VBASE LIMITED ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2020

CHRISTCHURCH TOWN HALL + CHRISTCHURCH ARENA + HAGLEY OVAL + AIR FORCE MUSEUM of New Zealand + Orangetheory STADIUM

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CHAIRMAN & CHIEF EXECUTIVE REPORT

Our Year in Review

The Business
In October 2019, Vbase commenced its transition back to an independently governed and managed Council Controlled Organisation [CCO] having been managed by Council over the previous 8 years following the impact of the 2011 Christchurch Earthquake on the business.

Transition involved the review and reset of the business purpose, direction and plan; the strengthening of leadership, culture and capability; enhancement of systems; and improvement of performance.

This process was expected to take 12-18 months to fully complete and as at the end of this financial year is well on track with progress to date including the reset of purpose, strategic direction, objectives and key priorities; transfer of all staff from Council to Vbase; organisational redesign and appointment of Executive Management; establishment of Human Resources, Finance and Administration functions; bringing Catering inhouse; and investing in the Christchurch Arena technology transformation and digital experience.

The decision, effective 1 April 2020, to end the long-term catering outsourcing contract with Spotless Facility Services (NZ) Limited (Spotless) and to bring catering in-house was significant. This has enabled Vbase to implement a local procurement strategy for food and beverage, deliver an enhanced client and guest experience and improve financial outcomes.

The investment in the Arena technology transformation and digital experience commenced in June of 2020. This $1.4 million capital investment will make the Arena the most digitally enhanced venue in New Zealand. This state of the art technology platform will deliver both an enhanced client and guest experience and commercial benefits.

The Environment
In March 2019, Covid-19 brought about the decimation of not only the events industry, but the associated hospitality, travel and tourism sectors.

As New Zealand moved quickly through Covid-19 response Alert Levels into a nationwide lockdown, the Company experienced an immediate loss of all event revenues. With long term border restrictions and recessionary economic outlook, the recovery to pre Covid-19 event levels is currently forecast to take more than three years.

The Government Employer Wage Subsidy enabled the retention of all staff while the longer-term impact and implications of Covid-19 were assessed.

In the short-term the Company shifted its focus from attracting, planning, and delivering events to business survival and recovery. This resulted in the right sizing and repositioning of the business to a leaner, more agile, variable cost model while also continuing with necessary venue repairs, maintenance and improvements to take advantage of the venue and event downtime.

Despite the lower cost base, the performance of the Company has been hit hard and is forecast to remain immensely challenging for some considerable time as event revenues slowly recover and venue fixed costs endure.

The Venues
Following completion of the restoration and repair of Christchurch Town Hall in February 2019, prior to the impacts of Covid-19, the venue was in higher than forecast demand. With 117 events budgeted for the financial year, 168 had been held by 31 March 2020. Similarly, Christchurch Arena and the Air Force Museum were also well on track to achieve the respective 70 and 63 events budgeted for the financial year.

International Rugby League returned to the South Island with a double header at Orangetheory Stadium in November 2019. The New Zealand Kiwis, the Great Britain Rugby League Lions (in their first tour down-under in 13 years), Papua New Guinea Kumuls and Fiji Bati were all in action and the event was well attended.

Orangetheory Stadium also hosted two Super Rugby matches prior to Covid-19 requiring the cancellation of the remainder of the Super Rugby Championship in its international form.

In total across all Vbase venues, as a result of Covid-19, there were 46 events scheduled to run between March and 30 June that were cancelled and 42 that were postponed.

Our People and Our Community
Despite the extraordinary challenges of the year, our people remain focused on the special privilege it is to manage the venues on behalf of the people of Christchurch. Doing good for our community through the generation of economic, social and cultural benefits is at our very core and the ultimate measurement of success.

During the course of the year Vbase continued to support the community by managing and operating the venue assets owned by the people of Christchurch for their economic, social and cultural impact.

Vbase has also continued to operate non-Council owned venues on behalf of other venue owners in support of the recovery of Christchurch post the February 2011 earthquakes. These arrangements, the most notable of which is Orangetheory Stadium,

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are both a significant cost to the Company and an important social impact contribution to the community.

Vbase have maintained local cultural and community event access to the Christchurch Town Hall and Christchurch Arena through the provision of discounted venue hire rates. Venue compliance, maintenance and operating costs, particularly in relation to the heritage listed Christchurch Town Hall, is however making affordability for these groups more challenging.

Through the establishment of our regional procurement strategy we are supporting local business and can celebrate the best of what our region has to offer. The Canterbury region has an abundance of high-quality produce and product and we are lucky to have this on our doorstep. Not only does this allow us to support the local business community but also means we have the highest quality produce to serve to clients and guests.

Internally our team and culture are in a rebuild phase following a significant period of change. Changes included a significant downsizing of the business as a result of the impacts of Covid-19. This was a challenging time for our team and business and every member of the team handled themselves with grace, dignity and a genuine care for each other. This, particularly for those who left the business, demonstrated how deep the connection is with the venues they have been so privileged to look after and the respect they have for each other.
We are now focused on recovery and creating a culture and capability where our people are enabled to innovate, disrupt the status quo and find new and better ways of delivering value to clients, guests and the community at large. We will continue to look after each other and will develop a holistic approach to wellbeing that supports the mental, physical, social and spiritual health of our people and strengthens the connection between us.

The outlook for the events industry is uncertain and unpredictable and the Company is forecasting a long, slow recovery. We are totally committed, in close collaboration with Council, to navigating our way through this challenging time and ensuring Vbase emerges a better, stronger business and the venues are the pride and delight of everyone, especially the people of Christchurch who own them.

Chief Executive	30 November 2020 Date
Chairman	30 November 2020 Date

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BUSINESS AND FINANCIAL OVERVIEW

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

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

- Orangetheory Stadium to support large scale rugby fixtures and other events.
- The Air Force Museum Wigram as a conference and event space.
- The Hagley Oval Pavilion as a small to medium size event function space.

The 2010 and 2011 earthquakes caused serious damage to 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.

From 1 November 2019 all employees, except for finance staff, transferred from Council employment contracts over to Vbase employment contracts. Council continue to provide finance support to Vbase as agreed under the management agreement.

Covid-19

The global pandemic has decimated not only the New Zealand events industry but also the associated hospitality, travel and tourism sectors.

The Alert Level system implemented by the Government immediately resulted in the loss of all events at Vbase venues. Emerging from the lock down in early June allowed time for two Super Rugby Aotearoa matches to be held at Orangetheory Stadium. These were the only two events hosted at Vbase venues in the final three months of the year.

The introduction of the Government Covid-19 wage subsidy, to assist businesses impacted by Covid-19, supported the Company, allowing the business to partially reduce the financial impact caused by the pandemic.

Due to the impact of Covid-19 the Company was significantly downsized in June 2020. This resulted in a large number of redundancies. Staff severance payments totalling $0.7 million were paid during the year.

Town Hall repair

The Town Hall repair and renovation was completed during the year and the final componentised cost breakdown, pre year-end valuation, of the project is:

• Building asset	$148.8 million
• Plant & Equipment asset	$1.2 million
• Expensed to P&L	$14.6 million

$12.2 million of the project P&L expense was recorded in the 2019 financial statements.

An impairment reversal of $12.5 million has been recognised as other revenue in the statement of other comprehensive revenue and expense. The impairment reversal represents the components of the building, which were impaired down to a nil value immediately after the Christchurch earthquakes, that have remained substantially unchanged throughout the restoration project.

Building valuation

Bayleys Valuations Limited has undertaken an independent valuation on the Arena and Town Hall. The valuation date is 30 June 2020 and is based on using the optimised depreciable replacement cost method.

The total valuation of both buildings is $214.9 million, and the change in value has resulted in a $23.9 million valuation increase in the gross carrying amount of the assets.

Financial result

For the year ended 30 June 2020, the Company had a net surplus after tax of $4.8 million (2019: deficit $15.2 million). Within the surplus amount is asset depreciation and amortisation expense totalling $9.7 million and other revenue for a building asset impairment reversal and building revaluation of $12.5 million and $3.7 million respectively.

For and on behalf of the Board

Director	30 November 2020 Date
Director	30 November 2020 Date

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

For the year ended 30 June 2020

	Note	2020 $000	2019 $000
Revenue	1a	15,635	18,182
Expenses	1b	13,707	21,449
Personnel costs	1c	4,980	-
Deficit before other expenses and income tax expense		(3,052)	(3,267)
Other revenue			
Revaluation of property, plant & equipment		3,702	-
Impairment reversal on property, plant & equipment		12,546	-
Total other revenue		16,248	-
Other expenses			
Depreciation and amortisation	7 & 8	9,659	3,827
Finance costs		1,140	1,131
Transition costs		272	-
Town Hall repair costs		2,405	12,217
Loss on disposal of assets		4	-
Total other expenses		13,480	17,175
Deficit before income tax expense from operations		(284)	(20,442)
Income tax income from operations	2a	5,123	5,257
Surplus/(Deficit) from operations for the year		4,839	(15,185)
Other comprehensive revenue and expense			
Net movement on property valuations		20,194	-
Deferred tax movement taken to revaluation reserve		(5,654)	-
Total other comprehensive revenue and expense from operations		14,540	-
Total comprehensive revenue and expense		19,379	(15,185)

A prior period adjustment has been included in these financial statements. Further detail of the impact is provided in *Note 21 Prior Period Adjustments.*

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

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2020

	Capital $000	Asset * revaluation Reserve $000	Accumulated * surpluses / (deficits) $000	Total $000
Balance at 1 July 2018	189,636	-	(57,847)	131,789
Total comprehensive revenue and expense for the period				
Deficit for the year	-	-	(15,185)	(15,185)
Other comprehensive revenue and expense, net of revenue and expense tax				
Retained earnings on amalgamation	-	-	9	9
Total comprehensive revenue and expense for the year	-	-	(15,176)	(15,176)
Transactions with owners, recorded directly in equity				
Total contributions by, and distributions to, owners	45,000	-	-	45,000
Balance at 30 June 2019	234,636	-	(73,023)	161,613
Total comprehensive revenue and expense for the period				
Surplus for the year	-	-	4,839	4,839
Other comprehensive revenue and expense, net of revenue and expense tax				
Net movement on property valuations	-	20,194	-	20,194
Deferred tax movement taken to revaluation reserve	-	(5,654)	-	(5,654)
Total comprehensive revenue and expense for the year	-	14,540	4,839	19,379
Balance at 30 June 2020	234,636	14,540	(68,184)	180,992

* A prior period adjustment has been made based on a change to the accounting treatment of a 30 June 2018 building valuation increase which has impacted the 1 July 2018 opening balance equity allocations. Further detail of the impact is provided in *Note 21 Prior Period Adjustments.*

The accumulated surpluses/deficits for 2019 includes a $9k movement resulting from the amalgamation with Tuam Limited on 1 January 2019.

