VBASE LIMITED ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2018

Make life more eventful.

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

vbase

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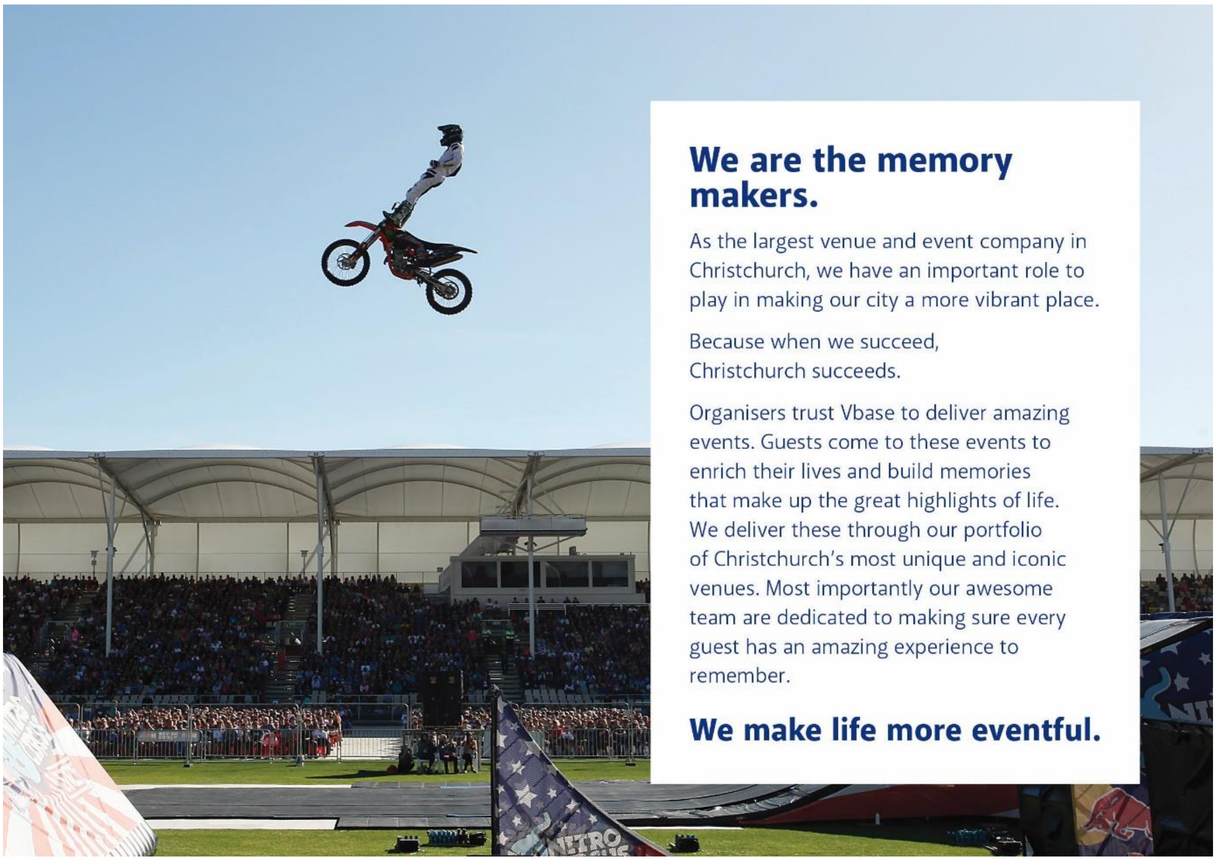

We are the memory makers.

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, deliver and support a wide range of quality events across its diverse venue portfolio, with a total of 566,291 people attending a total of 341 events.

The events hosted have included small meetings, training and seminars, cocktail receptions, international, national and domestic sporting events (indoor and outdoor), ticketed concerts and performing arts, tradeshows and exhibitions, conventions, conferences, and gala dinners.

A major highlight of the year at Horncastle Arena was the Cirque du Soleil shows in July with more than 35,000 guests attending nine spectacular performances of "Toruk – The First Flight". We also hosted enthusiastic capacity crowds for Yusuf/Cat Stevens in December and The Killers in April.

Other key highlights for the year included Neil DeGrasse Tyson, Midnight Oil, WWE Wrestling, Silver Ferns, Jimmy Carr, Rise Against, Mrs Brown's Boys, Incubus, James Blunt, Limp Bizkit, and Lionel Richie, all of which staged high quality shows for Christchurch and showed the diverse range of events that Horncastle Arena can handle.

A highlight for AMI Stadium this year was the hosting of two Rugby League World Cup matches in November, including a vibrant quarter final game between Tonga and Lebanon, and the first visit by the Kiwis for many years.

Of course, rugby continues to be the key tenant of AMI Stadium and Vbase successfully delivered eight Super Rugby matches and seven Mitre 10 Cup matches within the year with both seasons finishing with successful outcomes for the home team. In addition, Vbase was also key in delivering another successful NRL match in June between the Manly Sea Eagles and the Vodafone Warriors as well as a match between the Crusaders and French Barbarians. Additionally, Vbase supported a number of community events and local matches throughout the year.

This year saw some change at the Air Force Museum of New Zealand (Museum) with the Museum team looking to realign their event spaces to be more focused on museum displays in anticipation of the end of the agreement with Vbase. As a result, we have prioritised working with our clients to ensure continuity and successful events. We look forward to another busy year at this venue in 2019 and continuing our positive relationship with the Museum.

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

This year the Hagley Oval hosted the NZ Black Caps in two one day internationals against the West Indies either side of Christmas Day, as well as a sold out ODI and an exciting test match against England in March 2018. Other highlights included the Company playing a key role in delivering six Under 19 Cricket World Cup matches in January and hosting a White Ferns ODI in March, as well as a number of men's and women's matches across the domestic cricket season. In total there were 24 domestic and international cricket matches held at the venue during the year.

The ongoing project to repair the Christchurch Town Hall has continued over the past 12 months and the finish line is now clearly in sight. It is anticipated that Vbase will get access to the building in November 2018 to complete operational fit out, with the first events booked and confirmed for March 2019.

Since the introduction of the new Health and Safety at Work Act in April 2016, Vbase has continued to focus on developing robust policies, processes and practices to support a safe workplace for our staff, clients and guests. With the leadership of our dedicated Health and Safety Coordinator, considerable work has gone into numerous projects and initiatives including the rollout of the DoneSafe reporting tool, creation of several key standard operating procedures and significant training of all staff in relevant areas.

We have continued to support our three chosen "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, the Cancer Society Ball and the Sports Canterbury Awards.

In summary, the past year has been another busy and successful one for Vbase as we continue to focus on our core role of delivering venues and events that contribute to a strong and vibrant community and city.

Chairman	28/9/18 Date
General Manager	28/9/18 Date
General Manager	28/9/18 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 Stadium, 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 which has meant 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.

