VBASE LIMITED ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2016

Make life more eventful.

vbase

Horncastle ARENA + HAGLEY OVAL + CHRISTCHURCH TOWN HALL + AIR FORCE MUSEUM of New Zealand + ami stadium + ilex BOTANIC GARDENS

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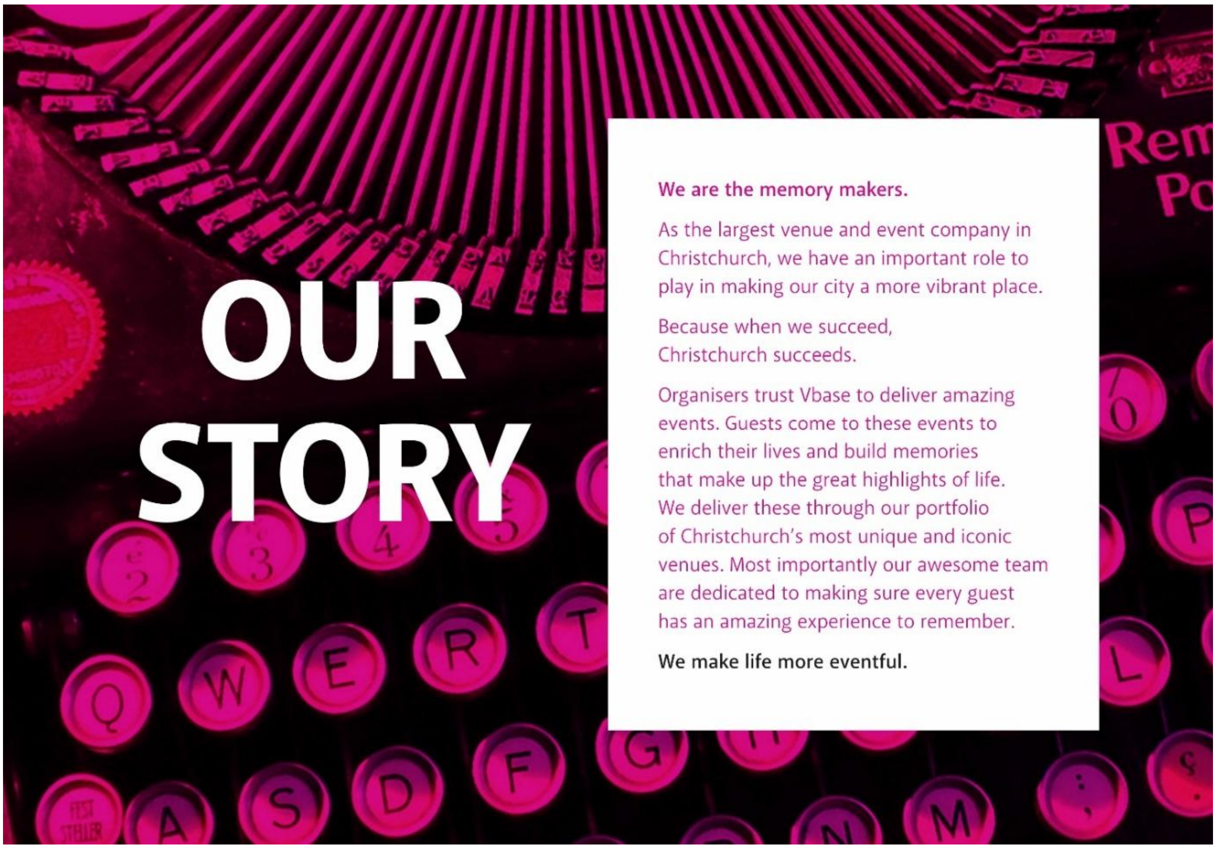
OUR STORY
We are the memory makers.
As the largest venue and event company in Christchurch, we have an important role to play in making our city a more vibrant place.
Because when we succeed, Christchurch succeeds.
Organisers trust Vbase to deliver amazing events. Guests come to these events to enrich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

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CHAIRMAN & GENERAL MANAGER'S REPORT

Over the past year Vbase Ltd has continued to attract and deliver a range of quality events across its diverse venue portfolio, with 638,203 people attending a total of 613 events.

The events hosted have included small meetings, training and seminars, cocktail receptions, sporting events (indoor and outdoor), ticketed concerts and performing arts, tradeshows and exhibitions, conventions, conferences, and gala dinners. The company has continued to successfully do this under challenging financial conditions and also in the context of the uncertainties associated with recovery and regeneration from the 2010 and 2011 earthquakes.

Vbase has managed to attract a growing number of ticketed events over the last couple of years and Christchurch now holds around 10% market share of business events in New Zealand which is up from 2% immediately post quakes. Of that 10%, Vbase contributes a substantial share through securing and hosting these types of events.

Vbase estimates that the economic benefit to Christchurch from hosting conferences and conventions in our venues is around $7.90 million. While no economic impact assessments have been carried out for ticketed events we would expect that the economic benefit from these would be much more.

HORNCASTLE ARENA

The major highlight of the year at Horncastle Arena was the first ever Cirque du Soleil shows in Christchurch with nearly 50,000 people watching the 13 performances. Other highlights for the year included Maroon 5 (sold out), Mrs Browns Boys, Cold Chisel, Imagine Dragons, Simply Red, Sol3Mio and Disney on Ice, all of which staged high quality shows for Christchurch.

Noting that multiple shows such as Cirque du Soleil, Mrs Browns Boys (four performances) and Disney on Ice (seven performances) are each treated as one event, Vbase hosted a total of 81 events at Horncastle Arena. This was made up of 30 concerts and shows, 14 expos or trade shows, two conventions with the balance consisting of graduations, prize-giving's, gala dinners, corporate events and other cultural events. The company has exceeded its performance target for attendances at Horncastle Arena with 337,269 people through the venue.

Regular relationship meetings have remained highly positive with our naming rights partner, Horncastle, who have been pleased with the success of the partnership. The association for Horncastle with such an iconic venue has been able to provide confidence to their potential and existing customers in the Horncastle brand which is vital in the home-building market.

In the course of the year the former Tuck Shop cafe reached the end of its temporary life and in September 2015 the decision was made to upgrade the offering and improve the environment. Work got underway during the summer holiday period and the newly branded Lot 55 café was opened in February 2016, named after its location at 55 Jack Hinton Drive.

At the end of the year the company has completed the first stage of a revised asset management plan for the Arena which is now 18 years old. The revised plan sets out replacement or renewal of plant or equipment over the next five years which will be further developed in the coming years as more data is collected and input into the asset management process. This process aims to ensure the longevity of Horncastle Arena.