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

STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Note	2020 $000	2019* $000
Current assets			
Cash and cash equivalents	16	9,274	9,450
Trade and other receivables	3a	564	2,087
Other financial assets	4	2,000	4,539
Inventories	5	227	309
Current tax assets	2b	-	469
Other current assets	6	83	97
Total current assets		12,148	16,951
Non-current assets			
Property, plant & equipment	7	220,003	188,927
Intangible assets	8	53	89
Deferred tax assets	2d	10,095	4,001
Total non-current assets		230,151	193,017
Total assets		242,299	209,968
Current liabilities			
Trade and other payables	9a	12,078	10,450
Employee entitlements	10	637	-
Current tax payables	2b	1,031	-
Total current liabilities		13,746	10,450
Non-current liabilities			
Trade and other payables	9b	2,054	730
Borrowings	11	15,885	14,485
Deferred tax liabilities	2d	29,622	22,690
Total non-current liabilities		47,561	37,905
Total liabilities		61,307	48,355
Net assets		180,992	161,613
Equity			
Capital and other equity instruments	12	234,636	234,636
Asset revaluation reserve		14,540	-
Accumulated surpluses/(deficits)		(68,184)	(73,023)
Total equity		180,992	161,613

A prior period adjustment has been included in these financial statements. Further detail of the impact is provided in *Note 21 Prior Period Adjustments.*

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

For and on behalf of the Board

	30 November 2020		30 November 2020
Director	Date	Director	Date

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STATEMENT OF CASH FLOWS

For the year ended 30 June 2020

	Note	2020 $000	2019 $000
Cash flows from operating activities			
Receipts from customers		10,641	17,394
Subvention received		1,806	3,286
Council operating grant		3,250	1,000
Government wage subsidy		2,317	-
Payments to suppliers and employees		(19,335)	(21,239)
Net GST movement		(66)	1,433
Net cash provided by (used in) operating activities	16	(1,387)	1,874
Cash flows from investing activities			
Purchase of investments		(2,000)	-
Amalgamation of Tuam Limited		-	280
Pre-paid lease rental revenue		1,290	-
Payment for property, plant & equipment		(3,671)	(45,687)
Ground lease refund		-	2,065
Interest received		782	231
Sale of property, plant & equipment		11	-
Lancaster Park demolition costs		-	(243)
Maturity of investments		4,539	-
Net cash provided by (used in) investing activities		951	(43,354)
Cash flows from financing activities			
Proceeds from issues of equity securities		-	45,000
Interest and other finance costs paid to related party		(1,140)	(1,131)
Loan advances from related party		1,400	-
Net cash provided by (used in) financing activities		260	43,869
Net increase in cash and cash equivalents		(176)	2,389
Cash and cash equivalents at beginning of year		9,450	7,061
Cash and cash equivalents at end of year		9,274	9,450

The investing activities for 2019 includes the receipt of $280k cash associated with the amalgamation with Tuam on 1 January 2019. This amount represents a $271k deferred tax liability balance and a $9k retained earnings adjustment.

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		
	2019/2020	COVID-19 IMPACT	RESULTS AS AT 30 JUNE 2020
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	The Government Alert level restrictions that were introduced in March 2020 and the subsequent New Zealand wide lockdown, did not impact the 30 June 2020 result against target for the performance measure relating to health and safety inductions. **Full year result was not impacted by Covid-19.**	Health and Safety inductions are a prerequisite for all contractors working at Vbase venues. **Target achieved.**
	100% correction of identified sub-standard practices or conditions	The Government Alert level restrictions that were introduced in March 2020 and the subsequent New Zealand wide lockdown, did impact the 30 June 2020 result for 100% correction of identified sub-standard practices or conditions. **Full year result was impacted by Covid-19.**	Substandard practices or conditions identified during the period addressed and corrected with some actions noted as pending as at 30 June 2020 given the ability to progress some actions due to Covid-19 restrictions during the period. **Target not achieved.**
Continue to improve health and safety processes	Annual health and safety audit completed	The Government Alert level restrictions that were introduced in March 2020 and the subsequent New Zealand wide lockdown, impacted the 30 June 2020 result against target for this measure with the audit normally completed between March and June. **Full year result impacted by Covid-19.**	H&S audit not completed during the year. **Target not achieved.**
Minimise the total recordable injury frequency rate (TRIFR) for employees - based on 20,000 hrs worked	Annual employee TRIFR less than 11	As at 31 March 2020 there was an average of 8.9 incidents or near misses per 20,000 hours worked. **Full year result was not impacted by Covid-19.**	Average of 8.9 incidents or near misses per 20,000 hours worked **Target achieved.**

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OBJECTIVE AND STRATEGY	PERFORMANCE MEASURE		
	2019/2020	COVID-19 IMPACT	RESULTS AS AT 30 JUNE 2020
2. Venue Utilisation			
High utilisation of the Arena	At least 70 event days are delivered at Christchurch Arena	The Company was on course to meet this target as at 31 March having reached 56 event days against a year to date target of 53[1]. The Government Alert Level restrictions that were put in place meant that the last event in this venue for the 2020 year was held on 13 March 2020. **As at 31 March 2020 the full year target was on track to be achieved.**	56 events days have been delivered. **Target on track but not achieved due to Covid-19.**
Attract events at the temporary stadium outside of the standard Super 15 and provincial rugby Fixtures	At least 1 major event is delivered at the temporary stadium	There were no major events, meeting this measurement criteria, scheduled to be held at the stadium for period impacted by the Government Alert Level restrictions. **Full year result not impacted by Covid-19**.	The stadium hosted an international rugby league match in November 2019. **Target achieved.**
High utilisation of Air Force Museum	At least 63 events are delivered at Air Force Museum	Vbase was well on track to meet this target as at 31 March 2020 having reached 53 events against a year to date target of 47[1]. The Government Alert Level restrictions put in place meant that the last event in this venue for the 2020 year was held on 17 March 2020. **As at 31 March 2020 the full year target was on track to be achieved.**	53 events have been delivered. **Target on track but not achieved due to Covid-19.**
High utilisation of Hagley Oval Pavilion within the constraints of use	At least 50 event days are delivered at Hagley Oval Pavilion	Vbase was marginally off track against this target as at 31 March 2020 having reached 26 event days against a year to date target of 38[1]. The Government Alert Level restrictions that were put in place meant the last event in this venue for the 2020 year was held on 13 March 2020. **As at 31 March 2020 the full year target result was marginally off track.**	26 events days have been delivered. **Target not achieved.**
Note 1: The target average figure for 31 March 2020 is calculation by dividing the full year target number by 12 to arrive at the monthly target value and then multiplying the result by 9 which represents the 9 months in the period from 1 July 2019 to 31 March 2020.			

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OBJECTIVE AND STRATEGY	PERFORMANCE MEASURE		
	2019/2020	COVID-19 IMPACT	RESULTS AS AT 30 JUNE 2020
2. Venue Utilisation (Continued)			
High utilisation of the Christchurch Town Hall for Performing Arts	At least 117 events are delivered at the Town Hall	Vbase was tracking well ahead of target as at 31 March 2020 having reached 168 events against a full year target of 117. The Government Alert Level restrictions meant that the last event in this venue for the 2020 year was held on 17 March 2020 **As at 31 March 2020 the full year target was achieved but the full year result was reduced due to Covid-19.**	168 events have been delivered. **Target 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	Vbase was tracking well ahead of target as at 31 March 2020 having received 46 client survey responses against a year to date target number of 38[1]. The Government Alert level restrictions meant that no surveyable events were held during the last 3 months of the year. **As at 31 March 2020 the full year survey total target was on track to be achieved, but due to all eligible events being either cancelled or postponed in the final 3 months to June due to Covid-19 no surveys were issued during this period.**	46 surveys completed. **Target well on track but not achieved due to Covid-19.** 94% satisfaction level achieved. **Target achieved.**
Event Customer (Guest) satisfaction	Minimum 1,000 guests surveyed throughout the year Achieve greater than 85% satisfaction during the year	Vbase was well ahead of target as at 31 March having received 2,881 guest survey responses against a full year target of 1,000. The Government Alert level restrictions meant that no surveyable events were held during the last 3 months of the year. **As at 31 March 2020 the full year survey total target was achieved but the number of surveys received for the full year was reduced due cancelling or postponing all ticketed events during the final 3 months of the year due to Covid-19.**	2889 surveys completed. **Target achieved.** Average satisfaction rating of 95.9 % **Target achieved.**
Note 1: The target average figure for 31 March 2020 is calculation by dividing the full year target number by 12 to arrive at the monthly target value and then multiplying the result by 9 which represents the 9 months in the period from 1 July 2019 to 31 March 2020.			

