VBASE LIMITED

ANNUAL REPORT

For the Year Ended
30 June 2013

CONTENTS

Directory and Statutory Disclosures

REGISTERED OFFICE	53 Hereford Street Christchurch
DIRECTORS	R Parker N Button A Marryatt J T Gough
COMPANY SECRETARY	Diane Brandish
BANKERS	Westpac Bank Christchurch
AUDITORS	Audit New Zealand on behalf of the Office of the Auditor General Christchurch

Statutory Disclosures For the year ended 30 June 2013

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

NATURE OF BUSINESS

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

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

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

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

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 their being a Director, Partner, Trustee or Officer of those organisations during the year:

R Parker	Mayor	Christchurch City Council
	Director	Parker New Media Ltd
	Director	Stewart Properties Ltd
	Director	Christchurch City Holdings Ltd
	Director	Civic Building Ltd
	Director	Canterbury Development Corporation (appointed 24 October 2012)
	Trustee	Canterbury Museum Trust Board
	Trustee	Christchurch Agency For Energy Trust Board
N Button	Deputy Mayor	Christchurch City Council
	Director	Canterbury Development Corporation Holdings Ltd
	Director	Canterbury Development Corporation
	Director	CEDF Trustee Ltd
	Director	Civic Building Ltd
	Director	CRIS Limited
	Director	Randolph Sunglasses NZ Ltd
	Trustee	Neighbourhood Trust
	Officer	Partnership Health (Canterbury) Te Kei Te Waka
J T Gough	Councillor	Christchurch City Council
	Director	Civic Building Ltd
	Director	Gough Group Ltd
	Director	Gough Holdings Ltd
	Director	Gough Gough & Hamer Ltd
	Director	Gough Gough & Hamer Properties Ltd
	Director	Transport Wholesale Ltd
	Director	Transport Specialties Ltd
	Director	Gough Finance Ltd
	Director	Gough Transport Supplies Ltd
	Director	VBL One Ltd (formerly AMI Stadium Ltd)
	Director	CRIS Ltd (appointed 23 January 2013)
	Director	Canterbury Development Corporation (appointed 19 December 2012)
	Director	Canterbury Development Corporation Holdings Ltd (appointed 23 January 2013)
	Trustee	Antony Gough Trust
A Marryatt	Director	AJM Holdings Ltd
	Director	Tuam Ltd (resigned 28 June 2013)
	Director	New Zealand Local Government Insurance Corporation Ltd
	Director	Local Government Mutual Funds Trustee Ltd
	Director	Canterbury Development Corporation Holdings Ltd (resigned 1 July 2012)
	Officer	Civic Property Pool

DIRECTORS' INSURANCE

The Company has directors' liability insurance for all directors and indemnified each of the directors by agreement in writing. No premiums were paid were paid in the 2013 year (2012: $20,750).

REMUNERATION OF DIRECTORS

Total remuneration and other benefits paid or due and payable to directors for services as a director during the year was nil. (2012: $18,747)

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
There were no donations made by the Company during the year (2012: nil).

DIVIDENDS
There have been no dividends declared for the 2012/13 financial year (2011/2012: nil).

EMPLOYEES' REMUNERATION
Effective 1 August 2011 all Company employees were transferred to the Council thus there were no employees in this Company during 2013.

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

For and on behalf of the Board

Director	18 September 2013 *Date*
Director	18 September 2013 *Date*

Statement of Comprehensive Income
for the year ended 30 June 2013

	Note	**2013 $000**	**2012 $000**
Revenue	3(a)	18,507	181,449
Other expenses	3(b)	23,203	12,621
Employee benefit costs	3(b)	-	404
(Loss) / profit before depreciation, finance costs and income tax expense		(4,696)	168,424
Depreciation and amortisation	3(b)	3,850	7,034
Finance costs	3(b)	3,455	3,383
Revaluation of property, plant & equipment	3(b)	-	64,235
Impairment of property, plant & equipment	3(b)	500	-
(Loss) / profit before income tax expense from continuing operations		(12,501)	93,772
Income tax income / (expense) from continuing operations	4(a)	4,640	(9,697)
Net (loss) / profit from continuing operations for the period		(7,861)	84,075
Net profit from discontinued operations	3(c)	-	2,847
(Loss) / profit for the period		(7,861)	86,922
Other comprehensive income			
Net movement on property valuations		2,488	(19,953)
Deferred tax movement taken to revaluation reserve		-	4,868
Total other comprehensive income from continuing operations		2,488	(15,085)
Total Comprehensive income		(5,373)	71,837

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

Statement of Changes in Equity
for the year ended 30 June 2013

	Note	Capital $000	Revaluation Reserve $000	Retained Earnings $000	Total $000
Balance at 1 July 2011		184,715	15,085	(49,026)	150,774
Total comprehensive income for the period					
Profit or loss		-	-	86,922	86,922
Other comprehensive income, net of income tax					
Net movement on property valuations		-	(19,953)	-	(19,953)
Deferred tax movement taken to revaluation reserve		-	4,868	-	4,868
Total other comprehensive income		-	(15,085)	-	(15,085)
Total comprehensive income for the period		-	(15,085)	86,922	71,837
Transactions with owners, recorded directly in equity					
Contributions by and distributions to owners					
Share issue - redeemable preference shares	19	9,000	-	-	9,000
Equity component of mandatory redeemable preference shares	19	(896)	-	896	-
Total contributions by and distributions to owners		8,104	-	896	9,000
Balance at 30 June 2012		192,819	-	38,792	231,611
Balance at 1 July 2012		192,819	-	38,792	231,611
Total comprehensive income for the period					
Profit or loss		-	-	(7,861)	(7,861)
Net movement on property valuations		-	2,488	-	2,488
Total other comprehensive income		-	2,488	-	2,488
Total comprehensive income for the period		-	2,488	(7,861)	(5,373)
Transactions with owners, recorded directly in equity					
Contributions by and distributions to owners					
Equity component of mandatory redeemable preference shares	19	(974)	-	974	-
Total contributions by and distributions to owners		(974)	-	974	-
Balance at 30 June 2013		191,845	2,488	31,905	226,238

