vbase
all your bases covered

# VBASE LIMITED

# ANNUAL REPORT

## For the Year Ended

## 30 June 2011

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CHRISTCHURCH CONVENTION CENTRE | CHRISTCHURCH TOWN HALL for performing arts | CBS Canterbury Arena | ami stadium

**CONTENTS**

## DIRECTORY

| | |
|---|---|
| **REGISTERED OFFICE** | 95 Kilmore Street<br>Christchurch |
| **DIRECTORS** | W G Cox (Chairman) (resigned 29 July 2011)<br>G S Campbell (resigned 29 July 2011)<br>D G Cox (resigned December 2010)<br>C K Doig (resigned 29 July 2011)<br>D F Dowding (resigned 29 July 2011)<br>J T Gough (appointed December 2010)<br>J A Keegan (resigned 29 July 2011)<br>S G Mortlock (resigned 29 July 2011)<br>T M Treacy (resigned 29 July 2011) |

Due to the impact of the earthquake on Vbase's business, Christchurch City Council resolved on 24 June 2011 to take over direct responsibility for the management and control of Vbase and the above Board resigned on 29 July 2011. A new Board was appointed on 10 June.

| | |
|---|---|
| **DIRECTORS post re-structure** | Mayor B Parker<br>Deputy Mayor N Button<br>Council CEO T Marryatt<br>Councellor JT Gough |
| **CEO - to 29 July 2011** | Bryan Pearson |
| **COMPANY SECRETARY** | Brent Ford |
| **BANKERS** | Westpac Bank<br>Christchurch |
| **SOLICITORS** | Lane Neave<br>Christchurch |
| **AUDITORS** | Audit New Zealand on behalf of the Office of the Auditor General<br>Christchurch |

**Statutory Disclosures**
For the year ended 30 June 2011

**SHAREHOLDER**

| | | |
|---|---|---|
| Christchurch City Council | Ordinary Shares | 100,136,204 |
| | Redeemable Preference Shares – equity | 80,500,000 |

**NATURE OF BUSINESS**

Vbase is a 100% subsidiary of the Christchurch City Council and owns and manages the four premier event venues in Christchurch; Christchurch Convention Centre, Christchurch Town Hall for Performing Arts, AMI Stadium and CBS Canterbury Arena. Vbase also owns 100% of the shares in Jet Engine Facility Ltd, which owns and leases the jet engine test cell facility located at Christchurch International Airport, a joint venture between Air New Zealand and Pratt and Whitney. As well, Vbase governs and manages Christchurch City Council subsidiary Civic Building Ltd (CBL). CBL is a 50% shareholder of the Christchurch Civic Building Joint Venture with Ngai Tahu and undertook the redevelopment of the the new Civic Offices. The Canterbury earthquakes have had a significant impact on the business - refer to note 1 for further details.

**DIRECTOR'S INTERESTS**

The following Directors have made general disclosures of interest with respect to any transaction that may be entered into with certain organisations on the basis of their being a Director, Partner, Trustee or Officer of those organisations during the year:

| | | |
|---|---|---|
| Wynton Gill Cox | Director | Elastomer Products Ltd |
| | Director | Mainpower NZ Ltd |
| | Director | Transwaste Canterbury Ltd |
| | Director | Coolpak Coolstores Ltd |
| | Director | Talbot Plastics Ltd |
| | Director | Barlow Brothers NZ Ltd |
| | Director | Independent Fisheries Ltd |
| | Director | Civic Building Ltd |
| | Director | Jet Engine Facility Ltd |
| | Advisory Board Member | Development West Coast |
| Christopher Keith Doig | Director | Jet Engine Facility Ltd |
| | Trustee | New Zealand Symphony Orchestra Foundation (resigned) |
| | Director | Southern Opera Charitable Trust |
| | Director | Halberg Trust (resigned) |
| | Director | Rowing New Zealand (resigned) |
| | Director | Christopher Doig Promotions Limited |
| | Director | Solvam Ltd |
| | Trustee | Winter Games (resigned) |
| | Director | Civic Building Ltd |
| | Board Member | New Zealand Rugby Union |
| | Trustee | Garden Events Trust |
| | Board Member | Crusaders trust |
| Dominique Fiona Dowding | Director | Jet Engine Facility Ltd |
| | Director | Dowding & Associates Ltd |
| | Director | The Sales Bureau Ltd |
| | Director | Human Intellectual Technologies Ltd |
| | Director | Evolution Technologies Ltd |
| | Director | CPI Ltd |
| | Director | Barry Doody Tours Ltd |
| | Director | Studio Properties (2007) Ltd |
| | Director | Studio's of NZ Ltd |

| | | |
|---|---|---|
| | Director | Civic Building Ltd |
| | Director | NZCU South |
| Simon George Mortlock | Director | Jet Engine Facility Ltd |
| | Director | Santa Rosa Marketing Ltd |
| | Director | Danne Mora Holdings Ltd |
| | Senior Partner | Mortlock McCormach Law |
| | Director | Civic Building Ltd |
| | Director | Santano Holdings Ltd |
| | Director | Asado Food Solutions Ltd |
| | Director | Phantom Bill Stickers Ltd |
| | Director | WFH Properties Ltd |
| | Director | WFH Properties (No 2) Ltd |
| | Director | Westmoreland Nominees Ltd |
| | Director | Worsley Farm Ltd |
| | Director | Franco Farm Ltd |
| | Director | Spreydon Lodge Ltd |
| | Director | Nevele R Stud Ltd |
| | Director | MML Consultants Ltd |
| Arthur James Keegan | Director | Jet Engine Facility Ltd |
| | Director | Addington Raceway Ltd |
| | Director | Cavell Leitch Pringle & Boyle Nominees Ltd |
| | Director | Cavell Leitch Operations Ltd |
| | Director | New Zealand Metropolitan Properties Limited |
| | Director | Civic Building Ltd |
| | Director | Southern Opera Ltd |
| | Director | Arts Management Ltd |
| | Director | Cavell Leitch Pringle & Boyle Solicitors |
| Gregory Shane Campbell | Director | Jet Engine Facility Ltd |
| | Director | Civic Building Ltd |
| | Chief Executive | Ngai Tahu Holdings Corporation Ltd |
| | Trustee | GS & NA Campbell Family Trust |
| | Director | Ngāi Tahu Fisheries Investments Limited |
| | Director | Ngāi Tahu Lobster Quota Limited |
| | Director | Ngāi Tahu Migratory Quota Limited |
| | Director | Ngāi Tahu Pāua Quota Limited |
| | Director | Ngāi Tahu Scampi Quota Limited |
| | Director | Ngāi Tahu Shellfish Quota Limited |
| | Director | Ngāi Tahu Wetfish Quota Limited |
| | Director | Ngāi Tahu Fisheries Settlement Limited |
| | Director | EcoCentral Ltd |
| Thomas Michael Treacy | Director | Jet Engine Facility Ltd |
| | Director | Civic Building Ltd |
| | Director | Verona Fruit Pty Ltd |
| | Director | Fruitology Pty Ltd |
| | Director | LaManna Bananas Pty Ltd |

| | | |
|---|---|---|
| | Director | LaManna Bananas (Adelaide) Pty Ltd (resigned) |
| | Director | LaManna Bananas Company Pty Ltd (resigned) |
| | Director | Ballina Lodge Ltd |
| | Director | United Flower Growers Ltd |
| | Director | Mainland Tomatoes Ltd (resigned) |
| | Chief Executive | MG Marketing Ltd |
| James Tracy Gough | Director | Jet Engine Facility Ltd |
| | Director | Civic Building Ltd |
| | Director | Gough Holdings Ltd |
| | Councillor | Christchurch City Council |
| | Committee Member | Bone Marrow Cancer Trust |
| | Committee Member | Diabetes Research Institute Trust |
| Robert Parker | Mayor | Christchurch City Council |
| Ngaire Button | Director | Christchurch Development Corporation |
| | Deputy Mayor | Christchurch City Council |
| Tony Marryatt | Director | Civic Assurance Ltd |

**DIRECTORS' INSURANCE**

The companies have directors' liability insurance for all directors and indemnified each of the directors by agreement in writing. Premiums paid were $23,862 (2010:$23,343).

**REMUNERATION OF DIRECTORS**

Total remuneration and other benefits paid or due and payable to directors for services as a director during the year were as follows:

| | |
|---|---|
| W G Cox (Chairman) | $50,000 |
| D G Cox | $12,500 |
| C K Doig | $25,000 |
| D F Dowding | $25,000 |
| J T Gough | $14,583 |
| A J Keegan | $25,000 |
| S G Mortlock | $25,000 |
| G S Campbell | $25,000 |
| T M Treacy | $25,000 |
| R Parker | $0 |
| N Button | $0 |
| T Marryatt | $0 |

**USE OF COMPANY INFORMATION**

During the year the Board received no notices from members or directors of the parent entity or subsidiary 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 donations made by the company during the year of $11,941 (2010 $8,422).

**DIVIDENDS**

There have been no dividends declared for the 2010/11 financial year (2009/2010 nil).

**EMPLOYEES' REMUNERATION**

The number of employees whose remuneration and benefits, excluding redundancy payments, exceeded $100,000 per annum in the group is as follows:

| Range | Number |
|---|---|
| $110,000 - $120,000 | 1 |
| $160,000 - $170,000 | 4 |
| $410,000 - $420,000 | 1 |

**AUDITORS**

The Office of the Auditor-General is appointed as auditor under Section 15 of the Public Audit Act 2001 and Section 70 of the Local Government Act 2002. Audit New Zealand has been appointed to provide these services.

**For and on behalf of the Board**

**Robert Parker Director**

Date 23/3/2012

**Ngaire Button Director**

Date 23/3/2012

**Vbase Ltd**

**Statement of Comprehensive Income**

**for the year ended 30 June 2011**

| | Note | Parent 11 $'000 | Parent 10 $'000 | Group 11 $'000 | Group 10 $'000 |
|---|---|---|---|---|---|
| Revenue | 3(a) | 80,299 | 32,418 | 82,601 | 34,726 |
| Other expenses | 3(b) | 16,968 | 19,956 | 17,070 | 20,095 |
| Employee benefit costs | 3(b) | 8,729 | 7,544 | 8,729 | 7,544 |
| **Profit (loss) before depreciation, finance costs and income tax expense** | | 54,602 | 4,918 | 56,802 | 7,087 |
| Depreciation and amortisation | 3(b) | 8,868 | 8,306 | 8,868 | 8,306 |
| Finance costs | 3(b) | 6,954 | 6,501 | 8,598 | 8,146 |
| Loss on de-recognition of buildings | 3(b) | 21,121 | - | 21,121 | - |
| **Profit (loss) before income tax expense** | | 17,659 | (9,889) | 18,215 | (9,365) |
| Income tax (expense)/income | 4(a) | (6,004) | (20,842) | (6,216) | (22,131) |
| **Profit (loss) for the period** | | 11,655 | (30,731) | 11,999 | (31,496) |
| **Other comprehensive income** | | | | | |
| Net movement on property valuations | | 12,039 | - | 12,039 | - |
| Asset impairment | | (57,282) | | (57,282) | |
| Deferred tax movement taken to revaluation reserve | | 14,054 | 1,337 | 14,054 | 1,337 |
| Total other comprehensive income | | (31,189) | 1,337 | (31,189) | 1,337 |
| **Total Comprehensive income** | | (19,534) | (29,394) | (19,190) | (30,159) |

The accompanying notes form part of these financial statements

**Vbase Ltd**
**Statement of Financial Position as at 30 June 2011**

| | Note | Parent 11 $'000 | Parent 10 $'000 | Group 11 $'000 | Group 10 $'000 |
|---|---|---|---|---|---|
| **Current assets** | | | | | |
| Cash and cash equivalents | 25(a) | 6,961 | 10,019 | 9,826 | 10,200 |
| Trade and other receivables | 7 | 46,153 | 4,072 | 49,860 | 7,779 |
| Other financial assets | 8 | 2,025 | - | 2,025 | - |
| Inventories | 9 | 106 | 544 | 106 | 544 |
| Current tax assets | 4(b) | 538 | 2,633 | 538 | 3,049 |
| Other current assets | 10 | 280 | 326 | 280 | 326 |
| Total current assets | | 56,063 | 17,594 | 62,635 | 21,898 |
| **Non-current assets** | | | | | |
| Trade and other receivables | 11 | 3,180 | 3,390 | 28,178 | 30,067 |
| Other financial assets | 12 | 11,450 | 11,450 | - | - |
| Property, plant and equipment | 13 | 165,744 | 233,287 | 165,744 | 233,287 |
| Intangible assets | 14 | 136 | 356 | 136 | 356 |
| Total non-current assets | | 180,510 | 248,483 | 194,058 | 263,710 |
| Total assets | | 236,573 | 266,077 | 256,693 | 285,608 |
| **Current liabilities** | | | | | |
| Trade and other payables | 15 | 7,296 | 12,041 | 7,696 | 12,409 |
| Borrowings | 16 | 4,500 | 1,700 | 4,500 | 1,700 |
| Current tax payables | 4(b) | - | - | 404 | - |
| Employee entitlements | 17 | 1,391 | 738 | 1,391 | 738 |
| Total current liabilities | | 13,187 | 14,479 | 13,991 | 14,847 |
| **Non-current liabilities** | | | | | |
| Trade and other payables | 18 | 187 | 371 | 187 | 371 |
| Borrowings | 19 | 40,046 | 83,021 | 52,596 | 95,571 |
| Deferred tax liabilities | 4(c) | 32,379 | 39,648 | 38,179 | 45,639 |
| Total non-current liabilities | | 72,612 | 123,040 | 90,962 | 141,581 |
| Total liabilities | | 85,799 | 137,519 | 104,953 | 156,428 |
| Net assets | | 150,774 | 128,558 | 151,740 | 129,180 |
| **Equity** | | | | | |
| Capital and other equity instruments | 20,21 | 184,715 | 143,789 | 184,715 | 143,789 |
| Reserves | 21 | 15,085 | 55,868 | 15,085 | 55,868 |
| Retained earnings | 21 | (49,026) | (71,099) | (48,060) | (70,477) |
| Total equity | | 150,774 | 128,558 | 151,740 | 129,180 |