OBJECTIVE AND STRATEGY	PERFORMANCE MEASURE		
	2019/2020	**COVID-19 IMPACT**	**RESULTS AS AT 30 JUNE 2020**
4. Community Benefit			
Facilitate access to venues for local community and charitable organisations	Total venue discounts equal $100,000	Vbase was tracking well ahead of this annual target as at 31 March 2020. With no events held at the Arena or Town Hall during the last 3 months of the year this meant that the discounts value provided as at 31 March 2020 was unchanged as at 30 June 2020. **As at 31 March 2020 the discount target was achieved but the full year result was reduced due to the impact of Covid-19.**	$123,835 in discounts provided. **Target achieved.**
Secure events that bring visitors to the city to generate positive economic impact	To measure key events throughout the year using the 'Event Economics' tool utilisation in order to prepare a baseline for future economic benefit estimates	Vbase utilised the Event Economics tool to assess the estimated economic impact of a range of events across Vbase venues. This information supports Vbase's commercial and event attraction strategy for the future acquisition of events. Estimated economic impact data was not validated through an external party (Fresh Info) due to the cost prohibitive nature of this validation exercise and the financial challenges Vbase experienced due to Covid-19. **Full year result not impacted by Covid-19.**	Event Economics tool used to estimate economic impacts of a range of Vbase events. **Target achieved.**
Secure events that will encourage high usage of the venues	Visitors to venues exceed 550,000[2]	The Company was off track achieving this target as at 31 March having attracted 362,940 attendees against a year to date target of 414,000[1], noting the three months of April to June where Covid-19 mass gathering restrictions were in place traditionally bring in large attendances associated with Super Rugby. . Just two events (both Super Rugby matches) have been held at Vbase venues since emerging from the Alert Level lockdown restrictions. **Full year result was impacted by Covid-19**	373,100 visitors to Vbase venues. **Target not achieved.**
Note 1: The target average figure for 31 March 2020 is calculation by dividing the full year target number by 12 to arrive at the monthly target value and then multiplying the result by 9 which represents the 9 months in the period from 1 July 2019 to 31 March 2020 Note 2: The visitor numbers include events such as concerts and sports games (ticketed events), dinners and conferences, and expo's and trade shows. Expo's and trade shows are non-ticketed events. Visitor numbers for expo's and trade shows are captured using a clicker system at the entry point to the venue. Total visitor numbers to expo's and trade shows for 2019/2020 is 67,407.			

OBJECTIVE AND STRATEGY	PERFORMANCE MEASURE		
	2019/2020	COVID-19 IMPACT	RESULTS AS AT 30 JUNE 2020
5. Environmental Considerations			
Ensure recycling of waste is undertaken at events	Recycling undertaken at 97% of events	**Full year result was not impacted by Covid-19.**	Recycling was undertaken at 100% of events. **Target achieved.**
Minimise the amount of general waste at the Arena	28% of waste by weight is recycled	The recycling percentage was 36% as at the end of 31 March 2020. **Full year % not materially affected by Covid-19.**	35% of waste by weight was recycled. **Target achieved.**
6. Facility Operation			
Ensure an asset management plan (AMP) is in place for each venue.	An AMP is in place for all venues	The work required to produce both AMP's was able to be conducted remotely which meant that the Alert Level restrictions that were in place for latter part of the year did not prevent this target being achieved. **Full year result not impacted by Covid-19.**	AMP has been completed and is in use for the Arena and Town Hall. **Target achieved.**
Ensure assets are maintained at a suitable level for general use at all venues.	The AMP is reviewed and updated annually, and asset maintenance is compliant with the AMP timetable	The work required to produce both AMP's was able to be conducted remotely which meant that the Alert Level restrictions that were in place for latter part of the year did not prevent this target being achieved. **Full year result was not impacted by Covid-19**	AMP has been completed and is in use for the Arena and Town Hall. **Target achieved.**
Ensure funding is in place to implement AMP.	Funding is in place to implement AMP	**Full year result was not impacted by Covid-19.**	Capital funding requests values are included in the 2021 SOI. **Target achieved.**
Ensure debt repayment program is in place.	Ensure debt repayment program is in place and reviewed annually	**Full year result was not impacted by Covid-19.**	Debt repayment program is in place. **Target achieved.**

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FINANCIAL PERFORMANCE TARGETS

Full year performance against target

	2020 Actual $000	2020 Target $000	Variance $000
Direct operating income	9,619	17,587	(7,968)
Grant revenue received from Council	3,250	3,250	-
Government wage subsidy	1,967	-	1,967
Less: Direct operating expenses	10,668	14,182	3,514
Less: Net operating overheads and fixed costs	7,443	7,614	171
EBITDA	(3,275) [A]	(959)	(2,316)
Net deficit after tax	4,839	(13,440)	18,279

Note A: The net deficit before other expenses and income tax total in the statement of comprehensive income contain the following line items that are not included in the EBITDA value above. Interest revenue; PP&E profit on disposal and donated/vested asset revenue.

The below commentary is to be read in conjunction with the above table which provides an overview of the material items having a financial impact on the full year result.

Major variance descriptions	**Sub total $m**	**Total $m**
Income: Food and beverage revenue is $3.8 million below target and ticketed, flat floor event and naming rights revenue is $2.4 million below target. Staff and event cost on-charge revenue is $1.0 million below target. Aside from the impact of Covid-19, which is detailed in the following 'Covid-19 Impact' section, revenue targets were not met due to fewer large ticketed events held than forecast as well as lower than expected attendances at ticketed events. Leading up to the Alert Level 4 lockdown, fewer than expected medium to large sized international touring acts were held at our venues. The revenue budget included the hosting of a stadium concert during the year and this target was not achieved.		(7.2)
Government wage subsidy: Wage subsidy revenue was unplanned. Further detail is provided in the following 'Impact of Covid-19' section.		2.0
Operating expenses: The following were lower than plan for the year; $0.5 million for expense on-charges and venue hire costs for non-owned venues; $2.2 million in food and beverage costs, $0.5 million for reduced service and event delivery team costs directly related to fewer events held than were planned. Higher than planned costs include $0.1 million for Arena ground remediation work conducted during the year.		3.1
Net overheads: Vbase received the wage subsidy, which was introduced by Government in response to assisting businesses impacted byCovid-19. The subsidy helped the Company continue to pay all full and part-time staff up until mid-June at which time a company restructure was implemented resulting in unplanned severance payments of $0.7 million. This unplanned cost was offset by cost savings made in other overhead costs, resulting in minimal variance between actual and target as at 30 June 2020.		-
Unplanned Town Hall repair expenses: Upon completion of the Town Hall renovation project during the year an analysis of the final costs was completed. This resulted in $2.4 million of the cost being expensed in the surplus/(deficit) in the current year.	(2.4)	
Depreciation, building impairment reversal and building valuation net variance: Town Hall building depreciation base was understated by $4.1 million due to not having complete information available at the time of preparing the 2020 budget. Upon completion of the Town Hall project is was deemed that an accounting impairment reversal to the value of $12.5 million was required in the current year. A building valuation was undertaken during the year resulting in $3.7 million unplanned revaluation revenue recognised in the surplus/(deficit).	12.2	
Total depreciation and non-operating expenses variance		9.8
Taxation: The variance has arisen mainly due to the impact of the unplanned Covid-19 legislation change introduced during the year relating to commercial building depreciation. Offsetting this is the tax impact on the variance between the budgeted and actual net revenue/(deficit) before tax. A large portion of this is due to an unplanned accounting building impairment reversal and building revaluation.		11.0
Total variance		**18.7**

IMPACT OF COVID-19 ON OPERATING FINANCIAL PERFORMANCE

Full year accrual result against 31 March 2020 full year forecast excluding Covid-19 impact [1]

The global pandemic has decimated not only the New Zealand events industry but also the associated hospitality, travel and tourism sectors.

The Government Employer Wage Subsidy enabled the retention of all Vbase staff while the longer-term impact and implications of Covid-19 were assessed. While the local events market is recovering more quickly than initially forecast, boarder and quarantine restrictions place an indefinite hold on international ticketed events which represent a significant portion of the business's income. Current planning at the time of preparing this Annual Report assumes that this market will not resume until the summer of 2021/22 at the earliest.

Due to this outlook the business has been right sized in mid-June 2020, resulting in a large reduction in permanent staff. The right sizing of the business will allow Vbase to operate under a leaner, more agile, variable cost model.

Note 1) The table below contains a comparison of the full year forecast EBITDA, incorporating actual results up to 31 March 2020 and a forecast for the three months April to June 2020, assuming no event financial impact as a result of Covid-19, and the actual 30 June 2020 result. The actual costs as at the end of 31 March 2020 do include a small Covid-19 impact for a two-week period from mid-March to 31 March. This impact is not considered material to the forecast/actual result comparison.