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

Statement of Financial Position
as at 30 June 2013

	Note	2013 $000	2012 $000
Current assets			
Cash and cash equivalents	24	9,865	19,244
Trade and other receivables	7	183,676	180,952
Other financial assets	8	42,678	35,680
Inventories	9	285	225
Current tax assets	4(b)	3,170	-
Other current assets	10	698	245
Total current assets		240,372	236,346
Non-current assets			
Trade and other receivables	11	2,760	2,970
Property, plant & equipment	13	74,609	79,361
Intangible assets	14	32	24
Total non-current assets		77,401	82,355
Total assets		317,773	318,701
Current liabilities			
Trade and other payables	15	7,061	4,821
Current tax payables	4(b)	-	14,150
Total current liabilities		7,061	18,971
Non-current liabilities			
Trade and other payables	17	113	154
Borrowings	18	46,416	45,442
Deferred tax liabilities	4(c)	37,945	22,523
Total non-current liabilities		84,474	68,119
Total liabilities		91,535	87,090
Net assets		226,238	231,611
Equity			
Capital and other equity instruments	19	191,845	192,819
Reserves		2,488	-
Retained earnings		31,905	38,792
Total equity		226,238	231,611

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

For and on behalf of the Board

Director   18 September 2013 *Date*

Director   18 September 2013 *Date*

Statement of Cash Flows
For the year ended 30 June 2013

	Note	2013 $000	2012 $000
Cash flows from operating activities			
Receipts from customers		13,465	8,537
Subvention received		2,742	4,569
Payment of business interruption insurance		(810)	-
Insurance proceeds received		-	5,768
Payments to suppliers and employees		(17,236)	(14,188)
Income tax (paid)		-	4
Net GST movement		(104)	(453)
Net cash (used in) / provided by operating activities	24	(1,943)	4,237
Cash flows from investing activities			
Proceeds from sale of investments		-	9,864
Payment for property, plant & equipment		(477)	(5,273)
Receipts from material damage insurance		26,688	-
Interest received		2,356	382
Dividend received		-	4,433
Maturity of investments		68,646	20,306
Purchase of investments		(102,156)	(27,450)
Net cash (used in) / provided by investing activities		(4,943)	2,262
Cash flows from financing activities			
Proceeds from issues of equity securities		-	9,000
Interest and other finance costs paid		(2,493)	(3,216)
Net cash (used in) / provided by financing activities		(2,493)	5,784
Net (decrease) / increase in cash and cash equivalents		(9,379)	12,283
Cash and cash equivalents at beginning of year		19,244	6,961
Cash and cash equivalents at end of year		9,865	19,244

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

Notes to the Financial Statements for the year ended 30 June 2013

1. Statement of significant accounting policies

Reporting entity

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

Until 29 June 2012 the Company had a wholly owned subsidiary, Jet Engine Facilities Ltd. The sale of its 100% share in JEFL to an external party on 29 June 2012 was treated as 'discontinued operations' in accordance with NZ IFRS 5: Non-current Assets Held for sale and Discontinued Operations (IFRS5) (refer to note 3c).

The Company owns, manages and develops CBS Arena and has secured management service agreements to manage the operations at the Air Force Museum of New Zealand and AMI Stadium (Addington).

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

The Company has been designated as a public benefit entity for purposes of the New Zealand equivalents to International Financial Reporting Standards.

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

The financial statements of the Company are for the year ended 30 June 2013. The financial statements were authorised for issue by the Board of Directors on 18 September 2013.

a. Basis of financial statement preparation

The financial statements of the Company have been prepared in accordance with the requirements of the Local Government Act 2002: Part 6 Section 98 and Section 111, and Part 3 of Schedule 10, which includes the requirement to comply with Generally Accepted Accounting Practice in New Zealand ("NZ GAAP"). They comply with the New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable financial reporting standards, as appropriate, for public benefit entities.

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

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

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

New Standards and Interpretations

The following new standards, interpretations and amendments have been adopted for the year ended 30 June 2013 which have only had presentational or disclosure effect:

- Amendments to NZ IAS 1 Presentation of Financial Statements effective for accounting periods beginning on or after 1 July 2012 - The amendments require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss; do not change the existing option to present profit or loss and other comprehensive income in two statements; and a change of title of 'Statement of Comprehensive Income' to 'Statement of comprehensive income' to emphasise the two components. However, an entity is still allowed to use other titles.

The following new standards, interpretations and amendments have been issued and are relevant to the Company but are not yet effective for the year ended 30 June 2013, and have not been applied in preparing these financial statements:

- NZ IFRS 9 Financial Instruments – replacing NZ IAS 39 Financial Instruments: Recognition and Measurement – effective for accounting period beginning on or after 1 January 2015. NZ IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value. Entities are required to classify financial assets based on the objectives of the entity's business model for managing the financial assets. Where the financial assets are eligible to be measured at amortised cost due to the business model, the entity shall use the characteristics of the contractual cash flows to measure cost. The new standard is required to be adopted for the year ended 30 June 2016 however, as a new Accounting Standards Framework will apply before this date, there is no certainty when an equivalent standard to NZ IFRS 9 will be applied by public benefit entities.

The Minister of Commerce has approved a new Accounting Standards Framework (incorporating a Tier Strategy) developed by the External Reporting Board (XRB). The framework provides for different accounting standards for 'for-profit' and 'public benefit' entities. Public Benefit Entity accounting standards are currently broadly similar to NZ IFRS. The effective date for the new standards is for reporting periods beginning on or after 1 July 2014. Therefore, the Company will transition to the new standards in preparing the 30 June 2015 financial statements. The Company has not assessed the implications of the new framework at this time however, it is expected that the new standards will not result in significant changes to the Company's accounting policies on initial adoption.

Due to the change in the Accounting Standards Framework for public benefit entities, it is expected that all new NZ IFRS and amendments to existing NZ IFRS will not be applicable to public benefit entities. Therefore, the XRB has effectively frozen the financial reporting requirements for public benefit entities up until the new accounting standards framework is effective. Accordingly, no disclosure has been made about new or amended NZ IFRS that exclude public benefit entities from their scope.

b. Principles of consolidation

Discontinued operations

A discontinued operation (or assets held for distribution) is a component of the Company's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. For an operation to be held for sale it must be available for sale in its current condition and its sale must be highly probable. When an operation is classified as a discontinued operation, the comparative income statement is re-presented as if the operation had been discontinued from the start of the comparative period.

c. Foreign currency transactions

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

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

d. Financial Assets

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

e. Trade and other receivables

Trade and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment (see impairment policy j).

f. 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.

g. 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.

h. Property, plant and equipment

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

- Land
- Buildings

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

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

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

The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Company and the cost of the item can be measured reliably.