During the year a surrender agreement was agreed between Vbase and Council whereby Vbase pays Council a lump sum payment equivalent to the demolition cost forecast for the Lancaster Park Stadium while ownership, and all associated risk, for the building transfers from Vbase over to Council.

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 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.

Town Hall repair

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 early 2019.

The project budget cost is $152.2 million of which $120.4 million has been spent and is classified as a WIP asset in *note 8 Property, Plant & Equipment* of the financial statements.

Arena valuation

The Company has had an independent valuation report on Horncastle Arena prepared by registered valuers Quotable Value (QV) Limited. The valuation date is 30 June and is based on using the optimised depreciable replacement cost method.

The 30 June 2018 report concluded that the Horncastle Arena valuation is $39.3 million. This has resulted in a $2.3 million valuation increase in the gross carrying amount of the asset.

Accounting restatement

During the current financial year, the Company undertook a detailed review, which included external professional advice, to determine whether it was still appropriate to continue to report under the 'For Profit' accounting and audit standards. The review concluded that it is more appropriate for Vbase to switch to reporting under 'Public Benefit Entity' standards, as under the 'For Profit' standard some disclosures did not accurately reflect the fair value of assets arising from the negative impact of the value in use impairment that was being charged.

The main impact of the switch to 'Public Benefit Entity' standards is the restatement of non-current assets, and in particular buildings, which are now recorded at a depreciated replacement cost and work in progress assets that are now recorded at historical cost. As expected this has resulted in a significant increase in asset value in the current year (2017/18) and the prior year (2016/17) comparative has been restated.

For the year ended 30 June 2018, the Company had a net deficit after tax of $11.4 million (2017: deficit $2.3 million). Much of the 2018 deficit amount is due to the payment of $11.9 million in demolition costs, relating to Lancaster Park Stadium, paid to the Council during the year.

For and on behalf of the Board

Director	28/9/18 Date
Director	28/9/18 Date

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

For the year ended 30 June 2018

	Note	2018 $000	2017 $000*
Revenue	2a	17,668	25,793
Expenses	2b	19,320	25,033
(Deficit)/surplus before other expenses and income tax expense		(1,652)	760
Other expenses			
Depreciation and amortisation	8 & 9	2,245	2,258
Finance costs		1,131	1,131
Demolition costs		11,875	117
Loss on disposal of assets		1	-
Total other expenses		15,252	3,506
Deficit before income tax expense from operations		(16,904)	(2,746)
Income tax income from operations	3a	5,522	431
Deficit from operations for the year		(11,382)	(2,315)
Other comprehensive revenue and expense			
Net movement on property valuations		2,292	-
Deferred tax movement taken to revaluation reserve		(642)	-
Total other comprehensive revenue and expense from operations		1,650	-
Total comprehensive revenue and expense		(9,732)	(2,315)

*2017 comparatives have been restated – see note 1 *Restatement of comparatives*

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

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2018

	Capital $000	Asset revaluation Reserve $000	Accumulated surpluses / (deficits) $000*	Total $000
Balance at 1 July 2016	189,636	-	(45,800)	143,836
Total comprehensive revenue and expense for the period				
Deficit for the year	-	-	(2,315)	(2,315)
Balance at 30 June 2017	189,636	-	(48,115)	141,521
Total comprehensive revenue and expense for the period				
Deficit for the year	-	-	(11,382)	(11,382)
Other comprehensive revenue and expense, net of revenue and expense tax				
Net movement on property valuations	-	2,292	-	2,292
Deferred tax movement taken to revaluation reserve	-	(642)	-	(642)
Total comprehensive revenue and expense for the year	-	1,650	(11,382)	(9,732)
Balance at 30 June 2018	189,636	1,650	(59,497)	131,789

*2017 comparatives have been restated – see note 1 *Restatement of comparatives*

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

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STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Note	2018 $000	2017 $000*	2016 $000*
Current assets				
Cash and cash equivalents	16	7,061	13,168	41,196
Trade and other receivables	4a	4,879	2,960	2,662
Other financial assets	5a	-	49,187	38,500
Inventories	6	283	318	421
Current tax assets	3b	1,491	1,773	1,949
Other current assets	7	156	348	251
Total current assets		13,870	67,754	84,979
Non-current assets				
Trade and other receivables	4b	417	2,160	2,132
Other financial assets	5b	4,539	4,539	27,839
Property, plant & equipment	8	161,997	118,661	83,115
Intangible assets	9	131	83	74
Deferred tax assets	3c	8	10	8
Total non-current assets		167,092	125,453	113,168
Total assets		180,962	193,207	198,147
Current liabilities				
Trade and other payables	10a	13,264	12,523	15,638
Total current liabilities		13,264	12,523	15,638
Non-current liabilities				
Trade and other payables	10b	5	43	51
Borrowings	11b	14,485	14,485	14,485
Deferred tax liabilities	3c	21,419	24,635	24,139
Total non-current liabilities		35,909	39,163	38,675
Total liabilities		49,173	51,686	54,313
Net assets		131,789	141,521	143,834
Equity				
Capital and other equity instruments	12	189,636	189,636	189,636
Reserves		1,650	-	-
Accumulated surpluses/(deficits)		(59,497)	(48,115)	(45,802)
Total equity		131,789	141,521	143,834

*2016 and 2017 comparatives have been restated – see note 1 *Restatement of comparatives*

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

For and on behalf of the Board

Director 28/9/18 Date

Director 28/9/18 Date

STATEMENT OF CASH FLOWS

For the year ended 30 June 2018

	Note	2018 $000	2017 $000
Cash flows from operating activities			
Receipts from customers		17,007	21,557
Subvention received		1,948	1,103
Payments to suppliers and employees		(20,689)	(23,109)
Income tax paid to Council		(840)	-
Net GST movement		(1,604)	163
Net cash provided by operating activities	16	(4,178)	(286)
Cash flows from investing activities			
Payment for property, plant & equipment		(40,753)	(41,930)
Receipts from material damage insurance		-	625
Interest received		2,226	2,081
Sale of property, plant & equipment		174	-
Lancaster Park demolition costs		(11,632)	-
Maturity of investments		57,473	38,500
Purchase of investments		(8,286)	(25,887)
Net cash provided by investing activities		(798)	(26,611)
Cash flows from financing activities			
Interest and other finance costs paid		(1,131)	(1,131)
Net cash used in financing activities		(1,131)	(1,131)
Net increase in cash and cash equivalents		(6,107)	(28,028)
Cash and cash equivalents at beginning of year		13,168	41,196
Cash and cash equivalents at end of year		7,061	13,168