Director

Director

23/3/2012
Date

The accompanying notes form part of these financial statements

**Vbase Ltd**

| **Statement of changes in equity for the year ended 30 June 2011** | Note | **Parent 11 $'000** | **Parent 10 $'000** | **Group 11 $'000** | **Group 10 $'000** |
|---|---|---|---|---|---|
| Balance at 1 July | | 128,558 | 108,702 | 129,180 | 110,089 |
| Net shares issued | | 41,750 | 49,250 | 41,750 | 49,250 |
| Total comprehensive income | | (19,534) | (29,394) | (19,190) | (30,159) |
| Balance at 30 June | 21 | 150,774 | 128,558 | 151,740 | 129,180 |

The accompanying notes form part of these financial statements

**Vbase Ltd**

**Cash flow statement for the year ended 30 June 2011**

| | Note | Parent 11 Actual $'000 | Parent 10 Actual $'000 | Group 11 Actual $'000 | Group 10 Actual $'000 |
|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | |
| Receipts from customers | | 24,794 | 31,604 | 28,662 | 32,545 |
| Subvention received | | 2,789 | 1,893 | 3,205 | 2,469 |
| Interest received | | - | - | 41 | 6 |
| Insurance proceeds received | | 9,634 | - | 9,634 | - |
| Payments to suppliers and employees | | (25,438) | (27,027) | (25,472) | (27,054) |
| Interest and other finance costs paid | | - | - | - | - |
| Income tax received (paid) | | 87 | - | 87 | - |
| Net GST movement | | 311 | 100 | 361 | 143 |
| Net cash provided by/(used in) operating activities | 25 | 12,177 | 6,570 | 16,518 | 8,109 |
| **Cash flows from investing activities** | | | | | |
| Loan to related party | | - | (300) | - | - |
| Repayment of loan by related party | | - | 300 | - | - |
| Proceeds from sale of investments | | - | 14,082 | - | 14,082 |
| Payment for property, plant and equipment | | (8,406) | (60,572) | (8,406) | (60,572) |
| Proceeds from sale of property, plant and equipment | | 6 | 456 | 6 | 456 |
| Interest received | | 570 | 659 | 570 | 659 |
| Deferred acquisition payment | | - | (130) | - | (130) |
| Purchase of investments | | (2,025) | - | (2,025) | - |
| Net cash (used in)/provided by investing activities | | (9,855) | (45,505) | (9,855) | (45,505) |
| **Cash flows from financing activities** | | | | | |
| Proceeds from issues of equity securities | | 12,750 | 49,250 | 12,750 | 49,250 |
| Payment for buy back of equity securities | | (12,000) | - | (12,000) | - |
| Interest and other finance costs paid | | (6,130) | (5,672) | (7,787) | (7,322) |
| Loan from related party | | - | 4,187 | - | 4,187 |
| Repayment of loan from related party | | - | (4,187) | - | (4,187) |
| Net cash provided by/(used in) financing activities | | (5,380) | 43,578 | (7,037) | 41,928 |
| Net increase in cash and cash equivalents | | (3,058) | 4,643 | (374) | 4,532 |
| Cash and cash equivalents at beginning of year | | 10,019 | 5,376 | 10,200 | 5,668 |
| Cash and cash equivalents at end of year | | 6,961 | 10,019 | 9,826 | 10,200 |

The accompanying notes form part of these financial statements

**Notes to the Financial Statements for the year ended 30 June 2011**

**1. ACCOUNTING POLICIES**

**Reporting Entity**

These are the financial statements of Vbase Limited (the 'Company')

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

The Vbase Limited Group comprises Vbase Limited and its wholly owned subsidiary, Jet Engine Facility Limited (JEFL). Vbase Limited owns and manages and develops the Christchurch Town Hall for the Performing Arts, the Christchurch Convention Centre, CBS Canterbury Arena and AMI Stadium in Christchurch and holds the supply and business partnership contracts as well as being the employer of all staff within the facilities. Vbase is also the brand name for the combined management of the venues. JEFL's principal activity is to lease an aero engine test cell facility situated at Christchurch International Airport. Vbase Limited's operations were significantly affected by the February 2011 earthquake. See note 2 for details.

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

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

The financial statements of the company are for the year ended 30 June 2011. The financial statements were authorised for issue by the Board of Directors on ______________2011.

**Basis of financial statement preparation**

These financial statements have been prepared in accordance with NZ GAAP. They comply with NZ IFRS and other applicable Financial Reporting Standards.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements except as follows:
The Group has adopted the following new and amended New Zealand Equivalents to International Financial Reporting Standards and interpretations as of 1 July 2010.

- Improvements to IFRSs 2009 – various standards

The adoption of the above standards or interpretations is not considered to have a material impact on the financial statements or performance of the group.

The financial statements have been prepared on an historical cost basis except for the revaluation of land and buildings.

The functional and presentation currency is New Zealand dollars.

In preparing these financial statements management has been required to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances. These estimates and assumptions form 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 year if the change affects only that year, or into future years if it also affects future years. In the process of applying the group's 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.

The decisions on the future of AMI Stadium and the Christchurch Town Hall will not be made until further engineering assessments have been undertaken. Management have assumed that both these venues will be repaired, therefore have continued to recognise the assets in the financial statements.

There are a number of assumptions and estimates used when performing valuations over the company's land and building assets. Following the February earthquake these assumptions are of a higher degree of sensitivity and uncertainty than would normally be the case. Management has also estimated the impairment of its buildings as a result of the February earthquake. These estimates contain a high level of uncertainty as the company is still in the process of assessing the full impact and not all data is to hand. Refer to note 13 - property, plant and equipment, and note 2 – impact of Canterbury earthquakes.

The following new standards, interpretations and amendments issued that are not yet effective for the year ended 30 June 2011, have not been early adopted and are relevant to the group include:

- NZ IFRS 9 Financial Instruments will eventually replace NZ IAS 39 Financial Instruments: Recognition and Measurement. NZ IAS 39 is being replaced through the following 3 main phases: Phase 1 Classification and Measurement, Phase 2 Impairment Methodology and Phase 3 Hedge Accounting. Phase 1 on the classification and measurement of financial assets has been completed and has been published in the new financial instrument standard NZ IFRS 9. NZ IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in NZ IAS 39. The approach in NZ IFRS 9 is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the many different impairment methods in NZ IAS 39. The new standard is required to be adopted for the year ended 30 June 2013. The group has not yet assessed the impact of the new standard and expects it will not be early adopted.
- NZ IAS 24 Related Party Disclosures (Revised 2009) amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities. This becomes effective for reporting periods beginning after 1 January 2011. This will be applied from 2011/12 financial year with any impact expected to be minor at this stage.
- IFRS 13 Fair Value Measurement establishes a single framework for measuring fair value where that is required by other standards, and applies to both financial and non-financial items measured at fair value. This becomes effective for reporting periods beginning after 1 January 2013 with any impact expected to be minor at this stage.
- Amendments to New Zealand Equivalents to International Financial reporting Standards to Harmonise with International Financial Reporting Standards and Australian Accounting Standards and FRS-44 New Zealand Additional Disclosures. NZ IFRSs have been closer aligned to IFRS by relocating New Zealand specific disclosures to a specific standard (FRS-44). These disclosures have been relocated from NZ IFRSs to clarify that these disclosures are additional to those required by IFRSs. This will be applied from 2011/12 financial year with any impact expected to be minor at this stage

**Principles of consolidation**

**Subsidiaries**
Subsidiaries are those entities over which the Company has the power to govern financial and operating policies, generally accompanying a shareholding of at least half of the voting rights. Potential exercisable or convertible voting rights are considered when assessing whether the Company controls another entity.

The purchase method is used to prepare the consolidated financial statements.

Intercompany transactions, balances and unrealised gains on transactions are eliminated. Unrealised losses are also eliminated, unless the transaction provides evidence of the impairment of the asset transferred.

Vbase's investment in its subsidiary is carried at cost in the company's own 'parent entity' financial statements.

**Foreign currency transactions**

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

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

**Financial Assets**

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

**Trade and other receivables**

Trade and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment (see impairment policy 11).

**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.

**Cash and cash equivalents**

Cash and cash equivalents comprise cash balances and call deposits, and other short-term highly liquid investments with maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows, and in current liabilities on the balance sheet.

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

Land
Buildings

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

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 income 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 income 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 income.

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

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the

Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

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

Assets to be depreciated include:

| | |
|---|---|
| Operational Assets: | |
| Land | not depreciated |
| Site works | 18-33 yrs |
| Building shell fit-out | 3-53 yrs |
| Furniture, fittings, plant and equipment | 2-15 yrs |

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

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.

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

**Intangible assets**

**(i) Computer software**
Acquired computer software licenses are capitalised on the basis of costs incurred to acquire and bring to use the specific software.

**(ii) Amortisation**

Acquired computer software is amortised on a straight line basis over the period of that life.

Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge is recognised in the income statement.

The useful lives and associated amortisation rates have been estimated as follows:

| | |
|---|---|
| Computer software | 24-36 months |

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.

**Impairment**

The carrying amounts of the Company's assets, other than inventories (see Inventories policy 7) and deferred tax assets (see Income Tax policy 19), are reviewed at each balance sheet 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 exceeds its recoverable amount. Impairment losses on non-revalued assets are recognised in the income statement and the reversal of an impairment loss is recognised in the income statement.

For revalued assets, the impairment loss is recognised in other comprehensive income to the extent the impairment loss does not exceed the amount in the revaluation reserve in equity for that same class of asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in the income statement.

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

for that class of asset was previously recognised in the income statement, a reversal of the impairment loss is
also recognised in the income statement.

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

**Share capital**

**(i) Ordinary share capital**
Ordinary shares are classified as equity.

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

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

Preference share capital is classified as a liability if it provides for mandatory redemption by the issuer for a specific amount at a specific date (or gives the holder the right to requires 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 thereon are recognised in the income statement as interest expense.

**(iii) Dividends**
Dividends are recognised in the period in which they are declared.

**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 using the effective interest method.

**Provisions**

A provision is recognised in the balance sheet when the group 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.

**Employee entitlements**

Provision is made in respect of the Company's liability for the following short and long-term employee entitlements.

**(i) Short-term entitlements**
Liabilities for annual leave and time off in lieu are accrued at the full amount owing at the pay period ending immediately prior to the balance sheet date.

Liabilities for accumulating short-term compensated absences (e.g., sick leave) are measured as the amount of unused entitlement accumulated at the pay period ending immediately prior to the balance sheet date, that the entity anticipates employees will use in future periods, in excess of the days that they will be entitled to in each of those periods.

**(ii) Long-term entitlements**
The retiring gratuity and long service leave liabilities are assessed on an actuarial basis using current rates of pay taking into account years of service, years to entitlement and the likelihood staff will reach the point of entitlement.

### Leases

**(i) Finance leases**
Leases in which substantially all of the risks and rewards of ownership of an asset transfer to the lessee are classified as finance leases whether or not title is eventually transferred. At inception, finance leases are recognised as assets and liabilities on the balance sheet at the lower of the fair value of the leased property and the present value of the minimum lease payments.

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

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

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

### Revenue

Revenue is measured at the fair value of consideration received.

**(i) Services rendered**
Revenue from services rendered is recognised in the income statement in proportion to the stage of completion of the transaction at the balance sheet date.

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

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

**(iv) Insurance proceeds**
Insurance proceeds are recognised in the income statement when the compensation become receivable

### Financing costs

Financing costs comprise interest payable on borrowings calculated using the effective interest rate method. All interest payable on borrowings is recognised as an expense in the income statements as it occurs.

