000
Prepayments	185	247
	185	247

10. Non-current trade and other receivables

	2015 $000	2014 $000
Prepayments	2,340	2,550
Building lease bond	-	16
Insurance receivable	104,290	136,929
	106,630	139,495

The carrying value of the insurance receivable approximates the fair value. A discount rate of 5.60% (2014: 5.82%) has been applied against the expected insurance receivable cash flows beyond 1 July 2015 resulting in an amortised cost adjustment of $50,949,022 for the non-current portion of insurance receivable (2014: $28,352,169). 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 2024. Note 6a includes a $1,148,954 (2014: $639,306) amortised cost adjustment for the current portion of the insurance receivable. The overall fair value amortised cost adjustment is $52,097,976 built up by $23,106,501 in 2015 and $28,991,475 in 2014, which is included under expenses in Note 3b.

Unobservable inputs have been used in the fair value calculation thus it will fall under level 3 of the Fair Value Hierarchy as defined in NZ IFRS 13 *Fair value Measurement*. Management has based the calculation on assumptions around the timing of the receipt of the insurance

A 1% decrease from the discount rate used in the June 2015 insurance receivable amortised cost adjustment would have the effect of reducing the expense adjustment before tax by $7,511,460 (2014:$3,687,515) or $7,179,701 (2014: $3,298,944) after tax. A 1% increase from the discount rate used in the June 2015 insurance receivable amortised cost adjustment would have the effect of increasing the expense adjustment before tax by $6,892,812 (2014: $3,536,942) or $6,569,078 (2014: $3,158,574) after tax.

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

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 1 July 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)	-	-	-	-	(209)
Balance at 30 June 2014	-	160,004	4,835	-	10,271	175,110
Additions	-	661	3,632	-	442	4,735
Disposals	-	-	-	-	(209)	(209)
Balance at 30 June 2015	-	160,665	8,467	-	10,504	179,636
Accumulated depreciation, amortisation and impairment:						
Balance at 1 July 2013	-	(148,679)	-	(17)	(4,758)	(153,454)
Disposals	-	-	-	17	623	640
Depreciation expense	-	(467)	-	-	(917)	(1,384)
Impairment charge	-	(11,308)	(1,985)	-	-	(13,293)
Impairment reversal on asset transferred to held for sale	-	810	-	-	-	810
Transfer to held for sale	-	335	-	-	-	335
Balance at 30 June 2014	-	(159,309)	(1,985)	-	(5,052)	(166,346)
Disposals	-	-	-	-	74	74
Depreciation expense	-	(29)	-	-	(905)	(934)
Impairment charge	-	-	(3,172)	-	-	(3,172)
Impairment reversal on PPE	-	1,252	-	-	-	1,252
Balance at 30 June 2015	-	(158,086)	(5,157)	-	(5,883)	(169,126)
Net book value as at 30 June 2014	-	695	2,850	-	5,219	8,764
Net book value as at 30 June 2015	-	2,579	3,310	-	4,621	10,510

* 2014 comparatives have been restated - see note 2 *Restatement of comparatives*

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.

Valuation and Impairment

Horncastle Arena

The Arena is tested annually for impairment under NZ IAS 36 *Impairment of Assets*. Management considers all the Arena building asset to be a single cash generating unit (CGU) for the purposes of the impairment test. The recoverable amount of the Arena is considered to be its value in use. The value in use of the Arena is the discounted estimated future cash flows that will be derived from the assets.

As detailed in Note 2 *Restatement of comparatives* the change in reporting from PBE standards to 'for-profit entity' standards has resulted in a change in valuation methodology. The material difference between the two valuation methodologies has resulted in the need to restate the 2014 comparatives.

The Arena is valued at $2.4 million at 30 June 2015 (2014: $0.6 million). This value includes a $1.3 million impairment reversal (2014: $11.0 million impairment) which has been applied against the asset.

The value of the Arena is calculated based upon a 10 year operating cash flow forecast for the venue. The cash flows have an assumed $14.3 million of capital expenditure within the 10 year period. The calculation assumes an average inflation rate of 3.06%. This rate is equivalent to the 20 year average rate issued by Business and Economic Research Ltd (BERL) for the overall cost index for local authorities (LGCI) (2014: 3.80% based on the 9 year average BERL LGCI rate). The discount rate used is 5.60% (2014: 5.8%).