AMI STADIUM

Vbase acquired and promoted an A-League football match between the Wellington Phoenix and Central Cost Mariners in January 2016 and was also instrumental in acquiring and then delivering the sell-out, first ever NRL match at the venue in May 2016 featuring the Penrith Panthers and the Warriors.

Of course rugby is the key tenant of the venue and Vbase delivered the capacity All Blacks v Argentina game in July 2015 as well as six Super Rugby matches and seven ITM Cup matches.

Additionally, Vbase supported a number of community events including local rugby league finals, junior league, T-ball and cricket matches throughout the year.

AIR FORCE MUSEUM

This year saw Vbase and the Air Force Museum renew their partnership for a further three year period. The Air Force Museum continues to be a great asset for Christchurch acting as a temporary convention centre and hosting 16 conferences in the year. These high value events bring much needed economic benefit to Christchurch through the high visitor spending.

In addition there were 184 other events held at the venue including school balls, banquets, cocktail functions, meetings, roadshows and expos.

HAGLEY OVAL

Vbase has a management services agreement with the Canterbury Cricket Trust to operate the Hadlee Pavilion and continued to provide event management services for international cricket events at Hagley Oval.

The stunning Hagley Oval and Hadlee Pavilion has firmly established itself as one of New Zealand's premier cricket grounds in the short time since it opened in September 2014. This year the Hagley Oval hosted the NZ Black Caps in two sold-out one day internationals against Sri Lanka on Boxing Day and on 28 December 2015 and a test match against Australia in February 2016. In total there were 24 domestic and international cricket matches held at the venue during the year.

Excluding community events, there were 99 event days recorded at the Hadlee Pavilion during the year.

Vbase also provided $36,000 in community discounts for this venue in conjunction with the Canterbury Cricket Trust.

ILEX CAFÉ AND EVENTS

A total of 112 events were hosted at ilex with the venue proving popular for weddings, dinners, cocktail and breakfast functions.

At the beginning of summer Vbase opened a new food spot in the Christchurch Botanic Gardens. Run by Vbase as a sister outlet to the nearby ilex Café, Duck.Duck is located on the playground side of the recently restored Tea Kiosk building and during the summer months serves espresso coffee, ice cream and a range of healthy options for children.

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CHRISTCHURCH TOWN HALL

The year started off on a positive note with the Council confirming the decision to proceed with the $127.5 million repair to the Vbase owned Christchurch Town Hall and construction commenced in July 2015. The decision was not only for the full repair of the Douglas Lilburn Auditorium and function spaces but also included the installation of retractable seating and improvement in acoustics to the James Hay Theatre. During the course of the year the work to insert nearly 1,200 jet grout columns underneath the building has been completed with the programme still on track for re-opening the venue in mid-2018.

In the meantime, as the owner of the building Vbase has started commencement of its pre-operational phase and has already started to market the venue for bookings.

HEALTH AND SAFETY

April 2016 saw the introduction of the new Health and Safety at Work Act. In advance of this Vbase updated its Health & Safety Statement of Commitment, Health & Safety Manual, and a number of related policies and procedures particularly as they relate to the pack-in and pack-out of events.

In addition the company has appointed a Health and Safety Co-ordinator which is a new role to provide oversight and support to all staff in ensuring the continuation of, and improvement to, a positive health and safety culture.

INDUSTRY RECOGNITION

In December 2015, the company was rewarded for the hard work and effort over the last couple of years to deliver improvements across the business. At the Entertainment Venues Association of New Zealand Annual Awards, Vbase was presented with the Excellence in Customer Service Award. This is great recognition from our industry peers to be delivering the best customer service in venue management in New Zealand.

Additionally, our Event Services and Guest Experience Manager was presented with both the Rising Star of the Year and Supreme Venue Person of the Year Awards, and the Air Force Museum was announced as the Small Venue of the Year.

SPONSORSHIPS AND COMMUNITY CONTRIBUTION

We have three selected "flagship" events where we sponsor the venue in its entirety as well as allow other concessions. These events are selected as their audiences are key target customers of Vbase which in turn provides us the perfect platform to leverage our sponsorship. These events are the Champion Canterbury Business Awards, Cancer Society Ball and the Sports Canterbury Awards.

Vbase has additionally provided a total of $353,795 worth of venue rental discounts to community and cultural groups who would otherwise struggle to host their event at a suitable venue in Christchurch.

We have also continued to provide support as appropriate to charitable causes, in particular to our charity of choice, Cholmondeley. Through our social media channels this year we have done more for charitable causes including asking followers to nominate deserving people in the community for tickets to events.

Chairman	5/9/16 Date
General Manager	5/9/16. Date

BUSINESS AND FINANCIAL OVERVIEW

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

The 2010 and 2011 earthquakes caused serious damage to Lancaster Park and the 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 charges the Company a management fee equivalent to the employee salaries and wages.

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

- AMI Stadium (Addington) erected by the Christchurch Stadium Trust to support large scale rugby fixtures and other events.
- The Air Force Museum Wigram. From February 2013 Vbase has been operating a conference and event space in addition to an on-site café from this venue.
- The ilex Café and Events venue is situated in the Christchurch Botanic Gardens. Vbase began operating this venue in April 2014. The venue consists of a café with indoor and outdoor seating as well as a separate function room that can be used to accommodate events for up to 120 people. In addition to the café and function room, Vbase also began operating the kiosk Duck.Duck in late 2014 which is also situated within the Christchurch Botanic Gardens area.
- 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 be completed in mid-2018.

For the year ended 30 June 2016, the Company made a net deficit after tax of $36.8 million (2015: deficit $28.0 million). The majority of the deficit amounts comprise an impairment of property, plant and equipment, in addition to an adjustment arising from the February 2016 final settlement of the Company's material damage insurance claim.

ARENA AND TOWN HALL WORK IN PROGRESS IMPAIRMENT

Under the 'for-profit entity' suite of accounting standards the market value of buildings is determined using estimated future cash flows. As a result the Arena has been revalued on an estimated future cash flows basis. This has resulted in the Arena being valued at $2.43 million at 30 June 2015 and $1.09 million at 30 June 2016 and the Town Hall work in progress (WIP) being reduced in value.

The market value of the Arena is not easy to determine using typical valuation methods. In June 2015 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 June 2015 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 at the June 2015 valuation.