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

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

Assets subject to depreciation include:

Operational Assets:	
Site works	18-33 yrs
Building shell fit-out	3-53 yrs
Furniture, fittings, plant and equipment	2-15 yrs

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date. Because of the scale of earthquake damage, the Company has not complied with this requirement for 2013.

Normally an asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount in accordance with the requirements of NZ IAS 36 – Impairment of Assets. However, for 2013, assets with earthquake damage have been written-off only when it is certain that they have been destroyed. Where the Company and its insurers have agreed that a building has been damaged beyond economic repair, and insurers have agreed to pay out the indemnity value of the building, the Company has recognised the indemnity amount as an impairment to the building.

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

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

i. 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 yrs

j. Impairment
The carrying amounts of the Company's assets, other than inventories (see Inventories policy f) 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. However, assets with earthquake damage have been written-off only when it is certain that they have been destroyed. Where the Company and its insurers have agreed that a building has been damaged, and insurers have accepted the claim, the Company has recognised the amount it considers is as estimate of the cost of repair as an impairment to the building. No impairment has been recognised for other earthquake damaged assets.

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

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

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

k. Share capital

(i) Ordinary share capital

Ordinary shares are classified as equity.

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

(ii) Preference share capital

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

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

(iii) Dividends

Dividends are recognised in the period in which they are paid.

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 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. Leases

(i) Finance leases
Leases in which substantially all of the risks and rewards of ownership of an asset transfer to the lessee are classified as finance leases whether or not title is eventually transferred. At inception, finance leases are recognised as assets and liabilities on the statement of financial position at the lower of the fair value of the leased property and the present value of the minimum lease payments. Any additional direct costs of the lessee are added to the amount recognised as an asset. Subsequently, assets leased under a finance lease are depreciated as if the assets are owned.

Amounts due from lessees under finance leases are recorded as receivables. Finance lease receivables are initially recognised at amounts equal to the present value of minimum lease payments recoverable plus the present value of any guaranteed residual value expected to accrue at the end of the lease term. Finance lease payments are allocated between interest revenue and reduction of the lease receivable over the term of the lease in order to reflect a constant rate of return on the net investment outstanding in respect of the lease.

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

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

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

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

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

(iii) Finance lease income
Finance lease income is allocated over the lease term on a systematic and rational basis. This income allocation is based on a pattern reflecting a constant periodic return on the Company's net investment in the finance lease.

(iv) Insurance recoveries
Insurance recoveries are recognised in the statement of comprehensive income when the compensation becomes receivable.

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 comprehensive income using the effective interest rate method.

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

q. Income tax

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

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

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

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

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

r. Goods and Services Tax

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

2. Impact of Canterbury earthquakes

The purpose of this note is to disclose the estimated material impacts of the 2010/2011 earthquake events on the financial performance and position of the Company.

Operational Impacts of Earthquake

The impact of the earthquake on the operations of the Company continues to be significant. Only CBS Arena was able to operate during the 2012/13 financial year.

The other three venues which are owned by Vbase; Lancaster Park Stadium, Christchurch Town Hall for Performing Arts (Town Hall) and Christchurch Convention Centre all sustained major structural damage and have been closed since 22 February 2011.

The Christchurch Convention Centre has been demolished and the new convention centre is not expected to be completed until at least 2016/17. The cost sharing agreement between the Crown and the Council was announced on 27 June 2013. This stated that the Crown will invest $284 million into the Convention Centre Precinct project. No decisions have been made regarding operation of the Convention Centre at this stage and as such, no assumptions can currently be made regarding Vbase’s ongoing involvement with the new convention centre.

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

In the 2012/13 Annual Plan the Council agreed to repair the Town Hall and on 29 August 2013 reaffirmed this commitment by voting to fully repair the Town Hall.

The Christchurch Convention Centre and Hadlee Stand buildings were de-recognised in the 2010/11 financial statements. In the 2011/12 financial statements, the Town Hall building and remaining Lancaster Park Stadium buildings were revalued to zero as it was determined that the estimated cost of repairs was greater than the book value of the assets.

The Company's business interruption insurance to cover lost revenues and claims under this policy ceased in late February 2013.

Financial impacts recorded in financial statements
The Company has business interruption insurance covering revenues lost as a result of the earthquake for a maximum period of two years from the date of the February 2011 earthquake event.

The Company has secured insurance cover for its only operational facility, the CBS Arena. The cover could only be obtained through paying significantly increased premiums when compared to pre earthquake rates.

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

The key financial impacts of the Canterbury earthquakes on net profit in the year ended 30 June 2013 are as follows:

	2013	2012
Impact on net profit	**$000**	**$000**
Business Interruption Insurance repayment	(810)	-
Material damage insurance claim receivable	1,901	166,598
Earthquake repair / additional costs included in expenses	(7,429)	(522)
Revaluation of property, plant & equipment	-	(64,235)
	(6,338)	101,841
Impact on other comprehensive income		
Net revaluation of land & buildings as at 30 June	2,488	(19,953)
Total impact on shareholders funds	(3,850)	81,888

A significant portion of the earthquake expenses above consist of profession fees in relation to engineering, structural, architectural and, geotechnical evaluations of damaged buildings as well as costs incurred for the demolition of the Christchurch Convention Centre and the Hadlee Stand section of the Lancaster Park Stadium.

Estimation uncertainty
There are two key areas of estimation uncertainly that arise from the 2010/2011 earthquake events. They are:

- determining the value of the Company's assets. The key assumptions used in the independent impairment and valuation assessments are disclosed in note 13; and
- assessing the carrying value of the insurance recoveries receivable, the details of which are discussed below.

Contingent asset in respect of insurance recoveries
The Company can claim for lost revenue under its business interruption insurance policy for up to a maximum of 24 months from the date of the February 2011 earthquake event.