The interest expense component of finance lease payments is recognised in the income statement using the effective interest rate method.

### Income tax

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

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

Deferred tax is provided using the balance sheet 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 arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit are not provided for.

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 balance sheet 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.

**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. The net amount of GST recoverable from, payable to, the Inland Revenue Department is included as part of receivables or payable in the balance sheet.

## 2 - Impact of Canterbury earthquakes

The purpose of this note is to disclose the estimated material impacts of the earthquake on the financial performance and financial position of the company and group.

**Operational Impacts of Earthquake**

The impact of the earthquake on the operations of Vbase has been significant. All four venues sustained damage and were closed. The CBS Canterbury arena only sustained superficial damage and was able to open after engineers checks were carried out and was utilised for at least a month after 22 February 2011 as a base by Civil Defence.

The other three venues, AMI Stadium, Christchurch Town Hall for Performing Arts and Christchurch Convention Centre all sustained major structural damage and have been closed since 22 February 2011. These venues will be closed for significant periods and all events (including Rugby World Cup 2011) have been cancelled. Vbase has business interruption insurance for a period of 2 years to cover lost revenues, however current expectations are that the Convention Centre and Town Hall will not reopen within this timeframe. AMI Stadium memberships and naming rights agreements are all on hold due to force majeure for the period that the stadium is closed. It remains uncertain when AMI will re-open.

Detailed engineering assessments are underway on the damaged venues. Once those assessments are complete long term decisions will be made in conjunction with the company's insurance underwriters. The possible outcomes include:

- Not economic to repair – full replacement to be built to modern standards
- Economic to repair – in conformance with council planning requirements
- Negotiated cash settlement with insurance underwriters – with the buildings partly or wholly demolished.

Initial engineers reports have indicated that the Christchurch Convention Centre, along with the Hadlee Stand at AMI Stadium, have sustained damage that will be uneconomical to repair, and both these buildings have been de-recognised in the financial statements.

**Management and Governance Changes**

Subsequent to the earthquake and due to the impact of the earthquake on the Vbase business, the Shareholder Christchurch City Council resolved on 24 June 2011 to accept a proposal to change the governance and management structure of Vbase. This has resulted in Council taking over direct responsibility for the management and governance of Vbase. This resulted in the following key changes:

- Resignation of Vbase board effective 29 July 2011
- Implementation of staffing change proposal resulting in 44 positions becoming redundant effective 30 June 2011
- Implementation of staffing change proposal resulting in 6 Leadership Team positions (including the Chief Executive) becoming redundant effective 29 July 2011
- Creation of the new position General Manger Vbase Venues to assume responsibility for business development and event delivery for the Vbase venues

A transition plan to hand over management and governance of Vbase to Council was developed subsequent to the Council decision and was successfully implemented prior to the resignation of the Vbase board 29 July 2011. The new board was appointed on 10 June and consists of Council representatives and management.

**Financial Impacts recorded in financial statements**

Vbase has a comprehensive insurance program in place with insurance arranged through the Council. All assets are insured for full replacement value. The company also has business interruption insurance covering lost revenues as a result of the earthquake for a period of two years.

Insurance proceeds are included in Other Income in the Statement of Comprehensive Income.

The key financial impacts of the Canterbury earthquakes on net profit in the year ended 30 June 2011 are as follows:

| | | |
|---|---|---|
| **Impact on net profit** | $'000 | |
| Business Interruption Insurance claim in advance | 4,294 * | |
| Material damage insurance claim in advance | | 5,000 |
| Material damage insurance claim receivable | | 43,736 |
| Redundancy costs | | (1,247) * |
| Earthquake repair/additional costs included in expenses | | (230) * |
| Loss on de-recognition of buildings | | (21,121) |
| Impairment of property plant and equipment | | (29,980) |
| Revaluation increment | 29,980 | |
| | 30,432 | |
| **Impact on other comprehensive income** | | |
| Net revaluation of land & buildings as at 30 June | | (45,243) ** |
| Total impact on shareholders funds | | (7,225) |

* Net of income tax at 30%
** Net of deferred tax at 28%
The closure of the three venues has also resulted in reduction in revenues and operating costs, the total of which is difficult to quantify.

**Estimation uncertainty**

There are two key areas of estimation uncertainly that arise from the February earthquake. They are to:

- Determine the value of the company's assets. The key assumptions used in the independent impairment and valuation assessments are disclosed in note 13.
- Assess the carrying value of the insurance proceeds receivable, the details of which are discussed below.

**Contingent asset in respect of insurance proceeds**

The group has two key insurance policies relevant to the recent earthquakes:
Material damage – this is a full replacement policy and covers all of the company's four venues.
Business interruption – lost revenues and additional costs are claimable if they arise "... as a consequence of..." damage to the company's insured assets within the 24 months following the February earthquake.
The company has already received payments on account of both policies, and the company is virtually certain to receive a full payout of all claims. The insurers have agreed to pay out the indemnity amount of $44,986k relating to two of the company's assets. The quantum of the future proceeds cannot be reliably measured, because of the wide range of possible outcomes that will be negotiated with the group's insurers following completion of detailed engineering and financial assessments therefore no further amount recognised as assets within these financial statements.
It is still early in the group's insurance claims process and it will be several months before the group will be in a position to put forward definitive and detailed claims to the underwriters. There are currently no disputes with the group's underwriters or their assessors.
AMI Stadium turf damage is not covered by insurance. The Central Government have agreed to cover the $4.1m cost to replace the turf system. This has been disclosed as a contingent asset at note 23.

## 3 Profit from operations

| Revenue | Note | Parent 11 $'000 | Parent 10 $'000 | Group 11 $'000 | Group 10 $'000 |
|---|---|---|---|---|---|
| Rendering of services | | 24,174 | 31,047 | 24,257 | 31,164 |
| | | 24,174 | 31,047 | 24,257 | 31,164 |
| Interest revenue: | | | | | |
| Finance lease interest revenue | | - | - | 2,178 | 2,190 |
| Bank deposits | | 614 | 527 | 655 | 534 |
| Related parties | | - | 6 | - | - |
| | | 614 | 533 | 2,833 | 2,724 |
| Other revenue | | | | | |
| Management fee income | | 286 | 371 | 286 | 371 |
| Government Grant receivable | | - | - | - | - |
| Insurance monies received | | 54,867 | - | 54,867 | - |
| Profit on disposals of assets | | 1 | 6 | 1 | 6 |
| Other income | | 357 | 461 | 357 | 461 |
| | | 55,511 | 838 | 55,511 | 838 |
| Total revenue | | 80,299 | 32,418 | 82,601 | 34,726 |

**(b) Profit before income tax**

| | Parent 11 $'000 | Parent 10 $'000 | Group 11 $'000 | Group 10 $'000 |
|---|---|---|---|---|
| Finance costs: | | | | |
| Interest on related party loans | 6,129 | 5,733 | 7,773 | 7,378 |
| Reversal of RPS interest not payable | - | - | - | - |
| Unwinding of discount on RPS | 825 | 759 | 825 | 759 |
| Other interest expense | - | 9 | - | 9 |
| | 6,954 | 6,501 | 8,598 | 8,146 |

| | | | | | |
|---|---|---|---|---|---|
| Depreciation and amortisation: | | | | | |
| Depreciation of non-current assets | 13 | 8,337 | 7,854 | 8,337 | 7,854 |
| Amortisation of non-current assets | 14 | 321 | 242 | 321 | 242 |
| Amortisation of ground rent | | 210 | 210 | 210 | 210 |
| Impairment of property, plant & equipment | | 41,476 | - | 41,476 | |
| Revaluation increment | | (41,476) | - | (41,476) | |
| | | 8,868 | 8,306 | 8,868 | 8,306 |
| Loss on de-recognition | | 21,121 | - | 21,121 | - |
| | | 21,121 | - | 21,121 | - |
| Employee benefit expense: | | | | | |
| Salary and wages | | 8,056 | 7,382 | 8,056 | 7,382 |
| Employer contributions to pension plans | | 19 | 26 | 19 | 26 |
| Increase/(decrease) in employee benefit liabilities | | 654 | 136 | 654 | 136 |
| | | 8,729 | 7,544 | 8,729 | 7,544 |
| Other expenses: | | | | | |
| Operating lease expenses - minimum lease payments | | 326 | 330 | 362 | 384 |
| Directors fees | | 227 | 192 | 227 | 192 |
| Food and beverage expenses | | 8,254 | 9,735 | 8,254 | 9,735 |
| Donations | | 12 | 8 | 12 | 8 |
| Other expenses | | 8,149 | 9,691 | 8,215 | 9,776 |
| | | 16,968 | 19,956 | 17,070 | 20,095 |
| Total expenses | | 62,640 | 42,307 | 64,386 | 44,091 |

## 4 Income taxes

### (a) Income tax recognised in profit or loss

| | Parent 11 $'000 | Parent 10 $'000 | Group 11 $'000 | Group 10 $'000 |
|---|---|---|---|---|
| Tax expense/(income) comprises: | | | | |
| Current tax expense/(income) | (535) | (2,543) | (131) | (2,959) |
| Adjustments recognised in current year in relation to the current tax of prior years | (546) | 29 | (546) | 29 |
| Deferred tax expense/(income) relating to the origination and reversal of temporary differences | 7,085 | (201) | 6,893 | 614 |
| Deferred tax expense/(income) relating to the removal of future tax depreciation from buildings | - | 23,395 | | 24,713 |
| Deferred tax expense/(income) relating to changes in tax rates or imposition of new taxes | - | 162 | | (266) |
| Total tax expense/(income) | 6,004 | 20,842 | 6,216 | 22,131 |

Reconciliation of prima facie income tax:

| | Parent 11 $'000 | Parent 10 $'000 | Group 11 $'000 | Group 10 $'000 |
|---|---|---|---|---|
| Profit/(loss) from operations | 17,659 | (9,889) | 18,215 | (9,365) |
| Income tax expense calculated at 30% | 5,298 | (2,967) | 5,465 | (2,810) |
| Non-deductible expenses | 252 | 223 | 298 | 223 |
| Donations | | | | |
| Non-assessable income | - | - | - | |
| Effect on deferred tax balances due to removal of tax depreciation on buildings | 1,000 | 23,395 | 999 | 24,713 |
| Effect on deferred tax balances due to a change in income tax rate from 30% to 28% | - | 162 | - | (266) |
| Over provision of previous years income tax | (546) | 29 | (546) | 271 |
| | 6,004 | 20,842 | 6,216 | 22,131 |

The Government's Budget in May 2010 provided for a reduction in the rate of corporate income tax from 30% to 28%, effective for years beginning on or after 1 April 2011. The same Budget effectively removed the ability to claim a deduction for tax depreciation on buildings with a useful life of 50 years or more. The impact of both of these changes has been reflected in the tax expense for the 2010 year as shown above, and in the 2010 deferred tax balances shown below.

