

VBASE LIMITED STATEMENT OF INTENT

FOR THE YEAR ENDED 30 JUNE 2015

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1.0 INTRODUCTION

This Statement of Intent (SOI) is prepared in accordance with Section 64(1) of the Local Government Act 2002.

The SOI specifies the objectives, nature and scope of the activities to be undertaken by Vbase Ltd (Vbase), and the performance targets and other measures by which the performance of the company may be judged. It covers the three financial years ending 30 June 2015, 2016 and 2017.

The process of negotiation and determination of an acceptable SOI is a public and legally required expression of the accountability relationship between Vbase and its Shareholder, the Christchurch City Council (Council).

Vbase owns, manages and operates the group of venues that have been brought together under the Vbase Ltd management and governance structure. As a direct result of the February 2011 earthquake Vbase has lost the use of several key facilities. These venues are the Christchurch Town Hall, Lancaster Park (formerly AMI stadium) and the Christchurch Convention Centre.

The loss of venues has resulted in Vbase changing its operations. It now provides venue management services for venues owned by third parties having successfully secured temporary venue management roles for AMI Stadium (Addington) and the Air Force Museum at Wigram. Vbase has also had a role in the post earthquake recovery of Christchurch including assisting with the build and management of AMI Stadium (Addington), the development and operation of temporary conference facilities at the Air Force Museum and using its networks to attract events to Christchurch for the overall benefit of the City. It is recognised that a number of activities which Vbase undertakes is for the benefit of the City and its people.

The SOI is reviewed annually with Council. Vbase Ltd is a Council Controlled Trading Organisation (CCTO) for the purposes of the Local Government Act 2002 and it is a fully owned subsidiary of Council. From 1 July 2011 Vbase entered into an agreement with the Council to have its business managed in-house by the Council.

The Council as shareholder, is required to approve any action or decision or proposal in respect of the matters set out in paragraph 4 of section 11 headed "Acquisition/Divestment and other significant transaction policy".

2.0 EXECUTIVE SUMMARY

The period covering this SOI will see the repair of the Town Hall begin in earnest with completion anticipated in 2017 along with the construction of the new stadium which is expected to begin in 2017. Vbase will not be involved in the ownership of the rebuilt Christchurch convention centre.

For the next three years Horncastle Arena (formerly CBS Canterbury Arena) is the only Vbase owned facility which will be operating.

Vbase currently manages two non Vbase owned facilities; AMI Stadium (Addington) and the temporary convention centre facility at the Air Force Museum (AFM) in Wigram. Revenue generated at the temporary AMI Stadium covers only the costs incurred, as agreed with the Trustees.

The AFM facility provides a low cost venue to local sporting, charitable and cultural organisations, and its availability eases pressure on Horncastle Arena which is better suited to cater for larger events.

As per Council direction Vbase is required to assist local sporting, charitable, community and cultural organisations who are forced through lack of suitable venues to use less than ideal venues such as the Arena. Vbase provides venue discounts or sponsorship/partnership arrangements that provide the organisations with the most suitable available venue for their event. Examples of organisations receiving discounts are included in section 4.

Vbase management continue to look for new opportunities including the development of new venues. In May 2014 Vbase will open a new cafe and function venue at the Botanic Gardens under a venue management agreement with the Council.

Ongoing operating deficits during the period are funded by subvention receipts resulting from the transfer of its tax losses to tax profit making entities within the Council group together with the use of capital profits generated from the sale of Jet Engine Facilities Ltd (JEFL) in June 2012. The use of the capital profits to fund day to day operations is not ideal but the Board have resolved to do so until the decisions around the direction and structure of Vbase are made clearer.

3.0 DIRECTORY

Address: Vbase Limited
PO Box 73015
Christchurch

Registered Office: 53 Hereford Street
Christchurch 8011

Board: Jamie Gough (Chairperson)
Tim Scandrett (Deputy Chairperson)
Jane Parfitt
Paul Lonsdale

Company Secretary Diane Brandish

4.0 NATURE AND SCOPE OF ACTIVITIES

The Council has entrusted Vbase with ownership and management of the Horncastle Arena.

The February 2011 earthquake caused significant damage to two of the remaining three venues that Vbase owns, with the stands at Lancaster Park, and the Christchurch Town Hall sustaining major structural damage. Insurance negotiations are still ongoing with no agreement as yet on the extent of the damage. The Christchurch Convention Centre and Hadlee Stand section of Lancaster Park have been demolished.

Under the cost sharing agreement Central Government is responsible for rebuilding a new convention centre in Christchurch.