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 2017/2018	RESULTS AS AT 30 JUNE 2018
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	H&S inductions provided for 100% of contractors working at Vbase during the period. **Target achieved.** Have corrected 100% of substandard practices identified during the period. **Target achieved.**
Continue to improve health and safety processes	Annual health and safety audit completed	Audit undertaken by independent consultant. The Vbase H&S committee will implement all recommended improvements. **Target achieved.**
Minimise incidents and near misses for staff and contractors	Less than 3.5 incidents or near misses on average per 10,000 hours worked	An average of 4.20 incidents or near misses per 10,000 hours worked. While Vbase has exceeded the tolerable number of incidents or near misses, the nature of the incidents are relatively minor. The increase in the average incidents or near misses is due to improved staff awareness of what a H&S incident or near miss is. **Target not achieved.**
Minimise incidents and near misses for visitors	Less than 2.0 incidents or near misses on average per 10,000 hours worked	An average of 1.77 incidents or near misses per 10,000 hours worked. **Target achieved.**
2. Venue Utilisation		
High utilisation of Horncastle Arena	At least 90 event days are delivered at Horncastle Arena	120 event days have been delivered. Multiple shows of Cirque du Soleil during September 2017 have contributed to the target being exceeded. **Target exceeded.**
Attract events at the temporary stadium outside of the standard Super and provincial rugby fixtures	At least 1 major event is delivered at the temporary stadium	Two Rugby League World Cup matches were held at AMI Stadium in November 2017 in addition to an NRL match in June 2018. **Target exceeded.**
High utilisation of Air Force Museum	At least 150 event days are delivered at Air Force Museum	162 events days held during the year. **Target achieved.**
High utilisation of Hagley Oval Pavilion within the constraints of use	At least 50 event days are delivered at Hagley Oval Pavilion	48 events where delivered for the year which was two short of target. **Target not achieved.**

3. Deliver Outstanding Service Delivery		
Event Owner (Client) satisfaction	Minimum 50 surveys completed during the year Achieve greater than 85% satisfaction during the year	32 surveys completed. **Target not achieved**. 97% satisfaction level achieved. **Target exceeded.**
Event Customer (Guest) satisfaction	Minimum 1000 guests surveyed throughout the year Achieve greater than 85% satisfaction during the year	2,988 surveys completed with 924 surveys received from guests attending the multiple Cirque du Soleil shows. **Target exceeded.** Average satisfaction rating of 94.2%. **Target exceeded.**
4. Community Benefit		
Facilitate access to venues for local community and charitable organisations	Total venue discounts equal $300,000	$293,507 in discounts provided for the year was slightly under the $300,000 target. **Target not achieved**.
Secure conferences and conventions that bring visitors to the city to generate positive economic impact	Utilising Covec data, delegate spends in excess of $15 million	$5.7 million spent based on Covec calculation. Vbase has not secured the number of qualifying events that it had forecast to meet this target for the year. **Target not achieved**.
Secure events that will encourage high usage of the venues	Visitors to venues exceed 500,000	566,291 attendees to Vbase venues for the year. Ticketed events held at AMI Stadium and Horncastle Arena account for many of the visitors. **Target exceeded.**
5. Environmental Considerations		
Ensure recycling of waste is undertaken at events	Recycling undertaken at 96% of events	Recycling was undertaken at 100% of events. **Target achieved.**
Minimise the amount of general waste at Horncastle Arena	26% of waste by weight is recycled	31% of waste by weight was recycled to during the year. **Target achieved.**

FINANCIAL PERFORMANCE TARGETS

	2018 Actual $000	2018 Target $000	Variance $000
Income	15,187	17,654	(2,467)
Operating expenses	12,209	13,639	1,430
Net operating overheads and fixed costs	5,972	6,844	872
EBITDA	(2,994)	(2,829)	(165)
Taxation	5,522	16,131	(10,609)
Net deficit after tax	(11,382)	(36,929)	25,547

Variance description	**$ millions**
EBITDA variance: The change in the event mix contributed to catering revenue being $1.8 million below target for the year. The lower revenue contributed to the significant underspend of operating expenses. Net operating overheads and fixed costs are under target, with a sizable portion of the variance resulting from reduced salaries and wages costs. These variances combine to make the EBITDA deficit $0.17 million higher than target for the 2018 year.	(0.2)
Demolition cost variance: Stadium demolition costs are $11.9 million against a target of $10.0 million. Agreement with Council of the cost of demolition resulted in the settlement of the cost in the current year, rather than being spread into next year.	(1.9)
Depreciation variance: Building depreciation expense is significantly higher because of the accounting restatement in 2018.	(1.1)
Interest revenue variance: The variance arose due to larger than planned cash balances on deposit during the year.	0.3
Unplanned revenue from the release of an historical capital provision held.	0.2
Unplanned revenue from vested asset receipt.	0.1
Impairment variance. Target contains an asset impairment of $38.7 million which was no longer required as a result of the accounting treatment restatement.	38.8
Tax expense variance. This is mainly the result of the accounting treatment restatement impact.	(10.6)
	25.6

RATIO OF SHAREHOLDERS FUNDS TO TOTAL ASSETS

The ratio of shareholders' funds to total assets is:

Actual	**Target**
73%	98%

The main cause of the variance to target percentage is the impact of the accounting treatment restatement. This created significant movements in the fixed asset value, deferred tax and retained earnings balance that were not factored into the target percentage calculation. More detail of the restatement impact can be seen in note 1 *Restatement of comparatives.*

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THE CAPITAL STRUCTURE:

	Actual $000	Target $000	Variance $000
Issued shares and other equity instruments	189,636	211,662	22,026
Debt	14,485	14,485	-
Total assets	180,962	44,631	136,331
Total equity	131,789	43,561	88,228

The target issued shares and other equity instruments assumed a share issue during the year to raise funds for Town Hall repair costs. The share issue is now occurring early in the 2019 financial year.

The debt balance remains unchanged during the year which agrees to the target.

The impact of the accounting restatement is the main reason for the total assets and total equity variances. Refer to note 1 *Restatement of comparatives* for more details of the impact.

FACILITIES REBUILD

	Actual $000	Target $000	Variance $000
Facilities repair/rebuild			
Arena	763	1,087	324
Town Hall repairs	41,995	41,562	(433)
	42,758	42,649	(109)

A large repair project for the Arena has been pushed out to be completed in the 2019 financial year which has caused most of the underspend against target for this venue. The Town Hall repair target for the year was achieved.

EQUITY INJECTION

	Actual $000	Target $000	Variance $000
Equity injection by Council	-	22,026	22,026

Target equity injection by Council assumed a share issue before year end for funds to repay costs associated with the Town Hall repair. The share issue is now occurring early in the 2019 financial year.