The Company has received payments under the policy but the quantum of the future recoveries cannot be reliably measured until all financial data up to February 2013 is assessed by the insurance assessor in order to calculate and agree the final payout.

3. Profit from operations

(a) Revenue

	2013 $000	2012 $000
Rendering of services	12,000	8,861
	12,000	8,861
Interest revenue:		
Bank deposits	1,848	479
Related parties	327	674
	2,175	1,153
Other revenue:		
Management fee income	-	42
Revaluation of property, plant & equipment	1,036	-
Insurance monies received	1,901	166,598
Profit on disposals of assets	11	-
Other income	1,384	4,795
	4,332	171,435
Total revenue from continuing operations	18,507	181,449

Insurance revenue has been offset by a payment of business interruption insurance to the Council of $810,000 in 2013. This amount was originally recorded as insurance recovery revenue in the Company's 2011 financial statements but it has subsequently been deemed by the insurer as belonging to Council. Vbase made the physical payment to Council in June 2013.

(b) Expenses and costs

	Note	2013 $000	2012 $000
Finance costs:			
Interest on related party loans		2,481	2,487
Unwinding of discount on RPS		974	896
		3,455	3,383
Depreciation and amortisation:			
Depreciation of non-current assets	13	3,640	6,698
Amortisation of non-current assets	14	-	126
Amortisation of ground rent		210	210
		3,850	7,034
Revaluation of property, plant & equipment		-	64,235
Impairment of property, plant & equipment		500	-
		500	64,235
Employee benefit expense:			
Salaries and wages		-	404
		-	404
Other expenses:			
Operating lease expenses - minimum lease payments		196	282
Directors fees		-	19
Food and beverage expenses		5,938	4,919
Management fee		4,048	2,907
Earthquake repairs and costs		7,429	
Other expenses		5,592	4,494
		23,203	12,621
Total expenses from continuing operations		31,008	87,677

On 1 August 2011, all employees of the Company were transferred to the Council which now provides these services to the Company. As such, the Company only has employee benefit expense for one month of the 2012 financial year. All salaries and wages expenses from 1 August 2011 are included as management fees in other expenses.

(c) Discontinued Operations

Comprehensive income from discontinued operations

	Note	2013 $000	2012 $000
Other revenue:			
Dividend received from subsidiary		-	4,433
		-	4,433
Total revenue		-	4,433
Other expenses:			
Loss on sale of shares	12	-	1,586
		-	1,586
Total expenses		-	1,586
Profit (loss) before income tax expense		-	2,847
Income tax (expense) / income		-	-
Net profit from discontinued operations		-	2,847
Total comprehensive income		-	2,847

Cash flows from discontinued operations

	2013 $000	2012 $000
Net cash provided by investing activities	-	2,847
Net cash inflow from disposal	-	9,864
	-	12,711

4. Income taxes

(a) Income tax recognised in profit or loss

	2013 $000	2012 $000
Tax expense / (income) comprises:		
Current tax (income) / expense	(3,170)	14,150
Adjustments recognised in current year in relation to the current tax of prior years	(14,150)	535
Adjustments recognised in current year in relation to the deferred tax of prior years	16,527	1,420
Adjustments recognised in current year in relation to prior year subvention	(2,742)	-
Adjustments recognised in the current year in relation to deferred tax (income) relating to changes in tax rates	-	(95)
Deferred tax (income) relating to the origination and reversal of temporary differences	(1,105)	(6,313)
Total tax expense on continuing operations	(4,640)	9,697

Reconciliation of prima facie income tax:

	2013 $000	2012 $000
(Loss) / Profit from continuing operations	(12,501)	93,772
Income tax expense calculated at 28%	(3,500)	26,256
Subvention income recognised	-	(1,279)
Non-deductible expenses	274	251
Accounting depreciation adjustment	-	(9)
Accounting asset loss / cost re earthquake - revaluation to P&L	(290)	290
Tax depreciation recovered	-	20,720
Non-assessable income		
Insurance accrual on rebuild assets	(759)	(38,392)
Over provision of previous years income tax	(365)	1,860
Income tax (income) / expense from continuing operations	(4,640)	9,697

(b) Current tax assets and liabilities

	2013 $000	2012 $000
Current tax assets:		
Subvention receivable	(3,170)	-
	(3,170)	-
Current tax payables:		
Income tax payable	-	14,150
	-	14,150

(c) Deferred tax balances

Taxable and deductible temporary differences arise from the following:

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

Parent Year ended 30 June 2012	Opening balance $000	Adjustment to opening balance $000	Charged to income $000	Charged to other comprehensive income $000	Closing balance $000
Deferred tax liabilities:					
Property, plant and equipment	23,859	-	2,929	(4,868)	21,920
Intangible assets	(22)	-	9	-	(13)
Provisions	51	-	-	-	51
Earthquake recoveries and expenses	8,491	1,325	(9,251)	-	565
	32,379	1,325	(6,313)	(4,868)	22,523

(d) Imputation credit account balances

	2013 $000	2012 $000
Imputation credits available for use in subsequent periods	-	-

5. Key management personnel compensation

The compensation of the directors and executives, being the key management personnel of the entity is set out below:

	2013 $000	2012 $000
Short term employee benefits	-	107
Termination payments	-	158
	-	265

6. Remuneration of auditors

	2013 $000	2012 $000
Auditor of the parent entity:		
Audit of the financial statements	54	85
	54	85

The 2012 audit cost includes $33,000 relating to the audit of the 2011 financial statements.

7. Current trade and other receivables

	2013 $000	2012 $000
Trade receivables	1,493	1,388
Related party receivables	382	817
Insurance receivable	180,590	178,055
GST receivable	425	101
Other receivables	792	614
Provision for impairment	(6)	(23)
	183,676	180,952

The status of receivables as at 30 June 2013 and 2012 are detailed below:

	2013			2012		
	Gross $000	Impairment $000	Net $000	Gross $000	Impairment $000	Net $000
Not past due	5,271	-	5,271	168,207	-	168,207
Past due 31 - 60 days	497	-	497	344	-	344
Past due 61 - 120 days	30	-	30	172	-	172
Past due > 120 days	177,884	(6)	177,878	12,252	(23)	12,229
Total	183,682	(6)	183,676	180,975	(23)	180,952

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

The carrying value of receivables that would otherwise be past due or impaired whose terms have been renegotiated amount to nil (2012: nil).