In response to the loss of venues Vbase changed its operations offering venue management services for venues owned by third parties such as the temporary conference venue based at the AFM facility in Wigram and the new function room and cafe at the new Botanic Gardens centre. The management service agreement with AFM is due to expire in January 2016 but there is scope to extend the agreement provided there is mutual agreement between both parties.

Vbase was asked by Council to assist in the earthquake recovery of Christchurch. The assistance provided by Vbase in the development and continued management of AMI Stadium (Addington) was part of its, and Council's, commitment to the community to provide a rugby stadium after the 2010/2011 earthquakes. The management services agreement for this stadium is for an initial fixed period of 5 years to 2017 and will automatically renew for successive fixed terms of 12 months on each anniversary date until it is terminated by either party giving written notice of not less than 90 days prior to the anniversary date of the commencement date.

Along with providing assistance with the development of temporary and new venues during the earthquake recovery Vbase has also been supporting community groups and local sporting and cultural organisations that have lost venues. Vbase find the most appropriate venue available for the event although for most this is a less than ideal venue due to its size, layout, technical deficiencies and cost. Vbase provide further support by offering venue discounts or sponsorship/partnership agreements to reduce the cost to the organisations of using less than ideal venues. Examples of organisations receiving these discounts are Cancer Society of New Zealand, Special Childrens Christmas Party, Christchurch Symphony Orchestra, Cantamath, Christchurch Primary Schools Cultural Festival etc. In doing so Vbase acknowledge that it does not make a commercial return on these events.

Council's decision to repair the Town Hall to 100% of NBS continues to be progressed and it is expected to return to full operation in the second half of 2017. It is forecast that Vbase will require a \$59 million equity injection from Council which will be used to finance the remainder of the rebuild up to the repair project cap of \$127.5 million.

With Central Government responsible for building the new convention centre in Christchurch, Vbase is seeking to sell the old convention centre land located at Kilmore Street and these proceeds, along with all Convention Centre material damage insurance recoveries received, will be used to repay debt owed to Council.

In addition Vbase intends to sell the two properties located in Peterborough Street and all proceeds received from this sale will also be used to repay Council debt.

The combined land and property proceeds along with the material damage insurance recoveries are expected to reduce the Vbase debt balances from \$42 million at the start of 2015 to \$5 million in 2016 and beyond.

The rebuild of the new stadium is scheduled to begin in the 2017 year with an estimated \$60.6 million being spent in the first year of construction. The cost sharing agreement caps Council's

financial contribution to the new stadium at \$253 million. At this time it is assumed that Vbase will be involved in the building.

Together with its venue management activities Vbase is also heavily involved in securing events (sporting, cultural and conferences) for Christchurch.

5.0 GOVERNANCE

Subject always to the provisions in relation to acquisitions and disposals and other significant transactions set out in section 11.0 below, the Board is responsible for the strategic direction and control of Vbase's activities. The Board guides and monitors the business and affairs of Vbase on behalf of the Shareholder, to whom it is accountable.

The primary function of the Board is to ensure that Vbase meets its objectives and requirements as listed in the SOI. Additionally, the Board has obligations under the Local Government Act 2002 to deliver an annual Statement of Intent and relevant half-yearly and annual reports to the Shareholder.

Appointments to the Board are confirmed by Council resolution.

6.0 CONTRIBUTION TO REBUILD

Operations

Vbase has a reputation for understanding clients and guest's needs, and delivering quality outcomes for them. Vbase understands that all events undertaken at Vbase managed venues must maintain a high level of quality outcomes. This will help to maintain Christchurch as a quality destination and emphasise our commitment to clients during the rebuild period.

Design

The Vbase team has significant intellectual property regarding the old Convention Centre, Town Hall and Lancaster Park. Vbase provided public sector input into the new Convention Centre Precinct and continues to work with the Council on the Town Hall rebuild project.

Business development

The Vbase business development team has maintained all client and business contacts and are focused on maximising the events held in all of the venues that they manage.

The business development team are focused on attracting events to Christchurch that support the Council's Community Outcomes for Christchurch particularly those that assist in:

- making Christchurch a great place to live;
- ensuring that arts and culture thrive in Christchurch; and
- people participate in a wide range of recreational activities.

During the earthquake recovery period Vbase have and will continue to consider opportunities to bring events to the City which will provide the City as a whole with benefits but which will provide Vbase with a less than optimal return.