For and on behalf of the Board

Director 5/9/16 Date

Director 5/9/16 Date

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2016

	Note	2016 $000	2015 $000
Revenue	1a	26,988	27,148
Expenses	1b	24,958	27,346
Profit/(Loss) before depreciation, finance costs and income tax expense		2,030	(198)
Other expenses			
Depreciation and amortisation	1b	1,292	1,182
Finance costs	1b	1,134	2,516
Insurance settlement	1b	18,186	23,107
Loss on disposal of assets	1b	1,824	18
Impairment of property, plant & equipment & held for sale assets	1b	38,578	3,321
Total other expenses		61,014	30,144
Other revenue			
Impairment reversal on property, plant & equipment	1a	412	1,249
Total other revenue		412	1,249
Loss before income tax expense from operations		(58,572)	(29,093)
Income tax income from operations	2a	21,755	1,091
Loss from operations for the year		(36,817)	(28,002)
Other comprehensive income			
Net movement on property valuations		-	48
Total other comprehensive income from operations		-	48
Total comprehensive income		(36,817)	(27,954)

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

STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2016

	Note	Capital $000	Revaluation Reserve $000	Retained Earnings $000	Total $000
Balance at 1 July 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	13	(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
Total comprehensive income for the period					
Loss for the year		-	-	(36,817)	(36,817)
Other comprehensive income, net of income tax					
Transfer to retained earnings resulting from disposal of property		-	(2,326)	2,326	-
Total other comprehensive income		-	(2,326)	2,326	-
Total comprehensive income for the year		-	(2,326)	(34,491)	(36,817)
Balance at 30 June 2016		189,636	-	(101,201)	88,435

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

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STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	Note	2016 $000	2015 $000
Current assets			
Cash and cash equivalents	17	41,196	17,905
Trade and other receivables	4a	2,662	21,997
Other financial assets	5a	38,500	18,709
Inventories	6	421	342
Current tax assets	2b	1,949	483
Held for sale assets	10	-	9,476
Other current assets	7	251	185
Total current assets		84,979	69,097
Non-current assets			
Trade and other receivables	4b	2,132	106,630
Other financial assets	5b	27,839	-
Property, plant & equipment	8	6,172	10,510
Intangible assets	9	74	36
Deferred tax assets	2c	15,827	-
Total non-current assets		52,044	117,176
Total assets		137,023	186,273
Current liabilities			
Trade and other payables	11a	15,638	5,075
Borrowings	12a	-	18,902
Total current liabilities		15,638	23,977
Non-current liabilities			
Trade and other payables	11b	51	96
Borrowings	12b	14,485	14,485
Deferred tax liabilities	2c	18,414	22,463
Total non-current liabilities		32,950	37,044
Total liabilities		48,588	61,021
Net assets		88,435	125,252
Equity			
Capital and other equity instruments	13	189,636	189,636
Reserves		-	2,326
Retained earnings		(101,201)	(66,710)
Total equity		88,435	125,252

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

For and on behalf of the Board

Director   5/9/16 Date   Director   5/9/16 Date

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STATEMENT OF CASH FLOWS

For the year ended 30 June 2016

	Note	2016 $000	2015 $000
Cash flows from operating activities			
Receipts from customers		21,766	25,026
Subvention received		1,253	5,852
Receipt of business interruption insurance		2,791	-
Payments to suppliers and employees		(25,122)	(26,324)
Net GST movement		(142)	68
Net cash provided by operating activities	17	546	4,622
Cash flows from investing activities			
Payment for property, plant & equipment		(27,642)	(6,629)
Receipts from material damage insurance		108,318	-
Interest received		1,298	1,503
Sale of assets held for sale		10,103	73
Insurance claim costs		(1,666)	-
Maturity of investments		66,152	83,362
Purchase of investments		(113,782)	(68,317)
Net cash provided by investing activities		42,781	9,992
Cash flows from financing activities			
Interest and other finance costs paid		(1,134)	(1,339)
Repurchase of related party shares		(14,402)	-
Repayment of loan from related party		(4,500)	-
Net cash used in financing activities		(20,036)	(1,339)
Net increase in cash and cash equivalents		23,291	13,275
Cash and cash equivalents at beginning of year		17,905	4,630
Cash and cash equivalents at end of year		41,196	17,905

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

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STATEMENT OF SERVICE PERFORMANCE

REPORTING AGAINST THE STATEMENT OF INTENT

Objective and Strategy	Performance Measure 2015/2016	Results as at 30 June 2016
1. Health and Safety - Vbase will be a safe place to work and visit		
Provide leadership, policies and practices to clients, contractors and sub-contractors	100% completion of H&S inductions for contractors working at Vbase venues 100% correction of identified sub-standard practices or conditions	100% of contractors who have undertaken work at Vbase venues during the year were inducted. **Target achieved**. A full venue H&S audit is complete and a new health and safety manual has been published. **Target achieved**.
Continue to improve health and safety processes	Annual health and safety audit completed	Full venue H&S audit is complete and a new health and safety manual has been published. **Target achieved**.
2. Venue Utilisation		
High utilisation of Horncastle Arena	At least 90 events are delivered at Horncastle Arena	81 events were delivered during the year. There were events held at the venue during the year that held multiple showings over a consecutive number of days. These multiple shows are classified as a single event for this measure. **Target not achieved.**
Attract events at AMI Stadium outside of the standard Super 15 and provincial rugby fixtures	At least 1 major event is delivered at AMI Stadium	A Wellington Phoenix v Central Coast Mariners A League game was held in January and a Penrith Panthers v Warriors NRL game was held during May. **Target exceeded.**
High utilisation of Air Force Museum	At least 180 events are delivered at Air Force Museum	200 events held during the year. **Target achieved.**
High utilisation of Hagley Oval Pavilion	At least 30 event days are delivered at Hagley Oval Pavilion	Excluding community events and events held by the venue owner there were 99 event days during the year. **Target exceeded.**
High utilisation of ilex function room	At least 50 events are delivered at ilex function room	112 events held at ilex for the year. **Target exceeded.**
3. Deliver Outstanding Service Delivery		
Event Owner (Client) satisfaction	Minimum 50 surveys completed during the year Achieve greater than 80% satisfaction during the year	103 surveys completed. **Target exceeded**. 94.1% average satisfaction percentage. **Target exceeded.**
Event Customer (Guest) satisfaction	Minimum 300 guests surveyed throughout the year Achieve greater than 80% satisfaction during the year	4,048 surveys completed. **Target exceeded.** 93.3% average satisfaction percentage. **Target exceeded.**