**(b) Current tax assets and liabilities**

| | Parent 11 $'000 | Parent 10 $'000 | Group 11 $'000 | Group 10 $'000 |
|---|---|---|---|---|
| Current tax assets: | | | | |
| Subvention Receivable | 538 | 2,633 | 538 | 3,049 |
| | 538 | 2,633 | 538 | 3,049 |
| Current tax payables: | | | | |
| Income tax payable | - | - | 404 | - |
| | - | - | 404 | - |

**(c) Deferred tax balances**

Taxable and deductible temporary differences arise from the following:

| **Group**<br>**Year ended 30 June 2011** | Opening balance<br>$'000 | Adjustment to opening balance<br>$'000 | Charged to income<br>$'000 | Charged to other comprehensive income<br>$'000 | Closing balance<br>$'000 |
|---|---|---|---|---|---|
| **Deferred tax liabilities:** | | | | | |
| Property, plant and equipment | 45,326 | (316) | (1,297) | (14,054) | 29,659 |
| Intangible assets | (6) | | (16) | - | (22) |
| Temporary timing differences - provisions | (61) | 16 | 96 | - | 51 |
| Temporary timing differences - other | 380 | | 8,111 | - | 8,491 |
| | 45,639 | (300) | 6,894 | (14,054) | 38,179 |
| **Deferred tax assets:** | | | | | |
| Temporary timing differences - provisions | - | - | | - | - |
| | - | - | - | - | - |
| Net deferred tax balance | 45,639 | (300) | 6,894 | (14,054) | 38,179 |

Taxable and deductible temporary differences arise from the following:

| **Parent**<br>**Year ended 30 June 2011** | Opening balance<br>$'000 | Adjustment to opening balance<br>$'000 | Charged to income<br>$'000 | Charged to other comprehensive income<br>$'000 | Closing balance<br>$'000 |
|---|---|---|---|---|---|
| **Deferred tax liabilities:** | | | | | |
| Property, plant and equipment | 39,335 | (316) | (1,106) | (14,054) | 23,859 |
| Intangible assets | (6) | | (16) | | (22) |
| Temporary timing differences - provisions | (61) | 16 | 96 | | 51 |
| Temporary timing differences - other | 380 | | 8,111 | | 8,491 |
| | 39,648 | (300) | 7,085 | (14,054) | 32,379 |
| **Deferred tax assets:** | | | | | |
| Temporary timing differences - provisions | - | - | - | - | - |
| | - | - | - | - | - |
| Net deferred tax balance | 39,648 | (300) | 7,085 | (14,054) | 32,379 |

Taxable and deductible temporary differences arise from the following:

| **Group**<br>**Year ended 30 June 2010** | Opening balance<br>$'000 | Adjustment to opening balance<br>$'000 | Charged to income<br>$'000 | Charged to other comprehensive income<br>$'000 | Closing balance<br>$'000 |
|---|---|---|---|---|---|
| **Deferred tax liabilities:** | | | | | |
| Property, plant and equipment | 21,950 | (5) | 24,718 | (1,337) | 45,326 |
| Intangible assets | - | - | (6) | - | (6) |
| Deferred tax benefit of tax loss | - | - | - | - | - |
| Temporary timing differences - provisions | (81) | (19) | 39 | - | (61) |
| Temporary timing differences - other | 70 | (2) | 312 | - | 380 |
| | 21,939 | (26) | 25,063 | (1,337) | 45,639 |
| **Deferred tax assets:** | | | | | |
| Temporary timing differences - provisions | - | - | | - | - |
| | - | - | - | - | - |
| Net deferred tax balance | 21,939 | (26) | 25,063 | (1,337) | 45,639 |

Taxable and deductible temporary differences arise from the following:

| **Parent**<br>**Year ended 30 June 2010** | Opening balance<br>$'000 | Adjustment to opening balance<br>$'000 | Charged to income<br>$'000 | Charged to other comprehensive income<br>$'000 | Closing balance<br>$'000 |
|---|---|---|---|---|---|
| **Deferred tax liabilities:** | | | | | |
| Property, plant and equipment | 17,665 | (5) | 23,012 | (1,337) | 39,335 |
| Intangible assets | - | - | (6) | - | (6) |
| Deferred tax benefit of tax loss | (81) | (19) | 39 | - | (61) |
| Temporary timing differences - provisions | 70 | (2) | 312 | - | 380 |
| Temporary timing differences - other | | | | | |
| | 17,654 | (26) | 23,357 | (1,337) | 39,648 |
| **Deferred tax assets:** | | | | | |
| Temporary timing differences - provisions | - | - | - | - | - |
| | - | - | - | - | - |
| Net deferred tax balance | 17,654 | (26) | 23,357 | (1,337) | 39,648 |

A Supplementary Order Paper to the Taxation (Tax Administration and Remedial Matters) Bill was released on 13 July 2011. Along with a number of remedial matters, the Supplementary Order Paper contains an amendment to depreciation rules in response to the Canterbury earthquakes. It allows roll-over relief for depreciation recovery and also addresses the issue of the timing of deemed sales of destroyed insured assets. The amending legislation is expected to be enacted in August, and will generally be effective from September 2010. This will have a significant impact on the tax position of the Company.

### (d) Imputation credit account balances (group)

| | 2011 $'000 | 2010 $'000 |
|---|---|---|
| Balance at beginning of period | 105 | 130 |
| Taxation paid | - | - |
| Refunded | (87) | (25) |
| | 18 | 105 |

### 5 Key management personnel compensation

| | Parent 11 $'000 | Parent 10 $'000 | Group 11 $'000 | Group 10 $'000 |
|---|---|---|---|---|
| The compensation of the directors and executives, being the key management personnel of the entity is set out below: | | | | |
| Short term employee benefits | 1,182 | 1,322 | 1,182 | 1,322 |
| Post-employment benefits | - | - | - | - |
| Termination payments | 891 | - | 891 | - |
| | 2,073 | 1,322 | 2,073 | 1,322 |

### 6 Remuneration of auditors

| | Parent 11 $'000 | Parent 10 $'000 | Group 11 $'000 | Group 10 $'000 |
|---|---|---|---|---|
| Auditor of the parent entity: | | | | |
| Audit of the financial statements | 48 | 53 | 57 | 62 |
| | 48 | 53 | 57 | 62 |

### 7 Current trade and other receivables

| | Parent 11 $'000 | Parent 10 $'000 | Group 11 $'000 | Group 10 $'000 |
|---|---|---|---|---|
| Trade receivables | 2,246 | 3,725 | 2,246 | 3,725 |
| Related party receivables | 127 | 260 | 127 | 260 |
| Insurance receivable | 43,736 | | 43,736 | |
| GST receivable | - | - | - | - |
| Other receivables | 72 | 134 | 72 | 134 |
| Provision for impairment | (28) | (47) | (28) | (47) |
| | 46,153 | 4,072 | 46,153 | 4,072 |
| Finance lease receivable | - | - | 3,707 | 3,707 |
| | 46,153 | 4,072 | 49,860 | 7,779 |

The status of receivables as at 30 June 2011 and 2010 are detailed below:

| | 2011 | | | 2010 | | |
|---|---|---|---|---|---|---|
| | Gross $'000 | Impairment $'000 | Net $'000 | Gross $'000 | Impairment $'000 | Net $'000 |
| *Parent* | | | | | | |
| Not past due | 45,979 | - | 45,979 | 2,818 | - | 2,818 |
| Past due 31-60 days | 71 | - | 71 | 689 | - | 689 |
| Past due 61 -120 days | 60 | (1) | 59 | 447 | (19) | 428 |
| Past due >120 days | 71 | (27) | 44 | 165 | (28) | 137 |
| Total | 46,181 | (28) | 46,153 | 4,119 | (47) | 4,072 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Group | | | | | | |
| Not past due | 49,686 | - | 49,686 | 6,525 | - | 6,525 |
| Past due 31-60 days | 71 | - | 71 | 689 | - | 689 |
| Past due 61 -120 days | 60 | (1) | 59 | 447 | (19) | 428 |
| Past due >120 days | 71 | (27) | 44 | 165 | (28) | 137 |
| Total | 49,888 | (28) | 49,860 | 7,826 | (47) | 7,779 |

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

The carrying value of receivables that would otherwise be past due or impaired whose terms have been renegotiated amount to $nil (2010 nil)

The provision for impairment has been based on a review of significant debor balances and a collective assessment of all debtors. The collective impairment assessment is estimated on the basis of historical loss experience.

| | Parent 11 | Parent 10 | Group 11 | Group 10 |
|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 |
| Individual impairment | (28) | (47) | (28) | (47) |
| Collective impairment | - | - | - | - |
| Total impairment | (28) | (47) | (28) | (47) |

| Movement in provision for impairment | Parent 11 | Parent 10 | Group 11 | Group 10 |
|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 |
| As at 1 July | (47) | (21) | (47) | (21) |
| Additional provision made during the year | (69) | (50) | (69) | (50) |
| Provisions reversed during the year | 11 | 15 | 11 | 15 |
| Receivables written off during the year | 77 | 9 | 77 | 9 |
| Balance at 30 June | (28) | (47) | (28) | (47) |

## 8 Other current financial assets

| | Parent 11 | Parent 10 | Group 11 | Group 10 |
|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 |
| Term deposits | 2,025 | - | 2,025 | - |
| | 2,025 | - | 2,025 | - |

There were no impairment provisions for other financial assets. Non of the financial assets are either past due or impaired.

**9 Current inventories**

| | Parent 11 $'000 | Parent 10 $'000 | Group 11 $'000 | Group 10 $'000 |
|---|---|---|---|---|
| Inventory held for use in the provision of services | 106 | 544 | 106 | 544 |
| | 106 | 544 | 106 | 544 |

No inventories are pledged as security for liabilities (2010:nil)
There was no write-down of inventories (2010:nil)

**10 Other current assets**

| | Parent 11 $'000 | Parent 10 $'000 | Group 11 $'000 | Group 10 $'000 |
|---|---|---|---|---|
| Prepayments | 280 | 325 | 280 | 325 |
| Other (CVCT) | - | 1 | - | 1 |
| | 280 | 326 | 280 | 326 |

**11 Non-current trade and other receivables**

| | Parent 11 $'000 | Parent 10 $'000 | Group 11 $'000 | Group 10 $'000 |
|---|---|---|---|---|
| Prepayments | 3,180 | 3,390 | 3,180 | 3,390 |
| Finance lease receivable | - | - | 24,998 | 26,677 |
| | 3,180 | 3,390 | 28,178 | 30,067 |

The carrying value of finance lease receivable is recorded at the present value of minimum future lease payments which is considered to be fair value.

**12 Other non-current financial assets**

| | Parent 11 $'000 | Parent 10 $'000 | Group 11 $'000 | Group 10 $'000 |
|---|---|---|---|---|
| Shares in subsidiary | 11,450 | 11,450 | - | - |
| | 11,450 | 11,450 | - | - |

## 13 Property, plant and equipment

| **Parent and Group** | Freehold land at fair value $'000 | Buildings at fair value $'000 | Finance lease assets at fair value $'000 | Plant & equipment at cost $'000 | Total $'000 |
|---|---|---|---|---|---|
| **Gross carrying amount:** | | | | | |
| Balance at 1 July 2009 | 14,312 | 157,977 | 8,277 | 7,373 | 187,940 |
| Additions | - | 58,376 | - | 1,103 | 59,479 |
| Disposals | (164) | (302) | - | (183) | (649) |
| Transfers | - | - | - | - | - |
| Net revaluation increments/(decrements) | - | - | - | - | - |
| Balance at 30 June 2010 | 14,148 | 216,051 | 8,277 | 8,293 | 246,770 |
| Additions | - | 5,476 | - | 1,684 | 7,160 |
| Disposals | - | (15,155) | (5,983) | (4,110) | (25,248) |
| Transfers | - | (2,228) | - | 2,228 | - |
| Net revaluation increments/(decrements) | (5,348) | 43,797 | 231 | - | 38,680 |
| Balance at 30 June 2011 | 8,800 | 247,941 | 2,525 | 8,095 | 267,362 |
| **Accumulated depreciation, amortisation and impairment:** | | | | | |
| Balance at 1 July 2009 | - | (4,004) | (389) | (1,438) | (5,832) |
| Disposals | - | 19 | - | 183 | 202 |
| Depreciation expense | - | (6,125) | (382) | (1,346) | (7,853) |
| Transfers | | | | | - |
| Reversed on revaluation | - | - | - | - | |
| Balance at 30 June 2010 | - | (10,110) | (771) | (2,601) | (13,483) |
| Disposals | - | 1,905 | 742 | 1,475 | 4,122 |
| Depreciation expense | - | (6,391) | (281) | (1,665) | (8,337) |
| Impairment losses | | (98,507) | (250) | | (98,757) |
| Transfers | - | - | - | - | - |
| Reversed on revaluation | - | 14,544 | 293 | - | 14,837 |
| Balance at 30 June 2011 | - | (98,559) | (267) | (2,791) | (101,618) |
| Net book value as at 30 June 2010 | 14,148 | 205,941 | 7,506 | 5,692 | 233,287 |
| Net book value as at 30 June 2011 | 8,800 | 149,382 | 2,258 | 5,304 | 165,744 |

The total amount of buildings in the course of construction amounts to $nil (2010: $761,434).

**Impairment**

As a result of the February earthquake, significant damage was sustained to all Vbase venues. Engineers reports have indicated that the Christchurch Convention Centre, along with the Hadlee Stand at AMI Stadium, have sustained damage that will be uneconomical to repair, and both these buildings have been de-recognised. The turf at AMI Stadium has also been de-recognised. The other venues have been assessed by an independent quantity surveyor, Malcolm Timms of Rider Levett Bucknall, effective of 22 February, and their estimated costs of repair have been included as impairment losses. The reliability of the assessments is severely affected due to the Quantity Surveyor having limited or no access to some of the venues, and unable to internally inspect the properties. It was extremely difficult for the quantity surveyor to determine costs of repair, with the impacts of the earthquake continuing to be difficult to quantity. Accordingly there is considerable volatility and risk associated with the estimated repair costs.

**Valuation**

Land is valued at fair value using market based evidence based on its highest and best use with reference to comparable land values. The most recent valuation of land was performed by a registered independent valuer, William Blake of Knight Frank, and the valuation is effective of 30 June 2011. Buildings are valued at fair value using depreciated replacement cost because no reliable market data is available for our buildings. It was extremely difficult for the valuer to determine market values and depreciated replacement cost as at 30 June 2011, with the value impacts of the earthquake continuing to be difficult to quantify. Accordingly there is considerable volatility and risk associated with the valuations. The valuer had limited or no access to some of the venues, and therefore was unable to internally inspect the properties. A 20% costs escalation was built into the replacement cost component of the valuations for AMI stadium,CBS Arena and Town Hall. However, there is presently no evidence or experience to support this level of price escalation.