Unobservable inputs have been used in the fair value calculation thus it will fall under level 3 of the Fair Value Hierarchy as defined in NZ IFRS 13 *Fair value Measurement*. Management has based the calculation on assumptions around the timing and amount of operating cash flows and capital expenditure during the period.

Town Hall

The building is valued at Nil as the estimated repair costs to bring the building to 100% of the New Building Standards (NBS) exceeds the estimated future cash flows that will be derived from the asset.

The Council has allocated up to $127.5 million for the rebuild and restoration of the Town Hall. As at 30 June 2015 the Company has spent $11.4 million (2014: $7.7 million) of the allocated repair budget. $2.9 million of these costs are of an expense nature and have been recorded in the statement of profit or loss and other comprehensive income in the year incurred. $8.5 million is capital in nature and have been treated as a work in progress (WIP) capital asset.

The WIP balance was tested for impairment under NZ IAS 36 *Impairment of Assets* and it was determined that the value in use of the WIP at 30 June 2015 is $3.3 million. Consequently a devaluation of $2.0 million (2014: $3.2 million) has been recorded in the statement of profit and loss and other comprehensive income in 2015. Note that the 2014 total is a result of a restatement of the 2014 WIP balance - refer to Note 2 *Restatement of comparatives.*

The value of the WIP is calculated based upon a 6 year operating cash flow forecast from the year 2019 to 2024 for the venue. The starting year used in the calculation is 2019 due to the fact that the venue is closed for the restoration and repair work up until then. The calculation assumes an average inflation rate of 3.06%. This rate is equivalent to the 20 year LGCI rate issues by BERL. The discount rate used is 8.7% (2014: 8.8%).

Unobservable inputs have been used in the fair value calculation thus it will fall under level 3 of the Fair Value Hierarchy as defined in NZ IFRS 13 *Fair value Measurement*. Management has based the calculation on assumptions around the timing and amount of operating cash flows and capital expenditure during the period.

Lancaster Park Stadium

The building is valued at Nil as the estimated repair costs to bring the building to 100% of the New Building Standards (NBS) exceeds the estimated future cash flows that will be derived from the asset.

The valuations comply with NZ IFRS 13 *Fair value Measurement*, issued by the New Zealand External Reporting Board.

Unobservable inputs have been used in the fair value calculation thus it will fall under level 3 of the Fair Value Hierarchy as defined in NZ IFRS 13 *Fair value Measurement*. Management has made the assumption that the Stadium is total rebuild.

Transfer between categories
There were no transfers between levels during the year.

12. Intangible assets

Software	**2015 $000**	**2014 $000**
Gross carrying amount:		
Opening balance	805	794
Additions	37	11
Closing balance	842	805
Accumulated amortisation and impairment:		
Opening balance	(768)	(762)
Amortisation expense	(38)	(6)
Closing balance	(806)	(768)
	36	37

13. Assets held for sale

	2015 $000	**2014 $000**
Land and buildings	9,476	9,699
	9,476	9,699

Land valued at $159,000 was sold during the 2015 year. The remaining movement consists of cost associated to the sale of the remaining assets held for sale.

The Company has agreed to sell the remaining assets held for sale on 31 August 2015. The balance consists of 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. This value, less estimated selling costs was used for the 2014 year total.

The valuer used significant observable inputs (Level 2, as defined in NZ IFRS 13 *Fair value Measurement*.) in the form of comparison property sales and property yields around the Christchurch area.

The 2015 balance is based upon the agreed mid-point of buyer and purchase, less estimated selling costs. While the agreed mid-point between both valuations has been used as the estimated selling price the final sale is still under negotiation. All valuations were referenced to current market comparisons.

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 13 (NZ IFRS13) *Fair Value Measurement* , 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	2015 $000	2014 $000
Trade payables		3,229	2,579
Owing to related parties	25	907	2,994
Income in advance		939	852
		5,075	6,425

15 Current Borrowings

	Note	2015 $000	2014 $000
Loan from related party - Council	23	4,500	-
Redeemable preference shares - Council	23	14,402	13,251
		18,902	13,251

The fair value of the current borrowing of the Company is $18,953,418 (2014: $13,609,645) based on cash flows discounted using the market borrowing rate of 5.60% (2014: 5.82%).