Objective and Strategy	Performance Measure 2015/2016	Results as at 30 June 2016
Retail Hospitality Customer satisfaction	Minimum 300 guests surveyed throughout the year Achieve greater than 80% satisfaction during the year	2,015 surveys completed. **Target exceeded.** 92% average satisfaction percentage for the year. **Target exceeded.**
4. Community Benefit		
Facilitate access to venues for local community and charitable organisations	Total venue discounts equal $300,000	$353,795 in discounts provided. **Target achieved**.
Secure conferences and conventions that bring visitors to the city to generate positive economic impact	Utilising Covec data delegate spends, generate economic impact in excess of $2,000,000	$7.90 million economic impact based on 19 conferences held at Vbase venues. **Target exceeded.**
Secure events that will encourage high usage of the venues	Visitors to venues exceed 400,000	638,203 attendees to Vbase venues for the year. **Target exceeded.**

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FINANCIAL PERFORMANCE TARGETS

	2016 Actual $000	2016 Target $000	Variance $000
Direct operating income	19,486	15,933	3,553
Direct operating expenses	15,786	13,879	(1,907)
Net operating overheads and fixed costs	6,431	4,595	(1,836)
EBITDA	(2,731)	(2,541)	(190)
Add:			
Interest received	1,970	117	1,853
Amortised cost change for insurance receivable	-	3,542	(3,542)
Business interruption insurance	2,791	-	2,791
Impairment reversal of property, plant & equipment and held for sale assets	412	-	412
Less:			
Interest expense	1,134	1,084	(50)
Depreciation	1,292	2,683	1,391
Insurance settlement	18,186	-	(18,186)
Loss on disposal and impairment of property, plant & equipment	40,402	-	(40,402)
Net deficit before tax	(58,572)	(2,649)	(55,923)
Taxation	21,755	742	21,013
Net deficit after tax	(36,817)	(1,907)	(34,910)

Operating revenue was higher than target for all venues during the year. The highlight for the year was Horncastle Arena with revenue $1.1 million better than target. This result is due to the venue hosting several successful multi show performances during the year such as Cirque de Soleil – Quidam, Disney on Ice – Dare to Dream and Mrs Brown's Boys. Food and beverage revenue contributed $1.8 million towards the favourable revenue variance.

Offsetting the higher than planned revenue were increased operating expenses. This increase was in food and beverage cost of sales and management fees.

The significant contributors to the $1.8 million variance in net operating overheads and fixed costs are $0.6 million increased IT costs, management fees and food and beverage cost of labour.

The EBITDA loss for the year is $0.19 million worse than the target deficit of $2.5 million.

Interest received is $1.85 million higher than target due to higher than forecast term deposit balances as a result of the receipt, and investment, of the material damage insurance settlement in February 2016. The settlement was not forecast for 2016.

The forecast amortised cost change for insurance receivable target has been captured in the settlement of the Company's material damage insurance claim. The settlement has resulted in the reversal of the entire 2015 amortised cost change for the insurance receivable. This reversal has been netted off against the insurance accrual revenue adjustment and insurance claim costs incurred to arrive at a net insurance settlement adjustment of $18.19 million. The insurance settlement was not forecast for 2016.

Depreciation expense is $1.39 million below target due to the forecast being prepared before finalising the 2015 financial statements. This financial statements included a significant impairment of property, plant & equipment and this was not factored into the depreciation forecast.

The financial statements contain a combined $40.40 million impairment and loss on disposal of property, plant & equipment that was not included in the forecast target. At the time of submitting the forecast it was not known that the impact of changing from a 'public benefit entity' to a 'for profit' entity for financial reporting purposes would have a significant impairment impact on property, plant & equipment values as it was prepared prior to finalising the June 2015 financial statements.

RATIO OF SHAREHOLDERS FUNDS TO TOTAL ASSETS

The ratio of Shareholders funds to total assets is:

Actual	Target
65%	76%

The main contributor to the ratio difference is the $38.6 million property, plant & equipment impairment in addition to the $18.19 million adjustment resulting from the insurance settlement. Neither of these were forecast. The target percentage also does not factor in the 30 June 2015 year end amortised cost adjustment of the insurance receivable or the Arena valuation impairment.

THE CAPITAL STRUCTURE IS:

	Actual $m	Target $m	Variance $m
Issued shares and other equity instruments	190	191	1
Debt	14	15	1
Total assets	137	226	89
Total equity	88	171	83

The capital structure targets were set before the completion of the June 2015 financial statements. The issued shares and other equity instruments target incorrectly excluded $1.2 million of RPS share interest. This interest was previously included in the 2015 financial statements.

Target debt assumed $1.0 million of additional borrowing would be required during the year. The receipt of a $2.79 million business interruption insurance settlement during the year has meant that no additional debt was required during the year.

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

1) Impairment of buildings. The forecast target did not assume an asset impairment during the year and the target was also set before the June 2015 financial statement asset restatement impairment. These both combine to an $82 million asset impairment that was not factored into the total assets target.

2) The insurance settlement. While the target assumed a $3.2 million add back of the amortised cost adjustment on the insurance receivable it did not assume that the claim would be settled during the year with the $18.19 million net P&L adjustment against the insurance receivable. These both combine to $14.99 million impact on the target variance.

3) Cash and term deposits. The business interruption insurance settlement has resulted in an additional $2.79 million of cash on hand and the receipt of the material damage settlement has resulted in a further $1.2 million of interest compounded to cash and term deposits during the year. These combine to $3.99 million and were not forecast.

There are two items that contribute to the total equity variance of $83 million. The first is the $35 million variance in the net profit/(deficit) after tax for the 2016 year. The profit and loss commentary above explains the main contributors to this variance. In addition, the 2016 target was finalised prior to completing the 2015 financial statements and consequently the target workings did not factor in the significant 2015 asset impairment or the 2015 insurance debtor fair value adjustment movement. The 2015 equity variance contributed $47 million towards the overall $83 million equity variance.