## 14 Intangible assets

| | Parent 11 $'000 | Parent 10 $'000 | Group 11 $'000 | Group 10 $'000 |
|---|---|---|---|---|
| | Software | | Software | |
| **Gross carrying amount:** | | | | |
| Opening balance | 673 | 411 | 673 | 411 |
| Additions | 101 | 262 | 101 | 262 |
| Disposals | (2) | | (2) | |
| Closing balance | 772 | 673 | 772 | 673 |
| **Accumulated amortisation and impairment:** | | | | |
| Opening balance | (317) | (75) | (317) | (75) |
| Amortisation expense | (321) | (242) | (321) | (242) |
| Disposals | 2 | | 2 | |
| Closing balance | (636) | (317) | (636) | (317) |
| **Net book value:** | 136 | 356 | 136 | 356 |

## 15 Current trade and other payables

| | Parent 11 $'000 | Parent 10 $'000 | Group 11 $'000 | Group 10 $'000 |
|---|---|---|---|---|
| Trade payables | 3,742 | 5,612 | 3,752 | 5,627 |
| GST payable | 275 | 142 | 372 | 188 |
| Owing to related party | 1,186 | 1,204 | 1,479 | 1,511 |
| Deferred purchase consideration | - | 130 | - | 130 |
| Income in advance | 2,093 | 4,953 | 2,093 | 4,953 |
| | 7,296 | 12,041 | 7,696 | 12,409 |

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

## 16 Current borrowings

| | Parent 11 $'000 | Parent 10 $'000 | Group 11 $'000 | Group 10 $'000 |
|---|---|---|---|---|
| **Unsecured:** | | | | |
| Loan from related party - CCC | 4,500 | 1,700 | 4,500 | 1,700 |
| **Secured:** | | | | |
| Finance lease liabilities | - | - | - | - |
| | 4,500 | 1,700 | 4,500 | 1,700 |

## 17 Employee Entitlements

| | Parent 11 $'000 | Parent 10 $'000 | Group 11 $'000 | Group 10 $'000 |
|---|---|---|---|---|
| Employee benefits | | | | |
| Accrued salary and wages | (8) | 205 | (8) | 205 |
| Annual leave | 250 | 328 | 250 | 328 |
| Long service leave | 16 | 30 | 16 | 30 |
| Sick leave | 30 | 30 | 30 | 30 |
| Service and gratuity | 61 | 145 | 61 | 145 |
| Redundancy | 1,042 | - | 1,042 | - |
| | 1,391 | 738 | 1,391 | 738 |

## 18 Non-current trade and other payables

| | Parent 11 $'000 | Parent 10 $'000 | Group 11 $'000 | Group 10 $'000 |
|---|---|---|---|---|
| Deferred purchase consideration | - | - | - | - |
| Income in advance | 187 | 371 | 187 | 371 |
| | 187 | 371 | 187 | 371 |

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

## 19 Non-current borrowings

| | Parent 11 $'000 | Parent 10 $'000 | Group 11 $'000 | Group 10 $'000 |
|---|---|---|---|---|
| **Unsecured:** | | | | |
| Loan from related party - CCC | 29,723 | 73,523 | 29,723 | 73,523 |
| Redeemable preference shares | 10,323 | 9,498 | 10,323 | 9,498 |
| Amount owing to parent entity | - | - | - | - |
| | 40,046 | 83,021 | 40,046 | 83,021 |
| **Secured:** | | | | |
| Loan from related party - CCC | - | - | 12,550 | 12,550 |
| Finance lease liabilities | - | - | - | - |
| | - | - | 12,550 | 12,550 |
| | 40,046 | 83,021 | 52,596 | 95,571 |

The company has entered into two cash advance facility agreements with Christchurch City Council. On 30 June 2011, $41m of debt was swapped for equity and the remaining $29.723m of the first facility is scheduled to be repaid in annual amounts commencing April 2024, with full repayment completed by 20 April 2030. The second facility for $4.5m is repayable in full on 30 June 2012. Interest is payable at different rates on the various tranches of the loan, with some payable quarterly and some annually.

Subsidiary company JEFL has entered into a cash advance facility agreement with Christchurch City Council, and the $12.55m borrowings have been undertaken under the terms of the agreement. Borrowing is secured under a general security agreement, which creates a charge over the company's property in favour of the Council. Principal amounts borrowed under the agreement are due for repayment in tranches between October 2013 and October 2018, although the company has the option to repay earlier. Interest is payable in April and October each year.

The fair value of the borrowing of the parent is is $39,795,264 based on cashflows discounted using the market borrowing rate of 8.76% (2010 $103,859,538). The fair value of the borrowing of the group is is $57,995,264 (2010 $120,889,538).

## 20 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 redeemable preference shares (A) may be redeemed by the company giving the shareholder five working days notice of the intent to do so. None of the shares carry fixed dividend rights.

| | Parent 11 $'000 | Parent 10 $'000 | Group 11 $'000 | Group 10 $'000 |
|---|---|---|---|---|
| Fully paid ordinary shares | 100,136 | 59,136 | 100,136 | 59,136 |
| Fully paid redeemable preference shares (A) | 80,500 | 79,750 | 80,500 | 79,750 |
| Equity component of mandatory redeemable preference shares | 4,079 | 4,903 | 4,079 | 4,903 |
| | 184,715 | 143,789 | 184,715 | 143,789 |

### (a) Fully paid ordinary shares

| | Parent 11 $'000 | Parent 10 $'000 | Group 11 $'000 | Group 10 $'000 |
|---|---|---|---|---|
| Balance at beginning of financial year | 59,136 | 59,136 | 59,136 | 59,136 |
| Share issue | 41,000 | | 41,000 | |
| Share buyback | - | - | - | - |
| Balance at end of financial year | 100,136 | 59,136 | 100,136 | 59,136 |

### (b) Fully paid redeemable preference shares (A)

| | Parent 11 $'000 | Parent 10 $'000 | Group 11 $'000 | Group 10 $'000 |
|---|---|---|---|---|
| Balance at beginning of financial year | 79,750 | 30,500 | 79,750 | 30,500 |
| Share issue | 12,750 | 49,250 | 12,750 | 49,250 |
| Share buyback | (12,000) | - | (12,000) | - |
| Balance at end of financial year | 80,500 | 79,750 | 80,500 | 79,750 |

### (c) Equity component of mandatory redeemable preference shares

| | Parent 11 $'000 | Parent 10 $'000 | Group 11 $'000 | Group 10 $'000 |
|---|---|---|---|---|
| Balance at beginning of financial year | 4,903 | - | 4,903 | - |
| Redeemable preference share liability discounted | - | 5,662 | - | 5,662 |
| Unwinding of discount | (824) | (759) | (824) | (759) |
| Balance at end of financial year | 4,079 | 4,903 | 4,079 | 4,903 |

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

## 21 Equity

| | Parent 11 $'000 | Parent 10 $'000 | Group 11 $'000 | Group 10 $'000 |
|---|---|---|---|---|
| **Capital** | | | | |
| Balance at 1 July | 143,789 | 95,298 | 143,789 | 95,298 |
| Ordinary share issue | 41,000 | - | 41,000 | - |
| Redeemable preference share issue | 12,750 | 49,250 | 12,750 | 49,250 |
| Redeemable preference share buy back | (12,000) | - | (12,000) | - |
| Equity component of mandatory redeemable preference shares | (824) | (759) | (824) | (759) |
| Balance at 30 June | 184,715 | 143,789 | 184,715 | 143,789 |
| **Retained Earnings** | | | | |
| Balance at 1 July | (71,099) | (41,127) | (70,477) | (39,740) |
| Transfer from RPS Reserve | 824 | 759 | 824 | 759 |
| Surplus/(Deficit) for the year | 11,655 | (30,731) | 11,999 | (31,496) |
| Transfer of prior revaluation on de-recognised assets | 9,594 | - | 9,594 | |
| Balance at 30 June | (49,026) | (71,099) | (48,060) | (70,477) |
| **Revaluation Reserve - see below** | | | | |
| Balance at 1 July | 55,868 | 54,531 | 55,868 | 54,531 |
| Deferred tax adjustment due to change in tax rate from 30% to 28% | | 1,337 | | 1,337 |
| Asset impairment as at 22 February 2011 | (57,282) | - | (57,282) | - |
| Asset revaluation as at 30 June 2011 | 12,039 | - | 12,039 | - |
| Deferred tax adjustment due to revaluation of buildings | 14,054 | - | 14,054 | - |
| Transfer of prior revaluation on de-recognised assets | (9,594) | - | (9,594) | |
| Balance at 30 June | 15,085 | 55,868 | 15,085 | 55,868 |
| **Total Equity** | 150,774 | 128,558 | 151,740 | 129,180 |

| **Revaluation Reserve - Parent & Group** | Land | Buildings | Total |
|---|---|---|---|
| Balance at 1 July 2010 | 7,912 | 47,956 | 55,868 |
| Transfer to retained earnings on asset de-recognition | | (9,594) | (9,594) |
| Asset impairment as at 22 February 2011 | | (57,282) | (57,282) |
| Asset revaluation as at 30 June 2011 | (5,348) | 17,387 | 12,039 |
| Deferred tax adjustment due to derecognition and revaluation of buildings | | 14,054 | 14,054 |
| | 2,564 | 12,521 | 15,085 |

## 22 Capital commitments

At balance date, the company and group had no specific commitment for capital expenditure.

## 23 Contingent liabilities and contingent assets

There are no contingent liabilities for either the parent or the group (2010 nil). Central Government have agreed in principle to fund the $4.14m cost to re-build the Turf at AMI Stadium. No contractual arrangements are yet in place. Vbase has and will continue to lodge insurance claims in relation to the loss of business and damage to the venues caused by the February earthquake. Insurance claims accepted by the insurers have been recognised as receivables at the year end, see note 7. The quantum of further insurance proceeds can not be reliably measured and any estimation of likely proceeds could be prejudicial to the settlement claim. Refer to note 2 for further details. Other than the above the parent and group had no material contingent assets as at 30 June 2011 (2010: none).

## 24 Events after balance date

On 17 August 2011, Vbase issued a further $9m of redeemable preference shares to Christchurch City Council. There have been no other material events known to the directors occurring subsequent to balance date that would have a significant impact on the financial statements for the year ended 30 June 2011.

## 25 Notes to the cash flow statement

### (a) Cash and cash equivalents

| | Parent 11<br>$'000 | Parent 10<br>$'000 | Group 11<br>$'000 | Group 10<br>$'000 |
|---|---|---|---|---|
| Cash on hand | 73 | 110 | 2,938 | 291 |
| Call and term deposits | 6,888 | 9,909 | 6,888 | 9,909 |
| | 6,961 | 10,019 | 9,826 | 10,200 |

The carrying value of cash and cash equivalents approximate their fair value.