16. Non-current trade and other payables

	2015 $000	2014 $000
Income in advance	96	71
	96	71

17. 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 2015 is 6.81% (2014: 6.97%)

	Note	2015 $000	2014 $000
Unsecured:			
Loan from related party - Council	23	14,485	18,985
		14,485	18,985

The fair value of the non current borrowing of the Company is $16,158,855 (2014: $20,757,640) based on cash flows discounted using the market borrowing rate of 5.60% (2014: 5.82%).

18. 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.

	2015 $000	2014 $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
	189,636	190,787
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	1,151	2,209
Unwinding of discount	(1,151)	(1,058)
Balance at end of financial year	-	1,151

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 has been unwound through to the redemption date. The shares are to be redeemed on 31 August 2015 although the Company has the right to redeem shares prior to that date.

19. Capital commitments

On 12 June 2015 Council signed a capital commitment with Hawkins Construction to perform a full restoration and repair of the Town Hall (2014: nil). The Council is using its resources and expertise to project manage the repair on behalf of Vbase.

The repair cost is capped at $127.5 million and will be funded by insurance proceeds and Council equity contributions.

20. Contingent liabilities and contingent assets

The Company had business interruption insurance in place which entitles Vbase to recover any lost revenues for a maximum period of 24 months 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 closed venues. The Company has received payments under the policy but the quantum of the future recoveries cannot be reliably measured until negotiations with the insurer are concluded. This contingency remains unchanged from 2014.

The Company had 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 negotiations with the insurer have been concluded. This contingency remains unchanged from 2014.

In 2014 the Company had a claim for outstanding payments from Heartland Bank under the Arena Sponsorship Agreement. Heartland Bank also had a counter claim against the Company for breach of the Arena Sponsorship Agreement. This was resolved in 2015 and the settlement has been included within the statement of profit or loss and other comprehensive income. The settlement amount subject to a confidentially agreement between both parties.

In 2014 the Company had 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 had been released by the fire authority on the cause of the fire. During 2015 the cause of the fire was determined to be the fault of an external party and a subsequent claim for $69,830 in damages was filed with the external party's insurance company. The payment has been received post balance date.

Other than the above the Company had no material contingent assets as at 30 June 2015 .

There were no material contingent liabilities for the Company (2014: Heartland Bank counter claim).

21. Events after balance date

On 31 August 2015 the Company completed the sale of its held for sale property. On the same day the Company repaid in full a $4.5 million loan from Council and repurchased $14.4 million of redeemable preference shares that had a mandatory redemption date of 31 August 2015.

22. Notes to the cash flow statement

	2015	2014
	$000	$000*
Cash and cash equivalents		
Cash on hand	80	(329)
Call and term deposits	17,825	4,959
	17,905	4,630
Reconciliation of profit for the period to net cash flows from operating activities		
Net loss for the period from operations	(28,002)	(38,991)
Non cash items		
Depreciation and amortisation of non-current assets	1,182	1,600
Unwinding of discount on RPS	1,151	1,058
Movement in deferred tax	4,545	(6,872)
Impairment of of property, plant & equipment and assets held for sale	2,073	12,983
Temporary impairment of buildings	-	310
Items classified as investing / financing activities		
Movement in capital creditors	2,035	(2,603)
Gain on disposal of property, plant and equipment	(16)	(9)
Loss on disposal of property, plant and equipment	18	561
Profit on sale of shares	-	(198)
Interest revenue received	(1,503)	(2,218)
Finance and interest costs paid	1,339	2,504
Material damage insurance recoveries	-	(9,359)
Movement in working capital		
Decrease in creditors	(1,325)	(678)
Decrease in receivables	23,216	37,373
(Increase) / decrease in inventory	(91)	34
Net cash from operating activities	4,622	(4,505)

* 2014 comparatives have been restated - see note 2 *Restatement of comparatives*

23. 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:

	2015 $000	2014 $000
Transactions and balances with Christchurch City Council Group companies		
Receipts from related parties:		
Hire of rooms, related services and event cost reimbursement to:		
Council	3,372	158
Christchurch International Airport Ltd	28	28
Riccarton Bush Trust	-	1
City Care Ltd	2	-
Orion Ltd	-	2
Christchurch City Holdings Ltd	-	3
Total receipts from rooms, related services and event cost reimbursment	3,402	192
Subvention payments received from Council group entities	5,852	-
Sales proceeds from JEFL disposal	-	198
Total receipts from related parties	**9,254**	**390**
Payments to related parties:		
Lease of Town Hall land from the Council	100	91
Insurance, rates, repair on-charges and other services provided by Council	8,036	5,646
Loan repayments to Council	-	15,238
Interest expense to Council	1,338	2,504
Services provided by City Care Ltd	1,108	146
Services provided by Connetics Ltd	12	1
Services provided by Orion Ltd	16	-
Services provided by Red Bus Ltd	13	25
Tax losses offset to Council group entities	15,048	-
Total payments to related parties	**25,671**	**23,651**

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

Related-party transactions (cont)

	2015 $000	2014 $000
Year end balances (inclusive of GST)		
Accounts payable and accruals to:		
Council	604	2,748
City Care Ltd	77	41
Red Bus Ltd	-	12
Orion NZ Ltd	5	-
Enable Networks Ltd	1	1
Accrued interest payable to Council	220	192
Accounts payable and accruals related parties total	907	2,994
Accounts receivable from:		
Council	37	36
Christchurch International Airport Ltd	5	4
Accounts receivable related parties total	42	40
Other balances:		
Loan advances from Council	18,985	18,985
Redeemable preference shares from Council	14,402	13,251
Subvention payments receivable from group companies	483	700
Total other related party year end balances	**33,870**	**32,936**

The Company expects to transfer losses of $1.72 million to other members of the Council group (2014: $2.50 million) by way of subvention payment of $0.48 million (2014 $0.70 million). The final Council group tax position for the 2014 tax year resulted in Vbase transferring all accumulated losses held in the entity to other members of the Council tax group. This resulted in a subvention payment of $5.9 million being paid to Vbase in the 2015 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.

No provision has been required, nor any expense recognised, for impairment of receivables from related parties (2014: nil).

24. 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:

	2015 $000	2014 $000
No later than one year	199	202
Later than one year and not later than five years	774	747
Later than five years	4,500	4,684
	5,473	5,633

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:

	2015 $000	2014 $000
No later than one year	27	159
Later than one year and not later than five years	-	42
	27	201

As at 30 June 2015 there are two leases associated with one building. The first lease expired on 30 June 2015 and will be renewed 1 July 2015 for a further 6 months. The second lease expires in January 2016. The aggregate minimum lease payments have been calculated for a 2 month period only, out to 31 August 2015. This date is when the building is to be sold.

Due to the extent of earthquake damage the second building was not leased during the 2014 or 2015 financial years.

25. 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.

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 LAPP.

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 $349,227 or $251,443 after tax (2014: $454,840 before tax, $327,485 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.

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:

	2015 $000	2014 $000
Counterparties with credit ratings		
Cash at bank and bank term deposits		
AA-	36,614	38,384
Total cash at bank and term deposits	36,614	38,384
Counterparties without credit ratings		
Debtors and other receivables		
Related parties receivables	42	40
Existing counterparty with no defaults in the past	126,245	149,168
Total debtors and other receivables	126,287	149,208

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 2015 or 2014.

2015	Loans & receivables $000	Other amortised cost $000	Total carrying amount $000
Current assets			
Cash and cash equivalents	17,905	-	17,905
Trade and other receivables	21,955	-	21,955
Other financial assets	18,709	-	18,709
Other (related party receivables)	42	-	42
	58,611	-	58,611
Non current assets			
Trade and other receivables	104,290	-	104,290
	104,290	-	104,290
Total financial assets	162,901	-	162,901
Current liabilities			
Trade and other payables	-	5,075	5,075
Borrowings	-	18,902	18,902
	-	23,977	23,977
Non current liabilities			
Borrowings	-	14,485	14,485
Other (income in advance)	-	96	96
	-	14,581	14,581
Total financial liabilities	-	38,558	38,558

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

Contractual Maturity Analysis

As at 30 June 2015	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	17,905	17,905	17,905	-	-	-
Trade receivables	126,245	178,343	23,100	28,125	-	127,113
Other financial assets	18,709	19,029	19,029	-	-	-
Other (related party receivables)	42	42	47	-	-	-
	162,901	215,319	60,081	28,125	-	127,113
Financial liabilities						
Trade and other payables	3,229	3,229	3,229	-	-	-
Borrowings	33,387	47,520	20,195	987	2,961	23,377
Other (income in advance)	1,035	1,035	942	61	32	-
Other (related party)	907	907	907	-	-	-
	38,558	52,691	25,273	1,048	2,993	23,377

The 2015 carrying amount of trade receivables reflects the fair value as detailed in notes 6 and 10. Other financial assets contractual cash flows include interest receivable of $319,590 under the term deposits entered into (2014: $527,030).