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

1. RESTATEMENT OF COMPARATIVES

Under NZ GAAP reporting entities are required to assess and appropriately designate themselves as either a 'for-profit' entity or 'public benefit entity' entity. In the years leading up to 2017/18 Vbase concluded that it needed to report under 'For Profit' standards but during the current financial year the company undertook a detailed review, which included external professional advice, to determine whether it was still appropriate to continue to report under the 'For Profit' accounting and audit standards. The review concluded that it is more appropriate for Vbase to switch to reporting under 'Public Benefit Entity' standards, as under 'For Profit' standards some disclosures did not accurately reflect the fair value of assets arising from the negative impact of the value in use impairment that was being charged.

The main impact of the switch to 'Public Benefit Entity' standards is the restatement of non-current assets, and in particular buildings, which are now recorded at optimised depreciated replacement cost. While work in progress assets are still recorded at historical cost and they have not been impaired when applying the 'Public Benefit Entity' standards.

As expected the restatement has resulted in a significant increase in the property plant and equipment asset value in the current year (2017/18) and prior comparative year (2016/17). In addition, the deferred tax asset balances that had built up from reporting under the 'For Profit' standards have now been reversed as a result of reporting under the 'Public Benefit Entity' accounting standards.

The tables below detail the impact the restatement has had on the Company's financial statements.

Impact on restated statement of comprehensive revenue and expense

	Note	Original balance 30 June 2017 $000	Building restatement 2017 $000	Restated balance $000
Depreciation and amortisation	8 & 9	924	1,334	2,258
Impairment of property, plant and equipment	8	(39,257)	39,257	-
Deficit before income tax from operations		(40,669)	37,923	(2,746)
Income tax income from operations	3a	470	(39)	431
Deficit from operations for the year		(40,199)	37,884	(2,315)

1. RESTATEMENT OF COMPARATIVES (CONT)

Impact on restated Statement of Financial Position

	Note	Original balance 30 June 2015 $000	Building/WIP restatement 2015 $000	Restated balance 30 June 2015 $000	Original balance 30 June 2016 $000	Building/WIP restatement 2016 $000	Restated balance 30 June 2016 $000	Original balance 30 June 2017 $000	Building/WIP restatement 2017 $000	Restated balance 30 June 2017 $000
Equity										
Accumulated deficits		(66,710)	28,488	(38,222)	(101,201)	55,399	(45,802)	(141,400)	93,285	(48,115)
Non-current assets										
Property, plant & equipment	8	10,510	39,567	50,077	6,172	76,943	83,115	3,794	114,867	118,661
Deferred tax assets	3c	-	-	-	15,827	(15,819)	8	15,331	(15,321)	10
Non-current liabilities										
Deferred tax liabilities	3c	(22,463)	(11,079)	(33,542)	(18,414)	(5,725)	(24,139)	(18,374)	(6,261)	(24,635)

2. PROFIT FROM OPERATIONS

2a Revenue

	2018 $000	2017 $000
Rendering of services	16,024	21,584
Interest revenue:		
Bank deposits	686	1,002
Related parties	441	1,725
Total interest revenue	1,127	2,727
Other revenue:		
Insurance	-	520
Profit on disposals of assets	-	103
Donated / vested assets	52	9
Other revenue	465	850
Total other revenue	517	1,482
Total revenue	17,668	25,793

2b Operating expenses

	2018 $000	2017 $000*
Operating expenses:		
Operating lease expenses - minimum lease payments	248	199
Food and beverage expenses	7,824	11,012
Management fee	5,781	7,676
Directors Fees	30	-
Audit fees	63	58
Other expenses	5,374	6,088
Total operating expenses	19,320	25,033

3. INCOME TAXES

3a Income tax recognised in profit or loss

	2018 $000	2017 $000*
Tax expense income comprises:		
Current tax (income)	(1,491)	(1,773)
Adjustments to current tax in prior years	(175)	848
Deferred tax relating to temporary differences	(3,856)	494
Total tax income on operations	(5,522)	(431)

Reconciliation of prima facie income tax:

	2018 $000	2017 $000*
Surplus/(deficit) from operations	(16,904)	(2,746)
Income tax income calculated at 28%	(4,733)	(769)
Non-deductible expenses		
Entertainment	2	5
Building structure repairs adjustment	143	353
Ground lease refund	(790)	-
Accounting (gain) / loss on sale of assets	-	(29)
Tax gain / (loss) on sale of assets	(15)	9
Non-assessable income		
Stadium building retention reversal	46	-
Over provision of previous year's income tax	(175)	-
Income tax income from operations	(5,522)	(431)

*2017 comparatives have been restated – see note 1 *Restatement of comparatives*

3b Current tax assets and liabilities

	2018 $000	2017 $000
Current tax (assets):		
Subvention receivable	(1,491)	(1,773)
Total current tax asset	(1,491)	(1,773)

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3 INCOME TAXES (CONT)

3c Deferred tax balances

Taxable and deductible temporary differences arise from the following:

Year ended 30 June 2018	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	6,261	-	330	642	7,233
Earthquake recoveries and expenses	18,374	-	(4,188)	-	14,186
Total deferred tax liabilities	24,635	-	(3,858)	642	21,419
Deferred tax assets:					
Provisions	10	-	(2)	-	8
Total deferred tax assets	10	-	(2)	-	8
Net deferred tax liability/(asset) balance	24,625	-	(3,856)	642	21,411

Year ended 30 June 2017	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	5,725	-	536	-	6,261
Earthquake recoveries and expenses	18,414	-	(40)	-	18,374
Total deferred tax liabilities	24,139	-	496	-	24,635
Deferred tax assets:					
Provisions	8	-	2	-	10
Losses carried forward	-	846	(846)	-	-
Total deferred tax assets	8	846	(844)	-	10
Net deferred tax liability/(asset) balance	24,131	(846)	1,340	-	24,625

*2017 comparatives have been restated – see note 1 *Restatement of comparatives*

3d Imputation credit account balances

There are no imputation credits available for use in subsequent periods (2017: nil)

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4 TRADE AND OTHER RECEIVABLES

4a Current trade receivables

	2018 $000	2017 $000
Exchange transactions		
Trade receivables	624	898
Exchange transactions other receivables	162	374
Exchange transactions related party other receivables	2,375	1,113
Total exchange receivables	3,161	2,385
Non-exchange transactions		
GST receivable	1,718	575
Total non-exchange receivables	1,718	575
Total current trade and other receivables	4,879	2,960

4b Non-current trade and other receivables

	2018 $000	2017 $000
Prepayments	-	1,920
Related party receivables	417	240
Total non-current other receivables	417	2,160

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 (2017: nil).

4c Current trade receivables aging

The status trade receivables as at 30 June 2018 and 2017 are detailed below:

	2018 $000			2017 $000		
	Gross $000	Impairment $000	Net $000	Gross $000	Impairment $000	Net $000
Not past due	614	-	614	876	-	876
Past due 31 - 90 days	10	-	10	22	-	22
Total	624	-	624	898	-	898

The carrying value of receivables that would otherwise be past due or impaired whose terms have been renegotiated amount to nil (2017: nil).