FACILITIES REBUILD

	Actual $000	Target $000	Variance $000
Facilities repair/rebuild			
Town Hall repairs	34,935	39,991	5,056
	34,935	39,991	5,056
Financing the repair/rebuild			
Vbase material damage insurance recoveries	34,935	39,991	5,056
	34,935	39,991	5,056

Progress on the Town Hall repair was behind schedule early on in the financial year but has picked up during the year and is on target to be finished on the scheduled completion date.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2016

1. PROFIT FROM OPERATIONS

1a Revenue

	2016 $000	2015 $000
Rendering of services	21,229	24,548
Interest revenue:		
Bank deposits	720	1,477
Related parties	1,250	-
Total interest revenue	1,970	1,477
Other revenue:		
Insurance	2,791	-
Profit on disposals of assets	-	16
Donated/vested assets	40	14
Other income	958	1,093
Total other revenue	3,789	1,123
Revenue	26,988	27,148
Other revenue		
Impairment reversal on property, plant & equipment and held for sale assets	412	1,249
Total revenue	27,400	28,397

1. PROFIT FROM OPERATIONS (CONT)

1b Expenses and costs

	Note	2016 $000	2015 $000
Expenses:			
Operating lease expenses - minimum lease payments		199	200
Food and beverage expenses		10,670	10,828
Management fee		7,738	6,455
Donations		-	1
Earthquake repairs and costs		-	346
Other expenses		6,351	9,516
Total expenses		24,958	27,346
Depreciation and amortisation:			
Depreciation of non-current assets	8	1,056	934
Amortisation of non-current assets	9	26	38
Amortisation of ground rent		210	210
Total depreciation and amortisation		1,292	1,182
Finance costs:			
Interest on related party loans		1,134	1,366
Unwinding of discount on RPS		-	1,150
Total finance costs		1,134	2,516
Insurance settlement:			
Net material damage insurance settlement		16,275	-
Amortised cost change for insurance receivable	4a & 4b	-	23,107
Material damage insurance claim costs		1,911	-
Total insurance settlement		18,186	23,107
Loss on disposal of assets		1,824	18
Impairment of property, plant & equipment & held for sale assets		38,578	3,321
Total expenses from operations		85,972	57,490

2. INCOME TAXES

2a Income tax recognised in profit or loss

	2016 $000	2015 $000
Tax expense income comprises:		
Current tax (income)	(1,949)	(483)
Adjustments recognised in current year in relation to the current tax of prior years	482	700
Adjustments recognised in current year in relation to the deferred tax of prior years	(28)	5,237
Adjustments recognised in current year in relation to prior year subvention	(1,253)	(5,852)
Adjustments recognised in the current year in relation 2014 year tax return refile	841	-
Deferred tax expense income relating to the instigation and reversal of temporary differences	(19,848)	(693)
Total tax income on operations	(21,755)	(1,091)

Reconciliation of prima facie income tax:

	2016 $000	2015 $000
Loss from operations	(58,572)	(29,093)
Income tax income calculated at 28%	(16,400)	(8,146)
Non-deductible expenses		
Redeemable preference shares (RPS) interest	-	322
Entertainment	5	4
Insurance settlement and amortised cost adjustment	(5,291)	6,644
Building structure repairs adjustment	571	-
Legal costs	1	5
Accounting loss on sale of assets	567	-
Tax loss on sale of assets	(910)	(5)
Accounting asset loss / cost re earthquake - revaluation to P&L	(2)	-
Non-assessable income		
Held for sale disposal	(338)	-
Over provision of previous year's income tax	42	85
Income tax income from operations	(21,755)	(1,091)

2b Current tax assets and liabilities

	2016 $000	2015 $000
Current tax (assets):		
Subvention receivable	(1,949)	(483)
Total current tax asset	(1,949)	(483)

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2 INCOME TAXES (CONT)

2c Deferred tax balances

Taxable and deductible temporary differences arise from the following:

Year ended 30 June 2016	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 & equipment	5,065	(5,065)	-	-	-
Provisions	51	(51)	-	-	-
Earthquake recoveries and expenses	17,347	11,099	(10,032)	-	18,414
Total deferred tax liabilities	22,463	5,983	(10,032)	-	18,414
Deferred tax assets:					
Property, plant & equipment	-	5,959	9,860	-	15,819
Provisions	-	12	(4)	-	8
Losses carried forward	-	40	(40)	-	-
Total deferred tax assets	-	6,011	9,816	-	15,827
Net deferred tax liability/(asset) balance	22,463	(28)	(19,848)	-	2,587

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 & equipment	5,015	-	50	-	5,065
Provisions	48	-	3	-	51
Earthquake recoveries and expenses	17,321	772	(746)	-	17,347
Total deferred tax liabilities	22,384	772	(693)	-	22,463
Deferred tax assets:					
Losses carried forward	4,466	(4,466)	-	-	-
Total deferred tax assets	4,466	(4,466)	-	-	-
Net deferred tax liability/(asset) balance	17,918	5,238	(693)	-	22,463

2d Imputation credit account balances

There are no imputation credits available for use in subsequent periods (2015: nil)

3 REMUNERATION OF AUDITORS

	2016 $000	2015 $000
Audit of the financial statements	68	52
Total remuneration of auditors	68	52

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4 TRADE AND OTHER RECEIVABLES

4a Current trade receivables

	Note	2016 $000	2015 $000
Trade receivables		383	926
Related party receivables	18	1,133	42
Provision for impairment	4d	-	(4)
Net trade receivables		1,516	964
Insurance receivable		-	20,517
GST receivable		691	174
Other receivables		455	342
		1,146	21,033
Total current trade and other receivables		2,662	21,997

4b Non-current trade and other receivables

	2016 $000	2015 $000
Prepayments	2,132	2,340
Insurance receivable	-	104,290
Total non-current trade and other receivables	2,132	106,630

The carrying value of debtors and other receivables approximate their fair value. An insurance settlement was reached in February 2016. The settlement has resulted in the unwinding of the amortised cost adjustment and the reversal of previously recognised insurance revenue. These reversals net off to a $16.28 million expense adjustment which is included in Note 1b of the financial statements.

The 2015 insurance receivable balance contains an amortised costs adjustment of $52.1 million calculated using a discount rate of 5.60%. The movement of the amortised cost adjustment is included under expenses in note 1b.

The carrying value of receivables that would otherwise be past due or impaired whose terms have been renegotiated amount to nil (2015: nil).

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4c Current trade receivables aging

The status trade receivables as at 30 June 2016 and 2015 are detailed below:

	2016			2015		
	Gross $000	Impairment $000	Net $000	Gross $000	Impairment $000	Net $000
Not past due	1,350	-	1,350	917	-	917
Past due 31 - 60 days	156	-	156	24	-	24
Past due 61 - 120 days	10	-	10	9	-	9
Past due > 120 days	-	-	-	18	(4)	14
Total	1,516	-	1,516	968	(4)	964

The carrying value of receivables that would otherwise be past due or impaired whose terms have been renegotiated amount to nil (2015: nil).