Contractual Maturity Analysis (cont)

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

26. 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.

27. 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 2014/15 financial year the Company met the specified timeframes as set out in the legislation for the submission of its half year accounts and draft Statement of Intent to its shareholder.

Statement of Service Performance

Reporting against the Statement of Intent

Objective and Strategy	Performance Measure 2014/15	Results as at 30 June 2015
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.	91 events YTD. **Target achieved.**
• Maximise the number of event days at Horncastle Arena	At least 54% of available event days utilised at Horncastle Arena	51% utilisation for the year to 30 June 2015. Repair work in Jan and Feb has adversely impacted the Arena availability. **Not achieved.**
2 - Great Hosting – deliver an outstanding client and service experience • Client satisfaction with events delivered at both owned and managed Vbase venues (client satisfaction survey)	Achieve greater than 80% satisfaction during the year.	Of the survey respondents an average 91% client satisfaction level has been achieved with a survey response rate of 18%. **Target achieved and exceeded.**
3 - Growth – utilise assets and capabilities for growth • Support the Council in endeavours to increase the available venues	Vbase will work with Council and other interested stakeholders assessing new venue development initiatives.	Additional seasonal operations have commenced from a temporary facility near the Botanic Garden's Kiosk during the 7 month period to March 2015. In addition an agreement to manage the Hagley Oval Cricket Pavilion has been signed and operations commenced at the Pavilion during September 2014. **Target achieved**
• Support the Council in the delivery of major events	Vbase will work with Council and other stakeholders to develop new partnerships for major events to the city.	Successfully hosted the FIFA under 20 World Cup games at AMI Stadium during the year in addition to the Boxing Day test match, NZ ODI's and the Cricket World Cup matches at Hagley Oval. **Target achieved.**
4 - Valuable Partnerships – great to do business with and a great place to work • Secure National events at the AFM.	Greater than 100 events.	A total of109 national events were delivered. **Target achieved.**
• Secure local events at the AFM.	Greater than 150 events.	A total of 97 local events were delivered. An increase in competing venues throughout the year has adversely impacted this result. **Target not achieved**

• Secure events that will encourage high usage of Vbase venues	At least 250,000 visitors at Horncastle Arena.	308,570 visitors for the year. The target was exceeded due to a large amount of popular entertainers performing at the Arena during the summer months. **Target achieved and exceeded.**
• Facilitate access to the venues for local community and charitable organisations including sporting and cultural organisations	Total venue discounts exceed $300,000.	Vbase provided a total of $444,156 venue discounts during the year for organisations meeting the criteria. **Target achieved**

Financial performance targets

	2015 Actual $000	2015 Target $000	Variance $000
Direct operating income	22,667	17,822	4,845
Direct operating expenses	20,449	16,417	4,032
Net operating overheads and fixed costs	3,565	3,596	(31)
EBITDA	(1,347)	(2,191)	844
Add:			
Interest received	1,477	885	592
Revaluation of property, plant & equipment	-	-	-
Profit on sale of land	-	1,158	(1,158)
Town Hall impairment reversal	-	3,699	(3,699)
Less:			
Earthquake repair costs	346	33,658	(33,312)
Interest expense	2,516	1,364	1,152
Depreciation	1,182	3,520	(2,338)
Amortised cost change for insurance receivable	23,107	-	23,107
Impairment of property, plant and equipment and held for sale assets	3,321	-	3,321
Net deficit before tax	(30,342)	(34,991)	4,649
Taxation	(1,091)	(10,087)	8,996
Net deficit after tax	(29,251)	(24,904)	(4,347)
Add back profit on sale of Convention Centre land	-	(1,158)	1,158
Add back revaluation of Town Hall	-	(3,699)	3,699
Add back depreciation	1,182	3,520	(2,338)
Add back of earthquake repair costs	346	33,658	(33,312)
Fair value movement for insurance receivable	23,107	-	23,107
Revaluation of property, plant & equipment	-	-	-
Impairment of property, plant and equipment	3,321	-	3,321
Add back of non operating items	27,956	32,321	(4,365)
Operating (loss) / profit after tax	(1,295)	7,417	(8,712)