4d Current trade receivables impairment movement

The provision for impairment of the individual debtor balances is nil. There were no movements in the provision during the year. The 2017 impairment provision opening balance is $4,000 of which $3,000 was reversed, and $1,000 written off, during the year leaving a closing balance of nil at 30 June 2017.

There are no expected credit losses for trade and other receivables.

5 OTHER FINANCIAL ASSETS

5a Other current financial assets

	2018 $000	2017 $000
Deposits held with the Council	-	23,300
Term deposits	-	25,887
Total other current financial assets	-	49,187

5b Other non-current financial assets

	2018 $000	2017 $000
Deposits held with the Council	4,539	4,539
Total other non-current financial assets	4,539	4,539

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

6 CURRENT INVENTORIES

	2018 $000	2017 $000
Inventory held to be consumed in the rendering of services	283	318
Total current inventories	283	318

No inventories are pledged as security for liabilities (2017: nil).

There was no write-down of inventories (2017: nil).

7 OTHER CURRENT ASSETS

	2018 $000	2017 $000
Prepayments	156	348
Total other current assets	156	348

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8 PROPERTY, PLANT & EQUIPMENT

	Buildings (fair value) $000*	WIP Assets $000*	Plant & equipment (cost) $000	Total $000
Gross carrying amount:				
Balance at 1 July 2016	137,510	43,402	8,923	189,835
Additions	1,734	35,204	859	37,797
Disposals	(47)	-	(106)	(153)
Balance at 30 June 2017	139,197	78,606	9,676	227,479
Additions	817	41,995	631	43,443
Disposals	(67,846)	-	(547)	(68,393)
Transfer between asset class	180	(180)	-	-
Net revaluation (decrements)	(2,009)	-	-	(2,009)
Balance at 30 June 2018	70,339	120,421	9,760	200,520
Accumulated depreciation and impairment:				
Balance at 1 July 2016	(99,975)	-	(6,745)	(106,720)
Disposals	27	-	94	121
Depreciation expense	(1,477)	-	(742)	(2,219)
Balance at 30 June 2017	(101,425)	-	(7,393)	(108,818)
Disposals	67,803	-	407	68,210
Depreciation expense	(1,528)	-	(688)	(2,216)
Reversed on revaluation	4,301	-	-	4,301
Balance at 30 June 2018	(30,849)	-	(7,674)	(38,523)
Net book value as at 30 June 2017	37,772	78,606	2,283	118,661
Net book value as at 30 June 2018	39,490	120,421	2,086	161,997

*2017 comparatives have been restated – see note 1 *Restatement of comparatives*

Valuation

Buildings were valued at 30 June 2018 by an independent registered valuer, Quotable Value (QV) Limited in accordance with PBE IPSAS 17.

Buildings consists of Horncastle Arena, which is valued at $39.3 million using the optimised depreciated replacement cost method, and lease hold improvements which are valued at historical cost less accumulated depreciation.

WIP assets are valued at historical cost and consist of costs associated with the Town Hall restoration project.

Plant and equipment assets are valued at historical costs less accumulated depreciation.

Disposals
During the year the company recognised the disposal of the Lancaster Park Stadium. This has resulted in the reversal of the $67.4 million building cost, and an equivalent impairment value, within the asset schedule.

9 INTANGIBLE ASSETS

	2018 $000	2017 $000
Gross carrying amount:		
Opening balance	954	906
Additions	77	48
Closing gross carrying amount balance	1,031	954
Accumulated amortisation and impairment:		
Opening balance	(871)	(832)
Amortisation expense	(29)	(39)
Closing accumulated amortisation and impairment balance	(900)	(871)
Total intangible assets	131	83

10 TRADE AND OTHER PAYABLES

10a Current trade and other payables

	2018 $000	2017 $000
Exchange transactions		
Trade payables	1,843	2,814
Owing to related parties	10,600	8,910
Income in advance	821	799
Current trade and other payables from exchange transactions	13,264	12,523
Total current trade and other payables	13,264	12,523

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

10b Non-current trade and other payables

	2018 $000	2017 $000
Exchange transactions		
Income in advance	5	43
Non-current trade and other payables from exchange transactions	5	43
Total non-current trade and other payables	5	43

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11 BORROWINGS

11a Current borrowings

The 2018 fair value of the current borrowing of the Company is nil. (2017: nil)

11b Non-current borrowings

	2018 $000	2017 $000
Unsecured:		
Loan from related party - Council	14,485	14,485
Total non-current borrowings	14,485	14,485

The fair value of the non-current borrowing of the Company is $17,055,185 (2017: $17,361,414) based on cash flows discounted using the market borrowing rate of 5.60% (2017: 5.50%).

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 2018 is 7.81% (2017: 7.81%)

12 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.

	2018 $000	2017 $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

13 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 early 2019. The Council is using its resources and expertise to project manage the repair on behalf of Vbase.

The project budget cost is $152.2 million of which $120.4 million has been spent (2017: $81.3 million) and is classified as a WIP asset in *note 8 Property, Plant & Equipment.*

14 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There were no material contingent assets (2017: nil) or material contingent liabilities (2017: nil) for the Company.

15 EVENTS AFTER BALANCE DATE

On 29 June 2018, the Council as sole shareholder agreed to review the operations of Vbase Limited. The full impact of the review on the future operations of the Company are uncertain at the date of these financial statements.

On 24 August 2018, Vbase Limited issued $45 million share to the Council. The proceeds from the issue of shares will be used to fund repair and development works for the Christchurch Town Hall and Horncastle Arena.

The Company is investigating the possibility of claiming a further tax deduction of approximately $9.5m in relation to a land lease surrendered to Council during the year. At this stage, it is unclear whether the deduction meets the probable threshold for financial reporting purposes. As a result, it has not been recognised in calculation of the tax balances of the Company.

16 NOTES TO THE CASH FLOW STATEMENT

	2018 $000	2017 $000*
Cash and cash equivalents		
Cash on hand	6,552	83
Call and term deposits	509	13,085
Total cash and cash equivalents	7,061	13,168
Reconciliation of surplus / (deficit) for the period to net cash flows from operating activities:		
Surplus/(deficit) for the period from operations	(11,382)	(2,315)
Non cash items		
Depreciation and amortisation of non-current assets	2,245	2,258
Amortisation of ground rent	65	210
Refund of lease bond payment	-	1
Movement in deferred tax	(3,856)	494
Items classified as investing / financing activities		
Movement in capital creditors	(2,759)	4,223
Gain on disposal of property, plant & equipment	-	(103)
Loss on disposal of property, plant & equipment	1	-
Stadium demolition costs	11,632	-
Interest revenue received	(2,226)	(2,081)
Finance and interest costs paid	1,131	1,131
Material damage insurance recoveries	-	(625)
Movement in working capital		
(Decrease) / increase in creditors	703	(3,123)
(Increase) / decrease in receivables	233	(459)
Decrease / (increase) in inventory	35	103
Net cash from operating activities	(4,178)	(286)

*2017 comparatives have been restated – see note 1 *Restatement of comparatives*

17 RELATED PARTY TRANSACTIONS

The Council is the ultimate controlling party of the Company.