### (b) Reconciliation of profit for the period to net cash flows from operating activities

| | Parent 11<br>$'000 | Parent 10<br>$'000 | Group 11<br>$'000 | Group 10<br>$'000 |
|---|---|---|---|---|
| Net profit for the period | 11,655 | (30,731) | 11,999 | (31,496) |
| **Non cash items** | | | | |
| Depreciation and amortisation of non-current assets | 8,868 | 8,306 | 8,868 | 8,306 |
| Loss on disposal of property, plant and equipment | 21,122 | - | 21,122 | - |
| Finance lease income accrued | - | - | 1,679 | (1,312) |
| Unwinding of discount on RPS | 825 | 759 | 825 | 759 |
| Movement in deferred tax | 7,085 | 23,331 | 6,894 | 25,037 |
| Other non-cash items | | (6) | | (6) |
| **Items classified as investing/financing activities** | | | | |
| Movement in capital creditors | 1,144 | 822 | 1,144 | 822 |
| Gain on disposal of property, plant and equipment | (1) | - | (1) | - |
| Interest revenue received | (570) | (659) | (570) | (659) |
| Finance and interest costs paid | 6,130 | 5,667 | 7,787 | 7,317 |
| Interest on deferred acquisition payment | - | 9 | - | 9 |
| **Movement in working capital** | | | | |
| (Decrease)/increase in creditors | (4,281) | 106 | (4,248) | 149 |
| Decrease/(increase) in receivables | (40,238) | (847) | (39,419) | (630) |
| (Increase)/decrease in inventory | 438 | (187) | 438 | (187) |
| Net cash from operating activities | 12,177 | 6,570 | 16,518 | 8,109 |

## 26 Related-party transactions

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

| | Parent 11 $'000 | Parent 10 $'000 | Group 11 $'000 | Group 10 $'000 |
|---|---|---|---|---|
| **Transactions and balances with Christchurch City Council Group companies** | | | | |
| **Receipts from related parties:** | | | | |
| Hire of rooms and related services to the Council | 2,115 | 221 | 2,115 | 221 |
| Hire of rooms and related services to City Care Ltd | 2 | 29 | 2 | 29 |
| Hire of rooms and related services to Christchurch International Airport Ltd | - | 5 | - | 5 |
| Hire of rooms and related services to Lyttleton Port Co Ltd | 20 | 73 | 20 | 73 |
| Hire of rooms and related services to Orion Ltd | 439 | 66 | 439 | 66 |
| Hire of rooms and related services to Connetics Ltd | - | 8 | - | 8 |
| Hire of rooms and related services to Christchurch City Holdings Ltd | - | - | - | - |
| Hire of rooms and related services to Redbus Ltd | - | 26 | - | 26 |
| Hire of rooms and related services to Christchurch City Networks Ltd | 2 | - | 2 | - |
| AMI Stadium redevelopment recharge to the Council | - | 1,731 | - | 1,731 |
| Operating costs and salaries charged to Tuam Ltd | - | 35 | - | 35 |
| Operating costs and salaries charged to Civic Building Ltd | 132 | 120 | 132 | 120 |
| Management fee receivable from Tuam Ltd | - | 54 | - | 54 |
| Management fee receivable from Civic Building Ltd | 165 | 162 | 165 | 162 |
| Subvention payments received from CCC group entities | 2,790 | 1,893 | 3,206 | 2,468 |
| Loan advances from CCC | - | 4,187 | - | 4,187 |
| Loan repayments by JEFL | - | 300 | - | 300 |
| **Payments to related parties:** | | | | |
| Rental of Town Hall from the Council | 60 | 106 | 60 | 106 |
| Insurance cover, rates and other services provided by the Council | 879 | 790 | 882 | 792 |
| Interest expense to Council | 6,129 | 5,751 | 7,773 | 7,395 |
| Purchase of Christchurch Town Hall from the Council | - | 33,500 | - | 33,500 |
| Services provided by City Care Ltd | - | 2 | - | 2 |
| Services provided by Connetics Ltd | - | 6 | - | 6 |
| Operating lease charges to Christchurch International Airport Ltd | - | - | 36 | 54 |
| Rate payments to Christchurch International Airport Ltd | - | - | 35 | 51 |
| Tax losses offset to CCC group entities | 6,508 | 4,418 | 6,508 | 5,760 |
| Loan repayments to CCC | 41,000 | 4,187 | 41,000 | 4,187 |
| Loan advances to JEFL | - | 300 | - | 300 |

**Year end balances (exclusive of GST):**

| | | | | |
|---|---|---|---|---|
| Accounts payable to the Council | 1 | 17 | 1 | 17 |
| Accounts payable to Orion NZ Ltd | 84 | - | 84 | - |
| Accounts receivable from the Council | 21 | - | 21 | - |
| Accounts receivable from Christchurch City Holdings Ltd | - | - | - | - |
| Accounts receivable from Christchurch City Networks Ltd | - | - | - | - |
| Accounts receivable from Civic Building Ltd | 190 | 172 | 190 | 172 |
| Accounts receivable from Lyttleton Port Co Ltd | - | - | - | - |
| Accounts receivable from Orion NZ Ltd | - | 2 | - | 2 |
| Accounts receivable from Tuam Ltd | - | 57 | - | 57 |
| Loan advances from the Council | 34,223 | 75,223 | 46,773 | 87,773 |
| Accrued interest payable to the Council | 1,185 | 1,185 | 1,478 | 1,491 |
| Subvention payments receivable from group companies | 1,559 | 2,633 | 1,559 | 3,049 |

**Key Management Personnel**

All transactions occurred on normal trading terms and conditions.

Vbase Ltd received amounts for room hire and related services from Mortlock McCormack Law, of which S G Mortlock, a director the company, is a partner, of nil (2010 $1,280). At year end there was no balance receivable (2010 $1,280).

Vbase Ltd paid operating expenses to Addington Raceway Ltd, of which JA Keegan, a director of the company, is a director. The expenses were charged on normal terms and conditions. Total payments made during the period totalled $186,860 (2010 $170,760). At year end there was a balance payable of $41,281 (2010 $32,500). Vbase Ltd received amounts for room hire and related services from Addington Raceway of $63,646 (2010 $66,095). At year end there was a balance receivable of $3,225 (2010 nil).

Vbase Ltd paid operating expenses to Crusaders Trust, of which CK Doig, a director of the company, is a board member. The expenses were charged on normal terms and conditions. Total payments made during the period totalled $4,565 (2010 $357,533). At year end there was a balance payable of $1,992 (2010 $63,645). Vbase Ltd received amounts for room hire and related services from Crusaders Trust of $1,000 (2010 $315,979). At year end there was no balance receivable (2010 $80,694).

Vbase Ltd paid operating expenses to Halberg Trust , of which CK Doig, a director of the company, is a director. The expenses were charged on normal terms and conditions. Total payments made during the period totalled nil (2010 $1,067). At year end there was no balance payable (201

Vbase Ltd received amounts for room hire and related services from Independent Fisheries, of which WG Cox, the chairman of the company, is a director, of $7,857 (2010 $77,449) and issued credits against last year's services of $19,438 (2010 nil). At year end there was a balance payable of $21,869 (2010 nil).

Vbase Ltd received amounts for room hire and related services from Coolpack Coolstores Ltd, of which WG Cox, the chairman of the company, is a director, of $327 (2010 $1,869). At year end there was no balance receivable (2010 nil).

Vbase Ltd received amounts for room hire and related services from MG Marketing, of which TM Treacy, a director of the company, is a director, of $14,712 (2010 $50,876) and issued credits against last year's services of $30,878. At year end there was a balance payable of $34,738 (2010 nil).

Vbase Ltd received amounts for room hire and related services from New Zealand Rugby Union, of which CK Doig, a director of the company, is a board member, of $19,045 (2010 $2,500). At year end there was no balance receivable (2010 nil).

Vbase Ltd paid operating expenses to Phantom Bill Stickers Ltd, of which SG Mortlock, a director of the company, is a director. The expenses were charged on normal terms and conditions. Total payments made during the period totalled nil (2010 $4,500). At year end there was no balance payable (2010 nil).

JEFL paid legal fees to Mortlock McCormack Law, of which SG Mortlock, a director of the company, is a partner. The expenses were charged on normal terms and conditions. Total payments made during the period totalled $2,442 (2010 $3,609). At year end there was no balance payable (2010 nil).

Vbase Ltd paid operating expenses to Southern Opera Ltd, of which CK Doig, a director of the company, is a director. The expenses were charged on normal terms and conditions. Expenses paid during the period totalled nil (2010 $2,111). At year end there was no balance payable (2010 nil). Vbase Ltd received operating cost recharges from Southern Opera Ltd, of $8,473 (2010 $46,096). At year end there was no balance receivable of nil (2010 $1,990).

Vbase Ltd received amounts for room hire and related services from Ngai Tahu Holdings Corporation Ltd, of which GS Campbell, a director of the company, is a director, of $1,373 (2010 $1,938). At year end there was no balance receivable (2010 nil).

Vbase Ltd received amounts for room hire and related services from Cavell Leitch Operations Ltd, of which AJ Keegan, a director of the company, is a director, of $8,433 (2010 $20,298). At year end there was no balance receivable (2010 $20,298).

Vbase Ltd received amounts for room hire and related services from St Andrew's College, of which BMC Pearson, the CEO of the company, is a Governor, of $35,638 (2010 $21,356). At year end there was a balance receivable of $4,318 (2010 $2,964).

In 2010 Vbase Ltd received amounts for room hire and related services from New Zealand Symphony Orchestra Foundation, of which C Doig, a director of the company, is a trustee, of $71,292. No amounted were received during 2011 and at year end there was no balance receivable (2010 nil).

No provision has been required, nor any expense recognised, for impairment of recoverables from related parties (2010 nil)

JEFL has recorded income tax payable of $40,423 for the 2011 financial year (2010 nil). As other members of the tax group have incurred tax losses for the same period, it is probable that, once the group tax position has been established, the tincome tax payable will be replaced by a subvention payment payable to one or more group entities.

## 27 Leases

### (a) Finance lease receivable

Jet Engine Facility Ltd is party to a long term lease arrangement with a Pratt & Whitney/Air New Zealand joint venture, trading as the Christchurch Engine Centre ('CEC'), in respect of the test cell constructed by the company. The lease incorporates an initial two year rent 'holiday', with future lease payments providing JEFL with a full return on its investment. Lease payments are guaranteed by Pratt & Whitney's holding company, United Technologies

| | Minimum future lease payments | | | | Present value of minimum future lease payments | | | |
|---|---|---|---|---|---|---|---|---|
| | Parent 11 | Parent 10 | Group 11 | Group 10 | Parent 11 | Parent 10 | Group 11 | Group 10 |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| No later than one year | - | - | 3,856 | 3,856 | - | - | 3,707 | 3,707 |
| Later than one year and not later than five years | - | - | 15,425 | 15,425 | - | - | 12,387 | 12,387 |
| Later than five years | - | - | 21,904 | 25,760 | - | - | 12,611 | 14,290 |
| Minimum lease payments | - | - | 41,185 | 45,041 | - | - | 28,705 | 30,384 |
| Unguaranteed residual | - | - | - | - | - | - | - | - |
| Gross finance lease receivables | - | - | 41,185 | 45,041 | - | - | 28,705 | 30,384 |
| Less unearned finance income | - | - | (12,480) | (14,657) | - | - | - | - |
| Present value of minimum lease payments | - | - | 28,705 | 30,384 | - | - | 28,705 | 30,384 |
| Included in the financial statements as: | | | | | | | | |
| Current trade and other receivables | | | | | - | - | 3,707 | 3,707 |
| Non-current trade and other receivables | | | | | - | - | 24,998 | 26,677 |
| | | | | | - | - | 28,705 | 30,384 |

### (b) Non-cancellable operating lease commitments

The company and its subsidiaries 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:

| | Parent 11 | Parent 10 | Group 11 | Group 10 |
|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 |
| No later than one year | 218 | 326 | 272 | 398 |
| Later than one year and not later than five years | 767 | 875 | 984 | 1,163 |
| Later than five years | 5,151 | 5,337 | 5,638 | 6,057 |
| | 6,136 | 6,538 | 6,894 | 7,618 |

There are no restrictions imposed by lease arrangements. The lease on the Peterborough street offices is in the process of being assigned to Christchurch City Council.

### (c) Non-cancellable operating leases as lessor

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

| | Parent 11 | Parent 10 | Group 11 | Group 10 |
|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 |
| No later than one year | 130 | 130 | 130 | 130 |
| Later than one year and not later than five years | 70 | 87 | 70 | 87 |
| Later than five years | - | - | - | - |
| | 200 | 217 | 200 | 217 |

There are currently two leases on the two properties. The first lease finishes 31 December 2011. The second lease can be renewed every six years. The current term is up for renewal on 8 August 2013 and the lease end date is 7 August 2025.

## 28 Financial instruments

**Financial instrument risk**

The Vbase Limited group has a series of policies to manage the risks associated with financial instruments. Vbase Limited 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/group.

The accrued balance under the finance lease arrangement with Christchurch Engine Centre is the group's principal credit risk. This risk is ameliorated by the fact that Pratt & Whitney's ultimate holding company, United Technologies Ltd, is party to the lease arrangements. United Technologies Ltd is a global listed company, with a market capitalisation of some US$67 billion.

Other than the finance lease, financial instruments that potentially subject the company to concentrations of credit risk consist principally of cash and short term investments and accounts receivable. The company/group places its cash and short term investments with various high-credit-quality banking institutions, and has no deposits with finance companies.

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

Other than already noted in the accounts, Vbase Ltd has no significant exposure to credit risk.

Over the next financial year, as the quality of the various engineering assessments and financial information available to the group improves, there is likely to be a material upwards adjustment to the carrying value of insurance proceeds receivable (currently nil).

**Liquidity risk management**
Liquidity risk is the risk that the company/group 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 reserve borrowing facilities with its parent company, Christchurch City Council, as JEFL does with Vbase Ltd. JEFL will require short term funding at certain times over the next couple of years and arrangements are being put in place with Vbase Ltd to cover this.

The costs incurred by the group as at 30 June 2011 as a result of the February earthquake have been covered by the $11.1m insurance proceeds received up to balance date.

**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 Vbase Ltd to interest rate risk.

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

Interest rates on the company's borrowing facility with the Council vary, depending on when the tranche was drawn down, but all rates are fixed with the exception of a variable rate attached to a tranche of $1.023m. Before the end of each fixed interest rate term, the company and the Council enter into discussions to re-fix the interest rates before the expiry date, in order to keep the risk due to interest rate fluctuations to a minimum.