While all Vbase managed venues generated higher than forecast operating revenue for the year. The most significant impact on both revenue and expense is the operating result of the newest addition to the Vbase managed venue portfolio - the Hagley Oval Pavilion. This venue was operational in September 2014. Vbase had extensive involvement in project managing additions and modifications to the venue in order for it to be ready to host several One Day Cricket World Cup (CWC) games held in February 2015. This project management contributed to Vbase incurring significant set up costs which were then on-charged and recouped from the various tournament sponsors and organisers. Revenue contains $3.1 million of on-charged CWC costs. This on-charge revenue was not factored into the revenue target for the year.

The larger, than target, expenses include higher cost of goods sold in line with the increased revenue in addition to $3.1 million of set up costs for the CWC which were not included in the expense target set for the year.

Net operating overheads and fixed costs were on target for the year.

The EBITDA loss for the year is $0.84 million better than the target deficit of $2.2 million. This is the result of higher event revenue with stronger revenue margins than were forecast.

Interest received is higher than target due to larger term deposit balances than were forecast. The majority of term deposits consist of Town Hall material damage indemnity insurance payments that will be used to fund the repair of the Town Hall. The delays to the project have resulted in lower spending as compared to forecast. See facility rebuild target below for further details.

Profit on the sale of land was included within the 2015 target but this sale has been delayed and will now occur in August 2015.

When preparing the 2015 SOI targets the assumption at the time was to treat the money spent repairing the Town Hall as an expense. This treatment would require any impairment previously booked for the Town Hall to be reversed in the statement of profit and loss and other comprehensive income. This accounting treatment was subsequently reviewed after final approval of the SOI and it was deemed that all Town Hall repair costs will be treated as a work in progress fixed asset as opposed to an expense item. This treatment results in there being no Town Hall repair costs or impairment reversal in the statement of profit and loss and other comprehensive income for 2015. The $346k in the earthquake repair costs represents earthquake related costs for Vbase owned buildings, other than the Town Hall.

Interest expense is higher than budget as the budget included a repayment of $8.46 million loan principal from land sale proceeds which did not occur in 2015.

Depreciation expense is lower than target as a direct result of the value in use reduction discussed in note 2. This significant valuation adjustment was not forecast in the SOI target.

An amortised cost adjustment has been applied against the material damage insurance accrual that is located in current and non-current assets. This adjustment uses a discount rate of 5.60% and is based on the expected cash flows around the timing of repairs and the receipt of material damage insurance recoveries. The result is a $23.1 million expense recorded in the 2015 year which was not included in the forecast target.

The impairment test of the Arena in June 2015 resulted in an impairment reversal of $1.3 million being recorded as revenue. This was not included in the target.

In addition there is also an impairment on the Town Hall WIP balance of $5.2 million which was not budgeted for.

The main contributor to the $9.0 million variance in operating profit/(loss) after tax is the tax expense variance. The target has assumed a tax impact on the target earthquake repair cost of $33.7 million. As this earthquake expense did not materialise the tax entry the actual tax entry variance is $10.6 million. This, along with all the significant variances commented on about contribute to the operating profit/(cost) variance.

Ratio of Shareholders funds to total assets

The ratio of Shareholders funds to total assets is:

Actual	Target
67%	83%

The main 2015 contributor to the ratio difference is the $23 million amortised cost adjustment related to the insurance receivable which was not included in the forecast. The target percentage also does not take into account the 30 June 2014 year end amortised cost adjustment of the insurance receivable or the Arena valuation restatement. These two adjustments total $60.9 million.

The capital structure is:

	Actual $000	Target $000	Variance $000
Issued shares and other equity instruments	189,636	191,845	2,209
Debt	33,387	19,146	(14,241)
Total assets	186,273	280,355	94,082
Total equity	125,252	231,529	106,277

The issued shares and other equity instruments target incorrectly excluded $2.2 million of RPS share interest which is reflected in the actual total.

Target debt assumed $5.2 million and $8.5 million of debt being repaid in 2014 and 2015 respectively. These repayments did not occur during the year as forecast due to forecast asset sales and material damage insurance receipts not occurring.