Related party disclosures have not been made for transactions with related parties that are within a normal supplier or client/recipient relationship on terms and conditions no more or less favourable than those that it is reasonable to expect Vbase and the Company Group would have adopted in dealing with the party at arm's length in the same circumstances.

Related party disclosures have also not been made for transactions with entities within the Council Group and key management personnel where the transactions are consistent with the normal operating relationships between the entities and are on normal terms and conditions for such group transactions

Related Party Transactions required to be disclosed.
Council provide the Company with all finance services and employ all Vbase staff. These costs are represented in the management fee in the below table.

Outlined below are the transactions that occurred with group companies during the year that are not considered to be arm's length.

	2018 $000	2017 $000
Non-arms length revenue from related parties:		
Subvention payments received from Council group entities	1,948	1,103
Non-arms length costs incurred with related parties:		
Lease of Town Hall land from the Council	100	100
Management fee paid to Council	5,781	7,676
Income tax payment to Council	840	-
Ground lease rental amortisation - Council	65	210
Total non-arms length costs incurred with related parties:	6,786	7,986
Year end balances (inclusive of GST)		
Accounts payable and payment accruals to Council	125	142
Accounts receivable from Council	2,375	-
Other balances:		
Subvention payments receivable from group companies	1,491	1,773

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

The Company expects to transfer losses of $5.33 million to other members of the Council Group (2017: $6.33 million) by way of subvention payment of $1.49 million (2017 $1.77 million). The Company expects that all tax losses will be utilised this year.

KEY MANAGEMENT PERSONNEL

Key management personnel of the Company have interests in other entities that transact with Company members.

Vbase has entered into a management services agreement with Council whereby Council provides management and financial service support.

No provision has been required, nor any expense recognised, for impairment of receivables from related parties (2017: nil).

During the year directors' fees for the amount of $29,423 was paid to Paul Lonsdale (2017: nil)

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18 LEASES

18a 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:

	2018 $000	2017 $000
No later than one year	351	317
Later than one year and not later than five years	1,255	1,219
Later than five years	4,073	4,351
Total non-cancellable operating lease commitments	5,679	5,887

A significant portion of the lease commitments relate to a long-term ground lease which has an initial term out to 31 March 2043 and a further renewal period of 33 years out to 31 March 2076.

There are no restrictions imposed by lease arrangements.

The Company has no non-cancellable operating leases as lessor

19 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 the Council and 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 the borrowings are fixed. The Company had a portion of its surplus cash entered into fixed term deposits that mirror the projected costs for the repair of the Town Hall. Most of these deposits were fully spent in the month of maturity. As such only cash and deposits that are 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 $40,985 or $29,509 after tax (2017: $389,750 before tax, $280,620 after tax).

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.

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:

	2018 $000	2017 $000
Counterparties with credit ratings		
Cash at bank and bank term deposits		
AA-	7,061	33,555
Related parties cash at bank		
A+	-	5,500
Total cash at bank and term deposits	7,061	39,055
Loans to related parties		
A+	4,539	27,839
Total loans to related parties	4,539	27,839
Debtors and other receivables		
Related parties receivables	2,792	1,353
Existing counterparty with no defaults in the past	786	1,272
Total debtors and other receivables	3,578	2,625

Classification of financial instruments

The Company has no financial assets or financial liabilities designated at fair value, fair value through other comprehensive revenue and expense or held to maturity in 2018 or 2017.

2018	Loans & receivables $000	Other amortised cost $000	Total carrying amount $000
Financial assets			
Cash and cash equivalents	7,061	-	7,061
Trade and other receivables	786	-	786
Related party receivables	2,792	-	2,792
Other financial assets	4,539	-	4,539
Total financial assets	15,178	-	15,178
Financial liabilities			
Trade and other payables	-	1,843	1,843
Other (related party)	-	10,600	10,600
Borrowings	-	14,485	14,485
Total financial liabilities	-	26,928	26,928

2017	Loans & receivables $000	Other amortised cost $000	Total carrying amount $000
Financial assets			
Cash and cash equivalents	13,168	-	13,168
Trade and other receivables	1,272	-	1,272
Other financial assets	49,187	-	49,187
Related party receivables	1,353	-	1,353
Other financial assets	4,539	-	4,539
Total financial assets	69,519	-	69,519
Financial liabilities			
Trade and other payables	-	2,814	2,814
Other (related party)	-	8,910	8,910
Borrowings	-	14,485	14,485
Total financial liabilities	-	26,209	26,209

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Contractual maturity analysis

As at 30 June 2018	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	7,061	7,061	7,061	-	-	-
Trade receivables	786	786	786	-	-	-
Other financial assets	4,539	5,260	-	5,260	-	-
Other (related party receivables)	2,792	2,792	2,375	417	-	-
Total financial assets	15,178	15,899	10,222	5,677	-	-
Financial liabilities						
Trade and other payables	(1,843)	(1,843)	(1,843)	-	-	-
Borrowings	(14,485)	(26,934)	(1,131)	(1,131)	(3,392)	(21,280)
Other (related party)	(10,600)	(10,600)	(10,600)	-	-	-
Total financial liabilities	(26,928)	(39,377)	(13,574)	(1,131)	(3,392)	(21,280)

Other financial assets and cash and cash equivalents contractual cash flows include interest receivable of $720,808 under the term deposits entered into (2017: $2,305,242).

As at 30 June 2017	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	13,168	13,191	13,191	-	-	-
Trade receivables	1,272	1,272	1,272	-	-	-
Other financial assets	53,726	56,008	50,748	-	5,260	-
Other (related party receivables)	1,353	1,353	1,353	-	-	-
Total financial assets	69,519	71,824	66,564	-	5,260	-
Financial liabilities						
Trade and other payables	(2,814)	(2,814)	(2,814)	-	-	-
Borrowings	(14,485)	(28,064)	(1,131)	(1,131)	(3,392)	(22,410)
Other (related party)	(8,910)	(8,910)	(8,910)	-	-	-
Total financial liabilities	(26,209)	(39,788)	(12,855)	(1,131)	(3,392)	(22,410)

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20 CAPITAL MANAGEMENT

The Company's capital is its equity, which comprises accumulated comprehensive revenue and expenses and all equity 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.

21 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 2017/18 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.

22 SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

The Company is incorporated under the Companies Act 1993 and is domiciled and operates in New Zealand. It 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), 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 in early 2019.

In 2018 Vbase reviewed its operations and objectives and determined that for the purposes of the New Zealand Accounting Standards Framework that it was a Public Benefit Entity (PBE).