	2020 Actual $000	2020 Forecast $000	Variance $000
Direct operating income	9,619	13,629	(4,010)
Grant revenue received from Council	3,250	3,250	-
Government wage subsidy	1,967	87	1,880
Less: Direct operating expenses	10,668	12,474	1,806
Less: Net operating overheads and fixed costs	7,443	7,339	(104)
EBITDA	(3,275)	(2,847)	(428)

Description of material variance between 31 March 2020 full year forecast and actual 30 June 2020 result	Total $m
Income: 88 events were either cancelled or postponed during 1 April to 30 June as a direct result of Covid-19. Two Super Rugby Aotearoa matches held in late June were the only events held at Vbase venues during the last 3 months to 30 June 2020. Material revenue item variances are; $1.4 million food and beverage and $1.6 million for venue and ticketed revenue with the residual variance being the lost revenue generated from staff and cost on-charges to clients.	(4.0)
Government wage subsidy: With the immediate loss of all operating revenue as a result of the Country entering Alert Level 3, and subsequently Alert Level 4, in March the loss of revenue qualified the Company to receive the Government wage subsidy relief package.	1.9
Operating expenses: With gathering size limit restrictions in place under the Alert Level system for the majority of the last 3 months of the year all venues were closed to the public until the Country entered Alert Level 1 status in early June. All full-time and part-time staff continued to be paid during lockdown. The salary and wage costs paid during this period were fully subsidised by the Government Wage Subsidy received. Food and beverage costs of $0.7 million were saved for the period. Remaining savings are due to a reduction in event specific costs which did not materialise due to the events being cancelled.	1.8
Net overheads: Variance includes the payment of $0.7 million in staff severance payments as a result of the downsizing of the business in late June. Offsetting this amount are wage savings of $0.1 million from the amount that was forecast.	(0.1)
Total variance	**(0.4)**

Note 9: Trade and Other Payables contains $0.35 million of Government wage subsidy receipts, relating to the initial 12-week subsidy application period. This amount will be repaid to the Ministry of Social Development (MSD) in the 2021 financial year as it represents the excess subsidy amount received from the MSD over and above the wage costs paid to staff during the 12-week subsidy period.

In July 2020 the Company applied for the 8-week extension wage subsidy. Further details are included in *Note 15: Events after balance date.*

IMPACT OF COVID-19 ON OPERATING FINANCIAL PERFORMANCE (CONT)

On 17 March 2020 the Government announced a package of measures to support businesses through the impact of Covid-19. One of the measures introduced was the reintroduction of tax depreciation on commercial and industrial buildings. This change was swiftly put through Parliament and it received Royal Assent on 25 March 2020. The outcome for Vbase is that from 1 July 2020 onwards tax depreciation will be able to be claimed on the buildings owned by the Company.

The future impact of this tax change has been reflected in financial statements in the form of a $5.0 million movement between tax expense in the statement of comprehensive revenue and revenue and deferred tax liability in the statement of position. The impact of the change is separately disclosed in the tax expense Note 2a *Income tax recognised in profit and loss* and is included in the property, plant & equipment line movement under deferred tax liabilities in Note 2d *Deferred tax balances.*

RATIO OF SHAREHOLDERS FUNDS TO TOTAL ASSETS

The ratio of shareholders' funds to total assets is:

Actual	Target
75%	85%

At the time of budget setting the percentage did not include the correct inputs which led to an error in the target percentage used in the Statement of Intent. The target ratio, when based on the correct budget inputs, is 79%.

The variance in the final accounting treatment, compared to accounting assumptions used at the time of setting the budget, in addition to the impact of the unplanned building valuation, building impairment reversal and the tax depreciation change on commercial buildings account for most of the impact to the ratio percentage difference.

THE CAPITAL STRUCTURE:

	Actual $000	Target $000	Variance $000
Issued shares and other equity instruments	234,636	246,436	11,800
Debt	15,885	14,485	(1,400)
Total assets	242,299	216,178	26,121

The target included a share issue being made during the year. A share issue was made during October 2020 and is detailed in Note 15 *Events After Balance Date*.

Unplanned debt of $1.4 million was drawn down via our Shareholder. The debt is being used to fund an extensive technology upgrade at the Arena.

The actual total assets balance includes a building valuation net increase of $23.9 million and the June 2020 actual cash balance includes a $1.2 million amount that was budgeted to have been paid to the Council for accrued Town Hall repair costs during the period.

FACILITIES REBUILD

	Actual $000	Target $000	Variance $000
Facilities repair/rebuild			
Arena	1,856	2,400	544
Town Hall repairs	4,422	2,000	(2,422)
	6,278	4,400	(1,878)

The Arena capital budget was not reached during the year. As at year end there are two significant Arena capital upgrade projects in progress. Refer to Note 13 *Capital Commitments.*

The value of the Town Hall capital spend target was based on the project information available at the time of budget setting. Delays to the project completion date resulted in 2019-year costs being pushed into the 2020-year actual result.

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

1. PROFIT FROM OPERATIONS

1a Revenue

	2020 $000	2019 $000
Rendering of services	9,970	16,542
Interest revenue:		
Bank deposits	70	241
Related parties	127	177
Total interest revenue	197	418
Other revenue:		
Rental revenue	214	-
Government wage subsidy	1,967	-
Council operating grant	3,250	1,000
Profit on disposals of assets	13	4
Donated / vested assets	13	-
Other revenue	11	218
Total other revenue	5,468	1,222
Total revenue	15,635	18,182

1b Operating expenses

	2020 $000	2019 $000
Operating expenses:		
Operating lease expenses - minimum lease payments	232	254
Food and beverage expenses	5,431	8,532
Management fee	1,926	4,940
Donations	-	40
Directors Fees	57	30
Audit fees	63	59
Other expenses	5,997	7,594
Total operating expenses	13,706	21,449

1c Personnel costs

	2020 $000	2019 $000
Personnel costs:		
Salaries and wages	4,255	-
Defined contribution plan employer contributions	88	-
Increase/(decrease) in employee entitlements	637	-
Total personnel costs	4,980	-

Salaries and wages contain employee severance payments totalling $0.74 million for the year.

2. INCOME TAXES

2a Income tax recognised in profit or loss

	2020 $000	2019 $000
Tax expense income comprises:		
Current tax (income)	1,031	(1,500)
Adjustments to current tax in prior years	(1,337)	(764)
Deferred tax relating to temporary differences	(4,816)	(2,993)
Total tax income on operations	(5,122)	(5,257)

Reconciliation of prima facie income tax:

	2020 $000	2019 $000
Surplus/(deficit) from operations	(283)	(20,442)
Income tax income calculated at 28%	(79)	(5,724)
Non-deductible expenses:		
Redeemable preference shares (RPS) interest		
Entertainment	2	4
Legal expenses	4	-
Reinstatement of building structure tax base	(5,047)	-
Building structure repairs adjustment	-	151
Accounting (gain) / loss on sale of assets	(2)	(1)
Tax gain / (loss) on sale of assets	-	1
Over provision of previous year's income tax	-	312
Income tax income from operations	(5,122)	(5,257)

2b Current tax assets and liabilities

	2020 $000	2019 $000
Current tax (assets):		
Subvention receivable	-	(469)
Total current tax asset	-	(469)
Current tax payables:		
Income tax payable	1,031	-
Total current tax liability	1,031	-

2c Imputation credit account balances

There are no imputation credits available for use in subsequent periods (2019: nil)

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2 INCOME TAXES (CONT)

2d Deferred tax balances

Taxable and deductible temporary differences arise from the following:

Year ended 30 June 2020	Opening balance $000	Adjustment to opening balance $000	Charged to income $000	Charged to other comprehensive income $000	Amalgamation $000	Closing balance $000
Deferred tax liabilities:						
Property, plant & equipment	7,157	-	14,136	5,654	-	26,947
Earthquake recoveries and other items	15,533	-	(12,858)	-	-	2,675
Total deferred tax liabilities	22,690	-	1,278	5,654	-	29,622
Deferred tax assets:						
Provisions	13	-	(5)	-		8
Losses carried forward	3,988	(1,337)	7,436	-	-	10,087
Total deferred tax assets	4,001	(1,337)	7,431	-	-	10,095
Net deferred tax liability/(asset) balance	18,689	1,337	(6,153)	5,654	-	19,527

Year ended 30 June 2019	Opening balance $000	Adjustment to opening balance $000	Charged to income $000	Charged to other comprehensive income $000	Amalgamation $000	Closing balance $000
Deferred tax liabilities:						
Property, plant & equipment	7,233	-	(76)	-	-	7,157
Earthquake recoveries and other items	14,186	1,076	-	-	271	15,533
Total deferred tax liabilities	21,419	1,076	(76)	-	271	22,690
Deferred tax assets:						
Provisions	8	-	5	-		13
Losses carried forward	-	-	3,988	-	-	3,988
Total deferred tax assets	8	-	3,993	-	-	4,001
Net deferred tax liability/(asset) balance	21,411	1,076	(4,069)	-	271	18,689

* A prior period adjustment has been made to the accounting treatment of a 30 June 2018 building valuation increase which has impacted the 1 July 2018 opening balance equity allocations. The adjustment had a net nil impact to deferred tax balances. Further detail of the impact is provided in note 21 *Prior Period Adjustments*.

The 2019 deferred tax balance includes $271k arising from the amalgamation with Tuam Limited on 1 January 2019.

3 TRADE AND OTHER RECEIVABLES

3a Current trade receivables

		2020 $000	2019 $000
Exchange transactions			
Trade receivables		350	708
Provision for impairment	3c	-	(17)
Net trade receivables		350	691
Exchange transactions other receivables		30	317
Exchange transactions related party other receivables		-	1,045
Total exchange receivables		380	2,053
Non-exchange transactions			
Non exchange transactions related party other receivables		154	-
GST receivable		30	34
Total non-exchange receivables		184	34
Total current trade and other receivables		564	2,087

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

3b Current trade receivables aging

The status of trade receivables as at 30 June 2020 and 2019 are detailed below:

	2020 $000			2019 $000		
	Gross $000	Impairment $000	Net $000	Gross $000	Impairment $000	Net $000
Not past due	235	-	235	615	-	615
Past due 31 - 120 days	115	-	115	93	(17)	76
Total	350	-	350	708	(17)	691

The carrying value of receivables that would otherwise be past due or impaired whose terms have been renegotiated, amount to nil (2019: nil).