There are three significant contributors to the total asset variance. They are:

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 during the 2014 and 2015 years which, in total, reduced the fixed asset balance by $52 million.

3) Impairment of buildings, as outlined in note 2, which were not forecast. These total approximately $60 million.

There are multiple items that contribute to the total equity variance of $106.3 million. The first is the $3.1 million variance in the net profit/(deficit) after tax for the 2015 year. The profit and loss commentary above explains the main contributors to this variance. In addition the forecast had assumed a $32.2 million revaluation reserve balance at June 2015 while the actual balance is $2.3 million. This difference arises from the accounting treatment change relating to the reporting of the Town Hall repair as referred to in the revenue commentary above. Finally there is a $68 million variance in the opening balance of retained earnings between the forecast and the financial statements. This difference is significant due to the budget being closed before the 2014 financial statements were completed. This meant that the budget did not take into account, among other less significant items, the large Arena impairment charge and an insurance debtor fair value adjustment that were included in the June 2014 financial result.

Facilities rebuild

	Actual $000	Target $000	Variance $000
Facilities repair/rebuild			
Town Hall repairs	8,467	33,658	25,191
	8,467	33,658	25,191
Financing the repair/rebuild			
Vbase material damage insurance recoveries	8,467	33,658	25,191
	8,467	33,658	25,191

The Town Hall repair has been on hold during 2015 with the Council committing in June 2015 to a full repair and restoration. The target assumed that the repair would have commenced by July 2014 All insurance money used to fund the repair has been received in previous years..

Independent Auditor's Report

To the readers of Vbase Limited's financial statements and statement of service performance for the year ended 30 June 2015

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 5 to 37, that comprise the statement of financial position as at 30 June 2015, the statement of profit or loss and other 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 38 to 43.

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

The company has recognised an insurance receivable of $125 million (2014: $148 million), and has made no allowance for any amount that may not be recoverable. The company has also recognised an expense of $23 million (2014: $29 million) for a reduction in the nominal value of the insurance receivable because it considers that this amount will be received in future years.

We have been unable to obtain sufficient appropriate audit evidence to confirm that the full amount of the insurance receivable will be recovered, or that the reduction in the insurance receivable is appropriate, and there are no practicable audit procedures that we could undertake to determine the amount of any non-recoverable portion.

In addition, we were unable to confirm the consequential impact on the company's current and deferred tax asset and liability which would be affected by any change in the recoverability of the insurance receivable, and any decisions over the possible replacement or repair of the Lancaster Park stadium as outlined on page 15 of the annual report.

Because of the significance of the matters described above which also affects the comparative information, we have been unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements other than the statement of cash flows. Accordingly, we do not provide an opinion on the financial statements, other than the statement of cash flows.

Unmodified opinion on the statement of cash flows

In our opinion, the statement of cash flows on page 8 complies with generally accepted accounting practice in New Zealand and has been prepared in accordance with New Zealand equivalents to International Financial Reporting Standards. In addition, the statement of cash flows presents fairly, in all material respects the company's cash flows for the year ended 30 June 2015.

Qualified opinion on the statement of service performance

We have audited the statement of service performance of the company on pages 38 to 43. In our opinion, except for the possible effects of the matters described above, the statement of service performance presents fairly, in all material respects, the company's achievements measured against the performance targets adopted for the year ended 30 June 2015.

Our audit was completed on 30 September 2015. 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 for 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 the 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 the statement of service performance. We are unable to determine whether there are material misstatements in the financial statements and the 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 in the statement of service performance. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and the 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 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 the disclosures in the financial statements and in the statement of service performance; and
- the overall presentation of the financial statements and the statement of service performance.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and the statement of service performance. Also, we did not evaluate the security and controls over the electronic publication of the financial statements and the statement of service performance.

We believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion on the statement of cash flows and that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion on the statement of service performance.

Responsibilities of the Board of Directors

The Board of Directors is responsible for the preparation and fair presentation of financial statements for the company that comply with generally accepted accounting practice in New Zealand and New Zealand equivalents to International Financial Reporting Standards. The Board of Directors is also responsible for preparation of the statement of service performance for the company.

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

The Board of Directors is responsible for such internal control as it determines is necessary to enable the preparation of financial statements and 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 the statement of service performance, whether in printed or electronic form.

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and the 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.

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

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