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

	2013 $000	2012 $000
Individual impairment	(6)	(23)
Total impairment	(6)	(23)

	2013 $000	2012 $000
Movement in provision for impairment		
As at 1 July	(23)	(28)
Additional provisions made during the year	(8)	(2)
Provisions reversed during the year	6	7
Receivables written off during the year	19	-
Balance at 30 June	(6)	(23)

8. Other current financial assets

	2013 $000	2012 $000
Deposits held with the Council	-	26,512
Term deposits	42,678	9,168
	42,678	35,680

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

9. Current inventories

	2013 $000	2012 $000
Inventory held for use in the provision of services	285	225
	285	225

No inventories are pledged as security for liabilities (2012: nil).

There was no write-down of inventories (2012: nil).

10. Other current assets

	2013 $000	2012 $000
Prepayments	698	245
	698	245

11. Non-current trade and other receivables

	2013 $000	2012 $000
Prepayments	2,760	2,970
	2,760	2,970

12. Other non-current financial assets

Until 29 June 2012 the Company owned 100% of the issued shares in JEFL. At this date the Company sold 100% of its shareholding in JEFL to Annzes Engines Christchurch Limited and Pratt & Whitney Holdings SAS (PWANZ). The sale was reached after an agreement was made to exercise a call option where by PWANZ purchase all shares in JEFL from the Company for consideration of $9.86 million.

The disposal generated a loss on sale of the shares totalling $1.59 million and this has been separately disclosed in the 2012 comparatives in note 3c 'Discontinued Operations'.

13. Property, plant and equipment

	Freehold land (fair value) $000	Buildings (fair value) $000	WIP Assets $000	Finance lease assets (fair value) $000	Plant & equipment (cost) $000	Total $000
Gross carrying amount:						
Balance at 1 July 2011	8,800	245,728	2,213	2,525	8,095	267,361
Additions	-	539	3,676	-	291	4,506
Disposals	-	-	-	-	(1)	(1)
Net revaluation increments / (decrements)	(3,600)	(84,055)	-	(2,258)	-	(89,913)
Balance at 30 June 2012	5,200	162,212	5,889	267	8,385	181,953
Additions	-	33	-	-	1,721	1,754
Disposals	-	-	-	(250)	(16)	(266)
Net movements in WIP			(5,889)			(5,889)
Net revaluation increments / (decrements)	3,524	-	-	-	-	3,524
Balance at 30 June 2013	8,724	162,245	-	17	10,090	181,076
Accumulated depreciation, amortisation and impairment:						
Balance at 1 July 2011	-	(98,559)	-	(267)	(2,791)	(101,617)
Disposals	-	-	-	-	(1)	(1)
Depreciation expense	-	(5,615)	-	(113)	(970)	(6,698)
Reversed on revaluation	-	5,611	-	113	-	5,724
Balance at 30 June 2012	-	(98,563)	-	(267)	(3,762)	(102,592)
Disposals	-	-	-	250	15	265
Depreciation expense	-	(2,629)	-	-	(1,011)	(3,640)
Impairment losses		(500)				(500)
Balance at 30 June 2013	-	(101,692)	-	(17)	(4,758)	(106,467)
Net book value as at 30 June 2012	5,200	63,649	5,889	-	4,623	79,361
Net book value as at 30 June 2013	8,724	60,553	-	-	5,332	74,609

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

Valuation

The Company has had an independent valuation report on its land and buildings prepared by registered valuers Knight Frank Valuation Christchurch. The valuation date for buildings is 30 June 2012 and the valuation date for land is 30 June 2013.

The basis of valuation used is:

Land

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

Buildings

- CBS Canterbury Arena: The value has been based on estimated replacement cost less an allowance for depreciation.
- Town Hall: The value is based on depreciable replacement cost of the building less estimated repair costs to bring the building to 100% of the New Building Standards (NBS).
- Lancaster Park Stadium: The value is based on depreciable replacement cost of the building less estimated repair costs to bring the building to 100% of the New Building Standards (NBS).

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

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

The valuation complies with Valuation Standard 3 issued by the Property Institute of New Zealand and with the New Zealand equivalent to International Accountant Standard 16 (NZIAS16), issued by the External Reporting Board.

14. Intangible assets

Software	**2013 $000**	**2012 $000**
Gross carrying amount:		
Opening balance	786	772
Additions	8	14
Closing balance	794	786
Accumulated amortisation and impairment:		
Opening balance	(762)	(636)
Amortisation expense	-	(126)
Closing balance	(762)	(762)
	32	24

15. Current trade and other payables

	2013 $000	2012 $000
Trade payables	3,375	2,707
Owing to related parties	2,957	863
Income in advance	729	1,251
	7,061	4,821

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

16. Employee Entitlements

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

17. Non-current trade and other payables

	2013 $000	2012 $000
Income in advance	113	154
	113	154

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

18. Non-current borrowings

	2013 $000	2012 $000
Unsecured:		
Loan from related party - Council	34,223	34,223
Redeemable preference shares	12,193	11,219
	46,416	45,442

Interest is payable quarterly and semi annually on all borrowings. The interest rate is calculated using the Council's borrowing cost plus margin.

The fair value of the borrowing of the Company is $55,369,060 (2012: $58,150,435) based on cash flows discounted using the market borrowing rate of 4.70% (2012: 3.95%).

19. Capital and other equity instruments

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

	2013 $000	2012 $000
Fully paid ordinary shares	100,136	100,136
Fully paid A redeemable preference shares	89,500	89,500
Equity component of mandatory redeemable preference shares	2,209	3,183
	191,845	192,819
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	80,500
Share issue	-	9,000
Balance at end of financial year	89,500	89,500
Equity component of mandatory redeemable preference shares		
Balance at beginning of financial year	3,183	4,079
Unwinding of discount	(974)	(896)
Balance at end of financial year	2,209	3,183

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

20. Equity

	2013 $000	2012 $000
Balance at 1 July	231,611	150,774
Net shares issued	-	9,000
Total comprehensive income	(5,373)	71,837
Balance at 30 June	226,238	231,611

21. Capital commitments

At balance date, the Company had no specific commitment for capital expenditure.