The interest rate on JEFL's finance lease of 7.35% is fixed for the majority of the term of the lease and the interest rate on JEFL's borrowings is fixed for a similar (though slightly shorter) period. At the expiry of the current interest rate periods, both the finance lease rate and the borrowing rate willbe reset in relation to the bank swap rate at the time.

For the reasons noted above, the company is not sensitive to movements in interest rates in respect of its borrowing obligations or finance lease income. Interest rate movements would, however, affect the amount of interest income received by the company/group on surplus cash – a 1% movement either way would have the effect of increasing/decreasing the company's profit before tax by $133,326 or $93,328 after tax and the group by $149,163/$104,414 before/after tax (2010: company $117,901 before tax, $82,530 after tax).

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

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

| | Parent 11<br>$'000 | Parent 10<br>$'000 | Group 11<br>$'000 | Group 10<br>$'000 |
|---|---|---|---|---|
| **Counterparties with credit ratings** | | | | |
| *Cash at bank and term deposits* | | | | |
| AA | 8,986 | 10,019 | 11,851 | 10,200 |
| *Total cash at bank and term deposits* | 8,986 | 10,019 | 11,851 | 10,200 |
| | | | | |
| **Counterparties without credit ratings** | | | | |
| *Loans to related parties* | | | | |
| Existing conterparty with no defaults in the past | 127 | 260 | 127 | 260 |
| Existing conterparty with defaults in the past | - | - | - | - |
| *Total loans to related parties* | 127 | 260 | 127 | 260 |
| | | | | |
| *Debtors and other receivables* | | | | |
| Existing conterparty with no defaults in the past | 46,026 | 3,812 | 74,731 | 34,196 |
| Existing conterparty with defaults in the past | - | - | - | - |
| *Total debtors and other receivables* | 46,026 | 3,812 | 74,731 | 34,196 |

**Classification of financial instruments**

| **Parent 2011** | Designated at fair value<br>$'000 | Loans & receivables<br>$'000 | Fair value through other comprehensive income<br>$'000 | Held-to-maturity<br>$'000 | Other amortised cost<br>$'000 | Total carrying amount<br>$'000 |
|---|---|---|---|---|---|---|
| **Current assets** | | | | | | |
| Cash and cash equivalents | - | 6,961 | - | - | - | 6,961 |
| Trade and other receivables | - | 46,026 | - | - | - | 46,026 |
| Other financial assets | - | 2,025 | - | - | - | 2,025 |
| Other (related party loans) | - | 127 | - | - | - | 127 |
| | - | 55,139 | - | - | - | 55,139 |
| | | | | | | |
| **Non-current assets** | | | | | | |
| Trade and other receivables | - | - | - | - | - | - |
| Other (related party loans) | - | - | - | - | - | - |
| Other (finance lease receivable) | - | - | - | - | - | - |
| | - | - | - | - | - | - |
| | | | | | | |
| **Total Financial Assets** | - | 55,139 | - | - | - | 55,139 |

**Classification of financial instruments**
**Parent 2011 (continued)**

| | | | | | | |
|---|---|---|---|---|---|---|
| **Current liabilities** | | | | | | |
| Trade and other payables | - | - | - | - | 7,296 | 7,296 |
| Borrowings | - | - | - | - | 4,500 | 4,500 |
| Other financial liabilities | - | - | - | - | - | - |
| | - | - | - | - | 11,796 | 11,796 |
| **Non-current liabilities** | | | | | | |
| Borrowings | - | - | - | - | 40,046 | 40,046 |
| Other (income in advance) | - | - | - | - | 187 | 187 |
| | - | - | - | - | 40,233 | 40,233 |
| **Total Financial Liabilities** | - | - | - | - | 52,029 | 52,029 |

| **Parent 2010** | Designated at fair value $'000 | Loans & receivables $'000 | Fair value through other comprehensive income $'000 | Held-to-maturity $'000 | Other amortised cost $'000 | Total carrying amount $'000 |
|---|---|---|---|---|---|---|
| **Current assets** | | | | | | |
| Cash and cash equivalents | - | 10,019 | - | - | - | 10,019 |
| Trade and other receivables | - | 4,072 | - | - | - | 4,072 |
| Other financial assets | - | - | - | - | - | - |
| Other (related party loans) | - | 1 | - | - | - | 1 |
| | - | 14,092 | - | - | - | 14,092 |
| **Non-current assets** | | | | | | |
| Trade and other receivables | - | - | - | - | - | - |
| Other (related party loans) | - | - | - | - | - | |
| Other (finance lease receivable) | - | - | - | - | - | - |
| | | | | | | - |
| | - | - | - | - | - | - |
| **Total Financial Assets** | - | 14,092 | - | - | - | 14,092 |
| **Current liabilities** | | | | | | |
| Trade and other payables | - | - | - | - | 12,041 | 12,041 |
| Borrowings | - | - | - | - | 1,700 | 1,700 |
| Other financial liabilities | - | - | - | - | | - |
| | - | - | - | - | 13,741 | 13,741 |
| **Non-current liabilities** | | | | | | |
| Borrowings | - | - | - | - | 83,021 | 83,021 |
| Other (income in advance) | - | - | - | - | | - |
| | - | - | - | - | 83,392 | 83,392 |
| **Total Financial Liabilities** | - | - | - | - | 97,133 | 97,133 |

| Group 2011 | Designated at fair value $'000 | Loans & receivables $'000 | Fair value through other comprehensive income $'000 | Held-to-maturity $'000 | Other amortised cost $'000 | Total carrying amount $'000 |
|---|---|---|---|---|---|---|
| **Current assets** | | | | | | |
| Cash and cash equivalents | - | 9,826 | - | - | - | 9,826 |
| Trade and other receivables | - | 46,026 | - | - | - | 46,026 |
| Other financial assets | - | 2,025 | - | - | - | 2,025 |
| Other - finance lease receivable | | 3,707 | | | | 3,707 |
| Other - related party | - | 127 | - | - | - | 127 |
| | - | 61,711 | - | - | - | 61,711 |
| **Non-current assets** | | | | | | |
| Trade and other receivables | - | - | - | - | - | - |
| Other - finance lease receivable | - | 24,998 | - | - | - | 24,998 |
| Other - related party | - | - | - | - | - | - |
| | - | 24,998 | - | - | - | 24,998 |
| **Total Financial Assets** | - | 86,709 | - | - | - | 86,709 |
| **Current liabilities** | | | | | | |
| Trade and other payables | - | - | - | - | 7,696 | 7,696 |
| Borrowings | - | - | - | - | 4,500 | 4,500 |
| | - | - | - | - | 12,196 | 12,196 |
| **Non-current liabilities** | | | | | | |
| Borrowings | - | | | | 52,596 | 52,596 |
| Other (income in advance) | - | | | | 187 | 187 |
| | - | - | - | - | 52,783 | 52,783 |
| **Total Financial Liabilities** | - | - | - | - | 64,979 | 64,979 |

| Group 2010 | Designated at fair value $'000 | Loans & receivables $'000 | Fair value through other comprehensive income $'000 | Held-to-maturity $'000 | Other amortised cost $'000 | Total carrying amount $'000 |
|---|---|---|---|---|---|---|
| **Current assets** | | | | | | |
| Cash and cash equivalents | - | 10,200 | - | - | - | 10,200 |
| Trade and other receivables | - | 7,779 | - | - | - | 7,779 |
| Other financial assets | - | - | - | - | - | - |
| Other (related party loans) | - | 1 | - | - | - | 1 |
| | - | 17,980 | - | - | - | 17,980 |

| | | | | | | |
|---|---|---|---|---|---|---|
| **Non-current assets** | | | | | | |
| Trade and other receivables | - | - | - | - | - | - |
| Other (finance lease receivable) | - | 26,677 | - | - | - | 26,677 |
| Other (related party loans) | - | - | - | - | - | - |
| | - | 26,677 | - | - | - | 26,677 |
| **Total Financial Assets** | - | 44,657 | - | - | - | 44,657 |
| **Current liabilities** | | | | | | |
| Trade and other payables | - | - | - | - | 12,409 | 12,409 |
| Borrowings | - | - | - | - | 1,700 | 1,700 |
| | - | - | - | - | 14,109 | 14,109 |
| **Non-current liabilities** | | | | | | |
| Borrowings | - | | | | 95,571 | 95,571 |
| Other (income in advance) | - | | | | 371 | 371 |
| | - | - | - | - | 95,942 | 95,942 |
| **Total Financial Liabilities** | - | - | - | - | 110,051 | 110,051 |

**Contractual Maturity Analysis**

| **Parent - As at 30 June 2011** | 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 | 6,961 | 6,961 | 6,961 | - | - | - |
| Trade receivables | 46,026 | 46,026 | 46,026 | - | - | - |
| Other financial assets | 2,025 | 2,025 | 2,025 | - | - | - |
| Other (related party receivables) | 127 | 127 | 127 | - | - | - |
| Finance lease receivables | - | - | - | - | - | - |
| | 55,139 | 55,139 | 55,139 | - | - | - |
| **Financial liabilities:** | | | | | | |
| Trade and other payables | 4,017 | 4,017 | 4,017 | - | - | - |
| Borrowings | 44,546 | 84,172 | 6,979 | 2,152 | 6,458 | 68,583 |
| Other (income in advance) | 2,280 | 2,280 | 2,092 | 64 | 62 | 62 |
| Other (related party) | 1,186 | 1,186 | 1,186 | - | - | - |
| Finance lease liabilities | - | - | - | - | - | - |
| | 52,029 | 91,655 | 14,274 | 2,216 | 6,520 | 68,645 |

**Contractual Maturity Analysis**

| **Parent - As at 30 June 2010** | 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 | 10,019 | 10,019 | 10,019 | - | - | - |
| Trade receivables | 3,812 | 3,812 | 3,812 | - | - | - |
| Other financial assets | - | - | - | - | - | - |
| Other (related party loans) | 261 | 261 | 261 | - | - | - |
| Finance lease receivables | - | - | - | - | - | - |
| | 14,092 | 14,092 | 14,092 | - | - | - |
| **Financial liabilities:** | | | | | | |
| Trade and other payables | 3,565 | 3,565 | 3,565 | - | - | - |
| Borrowings | 84,721 | 151,790 | 7,810 | 8,572 | 24,487 | 110,921 |
| Other (income in advance) | 5,324 | 5,324 | 4,953 | 228 | 62 | 81 |
| Other (related party) | 1,204 | 1,204 | 1,204 | - | - | - |
| Finance lease liabilities | - | - | - | - | - | - |
| | 94,814 | 161,883 | 17,532 | 8,800 | 24,549 | 111,002 |

**Contractual Maturity Analysis**

| **Group - As at 30 June 2011** | 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 | 9,826 | 9,826 | 9,826 | - | - | - |
| Trade and other receivables | 46,026 | 46,026 | 46,026 | - | - | - |
| Other financial assets | 2,025 | 2,025 | 2,025 | - | - | - |
| Other - related party | 127 | 127 | 127 | - | - | - |
| Finance lease receivables | 28,705 | 41,185 | 3,856 | 3,856 | 11,569 | 21,904 |
| | 86,709 | 99,189 | 61,860 | 3,856 | 11,569 | 21,904 |
| **Financial liabilities:** | | | | | | |
| Trade and other payables | 4,122 | 4,122 | 4,122 | - | - | - |
| Borrowings | 57,096 | 103,947 | 8,623 | 3,796 | 14,589 | 76,939 |
| Other (income in advance) | 2,280 | 2,280 | 2,092 | 64 | 62 | 62 |
| Other (related party) | 1,479 | 1,479 | 1,479 | - | - | - |
| Finance lease liabilities | - | - | - | - | - | - |
| | 64,977 | 111,828 | 16,316 | 3,860 | 14,651 | 77,001 |

**Contractual Maturity Analysis**

| **Group - As at 30 June 2010** | 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 | 10,200 | 10,200 | 10,200 | - | - | - |
| Trade and other receivables | 3,812 | 3,812 | 3,812 | - | - | - |
| Other financial assets | 0 | 0 | 0 | - | - | - |
| Other (related party loans) | 261 | 261 | 261 | - | - | - |
| Finance lease receivables | 30,384 | 45,041 | 3,856 | 3,856 | 11,569 | 25,760 |
| | 44,657 | 59,314 | 18,129 | 3,856 | 11,569 | 25,760 |
| **Financial liabilities:** | | | | | | |
| Trade and other payables | 3,626 | 3,626 | 3,626 | - | - | - |
| Borrowings | 97,271 | 173,056 | 9,454 | 10,216 | 33,273 | 120,113 |
| Other (income in advance) | 5,324 | 5,324 | 4,953 | 228 | 62 | 81 |
| Other (related party) | 1,511 | 1,511 | 1,511 | - | - | - |
| Finance lease liabilities | - | - | - | - | - | - |
| | 107,732 | 183,517 | 19,544 | 10,444 | 33,335 | 120,194 |

## 29 Capital Management

The Vbase group's capital is its equity, which comprises general funds and property valuation and fair value through comprehensive income reserves. Equity is represented by net assets.