3c Current trade receivables impairment movement

	2020 $000	2019 $000
Individual impairment	-	(17)
Total impairment	**-**	**(17)**
Movement in provision for impairment		
As at 1 July	(17)	-
Additional provisions made during the year	(5)	(18)
Provisions reversed during the year	17	-
Receivables written off during the year	5	1
Balance at 30 June	**-**	**(17)**

The expected credit loss rates for receivables at 30 June 2020 are based on the payment profile of trade receivables over the prior 3 years at the measurement date and the corresponding historical credit loss experiences for that period. The historical loss rates are adjusted for current and forward-looking macroeconomic factors that might affect the recoverability of receivables. Given the short period of credit risk exposure, the impact of macroeconomic factors is not considered significant and no credit losses are expected other than the specific provision referred to above.

A consistent approach, using the prior 2 years trade receivables payment profile, was conducted for the receivables 30 June 2019 balance and the analysis concluded that no credit losses were expected other than the specific provision referred to above.

4 OTHER FINANCIAL ASSETS

Other current financial assets

	2020 $000	2019 $000
Deposits held with the Council	-	4,539
Term deposits	2,000	-
Total other current financial assets	**2,000**	**4,539**

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

5 CURRENT INVENTORIES

	2020 $000	2019 $000
Inventory held to be consumed in the rendering of services	227	309
Total current inventories	**227**	**309**

No inventories are pledged as security for liabilities (2019: nil).

There was no write-down of inventories (2019: nil).

6 OTHER CURRENT ASSETS

	2020 $000	2019 $000
Prepayments	83	97
Total other current assets	83	97

7 PROPERTY, PLANT & EQUIPMENT

	Buildings (fair value) $000	WIP assets $000	Plant & equipment (cost) $000	Total $000
Gross carrying amount:				
Balance at 1 July 2018	70,339	120,421	9,760	200,520
Additions	891	39,800	2,236	42,927
Disposals	-	-	(11)	(11)
Town Hall repairs	-	(12,217)	-	(12,217)
Transfer between asset class	129,700	(129,700)	-	-
Balance at 30 June 2019	200,930	18,304	11,985	231,219
Additions	3,967	1,220	1,468	6,655
Disposals	(9)	-	(24)	(33)
Town Hall repairs	-	(2,405)	-	(2,405)
Net revaluation	(5,742)	-	-	(5,742)
Transfer between asset class	15,912	(15,912)	-	-
Balance at 30 June 2020	215,058	1,207	13,429	229,694
Accumulated depreciation and impairment:				
Balance at 1 July 2018	(30,849)	-	(7,674)	(38,523)
Disposals	-	-	11	11
Depreciation expense	(2,981)	-	(799)	(3,780)
Balance at 30 June 2019	(33,830)	-	(8,462)	(42,292)
Disposals	9	-	19	28
Depreciation expense	(8,441)	-	(1,170)	(9,611)
Impairment reversal on PPE	12,546	-	-	12,546
Reversed on revaluation	29,638	-	-	29,638
Balance at 30 June 2020	(78)	-	(9,613)	(9,691)
Net book value as at 30 June 2019	167,100	18,304	3,523	188,927
Net book value as at 30 June 2020	214,980	1,207	3,816	220,003

Valuation

The 2020 buildings total consists of the Town Hall, Arena and other building leasehold improvements.

The Arena and Town Hall was valued at 30 June 2020 by an independent registered valuer, Bayleys Valuations Limited in accordance with PBE IPSAS 17. As a result of the market uncertainty, resulting from the ongoing impact of Covid-19, the valuers noted the difficultly undertaking valuations at this time and have highlighted the need to attach less weight to market evidence for comparison purposes. The valuation report for the buildings has therefore been prepared on basis of 'material valuation uncertainty', meaning a higher degree of caution than normal should be applied, and the possibility that this valuation advice may be outdated significantly faster than would normally be the case.

During the year a cost analysis was conducted on the overall Town Hall renovation cost. The analysis substantiated the overall expense portion of the renovation to be $14.6 million. Based on cost estimates available at the time of preparing the 2019 financial statements an amount of $12.2 million was expensed in the statement of comprehensive revenue and expense in the comparative year. Am amount of $2.4 million has been reversed out of the work in progress (WIP) asset category and expensed in the statement of comprehensive revenue and expense in the current year.

The Arena and Town Hall have been valued at $54.6 million and $160.3 million respectively as at 30 June 2020 using the optimised depreciated replacement cost method.

The 30 June 2020 building valuation has resulted in a $3.7 million revenue impact to the surplus/(deficit) and a $20.2 million movement in other comprehensive revenue and expense in the statement of comprehensive revenue and expense.

An impairment reversal of $12.5 million has been recognised in the PP&E building category. The impairment reversal represents the components of the Town Hall building which were impaired down to a nil value immediately after the Christchurch earthquakes, that have remained substantially unchanged throughout the restoration project. Further details of this movement are included in Note 24 *Significant Accounting Policies*: *Critical judgements, estimates and assumptions in applying the Company's accounting*.

The partial opening of the Town Hall during the 2019 year resulted in $129.7 million of the Town Hall WIP total being reclassified from WIP over to the building category at 30 June 2019. This value was based on cost estimates available at the time of preparing the 2019 financial statements.

A transfer of $15.9 million between WIP and buildings has also occurred in the June 2020 year, representing the final capital allocation of costs arising after completion of the Town Hall renovation project.

The 30 June 2020 WIP asset total consists of capital costs associated with a diesel fuel line replacement and a digital technology upgrade at the Arena.

8 INTANGIBLE ASSETS

	2020 $000	2019 $000
Gross carrying amount:		
Opening balance	1,036	1,031
Additions	12	5
Closing gross carrying amount balance	1,048	1,036
Accumulated amortisation and impairment:		
Opening balance	(947)	(900)
Amortisation expense	(48)	(47)
Closing accumulated amortisation and impairment balance	(995)	(947)
Total intangible assets	53	89

9 TRADE AND OTHER PAYABLES

9a Current trade and other payables

	2020 $000	2019 $000
Exchange transactions		
Trade payables	1,099	2,592
Owing to related parties	9,883	6,865
Income in advance	1,096	993
Current trade and other payables from exchange transactions	12,078	10,450
Total current trade and other payables	12,078	10,450

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

9b Non-current trade and other payables

	2020 $000	2019 $000
Exchange transactions		
Income in advance	2,054	730
Non-current trade and other payables from exchange transactions	2,054	730
Total non-current trade and other payables	2,054	730

10 EMPLOYEE ENTITLEMENTS

	2020 $000	2019 $000
Employee Entitlements		
Accrued salaries and wages	360	-
Annual leave	210	-
Long service leave	14	-
Sick leave	30	-
Lieu time and other leave	22	-
Service allowance	1	-
Total employee entitlements	637	-

11 BORROWINGS

Non-current borrowings

	2020 $000	2019 $000
Unsecured:		
Loan from related party - Council	15,885	14,485
Total non-current borrowings	15,885	14,485

The fair value of the non-current borrowing of the Company is $19,304,736 (2019: $16,951,995) based on cash flows discounted using the market borrowing rate of 4.25% (2019: 5.54%).

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 2020 is 7.27% (2019: 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.

	2020 $000	2019 $000
Capital and other equity instruments		
Fully paid ordinary shares	145,136	145,136
Fully paid A redeemable preference shares	89,500	89,500
Balance at end of financial year	234,636	234,636
Fully paid ordinary shares		
Balance at beginning of financial year	145,136	100,136
Share issue	-	45,000
Balance at end of financial year	145,136	145,136

13 CAPITAL COMMITMENTS

The Company has two capital commitments at balance date associated with capital upgrade work associated with the Arena.

The value of work completed and accrued on these projects as at 30 June 2020 is represented in the 30 June 2020 WIP asset balance total of $1.2 million.

The contractual value of the combined projects is $1.96 million, and work is scheduled to be complete within three months after balance date.

14 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Contingent assets
The 2019 and 2020 accounts exclude a 2018 tax return deduction of approximately $11.5 million in relation to a land lease surrendered to Council during the 2018 financial year. At this stage it is unclear whether the deduction meets the probability threshold for financial reporting purposes. As a result, the deduction has not been recognised in the calculation of the tax balances of the Company. If the tax impact of the intangible asset were to be recognised there would be an increase in the deferred tax asset and a decrease in tax expense of $3.22 million. There are no other material contingent assets at year-end or as at 30 June 2019.

There are no material contingent liabilities for the Company (2019: Nil).

15 EVENTS AFTER BALANCE DATE

During July 2020 Vbase applied for the Government wage subsidy 8-week extension which has helped lower the Company's overhead costs during the subsidy period. The subsidy amount received in July is $1.3 million. The subsidy extension application covers a retrospective period included a portion of June 2020 where wages totaling $0.3 million were paid to staff.

An asset is recognised for the wage subsidy at the date a valid application form, that meets the wage scheme's eligibility criteria, is submitted. As the Vbase 8-week application was applied for during July 2020, which forms part of the 2021 financial year, the Company has not recognised any of the 8-week extension wage subsidy revenue in the 2020 financial statements.

During September 2020 Vbase applied for the Government 2-week Covid-19 Resurgence Wage Subsidy extension which is applicable for a 2-week period during September 2020. The amount received for this period is $0.34 million and it is expected that the Company will be eligible to apply $0.22 million as revenue in the 2021 year with the residual balance of $0.12 million being paid back to the MSD.

During October 2020 the Vbase Board of Directors formally notified the Council of their intention to issue up to 12 million $1 ordinary shares. 10,000,000 of the shares were issued during October with the money being used to pay Council for a $9.6 million payable accrual for Town Hall Renovation costs. This amount is included within the $9.9 million amount owing to related parties in *Note 9a Current trade and other payables.* Any subsequent issue from the remaining 2 million shares will be made if or when required.

There are no other material events known to the Directors occurring after balance date that would have a significant impact on the financial statements for the year ended 30 June 2020.