22. Contingent liabilities and contingent assets

The Company has an outstanding claim with an insurance provider in relation to the JEFL facility which is currently estimated at $180,000. The claim was submitted in May 2013 and the insurer has questions around the scope and method of repairs and as such there is not enough certainty to recognise this as a receivable as at 30 June 2013. As such the claim amount has been shown as a contingent asset.

There is business interruption insurance in place which entitles the Company to recover any lost revenues for a maximum 24 month period from the date of an event adversely affecting one or more of its venues. The February 2011 earthquake event triggered the claim process under the policy in relation to the three closed venues. The Company has received payments under the policy but the quantum of the future recoveries cannot be reliably measured until all financial data up to February 2013 is made available for the insurance assessor to calculate and agree the final payout.

Other than the above the Company had no material contingent assets as at 30 June 2013 (2012: $180,000).

There are no contingent liabilities for the Company (2012 nil).

23. Events after balance date

There have been 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 2013.

24. Notes to the cash flow statement

	2013 $000	2012 $000
Cash and cash equivalents		
Cash on hand	147	131
Call and term deposits	9,718	19,113
	9,865	19,244
Reconciliation of profit for the period to net cash flows from operating activities		
Net profit for the period from continuing operations	(7,861)	84,075
Net profit for the period from discontinued operations	-	2,847
Non cash items		
Depreciation and amortisation of non-current assets	3,850	7,034
Reclassification of fixed assets WIP	4,546	-
Unwinding of discount on RPS	974	896
Movement in deferred tax	15,422	(15,907)
Revaluation of property, plant & equipment	(1,036)	64,235
Temporary impairment of buildings	500	-
Items classified as investing / financing activities		
Movement in capital creditors	69	754
Gain on disposal of property, plant and equipment	(11)	-
Dividend received from subsidiary	-	(4,433)
Loss on sale of shares	-	1,586
Interest revenue received	(2,356)	(382)
Finance and interest costs paid	2,493	3,216
Movement in working capital		
Increase/(Decrease) in creditors	1,045	(3,963)
(Increase) in receivables	(19,518)	(135,602)
(Increase) in inventory	(60)	(119)
Net cash from operating activities	(1,943)	4,237

25. Related-party transactions

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

	2013 $000	2012 $000
Transactions and balances with Christchurch City Council Group companies		
Receipts from related parties:		
Hire of rooms and related services to:		
Council	262	137
Christchurch International Airport Ltd	33	-
Riccarton Bush Trust	1	1
Orion Ltd	662	633
Christchurch City Holdings Ltd	3	-
Redbus Ltd	1	-
Enable Services Ltd	1	-
Enable Networks Ltd	1	-
Total receipts from rooms and related services	964	771
Operating costs and salaries charged to Civic Building Ltd	-	42
Subvention payments received from Council group entities	2,742	4,569
Sales proceeds from JEFL disposal	-	9,864
Interest received from Council	986	15
Total receipts from related parties:	**4,692**	**15,261**
Payments to related parties:		
Lease of Town Hall from the Council	106	141
Insurance, rates and other services provided by Council	5,273	1,033
Interest expense to Council	2,493	3,215
Services provided by City Care Ltd	235	113
Services provided by Connetics Ltd	1	1
Services provided by Orion Ltd	7	3
Services provided by Red Bus Ltd	39	
Tax losses offset to Council group entities	7,051	11,749
Total payments to related parties:	**15,205**	**16,255**

$659 of the $986 interest received from the Council was accrued in 2012 year with the balance being earned in the 2013 year.

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

	2013 $000	2012 $000
Year end balances (exclusive of GST):		
Accounts Payable to:		
Council	1,903	410
Accounts payable City Care Ltd	39	45
Accounts payable Red Bus Ltd	11	
Accounts payable to Orion NZ Ltd	-	1
Accounts payable related parties total:	1,953	456
Accounts receivable from:		
Council	381	102
Enable Networks Ltd	1	-
Orion NZ Ltd	-	55
Accounts receivable related parties total:	382	157
Other balances:		
Creditor accrual City Care Ltd	-	18
Creditor accrual Council	560	411
Loan advances from Council	34,223	34,223
Accrued interest payable to Council	444	457
Accrued interest receivable from Council	-	(659)
Short term deposits held with Council	-	(26,512)
Total other related party year end balances	**35,227**	**7,938**

Key Management Personnel

Key management personnel of the Company have interests in other entities that transact with Company members. Prior to the adoption of NZ IAS 24 Related Party Disclosures from 1 July 2011 with effect from 1 July 2010 these transactions were disclosed.

All transactions occurred on normal trading terms and conditions.

No provision has been required, nor any expense recognised, for impairment of receivables from related parties (2012 nil).

26. Leases

(a) Non-cancellable operating lease commitments

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

	2013 $000	2012 $000
No later than one year	207	216
Later than one year and not later than five years	764	772
Later than five years	4,867	5,051
	5,838	6,039

There are no restrictions imposed by lease arrangements.

(b) Non-cancellable operating leases as lessor

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

	2013 $000	2012 $000
No later than one year	98	151
Later than one year and not later than five years	113	11
	211	162

As at 30 June there are two leases associated with one building. The first lease is currently running on a month to month basis and is expected to end in November 2013. The second lease expires in January 2016. A third lease is still to be finalised in relation to the second building.

27. Financial instruments

Financial instrument risk

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

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

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

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

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.

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

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

Redeemable preference shares are now at a rate of 0%.

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

The Company is not sensitive to movements in interest rates in respect of its borrowing obligations. Interest rate movements would, however, affect the amount of interest income received by the Group on surplus cash – a 1% movement either way would have the effect of increasing / decreasing the Company's profit before tax by $527,913 or $380,097 after tax (2012: $321,518 before tax, $231,493 after tax).

Foreign exchange
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 hedge the foreign currency risk exposure.

Price risk
Price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate as a result of changes in market prices. The Company is not exposed to price risk on its financial instruments.