Vbase is a Council Controlled Organisation as defined by the Local Government Act 2002 which includes restrictions on how the company operates and defines reporting and accountability processes. Council has a general security agreement over all Vbase assets which restricts the ability to dispose of certain property and to enter into new borrowing arrangements. During the year, Vbase issued $41m redeemable preference shares to Council in exchange for $41m of borrowings from Council.

All of JEFL's capital has been and will be retained within the business until full lease payments from the Christchurch Engine Centre commence in June 2010. From then on, surplus funds will be applied to a combination of dividend payments and debt repayment, ensuring at all times that the company maintains a prudent level of reserves and liquidity.

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

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

## 30 Prior period adjustment

The calculation of the deferred tax liability in the 30 June 2010 financial statements took account of the change in tax rate from 30% to 28%. However the full impact of the change in tax rate was taken in full to the tax expense recognised in profit or loss. Vbase has revaluation reserve relating to its buildings, therefore the adjustment should have been split between tax expense recognised in profit or loss and tax expense recognised in other comprehensive income. As a result, the parent's and group's tax expense recognised in profit and loss and tax expense recognised in other comprehensive income were understated by $1,337k and overstated by $1,337k respectively.

An adjustment to the 2010 tax expense is required and the following adjustment has been made:

| | | |
|---|---|---|
| Debit | Tax expense recognised in profit or loss | $1,337k |
| Credit | Tax expense recognised in other comprehensive income | $1,337k |

**Prior period adjustment (continued)**

| The effect of the adjustment is as follows: | **2010 balance** | | **2010 balance restated** |
|---|---|---|---|
| **Parent** | | | |
| Income tax recognised in profit or loss: | | | |
| Charge for 2010 increases from | $19,505k | to | $20,842k |
| Income tax recognised in other comprehensive income: | | | |
| Charge for 2010 decreases from | $0k | to | ($1,337k) |
| Retained earnings: | | | |
| Balance as at 30 June 2010 decreases from | ($69,762k) | to | ($71,099k) |
| Revaluation reserve | | | |
| Balance as at 30 June 2010 increases from | $54,531k | to | $55,868k |
| **Group** | | | |
| Income tax recognised in profit or loss: | | | |
| Charge for 2010 increases from | $20,794k | to | $22,131k |
| Income tax recongised in other comprehensive income: | | | |
| Charge for 2010 decreases from | $0k | to | ($1,337k) |
| Retained earnings: | | | |
| Balance as at 30 June 2010 decreases from | ($69,140k) | to | ($70,477k) |
| Revaluation reserve | | | |
| Balance as at 30 June 2010 increases from | $54,531k | to | $55,868k |

**31 Statutory reporting declaration**

Section 67 of the Local Government Act requires a Council Controlled Organisation to complete its annual report within 3 months after the end of the financial year. The deadline was not met.

## Statement of Service Performance

## Reporting against Statement of Intent

### Note

Due to the earthquake on February 22 2011, three of the company's four venues have closed. This has had a direct bearing on the ability of the company to achieve its performance targets for the year.

| Objective and Strategy | Performance Measure | Result |
|---|---|---|
| **Leverage Asset & Capability**<br>• Maintain AMI Stadium corporate suite occupancy<br>• Maximise event days in the Convention Centre<br>• Maximise event days in the Auditorium<br>• Maximise event days in the James Hay<br>• Maximise event days at CBS Arena<br>• Maximise event days at AMI Stadium | > 92%<br>> 210 event days<br>> 100 event days<br>> 100 event days<br>> 120 event days<br>> 14 event days (Field)<br>> 100 event days (Functions) | Prior to 22nd Feb, suite occupancy was averaging 78%.<br>Prior to 22nd Feb, 139 event days<br>Prior to 22nd Feb, 89 event days<br>Prior to 22nd Feb, 78 event days<br>124 event days for the year<br>Prior to 22nd Feb, 13 event days<br>Prior to 22nd Feb, 88 event days |
| **Great Hosting**<br>• Implement event guest experience standards and supporting training process | Achieve greater than 80% satisfaction rating during the year | To December 2010, 96.5% of respondents said "likely" or "very likely" to recommend the venue. |
| • Vbase Great Hosts casual staff recruitment and training fully operational | Extend e-learning to include role specific skills training | Role specific modules were to be introduced for RWC. Currently on hold, however hope to implement if the ability to do so arises. |
| • All milestones for AMI Stadium hosting of RWC2011 achieved | Milestones agreed with RWC2011 Ltd management and deadlines achieved, event planning and management resources deployed in support of RWC2011 by 1 July 2011 | AMI Stadium no longer hosting RWC games. Prior to 22nd Feb all milestones had been agreed and event planning was well underway. |
| **Community Impact**<br>• Secure events that will attract national and international visitors to Christchurch and generate positive economic impact<br>• Secure events that will encourage high usage of the venues | Annual visitor spending exceeds $50m<br>Visitors to venues exceeds 800,000 | Annual visitor spending was $34m, with $29m prior to Feb and $5m post Feb.<br>Visitors to the venues were 392,000. 274,000 pre Feb and 118,000 post Feb |

| | | |
|---|---|---|
| • Facilitate access to the venues for local sporting, charitable and cultural organisations<br>• Nurture the Vbase way of doing business and develop leadership succession | Total venue discounts exceed $250,000<br><br>Establish a wider leadership group and invest in leadership development | Prior to 22nd Feb, $203,000 discounts had been given.<br><br>A new transition leadership team is now in place. |
| **Great Stages**<br>• Establish the technology platform for best practice Asset & Facilities Management<br><br>• Commence Town Hall refurbishment project and achieve project milestones in accordance with plan | <br>Implement EBMS asset management software by June 2011<br><br>Project milestones achieved | <br>Achieved – EBMS implemented 1 October 2009<br><br>Prior to 22 Feb the refurbishment process was well underway. Milestones were achieved and the reception toilet block had just been completed. All refurbishment work ceased on 22 Feb. |
| **Valuable Partnerships**<br>• Further develop Vbase staff culture and conduct staff climate survey<br>• Continue to tune health and safety systems and processes<br><br>• Provide leadership to clients, contractors and sub contractors | <br>At least 80% engagement rating in staff climate survey<br>Improvement in staff H&S performance review scores<br><br>100% contractor and client compliance<br>Improvement in contractor performance review outcomes<br>100% accreditation of contractors | <br>The 2011 survey had not been conducted prior to 22nd Feb.<br>H&S continues to be a focus, however no performance reviews were conducted prior to the earthquake<br>All contractors have been reviewed and compliance and accreditation has been achieved. |
| **Building reputation, profile and influence**<br>• Increase Vbase influence in support of the Business Tourism strategy for Christchurch and Canterbury<br><br>• Increase the recognition level of the Vbase brand | <br>Vbase is influential in the direction of the Christchurch and Canterbury Business Tourism strategy<br><br>Trend of increased recognition over prior year | <br>Vbase was a platinum member of the Christchurch and Canterbury Tourism Association. Vbase was working with central and local government on a plan for the Convention Centre expansion. This is now on hold pending decisions around the venue.<br>Achieved prior to February – anecdotal evidence |

**Environmental performance targets**

| Performance Target | Performance Measure | Result |
|---|---|---|
| Sustainable Energy Audit completed and recommendations implemented | By 31 December 2010 | Phased roll out of recommendations from 2009 was underway but have since stopped due to the impact of the earthquake. |

**JEFL performance targets**

| Performance Target | Performance Measure | Result |
|---|---|---|
| The engine test cell continues to be provided as per the criteria established in the contract documentation | The Christchurch Engine Centre continues to operate the engine test cell successfully and meet its lease payment obligations | Achieved |
| The company meets all relevant legislative and contractual requirements | No breaches of legislative or contractual requirements are recorded | Achieved – no breaches |

**Financial performance targets**

| Vbase Ltd | Group 2011 Target $'000 | Group 2011 Actual $'000 |
|---|---|---|
| Income | $30,002 | $82,601 |
| Less Operating Expenses | $23,792 | $25,799 |
| EBITDA | $6,210 | $56,802 |
| Less | | |
| Interest | $7,366 | $8,598 |
| Depreciation | $9,702 | $8,868 |
| Loss on derecognition of property | $0 | $21,121 |
| Net Surplus (deficit) before tax | -$10,858 | $18,215 |
| Taxation | -$3,408 | $6,216 |
| Net Surplus (deficit) after tax | -$7,450 | $11,999 |

It is not valid to make a comparison between target and actual results due to the impact of the recent earthquakes. Pursuant to note 2 to the accounts, due to the impact of the February 22nd earthquake, and to a lesser extent the earthquake on September 4th, the company's operations have been severely affected. Three of the company's four venues have closed since February therefore event revenue is subsequently down. Insurance revenue has been recognised when appropriate.

**Ratio of Shareholders funds to total assets**

The forecast ratio of Shareholders funds to total assets is:

| Target | Actual |
|---|---|
| 62% | 59% |

The forecast capital structure is:

| | Target | Actual |
|---|---|---|
| | $m | $m |
| Equity | $184m | $152m |
| Debt | $81m | $57m |
| Total Assets | $299m | $257m |

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

# Independent Auditor's Report

## To the readers of Vbase Limited and group's financial statements and statement of service performance for the year ended 30 June 2011

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

We have audited:

- the financial statements of the company and group on pages 7 to 44, that comprise the statement of financial position as at 30 June 2011, the statement of comprehensive income, statement of changes in equity and cash flow statement for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and

- the statement of service performance of the company and group on pages 45 and 48.

## Disclaimer of opinion on the financial statements – we were unable to form an opinion because the impact of the Christchurch earthquakes on the carrying value of land and buildings, and the associated current and deferred tax balances, could not be determined

***Reason for our disclaimer of opinion***

The company owns land and buildings at four venues in Christchurch City which are carried at their fair value. The land and buildings are shown at their 30 June 2011 revaluation estimates, less amounts relating to derecognition and impairment due to earthquake damage. As outlined in note 13, the company's independent valuer and quantity surveyor have advised that, due to the Christchurch earthquakes, the assumptions underlying the revaluations and impairments to land and buildings are subject to significant uncertainty and there is no market evidence to support a reliable fair value for the land and buildings as at 30 June 2011. Additionally, the extent of earthquake damage suffered by a significant proportion of the land and buildings is not known as there are restrictions on access to the properties.

Land and buildings are included in the statement of financial position at their estimated fair value at 30 June 2011 of $158,182,000 which represents 95% of total property, plant and equipment as at 30 June 2011.

In accordance with NZ IAS 12 *Income Taxes*, the tax treatment of land and buildings is dependent on their future use. The uncertainties around the extent of earthquake damage means that the future use of a significant proportion of the company's land and buildings is not known. Accordingly, current and deferred tax balances in the statement of financial position associated with land and buildings cannot be reliably determined.

As a result of the above matters, the scope of our audit was limited and we were unable to determine whether the carrying values of land and buildings and the associated current and deferred tax balances are fairly stated.

***Disclaimer of opinion on the financial statements, other than the cash flow statement***

Because of the significance of the matters described in the "Reason for our disclaimer of opinion" paragraph above, we have been unable to obtain sufficient appropriate audit evidence to form an opinion as to whether the financial statements, other than the cash flow statement, of the company and group on pages 7 to 44:

- comply with generally accepted accounting practice in New Zealand;
- give a true and fair view of the company and group's:
  - financial position as at 30 June 2011; and
  - financial performance for the year ended on that date.

***Opinion on the cash flow statement***

In our opinion, the cash flow statement on page 10 complies with generally accepted accounting practice in New Zealand and gives a true and fair view of the company and group's cash flows for the year ended 30 June 2011.

## Opinion on the statement of service performance

In our opinion the statement of service performance of the company and group on pages 45 and 48:

- complies with generally accepted accounting practice in New Zealand; and
- gives a true and fair view of the company and group's service performance achievements measured against the performance targets adopted for the year ended 30 June 2011.

## Opinion on other legal requirements

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

Our audit was completed on 23 March 2012. This is the date at which our opinions are expressed.

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

## Basis of opinions

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

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements and statement of service performance. We are unable to determine whether there are material misstatements in the financial statements because the scope of our work was limited, as we referred to in our disclaimer of opinion.

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

An audit also involves evaluating:

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

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and statement of service performance. In accordance with the Financial Reporting Act 1993, we report that we have not obtained all the information and explanations we have required with the consequence that we have issued a disclaimer of opinion on the financial statements except for the cash flow statement.

## Responsibilities of the Board of Directors

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

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

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

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

## Responsibilities of the Auditor

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

## Independence

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the New Zealand Institute of Chartered Accountants.

Other than the audit, we have no relationship with or interests in the company or any of its subsidiaries.

Ian Lothian

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