4d Current trade receivables impairment movement

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

	2016 $000	2015 $000
Individual impairment	-	(4)
Total impairment	-	(4)
Movement in provision for impairment		
As at 1 July	(4)	(2)
Additional provisions made during the year	-	(12)
Provisions reversed during the year	3	1
Receivables written off during the year	1	9
Balance at 30 June	-	(4)

5 OTHER FINANCIAL ASSETS

5a Other current financial assets

	2016 $000	2015 $000
Deposits held with the Council	38,500	-
Term deposits	-	18,709
Total other current financial assets	38,500	18,709

5b Other non-current financial assets

	2016 $000	2015 $000
Deposits held with the Council	27,839	-
Total other non-current financial assets	27,839	-

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

6 CURRENT INVENTORIES

	2016 $000	2015 $000
Inventory held to be consumed in the rendering of services	421	342
Total current inventories	421	342

No inventories are pledged as security for liabilities (2015: nil).

There was no write-down of inventories (2015: nil).

7 OTHER CURRENT ASSETS

	2016 $000	2015 $000
Prepayments	251	185
Total other current assets	251	185

8 PROPERTY, PLANT & EQUIPMENT

	Buildings (fair value) $000	WIP Assets $000	Plant & equipment (cost) $000	Total $000
Gross carrying amount:				
Balance at 1 July 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
Additions	1,956	34,935	447	37,338
Disposals	(14)	-	(2,028)	(2,042)
Balance at 30 June 2016	162,607	43,402	8,923	214,932
Accumulated depreciation, amortisation and impairment:				
Balance at 1 July 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)
Disposals	-	-	-	-
Depreciation expense	(212)	-	(844)	(1,056)
Impairment charge	(3,075)	(35,485)	(18)	(38,578)
Balance at 30 June 2016	(161,373)	(40,642)	(6,745)	(208,760)
Net book value as at 30 June 2015	2,579	3,310	4,621	10,510
Net book value as at 30 June 2016	1,234	2,760	2,178	6,172

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.

The Arena is valued at $1.1 million at 30 June 2016 (2015: $2.4 million). This value includes a $3.1 million impairment (2015: $1.3 million impairment reversal) 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 $5.9 million of capital expenditure within the 10 year period. The calculation assumes an average OPEX inflation rate of 2.33%. This rate is based on an average of the next 10 years OPEX rates issued by Business and Economic Research Ltd (BERL) for the overall cost index for local authorities (LGCI) (2015: 3.06% based on the 20 year average rate issued by BERL). The discount rate used is 5.30% (2015: 5.60%).

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 2016 the Company has spent $46.3 million (2015: $11.4 million) of the allocated repair budget. $2.9 million (2015: $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. $43.4 million (2015: $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 2016 is $2.8 million (2015: $3.3 million). Consequently an impairment of $35.5 million (2015: $2.0 million) has been recorded in the statement of profit and loss and other comprehensive income in 2016.

The value of the WIP is calculated based upon a 7 year operating cash flow forecast from 2019 to 2025 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 2.33% (2015: 3.06%). This rate is the average of the next 10 years of OPEX LGCI rates issued by BERL. (2015: rate is equivalent to the 20 year LGCI rate issued by BERL). The discount rate used is 8.20% (2015: 8.70%).

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

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*.

Transfer between categories

There were no transfers between levels during the year.

9 INTANGIBLE ASSETS

	2016 $000	2015 $000
Gross carrying amount:		
Opening balance	842	805
Additions	64	37
Closing gross carrying amount balance	906	842
Accumulated amortisation and impairment:		
Opening balance	(806)	(768)
Amortisation expense	(26)	(38)
Closing accumulated amortisation and impairment balance	(832)	(806)
Total intangible assets	74	36

10 ASSETS HELD FOR SALE

	2016 $000	2015 $000
Land and buildings	-	9,476
Total assets held for sale	-	9,476

The 2015 assets held for sale balance consists of a vacant section of land in addition to two other properties which are all located in the Christchurch central business district. The Company sold all land and property classified as assets held for sale on 31 August 2015.

11 TRADE AND OTHER PAYABLES

11a Current trade and other payables

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

	Note	2016 $000	2015 $000
Trade payables		837	3,229
Owing to related parties	18	13,833	907
Income in advance		968	939
Total current trade and other payables		15,638	5,075

11b Non-current trade and other payables

	2016 $000	2015 $000
Income in advance	51	96
Total non-current trade and other payables	51	96

12 BORROWINGS

12a Current borrowings

	Note	2016 $000	2015 $000
Loan from related party - Council	18	-	4,500
Redeemable preference shares - Council	18	-	14,402
Total current borrowings		-	18,902

The 2016 fair value of the current borrowing of the Company is nil. For 2015 the fair value was $18,953,418 based on cash flows discounted using the market borrowing rate of 5.60%.

12b Non-current borrowings

	Note	2016 $000	2015 $000
Unsecured:			
Loan from related party - Council	18	14,485	14,485
Total non-current borrowings		14,485	14,485

The fair value of the non-current borrowing of the Company is $17,831,634 (2015: $16,158,855) based on cash flows discounted using the market borrowing rate of 5.30% (2015: 5.60%).

Interest is payable semi-annually on all borrowings. The interest rate is calculated using the Council's average borrowing cost plus margin. The average interest rate for the loan balance as at 30 June 2016 is 7.81% (2015: 6.81%)

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13 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.

	2016 $000	2015 $000
Capital and other equity instruments		
Fully paid ordinary shares	100,136	100,136
Fully paid A redeemable preference shares	89,500	89,500
Balance at end of financial year	189,636	189,636
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
Unwinding of discount	-	(1,151)
Balance at end of financial year	-	-

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 June 2015 and the shares were redeemed on 31 August 2015.

14 CAPITAL COMMITMENTS

On 12 June 2015 Council signed a capital commitment with Hawkins Construction to perform a full restoration and repair of the Town Hall with completion expected in mid-2018. The Council is using its resources and expertise to project manage the repair on behalf of Vbase.

The project cost is capped at $127.5 million and will be funded by insurance proceeds and Council equity contributions. As at 30 June 2016 $46.3 million of the budget has been spent leaving a remaining commitment of $81.20 million.

15 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

In 2015 the Company had outstanding business interruption and additional increased cost of workings insurance claims categorised as material contingent assets. The Company received $2.79 million for these claims as part of the February 2016 insurance settlement. The revenue is separately recorded Note 1a. Other than the insurance the Company had no other material contingent assets as at 30 June 2015.

There were no material contingent assets for the Company in 2016.

There were no material contingent liabilities for the Company (2015: nil).