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16 NOTES TO THE CASH FLOW STATEMENT

	2020 $000	2019 $000
Cash and cash equivalents		
Cash on hand	7,274	4,169
Call and term deposits	2,000	5,281
Total cash and cash equivalents	9,274	9,450

Reconciliation of surplus / (deficit) for the period to net cash flows from operating activities:

	2020 $000	2019 $000
Surplus / (deficit) for the period from operations	4,839	(15,185)
Non cash items		
Depreciation and amortisation of non-current assets	9,659	3,827
Town Hall repair expenses	2,405	12,217
Movement in deferred tax	(4,816)	(2,993)
Impairment reversal of property, plant & equipment	(12,546)	-
Revaluation of property, plant & equipment	(3,702)	-
Items classified as investing / financing activities		
Movement in capital creditors	(2,993)	2,759
Gain on disposal of property, plant & equipment	(13)	(4)
Loss on disposal of property, plant & equipment	4	-
Stadium demolition costs	-	243
Interest revenue received	(782)	(231)
Finance and interest costs paid	1,140	1,131
Pre-paid lease rental revenue	(1,290)	-
Ground lease refund	-	(2,065)
Movement in working capital		
(Decrease) / increase in creditors	3,589	(2,089)
(Increase) / decrease in receivables	1,537	4,290
Increase / (decrease) in income tax	1,500	1
Decrease / (increase) in inventory	82	(26)
Net cash from operating activities	(1,387)	1,874

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.

Vbase has numerous transactions with the Council throughout the year including, but not limited to, rates, rent and the reimbursement of costs incurred by Council on behalf of Vbase. Material costs include insurance, staff costs and costs in relation to the Christchurch Town Hall restoration project. Material inflows from Council includes grant and tax subvention revenue.

Related Party Transactions required to be disclosed.
Council employed all staff up until 31 October 2019. At this date all staff, except for the staff directly involved in the finance function, were transferred over to Vbase employment agreements. All costs associated to staff working under Council employment agreements 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.

	2020 $000	2019 $000
Non-arms length revenue from related parties:		
Subvention payments received from Council group entities	1,806	3,286
Building lease rental top-up received from Council	154	-
Council operating grant	3,250	1,000
Event contribution from ChristchurchNZ	30	-
Total receipts / receivables from related parties	5,240	4,286
Non-arms length costs incurred with related parties:		
Lease of Town Hall land from the Council	79	101
Management fee paid to Council	1,926	4,940
Total non-arms length costs incurred with related parties:	2,005	5,041
Year end balances (inclusive of GST)		
Accounts payable and payment accruals to Council	41	40
Accounts receivable from Council	154	-
Other balances:		
Cash on amalgamation of Tuam	-	281
Deferred tax liability for amalgamation of Tuam	-	(271)
Subvention payments receivable from group companies	-	469

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

The Company will not be transferring losses to other members of the Council Group (2019: $1.7 million) meaning that there will not be a subvention payment made based on the current year's tax position of the Tax Group. (2019 $0.5 million). Tax losses totalling $36.0 million (2019: $14.2 million) have been carried forward in the Company's deferred tax asset balance to be utilised by the Council Group in future years.

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

No provision has been required, nor any expense recognised, for impairment of receivables from related parties (2019: nil).

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Vbase has entered into a management services agreement with Council whereby Council provides management and financial service support. From 1 November 2019 all management support staff transferred from Council employment contracts over to Vbase employment contracts. From this date Council only provides financial service support staff to the Company.

18 KEY MANAGEMENT REMUNERATION

The Company obtained key management service personnel as part of the management services provided from Council, for the period up to 31 October 2019. From 1 November 2019 all key management service personnel transferred to Vbase employment contracts.

All catering services were outsourced to Spotless for the period up to 31 March 2020, which was the expiry of the service contract. From this date all Spotless staff that were directly employed to provide catering services to Vbase, were transferred from Spotless employment contracts over to Vbase employment contracts.

During the year the Company also obtained key management support from consultants who have either advised, or been part of, the Vbase Executive Leadership Team throughout the period.

The below table summarises the key management personnel cost for the period:

	2020 $000	2019 $000
Directors		
Full -time equivalent members	3	3
Remuneration	58	30
Senior management team, including service contracts and consultants		
Full -time equivalent members	6	4
Remuneration - Vbase employment contracts	605	-
Remuneration - service contracts and consultants	507	596
Total full-time equivalent personnel	9	7
Total key management personnel renumeration	1,170	626

The Vbase employment contracts total amount includes $0.1 million of severance payments paid in the period (2019: Nil).

Due to several staff changes to the senior management team during the year the full-time member equivalent number has been calculated based on the average number of fortnightly pays that were made to Vbase employees. That full-time equivalent number was then added to the full-time equivalent number calculated for consultant personnel as well as the key management service personnel employed directly by Spotless.

19 LEASES

19a Non-cancellable operating lease commitments

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

	2020 $000	2019 $000
No later than one year	376	370
Later than one year and not later than five years	1,151	1,246
Later than five years	3,754	3,953
Total non-cancellable operating lease commitments	5,281	5,569

A large 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.

19b Non-cancellable operating leases as lessor

During the Town Hall renovation project an annex was added to the building which is exclusively leased to the Christchurch Symphony Trust. The initial term of the annex lease expires in 31 March 2043, with a right of renewal of 10 years in place. The future aggregate minimum lease receivables under this lease are:

	2020 $000	2019 $000
No later than one year	91	-
Later than one year and not later than five years	364	-
Later than five years	1,615	-
Total non-cancellable operating leases as lessor	2,070	-

The lease rental has been received in advance from the Christchurch Symphony Trust for the entire initial lease term. The prepaid lease rental amount is sitting as part of the income in advance total in *Note 9: Trade and other payables.*

There are no restrictions imposed by lease arrangements.

20 FINANCIAL RISK MANAGMENT

Financial instrument risk

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

Credit risk management

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

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

The Company's concentration of accounts receivables credit risk lies with the clients who are contracted to occupy and use our venues. Credit risk is mitigated to a degree as a result of the Company requiring clients to pay venue rental deposits prior to the actual event taking place. The venue deposit requirement also helps mitigate any foreseeable risk associated with a decline in future economic conditions.

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

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 entered a portion of surplus cash into fixed term deposits that mirrored 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 $98,528 or $70,940 after tax (2019: $151,252 before tax, $108,901 after tax).

20 FINANCIAL RISK MANAGEMENT (CONT)

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:

	2020 $000	2019 $000
Counterparties with credit ratings		
Cash at bank and bank term deposits		
AA-	11,274	9,450
Total cash at bank and term deposits	11,274	9,450
Loans to related parties		
AA-	-	4,539
Total loans to related parties	-	4,539
Debtors and other receivables		
Related parties receivables (AA-)	154	1,045
Existing counterparty with no defaults in the past	380	1,008
Total debtors and other receivables	534	2,053

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 2020 or 2019.

2020	Loans & receivables $000	Other amortised cost $000	Total carrying amount $000
Financial assets			
Cash and cash equivalents	9,274	-	9,274
Trade and other receivables	380	-	380
Other financial assets	2,000	-	2,000
Related party receivables	154	-	154
Total financial assets	11,808	-	11,808
Financial liabilities			
Trade and other payables	-	1,099	1,099
Other (related party)	-	9,883	9,883
Borrowings	-	15,885	15,885
Total financial liabilities	-	26,867	26,867

2019	Loans & receivables $000	Other amortised cost $000	Total carrying amount $000
Financial assets			
Cash and cash equivalents	9,450	-	9,450
Trade and other receivables	1,008	-	1,008
Other financial assets	4,539	-	4,539
Related party receivables	1,045	-	1,045
Total financial assets	16,042	-	16,042
Financial liabilities			
Trade and other payables	-	2,592	2,592
Other (related party)	-	6,865	6,865
Borrowings		14,485	14,485
Total financial liabilities	-	23,942	23,942

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Contractual maturity analysis

As at 30 June 2020	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	9,274	9,283	9,283	-	-	-
Trade receivables	380	380	380	-	-	-
Other financial assets	2,000	2,013	2,013	-	-	-
Other (related party receivables)	154	154	154	-	-	-
Total financial assets	11,808	11,830	11,830	-	-	-
Financial liabilities						
Trade and other payables	(1,099)	(1,099)	(1,099)	-	-	-
Borrowings	(15,885)	(25,931)	(1,154)	(1,154)	(4,113)	(19,510)
Other (related party)	(9,883)	(9,883)	(9,883)	-	-	-
Total financial liabilities	(26,867)	(36,913)	(12,136)	(1,154)	(4,113)	(19,510)

Other financial assets and cash and cash equivalents contractual cash flows include interest receivable of $22,553 under the term deposits entered into (2019: $737,395).

As at 30 June 2019	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	9,450	9,467	9,467	-	-	-
Trade receivables	1,008	1,008	1,008	-	-	-
Other financial assets	4,539	5,260	5,260	-	-	-
Other (related party receivables)	1,045	1,045	1,045	-	-	-
Total financial assets	16,042	16,780	16,780	-	-	-
Financial liabilities						
Trade and other payables	(2,592)	(2,592)	(2,592)	-	-	-
Borrowings	(14,485)	(25,803)	(1,131)	(1,131)	(3,392)	(20,149)
Other (related party)	(6,865)	(6,865)	(6,865)	-	-	-
Total financial liabilities	(23,942)	(35,260)	(10,588)	(1,131)	(3,392)	(20,149)

21 PRIOR PERIOD ADJUSTMENTS

The 30 June 2018 Statement of Comprehensive Revenue and Expense included a $2.29 million ($1.65 million after tax) valuation increase within the asset revaluation reserve (included in other comprehensive revenue and expense). Subsequent interpretation of accounting standard PBE IPSAS 17 Property, Plant and Equipment has identified that the most appropriate treatment of the valuation increase is to recognise it within the surplus or deficit in the statement of comprehensive revenue and expense. This is because the revaluation increase reversed a revaluation decrease of the same asset class previously recognised in the surplus/deficit.