Credit quality of financial assets

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

	2013 $000	**2012 $000**
Counterparties with credit ratings		
Cash at bank and bank term deposits		
AA-	52,543	28,412
Total cash at bank and term deposits	52,543	28,412
Non bank term deposits		
AA	-	26,512
	-	26,512
Counterparties without credit ratings		
Loans to related parties		
Existing conterparty with no defaults in the past	382	817
Total loans to related parties	382	817
Debtors and other receivables		
Existing conterparty with no defaults in the past	183,294	180,135
Total debtors and other receivables	183,294	180,135

Classification of financial instruments

The Company has not classified any financial assets or financial liabilities as designated at fair value, fair value through other comprehensive income or held to maturity in 2013 or 2012.

2013	Loans & receivables $000	Other amortised cost $000	Total carrying amount $000
Current assets			
Cash and cash equivalents	9,865	-	9,865
Trade and other receivables	183,294	-	183,294
Other financial assets	42,678	-	42,678
Other (related party loans)	382	-	382
	236,219	-	236,219
Non current assets			
Prepayments	2,760	-	2,760
	2,760	-	2,760
Total Financial Assets	238,979	-	238,979
Current liabilities			
Trade and other payables	-	7,061	7,061
	-	7,061	7,061
Non current liabilities			
Borrowings	-	46,416	46,416
Other (income in advance)	-	113	113
	-	46,529	46,529
Total Financial Liabilities	-	53,590	53,590

2012	Loans & receivables $000	Other amortised cost $000	Total carrying amount $000
Current assets			
Cash and cash equivalents	19,244	-	19,244
Trade and other receivables	180,135	-	180,135
Other financial assets	35,680	-	35,680
Other (related party loans)	817	-	817
	235,876	-	235,876
Non current assets			
Prepayments	2,970	-	2,970
	2,970	-	2,970
Total Financial Assets	238,846	-	238,846
Current liabilities			
Trade and other payables	-	4,821	4,821
	-	4,821	4,821
Non current liabilities			
Borrowings	-	45,442	45,442
Other (income in advance)	-	154	154
	-	45,596	45,596
Total Financial Liabilities	-	50,417	50,417

Contractual Maturity Analysis

As at 30 June 2013	Carrying amount $000	Contractual cashflows $000	Less than 1 year $000	1 - 2 years $000	3 - 5 years $000	More than 5 years $000
Financial assets:						
Cash and cash equivalents	9,865	9,865	9,865	-	-	-
Trade receivables	183,294	183,294	183,294	-	-	-
Other financial assets	42,678	42,678	42,678	-	-	-
Other (related party receivables)	382	382	382	-	-	-
Prepayments	2,760	2,760	210	210	630	1,710
	238,979	238,979	236,429	210	630	1,710
Financial liabilities:						
Trade and other payables	3,375	3,375	3,375			
Borrowings	46,416	80,605	2,466	16,867	11,573	49,699
Other (income in advance)	842	842	728	43	71	-
Other (related party)	2,957	2,957	2,957	-	-	-
	53,590	87,779	9,526	16,910	11,644	49,699

As at 30 June 2012	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	19,244	19,244	19,244	-	-	-
Trade receivables	180,135	180,135	180,135	-	-	-
Other financial assets	35,680	35,680	35,680	-	-	-
Other (related party receivables)	817	817	817	-	-	-
Prepayments	2,970	2,970	210	210	630	1,920
	238,846	238,846	236,086	210	630	1,920
Financial liabilities:						
Trade and other payables	2,707	2,707	2,707			
Borrowings	45,442	82,083	2,466	2,466	11,900	65,251
Other (income in advance)	1,405	1,405	1,251	50	101	3
Other (related party)	863	863	863	-	-	-
	50,417	87,058	7,287	2,516	12,001	65,254

28. Capital Management

The Company’s capital is its equity, which comprises retained earnings and property valuation and 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. During the comparative year, the Company issued $9 million redeemable preference shares to Council.

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

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

29. Statutory reporting declaration

The Local Government Act 2002 requires the Company to submit half year accounts and a Statement of Intent to its Board and to its shareholder within specified timeframes. For the 2012/13 financial year the Company met the specified timeframes as set out in the legislation for the submission of its half year accounts to its shareholder. The submission of its draft Statement of Intent to its shareholder was delayed by less than a month.

Statement of Service Performance

Reporting against the Statement of Intent

Objective and Strategy	Performance Measure 2012/13	Result
1 - Great Stages – Vbase will tailor a great stage for any event: • Maximise the number of events at CBS Canterbury Arena.	At least 80 events are delivered at CBS Canterbury Arena.	A total of 103 events were delivered. Target achieved and exceeded.
• Maximise the number of event days at CBS Canterbury Arena.	At least 150 event days are delivered at CBS Canterbury Arena.	A total of 195 events days were delivered. Target achieved and exceeded.
2 - Great Hosting – deliver an outstanding client and service experience: • Guest satisfaction with events delivered at Vbase venues (client satisfaction survey).	Achieve greater than 80% satisfaction during year.	Survey created and implemented May 2013. Sent to every client post event. Data is low as have only been collating for two months however of those respondents an 80% client satisfaction level has been achieved.
3 - Growth – utilise assets and capabilities for growth: • Support the Christchurch City Council in endeavours to increase the available conference venues.	Vbase is part of project team for new conference venue development initiatives.	Vbase began as the new venue operator for the Air Force Museum of New Zealand on 1 February 2013. Vbase has the exclusive venue management rights to the new Conference & Events Hall, Tuck Shop Cafe, Theatre, Morrison, Donaldson and Brevet Club meeting rooms. Vbase shares rights to the Aircraft Hall for evening events with Continental. Vbase played a significant part in delivering the Public Sector comparator for the new Convention Centre Precinct. Vbase is continuing to work with the CCDU in providing specialist advice on the Convention Centre Precinct.
4 - Valuable Partnerships – great to do business with and a great place to work: • Secure events that will attract national and international visitors to Christchurch and generate positive economic impact.	Annual visitor spending exceeds $25 million.	Vbase has not analysed the annual visitor spend and economic impact for the financial year to June 2013. As many of our events are locally based it is unlikely that the $25 million will be achieved.
• Secure events that will encourage high usage of the venues.	Visitors to venues exceeds 240,000.	Met target. There were 323,040 visitors to CBS Canterbury Arena. Visitors to the other Vbase non owned managed venues were as follows: AMI Stadium (Addington): 222,761 Air Force Museum of New Zealand: 36,718 (since February 2013)
• Facilitate access to the venues for local sporting, charitable and cultural organisations.	Total venue discounts exceed $300,000.	Vbase provided a total of $468,000 in venue rental discounts at CBS Canterbury Arena for the period 1 July 2012 to 30 June 2013.