16 EVENTS AFTER BALANCE DATE

There are no material events known to the Directors occurring subsequent to balance date that would have a significant impact on the financial statements for the year ended 30 June 2016.

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17 NOTES TO THE CASH FLOW STATEMENT

	2016 $000	2015 $000
Cash and cash equivalents		
Cash on hand	86	80
Call and term deposits	41,110	17,825
Total cash and cash equivalents	41,196	17,905

Reconciliation of profit for the period to net cash flows from operating activities:

	2016 $000	2015 $000
Net loss for the period from operations	(36,817)	(28,002)
Non cash items		
Depreciation and amortisation of non-current assets	1,292	1,182
Unwinding of discount on RPS	-	1,151
Movement in deferred tax	(19,876)	4,545
Impairment of property, plant & equipment and assets held for sale	38,166	2,073
Items classified as investing / financing activities		
Movement in capital creditors	(9,754)	2,035
Gain on disposal of property, plant & equipment	-	(16)
Loss on disposal of property, plant & equipment	1,824	18
Insurance claim costs	1,665	-
Interest revenue received	(1,298)	(1,503)
Finance and interest costs paid	1,134	1,339
Material damage insurance recoveries	(108,318)	-
Movement in working capital		
Increase / (decrease) in creditors	10,518	(1,325)
Decrease in receivables	122,089	23,216
Increase in inventory	(79)	(91)
Net cash from operating activities	546	4,622

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18 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.

Transactions and balances with Christchurch City Council Group companies:

	2016 $000	2015 $000
Receipts from related parties:		
Hire of rooms, related services and event cost reimbursement to:		
Council	364	3,372
Christchurch International Airport Ltd	61	28
Enable Services Ltd	20	-
City Care Ltd	-	2
Lyttleton Port Company Ltd	8	-
Total receipts from rooms, related services and event cost reimbursement	453	3,402
Subvention payments received from Council group entities	1,253	5,852
Property sale to Council	8,785	-
Interest received from Council	1,250	-
Total receipts from related parties	11,741	9,254
Payments to related parties:		
Lease of Town Hall land from the Council	100	100
Insurance, rates, repair on-charges and other services provided by Council	31,951	8,036
Loan repayments to Council	4,500	-
Redeemable preference share repurchase from Council	14,402	-
Interest expense to Council	1,134	1,338
Services provided by City Care Ltd	1,360	1,108
Services provided by Connetics Ltd	3	12
Services provided by Orion NZ Ltd	7	16
Services provided by Red Bus Ltd	17	13
Total payments to related parties	53,474	10,623

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)

	2016 $000	2015 $000
Year end balances (inclusive of GST)		
Accounts payable and payment accruals to:		
Council	13,613	604
City Care Ltd	-	77
Orion NZ Ltd	-	5
Enable Networks Ltd	-	1
Accrued interest payable to Council	220	220
Accounts payable and accruals related parties total	13,833	907
Accounts receivable from:		
Council	288	37
Christchurch International Airport Ltd	-	5
Accounts receivable related parties total	288	42
Other balances:		
Loan advances from Council	14,485	18,985
Redeemable preference shares from Council	-	14,402
Accrued interest receivable from Council	845	-
Term deposits and cash held with Council	70,339	-
Subvention payments receivable from group companies	1,949	483
Total other related party year end balances	87,618	33,870

The Company expects to transfer losses of $6.96 million to other members of the Council group (2015: $1.72 million) by way of subvention payment of $1.95 million (2015 $0.48 million). The tax loss offset to Council group entities is $3.22 million (2015: $15.05 million).

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 (2015: nil).

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19 LEASES

19a 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:

	2016 $000	2015 $000
No later than one year	206	199
Later than one year and not later than five years	776	774
Later than five years	4,357	4,500
Total non-cancellable operating lease commitments	5,339	5,473

There are no restrictions imposed by lease arrangements.

19b Non-cancellable operating leases as lessor

The Company owned two buildings as at 30 June 2015 which it leased to other parties. These buildings were sold in August 2015. The future aggregate minimum lease receivables under these leases are as follows:

	2016 $000	2015 $000
No later than one year	-	27
Total non-cancellable operating leases as lessor	-	27

20 FINANCIAL RISK MANAGMENT

Financial instrument risk

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

Credit risk management

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

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and short term investments and accounts receivables. The Company places its cash and short term investments with 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.

Liquidity risk management

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

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

Interest rate sensitivity analysis

The Company is not sensitive to movements in interest rates in respect of its borrowing obligations as all of the borrowings are fixed. The Company has a large portion of its surplus cash on fixed term deposits that mirror the projected costs for the repair of the Town Hall. It is expected that these deposits will be fully spent in the month of maturity. As such only cash and deposits not specifically allocated against the projected Town Hall repair schedule have been included in the calculation to determine interest rate sensitivity on cash and term deposits. Accordingly a 1% movement either way on cash and term deposit balances would have the effect of increasing / decreasing the Company's profit before tax by $411,234 or $296,088 after tax (2015: $349,227 before tax, $251,443 after tax).

Insurance receivable

At June 2016 there is no insurance receivable. At 30 June 2015 a 1% decrease from the discount rate used on the insurance receivable amortised cost adjustment would have the effect of reducing the expense adjustment before tax by $7,511,460 or $7,179,701 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 or $6,569,078 after tax.

Fair value of financial instruments

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*. For the 2015 year management has based the calculation on assumptions around the timing of the receipt of the insurance.

Market risk management

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

Interest rates

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

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

Foreign exchange

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

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

Price risk

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

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

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Credit quality of financial assets

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

	2016 $000	2015 $000
Counterparties with credit ratings		
Cash at bank and bank term deposits		
AA-	37,196	36,614
Related parties cash at bank		
A+	4,000	-
Total cash at bank and term deposits	41,196	36,614
Loans to related parties		
A+	66,339	-
Total loans to related parties	66,339	-
Debtors and other receivables		
Related parties receivables	1,133	42
Existing counterparty with no defaults in the past	1,529	126,245
Total debtors and other receivables	2,662	126,287

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 2016 or 2015.