The comparative year information in the 2020 Financial Statements has been amended to reflect the appropriate accounting treatment. The adjustment results in a reduction of the 2019 asset revaluation reserve opening balance from $1.65 million to nil and the accumulated surpluses/(deficits) opening balance moves by $1.65 million to $(57.85) million.

Impact in statement of comprehensive revenue and expense

	Original balance 30 June 2019 $000	Prior period adjustment $000	Restated balance June 2019 $000	Original balance 30 June 2018 $000	Prior period adjustment $000	Restated balance June 2018 $000
Comprehensive revenue and expense						
Revaluation of property, plant & equipment	-	-	-	-	2,292	2,292
(Deficit)/Surplus before income tax expense from operations	(20,442)	-	(20,442)	(16,904)	2,292	(14,612)
Income tax (expense) / income from operations	5,257	-	5,257	5,522	(642)	4,880
(Deficit)/Surplus from operations for the year	(15,185)	-	(15,185)	(11,382)	1,650	(9,732)
Other comprehensive revenue and expense						
Net movement in property valuations	-	-	-	2,292	(2,292)	-
Deferred tax movement taken to revaluation reserve	-	-	-	(642)	642	-
Total other comprehensive revenue and expense	-	-	-	1,650	(1,650)	-
Total comprehensive revenue and expense	(15,185)	-	(15,185)	(9,732)	-	(9,732)

Impact in statement of financial position

	Original balance 30 June 2019 $000	Prior period adjustment $000	Restated balance June 2019 $000	Original balance 30 June 2018 $000	Prior period adjustment $000	Restated balance $000
Equity						
Asset revaluation reserve	1,650	(1,650)	-	1,650	(1,650)	-
Accumulated surpluses/(deficits)	(74,673)	1,650	(73,023)	(59,497)	1,650	(57,847)

22 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.

23 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 2019/20 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.

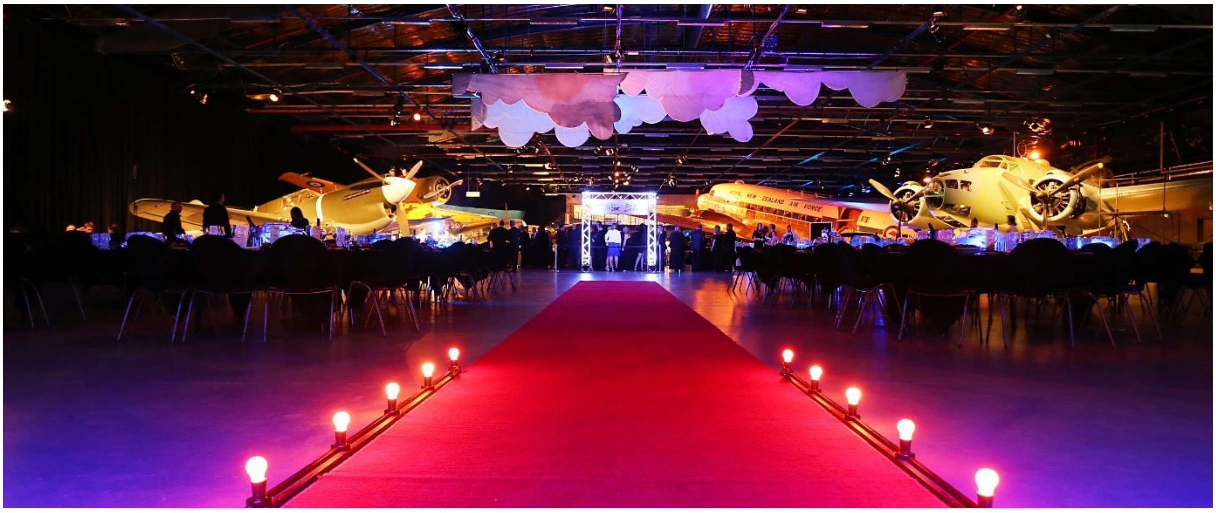
Due to delays in the completion of the 2018/19 audit, the Company did not meet its reporting deadline pursuant to the Local Government Act 2002 (LGA02) for the 2019 financial year. The LGA02 requires the Company to deliver an annual report to its shareholder within three months after the end of the financial year.

24 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 Christchurch Arena and the Christchurch Town Hall of Performing Arts. The Company has also secured management service agreements to manage the operations at the Air Force Museum of New Zealand, OrangeTheory Stadium formerly AMI Stadium (Addington), and the Pavilion at the Hagley Cricket Oval.

The financial statements of the Company are for the year ended 30 June 2020. The financial statements were authorised for issue by the Board of Directors on 30/11/2020.



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 Entity 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.

Changes in accounting policy and disclosures

Adoption of PBE IFRS 9 Financial instruments
The Company has early adopted all requirements of PBE IFRS 9 *Financial instruments* (PBE IFRS 9) as of 1 July 2018. The early adoption of this standard is so that the Company has consistent accounting treatment with its parent company, the Christchurch City Council. PBE IFRS 9 supersedes part of PBE IPSAS 29 *Financial instruments: Recognition and Measurement* (PBE IPSAS 29). PBE IFRS 9 includes three areas of change:

- Classification and measurement of financial instruments;
- A single, forward looking, 'expected credit loss' impairment model; and
- Substantially reformed approach to hedge accounting.
-

An assessment of the impact, due to implementing this standard, is included in the accounting policies note in the FY19 Annual Report. The assessment summarised that there was no material impact to the financial statements resulting from applying this standard.

Adoption of PBE IPSAS 21 Impairment of Non-Cash Generating Assets and PBE IPSAS 26 Impairment of Cash-Generating Assets
The amendment changes the scope of these two standards to include assets measured at revalued amounts under the revaluation model. The amendment is effective from the year ending 30 June 2020 and does not have any material impact on the Financial Report.

Accounting standards and interpretations issued but not yet effective

The following new standards, interpretations and amendments have been issued but not yet effective as at 30 June 2020. The Company has not early adopted these standards and interpretations.

PBE IPSAS 2 Cash Flow Statements
Omnibus amendments to PBE standards were issued in November 2018. The main impact to Vbase is the amendment to PBE IPSAS 2 *Cash Flow Statements*

The standard requires the preparer to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash items.

The standard is not expected to result in material changes to the reporting requirements for Vbase.

PBE FRS 48 Service Performance Reporting
This standard was issued in November 2017 and establishes requirements for PBEs to select and present service performance information.

PBEs within the scope of this Standard will need to provide users with:

- Sufficient contextual information to understand why the entity exists, what it intends to achieve in broad terms over the medium to long term, and how it goes about this; and

- Information about what the entity has done during the reporting period in working towards its broader aims and objectives.

This Standard is effective for the 30 June 2022 financial statements, with early adoption permitted, and is not expected to have any material impact on the Company.

PBE IPSAS 41 Financial Instruments
This Standard, when applied, supersedes parts of *PBE IPSAS 29 Financial Instruments: Recognition and Measurement* and supersedes *PBE IFRS 9 Financial Instruments*. This standard is effective from the year ending 30 June 2022 and does not expect to have any material impact on the reporting requirements of the Company.

b. Revenue

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

<u>Revenue from exchange transactions</u>
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.

<u>Revenue from non-exchange transactions</u>
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, wage subsidy, donated/vested asset and Council grant revenue. Council grants are used to fund the ongoing operating deficits and debt servicing costs of the Company. Council grant revenue is required in order to subsidise the costs of operating civic asset buildings. These buildings provide social and economic benefits to the community, but they do not generate a commercial return to the Company. There are no return of funds conditions attached to the grant revenue.

  Wage subsidy revenue has been received from the Government as part of their economic response to Covid-19 with the aim of securing and retaining jobs for New Zealand businesses. The subsidy revenue is initially recorded as revenue received in advance as there is a obligation to return the funds if the conditions of the subsidy are not met. The subsidy is recognised as revenue in line with the individual employee wage and salary cost expense that the wage subsidy pertains to.

  Other revenue also contains a building revaluation, and the reversal of an historical building impairment associated with the, now restored, Christchurch Town Hall. The impairment reversal has been recognised in the surplus or deficit which is consistent with the accounting treatment as detailed in the Property, Plant and Equipment policy.

c. Personnel costs

Employer contributions to KiwiSaver and retirement savings schemes are accounted for as defined contribution superannuation schemes and are expenses in the surplus of deficit as incurred.

d. 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 an acquisition or construction of property, plant, and equipment where construction costs exceed $50 million and the construction is greater than two years in duration.

e. 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.

Impairment
The carrying amounts of the deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised through surplus or deficit.

f. Trade and other receivables

Trade and other receivables are classified as financial assets at amortised cost and 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).

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 arise 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 arise 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.

Short-term receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include the debtor being in liquidation.

Impairment of trade receivables
Trade receivables are determined to be impaired when there are significant financial difficulties being experiences by the debtor. The Company also applies the simplified approach permitted by PBE IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

g. Other financial assets

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

Impairment of other financial assets
At year-end, the assets are assessed for indicators of impairment. The Company recognises expected lifetime credit losses when there has been a significant increase in credit risk since initial recognition. If the credit risk on the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12 months of expected credit losses. The assessment of whether expected lifetime credit losses should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

Lifetime expected credit losses represents the expected credit losses that will result from all possible default events over the expected life of a financial asset. In contrast, 12 months expected credit losses represent the portion of lifetime expected credit losses that are expected to result from default events on a financial asset that are possible within 12 months after the reporting date.

h. 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.

i. 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.

j. Property, plant and 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 assets are revalued it is assumed, in the absence of specific information to the contrary, that the original useful life of the asset is unchanged.