The financial statements of the Company are for the year ended 30 June 2018. The financial statements were authorised for issue by the Board of Directors on 28 September 2018.

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 Public Benefit Standards ('PBE Standards') as appropriate for Tier 1 public benefit entities.

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

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

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

New and amended Standards and Interpretations

With the financial statements of the Company being restated to report under 'Public Benefit Entity' standards for the current year this has had a material presentational and 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 are:

PBE IPSAS 21 *Impairment of Non-Cash Generating Assets* and PBE IPSAS 26 *Impairment of Cash-Generating Assets*

In April 2017, the XRB issued Impairment of Revalued Assets (PBE IPSAS 21 *Impairment of Non-Cash Generating Assets* and PBE IPSAS 26 *Impairment of Cash-Generating Assets*), which now clearly scopes revalued property, plant, and equipment into the impairment accounting standards. Previously, only property, plant and equipment measured at cost were scoped into the impairment accounting standards. Under the amendment, a revalued asset can be impaired without having to revalue the entire class of asset to which the asset belongs. This amendment is effective for the 30 June 2020 financial statements, with early adoption permitted. The Company has chosen not to early adopt this amendment.

PBE IFRS 9 *Financial Instruments*

In January 2017, the XRB issued PBE IFRS 9 *Financial Instruments*. This replaces PBE IPSAS 29 *Financial Instruments: Recognition and Measurement*. PBE IFRS 9 is effective for financial years beginning on or after 1 January 2021, with earlier application permitted for annual periods beginning on or after 1 January 2018.

The standard contains the requirements for a) the classification and measurement of financial assets and financial liabilities, b) impairment methodology, and c) general hedge accounting.

> **1**: Classification and measurement of financial assets and financial liabilities.
> With respect to the classification and measurement, the number of categories of financial assets under PBE IFRS 9 has been reduced; all recognised financial assets that are currently within the scope of PBE IPSAS 29 will be subsequently measured at either amortised cost or fair value under PBE IFRS 9. PBE IFRS 9 also contains requirements for the classification and measurement of financial liabilities and derecognition requirements.
>
> **2**: Impairment of financial assets.
> The impairment model under PBE IFRS 9 reflects expected credit losses, as opposed to incurred credit losses under PBE IPSAS 29. Under the impairment approach in PBE IFRS 9, it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, an entity always accounts for expected credit losses and changes in those expected credit losses.
>
> **3**: Hedge accounting
> The general hedge accounting requirements of PBE IFRS 9 retain the three types of hedge accounting mechanisms in PBE IPSAS 29. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify as hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'.

The Company has chosen to early adopt this standard for the year ending 30 June 2019 in order to have consistent accounting treatment with its parent company, the Christchurch City Council.

The Company has assessed that applying the PBE IFRS 9 *Financial Instruments* standard will not have a material impact on the financial statements. The impact has been assessed as follows:

> **1**: Classification and measurement of financial assets and financial liabilities.
> The impact of applying this standard is minimal given the unsophisticated nature of the financial assets and financial liabilities held by the Company. All recognised financial assets and financial liabilities that are within the scope of PBE IFRS 9 are required to be subsequently measured at amortised cost which is consistent with the accounting treatment in prior year financial statements.
>
> **2**: Impairment of financial assets.
> A review of the Company's existing financial assets and amounts due from customers was performed to determine if there was a requirement to recognise an impairment and it was determined that no impairment was required. There will be an update to the narrative in the financial asset notes with a reference to 'expected impairment' loss amount.
>
> **3**: Hedge accounting
> **T**he Company does not hedge account, so this section of the standard is not applicable.

b. Revenue

Revenue may be derived from either exchange or non-exchange transactions.

Revenue from exchange transactions

Revenue from exchange transactions arises where the Company provides goods or services to another entity and directly receives approximately equal value (primarily in the form of cash) in exchange.

Revenue from non-exchange transactions

Revenue from non-exchange transactions arises from transactions that are not exchange transactions. These are transactions where the Company receives value from another party without giving approximately equal value directly in exchange for the value received.

Revenue is measured at the fair value of consideration received and comprises the following:

- **Services rendered**

  Revenue from services rendered is recognised in the net surplus or deficit in proportion to the stage of completion of the transaction at the statement of financial position date. Amounts received in advance for services to be provided in future periods, determined by reference to the stage-of-completion of the contract, are recognised as a liability until such time as the service is provided if there are remaining substantive obligations to be met.

- **Interest revenue**

  Interest revenue is recognised in the net surplus or deficit as it accrues, using the effective interest method.

- **Other revenue**

  Other revenue includes rental and naming rights revenue and revenue from reversing previously held capital retention provisions.

c. 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 net surplus or deficit using the effective interest rate method.

Interest payable on borrowings is recognised as an expense through the net surplus or deficit as it accrues unless the interest relates to borrowings directly attributable to the acquisition, construction or production of a *qualifying asset* in which case it will be capitalised into the cost of the asset.

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

d. Income tax

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

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.

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.

At year-end, the assets are assessed for indicators of impairment. Impairment is established when there is evidence that the Company will not be able to collect amounts due according to the original terms of the receivable. An impairment loss is recognised whenever the carrying amount of the receivable exceeds its recoverable amount.

Trade and other receivables are categorised in the financial statements as either exchange or non-exchange trade and other receivables.

Trade and other receivables from exchange transactions

Trade and other receivables from exchange revenue transactions arises where the Company provides goods or services to another entity and directly receives approximately equal value (primarily in the form of cash) in exchange.

Trade and other receivables from non-exchange transactions

Trade and other receivables from non-exchange revenue transactions arises from transactions that are not exchange transactions. These are transactions where the Company receives value from another party without giving approximately equal value directly in exchange for the value received.

f. 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.

g. Other financial assets

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

At year-end, the assets are assessed for indicators of impairment. Impairment is established when there is evidence that the Company will not be able to collect amounts due according to the original terms of the term deposit. An impairment loss is recognised whenever the carrying amount of the deposit exceeds its recoverable amount.

h. 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.

i. Property, plant & equipment

Property, plant and equipment consists of the following asset classes: buildings, work in progress assets, and plant and equipment.

Revaluations

The buildings are shown at fair value, based on periodic valuations by external independent valuers, less subsequent depreciation. 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 accounts for revaluations of property, plant and equipment on a class of asset basis. The net revaluation results are credited or debited to other comprehensive revenue and expense and are accumulated to an asset revaluation reserve in equity for that class of asset. Where this would result in a debit balance in the asset revaluation reserve, this balance is not recognised in other comprehensive revenue and expense but is recognised in the surplus or deficit. Any subsequent increase on revaluation that reverses a previous decrease in value recognised in the surplus or deficit will be recognised first in the surplus or deficit up to the amount previously expensed, and then recognised in other comprehensive revenue and expense. 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.

Additions
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. Work in progress is recognised at cost.