2016	Loans & receivables $000	Other amortised cost $000	Total carrying amount $000
Current assets			
Cash and cash equivalents	41,196	-	41,196
Trade and other receivables	1,529	-	1,529
Other financial assets	38,500	-	38,500
Related party receivables	1,133	-	1,133
Total current assets	82,358	-	82,358
Non-current assets			
Other financial assets	27,839	-	27,839
Total non-current assets	27,839	-	27,839
Total financial assets	110,197	-	110,197
Current liabilities			
Trade and other payables	-	15,638	15,638
Total current liabilities	-	15,638	15,638
Non-current liabilities			
Borrowings	-	14,485	14,485
Other (income in advance)	-	51	51
Total non-current liabilities	-	14,536	14,536
Total financial liabilities	-	30,174	30,174

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Classification of financial instruments (cont)

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
Related party receivables	42	-	42
Total current assets	58,611	-	58,611
Non-current assets			
Trade and other receivables	104,290	-	104,290
Total non-current assets	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
Total current liabilities	-	23,977	23,977
Non-current liabilities			
Borrowings	-	14,485	14,485
Other (income in advance)	-	96	96
Total non-current liabilities	-	14,581	14,581
Total financial liabilities	-	38,558	38,558

Contractual maturity analysis

As at 30 June 2016	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	41,196	41,409	41,409	-	-	-
Trade receivables	2,374	2,374	2,374	-	-	-
Other financial assets	66,339	69,482	39,629	24,593	5,260	-
Other (related party receivables)	288	288	288	-	-	-
Total financial assets	110,197	113,553	83,700	24,593	5,260	-
Financial liabilities						
Trade and other payables	(837)	(837)	(837)	-	-	-
Borrowings	(14,485)	(29,195)	(1,131)	(1,131)	(3,392)	(23,541)
Other (income in advance)	(1,019)	(1,019)	(968)	(16)	(35)	-
Other (related party)	(13,833)	(13,833)	(13,833)	-	-	-
Total financial liabilities	(30,174)	(44,884)	(16,769)	(1,147)	(3,427)	(23,541)

Other financial assets and cash and cash equivalents contractual cash flows include interest receivable of $3,356,218 under the term deposits entered into (2015: $319,590).

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Contractual maturity analysis (cont)

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	23,105	28,125	-	127,113
Other financial assets	18,709	19,029	19,029	-	-	-
Other (related party receivables)	42	42	42	-	-	-
Total financial assets	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)	-	-	-
Total financial liabilities	(38,558)	(52,691)	(25,273)	(1,048)	(2,993)	(23,377)

The 2015 carrying amount of trade receivables reflects the fair value of the insurance receivable.

21 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.

22 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 2015/16 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.

23 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 middle 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 2016. The financial statements were authorised for issue by the Board of Directors on 5 September 2016.

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

There have been no new standards, interpretations or amendments adopted for the year ended 30 June 2016 which have had a material presentational or disclosure effect in the Company’s financial statements.

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 Company for the year ended 30 June 2016 are:

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

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

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

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 & 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 property, plant & equipment (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 and other comprehensive income. 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 & 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 and other comprehensive income. When revalued assets are sold, the amounts included in asset revaluation reserves in respect of those assets are transferred to retained earnings.

Distinction between capital and revenue expenditure

Capital expenditure is defined as all expenditure incurred in the creation of a new asset and any expenditure that results in a significant restoration or increased service potential for existing assets. Constructed assets are included in 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.

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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 & equipment where construction costs exceed $50 million and the construction is greater than two 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 the statement of financial position date.

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

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 in calculating provisions for doubtful debts.
- 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 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.

- There is still much uncertainty around the future stadium infrastructure for Christchurch, including whether this will be a repair of Lancaster Park or a new venue. The Company has assumed that Lancaster Park is uneconomic to repair. Treating the asset as uneconomic to repair has resulted in the excess of insurance proceeds received over and above the asset's tax book value as potentially taxable in the future. This excess has being included within the Company's deferred tax balance. 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.

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DIRECTORY AND STATUTORY INFORMATION

Registered Office	53 Hereford Street Christchurch
Directors	Timothy Scandrett Paul Lonsdale Karleen Edwards Mary Richardson
Bankers	Westpac bank Christchurch
Auditors	Audit New Zealand on behalf of the Auditor-General Christchurch

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
	Director	VBL One Ltd (appointed 24 March 2016)
	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
	Partner	Zachery Partnership
	Trustee	Canterbury Museum Trust Board
	Trustee	Ōtautahi Community Housing Trust (appointed 19 February 2016)
	Councillor	Christchurch City Council
Karleen Edwards	Director	Ellerslie International Flower Show Ltd
	Director	Tuam Ltd
	Director	CCC One Ltd
	Director	CCC Five Ltd
	Director	CCC Six Ltd
	Director	CCC Seven Ltd
	Chief Executive	Christchurch City Council
Mary Richardson (appointed 28 January 2016)	General Manager	Christchurch City Council

With the retirement of Jamie Gough from the Vbase Board, Mary Richardson was appointed as his replacement. This change occurred on 28 January 2016.

DIRECTORS INSURANCE

The Company has directors' liability insurance for all directors. Premiums to the value of $23,500 were paid in the 2016 year (2015: $25,990).

REMUNERATION OF DIRECTORS

Aside from directors' insurance total remuneration and other benefits paid or due and payable to directors for services as a director during the year was nil (2015: 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

No donations were made by the Company during the year (2015: $500).

DIVIDENDS

There have been no dividends declared for the 2015/16 financial year (2014/15: nil).

EMPLOYEES' REMUNERATION

Effective 1 August 2011 all Company employees were transferred to the Council hence there were no employees in the Company during 2016 (2015: nil).

AUDITORS

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

SHAREHOLDER

The Christchurch City Council is a 100% shareholder of the Company. The composition of the shareholding is:

Ordinary shares	100,136,204
Redeemable preference shares – equity	89,500,000

Independent Auditor's Report

To the readers of Vbase Limited's financial statements and statement of service performance for the year ended 30 June 2016

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.

Opinion on the financial statements and the statement of service performance

We have audited:

- the financial statements of the company on pages 6 to 9 and 15 to 40, that comprise the statement of financial position as at 30 June 2016, 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 10 to 14.

In our opinion:

- the financial statements of the company:
    - present fairly, in all material respects:
        - its financial position as at 30 June 2016; and
        - its financial performance and cash flows for the year then ended; and
    - comply with generally accepted accounting practice in New Zealand in accordance with New Zealand Equivalents to International Financial Reporting Standards.
- the statement of service performance of the company presents fairly, in all material respects, the company's actual performance compared against the performance targets and other measures by which performance was judged in relation to the company's objectives for the year ended 30 June 2016.

Our audit was completed on 5 September 2016. This is the date at which our opinion is expressed.

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

Basis of opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements and 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. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

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 appropriateness of the reported performance information within the company's framework for reporting performance;
- 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.

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