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

Work in progress is recognised at cost less impairment and is not depreciated.

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 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 total useful lives associated depreciation rates or major classes of property, plant and equipment have been estimated as follows:

- Building shell fit-out: 3-100 years (1% to 30%)
- 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
Property, plant, and equipment are reviewed for impairment at each balance date and whenever events or changes in circumstances indicate that the carrying amount might not be recoverable.

For the purpose of assessing impairment indicators and impairment testing, the Company classifies non-financial assets as either cash-generating or non-cash-generating assets. 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. The carrying values of revalued assets are assessed annually to ensure that they do not differ materially from the assets' fair values. If there is a material difference, then the off-cycle asset classes are revalued.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

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.

For revalued assets, the impairment loss is recognised against the revaluation reserve for that class of asset. Where that results in a debit balance in the revaluation reserve, the balance 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.

k. 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.

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

m. Employee entitlements
Short-term employee entitlements
Liabilities for wages and salaries, including non-monetary benefits, annual leave, and accumulating sick leave expected to be settled within twelve months of the reporting date are recognised in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

All employee entitlements are classified as a current liability.

n. 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.

o. 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.

p. 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.

q. 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.

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

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

Preparing financial statements to conform to 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.

- During the current year the Company received final confirmation from Inland Revenue on a private ruling specifically pertaining to the treatment of costs associated with the Town Hall renovation project. The ruling permits an upfront tax deduction for certain costs incurred under the project. The cost allocations performed to arrive at the immediate tax deduction amount have also been used to support the expense in the net surplus or deficit in the financial statements relating to the repair project. The Company has aligned the accounting treatment to the ruling for these costs, apart from costs immediately deductible for tax relating to the building roof repair, with the tax treatment for this project. Those costs have been capitalised for accounting purposes.

- In the comparative year $129.7 million of the PP&E Town Hall WIP balance has been reclassified as 'Buildings' in the PP&E note. The value is based on construction costs assigned to the portion of the Town Hall building that is available for use as at 30 June 2019. The construction value associated with the CSO annex, which was not complete at 30 June 2019, is classified as WIP in the PP&E note.

- Upon completion of the Town Hall renovation project, the Company reassessed the costs incurred, and whether they met the definition of capital. Based on the analysis undertaken, the Company has recognised a $2.4 million (2019: $12.2 million) expense in the statement of comprehensive revenue and expense for the current year relating to the Town Hall repair project. This is also disclosed in Note 7 *Property, Plant and Equipment*.

- The Company has recognised a $12.5 million impairment reversal in other revenue in the statement of comprehensive revenue and expense. The amount represents the reinstated net book value of three Christchurch Town Hall building asset line items that were previously impaired down to a nil following the February 2011 earthquakes. The impairment reversal was made as it is considered that these assets have not been substantially replaced during the completion of the Town Hall restoration project. The impairment value is determined based on the original asset item's depreciated value as if it had not been impaired historically.

- 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. A building valuation was undertaken during the year and resulted in a $23.9 million increase being recorded in the financial statements. The valuation report noted that there is an elevated level of valuation uncertainly arising as a result of the Covid-19 pandemic, meaning a higher degree of caution than normal should be applied, and that there is a possibility that the valuation advice may be outdated significantly faster than would normally be the case.

- Vbase Limited is a member of the Christchurch City Council Consolidated Tax Group (Tax Group). The Tax Group filed its 2017/18 tax return in March 2019 and included the recognition of a permanent tax impact of the de-recognition of an intangible asset. As at balance date, the assessment by the Inland Revenue Department has not been completed. Directors consider that until the assessment is complete it is prudent to not recognise the impact de-recognition of an intangible asset in the 2019/20 financial statements. If the tax impact of the de-recognition of an intangible asset were to be recognised there would be an increase in the deferred tax asset and a decrease in tax expense of $3.22 million.

vbase

DIRECTORY AND STATUTORY INFORMATION

Directors' interests during the year 30 June 2020

The following current and former 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 (resigned 5 Dec 2019)
	Director	ChristchurchNZ Holdings Ltd (resigned 5 Dec 2019)
	Trustee	Christchurch Operatic Incorporated
	Councillor	Christchurch City Council
Paul Munro	Director	CCHL (2) Ltd
	Director	CCHL (4) Ltd
	Director	CCHL (5) Ltd
	Director	Christchurch City Networks Ltd
	Director	Electricity Ashburton 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
	Director	Verve Apartments (General Partner) Ltd
	Director	Spanbild Projects Ltd
	Director	Enviro-Mark Solutions Ltd
	Chief Executive	Christchurch City Holdings Ltd
Bryan Pearson	Director	Anatomy Ltd
(appointed 5 Sept 2019)	Director	Ethique Ltd
	Executive Director	Bryan Pearson Ltd [Business Advisory and Investment]
	Chair	Lane Neave Lawyers
	Chair	St Andrew's Presbyterian College Board Of Governors Incorporated
	Trustee	The Christchurch Cancer Foundation
	Trustee	Henshaw Development Trust
Caroline Harvie-Teare	Director	HT People and Talent Ltd
(appointed 19 Mar 2020)	Director	Jumble Ltd
(resigned 31 May 2020)	Executive Director	Three Ducks Consulting Ltd
	Director	VBL One Ltd (appointed 19 March 2020)
	Director/Trustee	Nova Trust Board
Paul Lonsdale	Director	ARC COM Ltd
(resigned 30 Sept 2020)	Director	Ōtautahi Community Housing Development GP Ltd
	Director	MainStreet Management Ltd
	Partner	Zachery Partnership
	Trustee	Ōtautahi Community Housing Trust
	Trustee	Life in Vacant Spaces Charitable Trust
	Manager	Central City Business Association

DIRECTORS INSURANCE

The Company has directors' liability insurance for all Directors. Premiums to the value of $22,575 were paid in the 2020 year (2019: $25,265).

DIRECTOR REMUNERATION

Remuneration was paid or due and payable to Directors for services as a director during the year as follows:

	2020	2019
Bryan Pearson	45,000	-
Caroline Harvie-Teare	5,000	-
Paul Lonsdale	8,242	30,083
Total Director remuneration	58,242	30,083

DIRECTORS AT 30 JUNE AND MOVEMENT DURING THE YEAR

Directors at 30 June 2020 are:

Timothy Scandrett
Paul Munro
Bryan Pearson

Tim Scandrett retired as board chair on 5 September 2019. Bryan Pearson was appointed as a director and board chair on 5 September 2019.

Paul Lonsdale resigned as director on 30 September 2019.

Caroline Harvie-Teare was appointed as director on 19 March 2020 and resigned on 31 May 2020.

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 (2019: $40,390). The Company donated the net revenue generated from the You Are Us/ Aroha Nui concert to the Christchurch Foundation. The Foundation is helping those affected by the Christchurch terror attacks of 15 March 2019.

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EMPLOYEE REMUNERATION RANGES

People receiving over $100,000 while working under an employment contract for the Company during the year are as follows:

Remuneration ranges	Number of current and former employees	
$'000	**2020**	**2019**
$100 - $110	2	-
$110 - $120	1	-
$120 - $130	-	-
$130 - $140	1	-
Total Employees	4	-

All staff were employed under Vbase employment contracts from 1 November 2019 onwards. Three of the employees included in the above table were disestablished during the year and the severance payments made to these employees contributed towards them receiving over $100k for the period.

DIVIDENDS

There have been no dividends declared for the 2019/20 financial year (2018/19: 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 2019 and 30 June 2020 is:

Ordinary shares	145,136,204
Redeemable preference shares - equity	89,500,000

REGISTERED OFFICE

81 Jack Hinton Drive
Christchurch

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Independent Auditor's Report

To the readers of Vbase Limited's financial statements and performance information for the year ended 30 June 2020

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.

We have audited:

- the financial statements of the company on pages 5 to 8 and 17 to 41, that comprise the statement of financial position as at 30 June 2020, 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 9 to 16.

Opinion

Unmodified audit opinion on the financial statements

In our opinion:

- the financial statements of the company on pages 5 to 8 and 17 to 41:
    - present fairly, in all material respects:
        - its financial position as at 30 June 2020; 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 Reporting Standards.

Qualified opinion on the statement of service performance – insufficient evidence available to independently confirm the accuracy of attendance numbers for expos and trade shows.

In our opinion, except for the possible effects of the matter described in the *Basis for our qualified opinion* section of our report, the performance information of the company on pages 9 to 16 present 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 2020.

Our audit was completed on 30 November 2020. This is the date at which our opinion is expressed.

The basis for our qualified opinion is explained below, and we draw your attention to the impact of Covid-19 on the company. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements and the performance information, we comment on other information, and we explain our independence.

Basis for our qualified opinion

The company's performance information includes a performance measure on the number of visitors to venues. As explained on page 12, the overall visitor number includes visitors to expos and trade shows which are unticketed events. Sufficient appropriate evidence was not available to support the number of visitors to these events and we were therefore unable to independently confirm whether the company's reported result against this measure was materially correct.

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 qualified opinion.

Emphasis of matter - Impact of Covid-19

Without further modifying our opinion, we draw attention to the disclosures about the impact of Covid-19 on the company as set out in pages 15 and 16 to the financial statements and pages 9 to 16 of the performance information. We draw specific attention to the following matter due to the significant level of uncertainty caused by Covid-19:

Buildings

Note 7 on page 22 describes the material valuation uncertainty highlighted by the valuer, related to estimating the fair value of the company's buildings.

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 performance information 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 financial statements and the performance information, our procedures were limited to checking that the information agreed to the company's Statement of Intent.

We did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

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 to 4, 42 and 43, 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: International 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