Financial performance targets

	2013 Actual $000	2013 Target $000	Variance $000
Income	14,431	9,617	4,814
Less operating expenses	23,203	13,715	9,488
EBITDA	(8,772)	(4,098)	(4,674)
Add			
Interest received	2,175	1,948	227
Insurance	1,901	4,805	(2,904)
Less			
Interest expense	3,455	3,543	(88)
Depreciation	3,850	3,545	305
Impairment of property, plant & equipment	500	-	500
Net deficit before tax	(12,501)	(4,433)	(8,068)
Taxation	(4,640)	(1,800)	(2,840)
Net deficit after tax	(7,861)	(2,633)	(5,228)
Revaluation of property, plant & equipment	(1,036)	-	(1,036)
Depreciation	3,850	3,545	305
Impairment of property, plant & equipment	500	-	500
Cash (loss) / gain	(4,547)	912	(5,459)

Operating revenue and expenses are significantly up on target forecast. All Vbase managed venues generated higher than expected operating revenue which in turn contributed to higher than expected operating costs. An asset revaluation increment of slightly over $1 million is included in the income line and there was no value set for this income category at the target setting stage. The $9.5 million variance in operating expenses includes $7.4 million of actual earthquake expenses which were not included in the target amount. These expenses have been paid from business interruption and material damage insurance recoveries that were paid to Vbase in prior financial years.

During the 2013 financial year earthquake related repairs were identified as being necessary to one of the Vbase buildings and accordingly a $0.5 million impairment was recorded in the 2013 financial statements. This impairment was not included in the budget targets.

Insurance income was less than target due to Vbase failing to receive expected business interruption insurance recoveries during the year. The 2013 cash loss is predominantly made up of earthquake related expenses that went through the statement of comprehensive income during the year. As noted above these costs have been paid out of a mixture of business interruption and material damage insurance.

Ratio of Shareholders funds to total assets

The forecast ratio of Shareholders funds to total assets is:

Actual	Target
71%	72%

The forecast capital structure is:

	Actual	Target
	$m	$m
Equity	226	229
Debt	46	34
Total Assets	318	316

The lower equity result is directly related to the larger than expected net deficit as explained in the operating performance commentary above. The $46 million actual debt includes $12 million of redeemable preference shares which were not included at the time of setting the target number.

Major facilities rebuild

	Actual	Target
	$m	$m
Town Hall Repairs	-	2.0
Convention Centre Replacement	-	3.0
Lancaster Park Replacement	-	4.0
	-	**9.0**
Insurance recoveries as per Annual Plan		
Town Hall Repairs	-	-
Convention Centre Replacement	-	-
Lancaster Park Replacement	-	(4.0)
	-	**(4.0)**
Less 2.5% excess		0.2
Total recoveries net of excess		(3.8)
Balance requiring funding		
Town Hall Repairs	-	2.0
Convention Centre Replacement	-	3.0
Lancaster Park Replacement	-	0.2
	-	**5.2**

On 27 June 2013 the cost sharing agreement between the Crown and the Council for the anchor projects in the Christchurch Central Recovery Plan that was announced. Until this announcement it was uncertain as to the quantum, if any, the Crown or Council/Vbase were to contribute to the repair/rebuild of the major damaged Vbase facilities. Because of this pending announcement, Vbase did not invest any money into the repair/rebuild or these major facilities during the year.

Independent Auditor's Report

To the readers of Vbase Limited's financial statements and statement of service performance for the year ended 30 June 2013

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

We have audited:

- the financial statements of the company on pages 5 to 37, that comprise the statement of financial position as at 30 June 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the statement of service performance of the company on pages 38 to 40.

Qualified Opinion – Limited support for valuation of buildings

Reason for our qualified opinion

The scope of our audit for the year ended 30 June 2013 was limited because the assumptions underlying the company's valuation of the CBS Arena of $58,926,980 included in the buildings value of $60,553,000 in note 13 of the financial statements are subject to significant uncertainty and there is insufficient market evidence to support a reliable fair value for the building as at 30 June 2013. There are no practical audit procedures that could be undertaken to determine the effect of the limitation in the scope of our audit in respect of the valuation of the CBS Arena.

Attention is drawn to the fact that, because of the impact of the Christchurch earthquakes, we issued a disclaimer opinion on the company's 30 June 2012 financial statements, other than the statement of cash flows. As a consequence, we provide no assurance in relation to the comparative information presented in these financial statements, other than the statement of cash flows.

Qualified opinion

In our opinion, except for the effects of the matter described in the "Reason for our qualified opinion" paragraph above:

- the financial statements of the company on pages 5 to 37:
    - comply with generally accepted accounting practice in New Zealand;

  - give a true and fair view of the company's:
    - financial position as at 30 June 2013; and
    - financial performance and cash flows for the year ended on that date; and
- the statement of service performance of the company on pages 38 to 40:
  - complies with generally accepted accounting practice in New Zealand; and
  - gives a true and fair view of the company's service performance achievements measured against the performance targets adopted for the year ended 30 June 2013.

Other legal requirements

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

Our audit was completed on 18 September 2013. This is the date at which our opinion is expressed.

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

Basis of opinion

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

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence readers' overall understanding of the financial statements and statement of service performance. We are unable to determine whether there are material misstatements in relation to the value of buildings and the comparative information because the scope of our work was limited, as we referred to in our opinion.

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

An audit also involves evaluating:

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

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

In accordance with the Financial Reporting Act 1993, we report that we did not receive all the information and explanations we have required, although we believe we have obtained sufficient and appropriate audit evidence to provide a basis for our qualified opinion.

Responsibilities of the Board of Directors

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

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

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

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

Responsibilities of the Auditor

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

Independence

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

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

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