In most instances, an item of property, plant, and equipment is initially recognised at its cost. Where an asset is acquired through a non-exchange transaction, it is recognised at its fair value as at the date of acquisition.

Subsequent costs
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 net surplus or deficit during the financial period in which they are incurred.

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

Depreciation
Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives. The useful lives associated depreciation rates or major classes of property, plant and equipment have been estimated as follows:

Building shell fit-out	25-85 years (1% to 4%)
Furniture, fittings, plant & equipment	1-17 years (6% to 100%)
Work in progress assets	Not depreciated

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date.

Impairment of property, plant and equipment
Assets are considered cash-generating where their primary objective is to generate a commercial return.

The buildings, excluding WIP asset balances are classified as non-cash generating assets. Non-cash-generating assets are those assets that are not held with the primary objective of generating a commercial return.

For non-cash-generating assets, value in use is determined using the optimised depreciable replacement cost (ODRC) approach.

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 PBE IPSAS 21 – *Impairment of Non-Cash-Generating Assets* and PBE IPSAS 26 - *Impairment of Cash-Generating Assets*. For assets not carried at a revalued amount, the total impairment loss is recognised in the surplus or deficit.

The reversal of an impairment loss on a revalued asset is credited to other comprehensive revenue and expense 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 surplus or deficit, a reversal of the impairment loss is also recognised in the surplus or deficit. For assets not carried at a revalued amount, the reversal of an impairment loss is recognised in the surplus or deficit.

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.

j. **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.

k. **Trade and other payables**

Trade and other payables are stated at cost.

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 net surplus or deficit over the period of the borrowings on an effective interest basis.

m. **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 net surplus or deficit as interest expense.

- **Dividends**

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

n. **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 90 days 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.

o. **Operating leases**

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

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

p. 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.

q. Critical judgements, estimates and assumptions in applying the Company's accounting policies

Preparing financial statements to conform to PBE IPSAS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, revenue 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.

- The Company's buildings are specialised and as such are valued at fair value using ODRC because no reliable market data is available for such buildings. The ODRC value is determined by an independent expert using a number of significant assumptions. The ODRC begins with assessing the current replacement cost or Modern Equivalent Asset of the assets as at the date of valuation less an allowance for all forms of functional obsolescence including physical and economic obsolescence to date and for any over-or under design. All types of obsolescence are measured by making comparisons between the subject asset and the asset of equal utility upon which the cost estimate is based and include assumptions on the assets useful life. The balance of the replacement cost less all forms of obsolescence and over design represents the fair value of the asset.

DIRECTORY AND STATUTORY INFORMATION

Registered Office	53 Hereford Street Christchurch
Directors	Timothy Scandrett Paul Lonsdale Paul Munro (appointed 10 March 2017)
Bankers	Westpac Bank Christchurch
Auditors	Audit New Zealand on behalf of the Auditor-General Christchurch

Directors' interests as at 30 June 2018

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 Consulting Ltd
	Director	VBL One Ltd
	Director	ChristchurchNZ Ltd (appointed 30 June 2017)
	Director	ChristchurchNZ Holdings Ltd
	Councillor	Christchurch City Council
Paul Lonsdale	Director	Akaroa Properties 1992 Ltd
	Director	ARC COM Ltd
	Director	MainStreet Management Ltd
	Director	Ōtautahi Community Housing Development GP Ltd
	Trustee	Ōtautahi Community Housing Trust
	Partner	Zachery Partnership
	Manager	New Brighton Business & Landowners Association
	Manager	Central City Business Association
Paul Munro	Director	CCHL (2) Ltd
	Director	CCHL (4) Ltd
	Director	CCHL (5) Ltd
	Director	Christchurch City Networks Ltd
	Director	Electricity Ashburton Ltd
	Director	Central Plains Water Ltd
	Director	Versatile Properties Ltd
	Director	Versatile Australia Holdings Ltd
	Director	Spanbild New Zealand Ltd
	Director	Spanbild Holdings Ltd
	Director	Portabuild (2007) Ltd
	Director	Spanbild Investments Ltd (appointed 14 Mar 2018)
	Director	Verve Apartments (General Partner) Ltd (appointed 14 Mar 2018)
	Director	Spanbild Projects Ltd (appointed 1 April 2018)
	Advisory Board Member	University of Canterbury Students Association (ceased 30 May 2018)
	Chief Executive	Christchurch City Holdings Ltd

DIRECTORS INSURANCE
The Company has directors' liability insurance for all directors. Premiums to the value of $23,500 were paid in the 2018 year (2017: $23,500).

REMUNERATION OF DIRECTORS
Remuneration was paid or due and payable to directors for services as a director during the year as follows:

Paul Lonsdale: $29,423 (2017: nil)

USE OF COMPANY INFORMATION
During the year the Board received no notices from members or directors of the Company requesting to use company information received in their capacity as members or directors which would not otherwise have been available to them.

DONATIONS
Donations of $425 were made by the Company during the year (2017: nil).

DIVIDENDS
There have been no dividends declared for the 2017/18 financial year (2016/17: nil).

EMPLOYEES' REMUNERATION
Effective 1 August 2011 all Company employees were transferred to the Council hence there were no employees in the Company during 2018 (2017: 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 as at 30 June 2018 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 performance information for the year ended 30 June 2018

The Auditor-General is the auditor of Vbase Limited (the company). The Auditor-General has appointed me, Andy Burns, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and performance information of the company on his behalf.

Opinion

We have audited:

- the financial statements of the company on pages 4 to 7 and 12 to 34, that comprise the statement of financial position as at 30 June 2018, the statement of comprehensive revenue and expense, 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 performance information of the company on pages 8 to 11.

In our opinion:

- the financial statements of the company on pages 4 to 7, and 12 to 34:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2018; 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 Public Benefit Entity Accounting Standards; and
- the performance information of the company on pages 8 to 11 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 2018.

Our audit was completed on 28 September 2018. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements and the performance information, and we explain our independence.

Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors for the financial statements and the performance information

The Board of Directors is responsible on behalf of the company for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand. The Board of Directors is also responsible for preparing the statement of service performance for the company.

The Board of Directors is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the performance information, the Board of Directors is responsible on behalf of the company for assessing the company's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Board of Directors intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

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

Responsibilities of the auditor for the audit of the financial statements and the performance information

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of these financial statements and the performance information.

For the budget information reported in the performance information, our procedures were limited to checking that the information agreed to the company's statement of intent.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- We obtain an understanding of internal control relevant to the audit 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.

- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- We evaluate the appropriateness of the reported performance information within the company's framework for reporting its performance.

- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 2, 3, 35 and 36, but does not include the financial statements and the performance information, and our auditor's report thereon.

Our opinion on the financial statements and the performance information does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements and the performance information, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the performance information or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independence

We are independent of the company in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1(Revised): Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

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

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