7.0 PERFORMANCE TARGETS

Financial Performance Targets – Vbase earns revenue from venue rental, food and beverage, naming rights, sponsorship, equipment hire, ticketing and other categories. Major expense items are food and beverage materials, service and management fees, business development, facilities costs, interest, insurance and depreciation.

The financial performance targets for Vbase are as follows:

	2014/15 \$000	2015/16 \$000	2016/17 \$000
Direct operating income	17,822	16,995	17,607
Direct Operating expenses	16,417	15,291	15,475
Net operating overheads and fixed costs	3,596	3,684	3,774
EBITDA	<u>(2,191)</u>	<u>(1,980)</u>	<u>(1,642)</u>
Add:			
Interest received	885	298	261
Profit from the sale of land **	1,158	-	-
Town Hall impairment reversal **	3,699	-	-
Less:			
Earthquake repair costs **	33,658	28,860	-
Interest expense	1,364	285	285
Depreciation **	3,520	4,023	4,387
Net profit / (deficit)	<u>(34,991)</u>	<u>(34,850)</u>	<u>(6,053)</u>
Taxation expense	<u>(10,087)</u>	<u>(9,758)</u>	<u>(1,695)</u>
Net profit / (deficit) after tax	<u>(24,904)</u>	<u>(25,092)</u>	<u>(4,358)</u>
Add back net insurance recoveries	-	-	-
Add back profit on Sale on Convention Centre Land	1,158	-	-
Add back revaluation of Town Hall	3,699	-	-
Add back depreciation	3,520	4,023	4,387
Add back earthquake repair costs	33,658	28,860	-
Add back of non operating items	<u>32,321</u>	<u>32,883</u>	<u>4,387</u>
Operating profit / (loss) after tax	<u><u>7,417</u></u>	<u><u>7,791</u></u>	<u><u>29</u></u>

** Non operating items which total the \$32,321 add back above

Earthquake repair costs relate to the repair of the Town Hall

Under the management agreements for the third party owned venues Vbase pays the owners a percentage of the venue rental for the management rights.

Claims have been submitted to date under the Company's material damage, business interruption and increased cost of workings insurance policies. Discussions are continuing with Vbase's insurers regarding it's entitlement to claims for recoveries under non-material damage related insurance policies.

For accounting purposes Vbase values its land and buildings at market value and depreciates all buildings, plant and equipment. The values attached to land and buildings are reviewed annually for the preparation of the financial statements and have been incorporated into the Vbase budget.

Ratio of shareholder funds to total assets

The forecast ratio of Shareholder funds to total assets for the next three years is:

	2014/15	2015/16	2016/17
Percentage	83%	90%	92%

Forecast capital structure

The forecast capital structure for the next three years is:

	2014/15	2015/16	2016/17
	\$000	\$000	\$000
Issued shares and other equity instruments	191,845	212,474	250,678
Debt	19,146	6,433	6,433
Total Assets	280,355	284,099	316,602
Total Equity	231,529	255,926	289,771

Facilities rebuild

The forecast capital expenditure and funding of the repair and rebuild of the Vbase's owned venues is detailed below.

	2014/15	2015/16	2016/17
	\$000	\$000	\$000
Facilities rebuild/repair			
Town Hall repairs	33,658	46,980	38,204
Lancaster Park replacement	-	-	60,600
	<u>33,658</u>	<u>46,980</u>	<u>98,804</u>
Financing the repair/rebuild			
Vbase material damage insurance recoveries	33,658	26,351	60,600
Equity injection by Council	-	20,630	38,204
	<u>33,658</u>	<u>46,980</u>	<u>98,804</u>

The above financing of the repair and rebuild assumes Vbase receives the maximum payout entitled under each of the relevant venues material damage insurance policy.

Operational Performance Targets

In addition to the above financial performance measures, Vbase will use the following measures to assess its operational performance:

Objective and Strategy	Performance Measure 2015/17
<p>1 - Great Stages – Vbase will tailor a great stage for any event</p> <ul style="list-style-type: none"> • Maximise the number of events at Horncastle Arena • Maximise the number of event days at Horncastle Arena 	<p>At least 90 events are delivered at Horncastle Arena.</p> <p>At least 54% of available event days utilised at Horncastle Arena</p>
<p>2 - Great Hosting – deliver an outstanding client and service experience</p> <ul style="list-style-type: none"> • Client satisfaction with events delivered at both owned and managed Vbase venues (client satisfaction survey) 	<p>Achieve greater than 80% satisfaction during the year.</p>
<p>3 - Growth – utilise assets and capabilities for growth</p> <ul style="list-style-type: none"> • Support the Council in endeavours to increase the available venues • Support the Council in the delivery of major events 	<p>Vbase will work with Council and other interested stakeholders assessing new venue development initiatives.</p> <p>Vbase will work with Council and other stakeholders to develop new partnerships for major events to the city.</p>
<p>4 - Valuable Partnerships – great to do business with and a great place to work</p> <ul style="list-style-type: none"> • Secure National events at the AFM. • Secure local events at the AFM. • Secure events that will encourage high usage of Vbase venues • Facilitate access to the venues for local community and charitable organisations including sporting and cultural organisations 	<p>Greater than 100 events.</p> <p>Greater than 150 events.</p> <p>At least 250,000 visitors at Horncastle Arena.</p> <p>Total venue discounts exceed \$300,000.</p>

8.0 ACCOUNTING POLICIES

As a result of the adoption in New Zealand of a new accounting standards framework developed by the External Reporting Board, Vbase is required to adopt Public Benefit Entity (PBE) Accounting Standards from 1 July 2014.

PBE Accounting Standards allow Vbase to elect which of the four tiers of the framework it will report under. Vbase has elected to report under Tier 2 of the framework and will adopt Public Sector PBE Accounting Standards with reduced disclosure requirements. These are broadly the same as has been adopted in the last several years under New Zealand International Financial Reporting Standards.

9.0 DISTRIBUTIONS

During the year to 30 June 2015 Vbase will make no distribution to the Shareholder.

10.0 INFORMATION TO BE REPORTED TO THE SHAREHOLDER

An annual report will be submitted to the Shareholders. The annual report will include audited financial statements and such other details as are necessary to permit an informed assessment of the company's performance and financial position during the reporting period provided to the Shareholders.

Half yearly reports will also be provided to the Shareholders. These reports will contain unaudited information and comply with PBE IAS 34.

The SOI will be submitted to the Shareholders for consultation annually, as required by the Local Government Act 2002. The Directors will include any other information they consider appropriate. Where it is necessary due to significant changes revised forecasts will be submitted to the Shareholder.

Vbase will operate on a 'no surprises' basis in respect of significant Shareholder related matters, to the extent possible in the context of commercial sensitivity and confidentiality obligations.

Vbase will provide information requested by the Shareholders in accordance with the requirements of the Local Government Act 2002.

11.0 ACQUISITION/DIVESTMENT AND OTHER SIGNIFICANT TRANSACTIONS POLICY

The subscription or acquisition of securities in any company or organisation, or a divestment of part of the existing business, will only be considered where it is consistent with the long term strategic and commercial objectives of Vbase.

When the subscription, acquisition or divestment is considered by Directors to be significant to Vbase's business operations, it will be subject to consultation with the Shareholder.

Major transactions as defined in the Companies Act 1993, s129(2), will be subject to Shareholder approval by special resolution.

The Board shall obtain the Shareholder's prior written approval before taking any action or decision or making any proposal in relation to any of the following matters:

- Application of insurance proceeds in the rebuild or repair of the venues.
- Entry into any arrangement, contract or transaction outside the ordinary course of Vbase's business or otherwise than on arm's length terms.

- Entry into any arrangement, contract or transaction for the purchase of materials, works and/or services for an amount exceeding \$500,000 where such materials, works and/or services are not budgeted for in Vbase's annual budget and plan.
- The giving of notice of termination of any arrangements, contracts or transactions which are material to Vbase's business, or materially varying any such arrangements, contracts or transactions.

Where Vbase decides to incorporate or subscribe for shares in subsidiaries to undertake its commercial activities, the company will ensure effective management of that subsidiary. Control of any subsidiary is exercised by Vbase Directors and management.

12.0 COMPENSATION SOUGHT FROM LOCAL AUTHORITY

At the request of the Shareholder, Vbase may undertake activities that are not consistent with normal commercial objectives. Specific financial arrangements will be entered into to meet the full commercial cost of providing such activities. Vbase is providing Council with services in connection with the City's hosting of the FIFA Under 20 World Cup games and the ICC Cricket World Cup 2015 games. Vbase will negotiate with Council an appropriate charge for the services provided.

13.0 ESTIMATE OF COMMERCIAL VALUE

The Shareholder has recorded the value of its investment in Vbase Ltd in its accounts as \$202 million and this is considered an appropriate estimation of the commercial value of the Company.

APPENDIX 1.0 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary is set out in a form consistent with the form in which accounting policies will be set out in Vbase's financial statements. No financial statements are included with this SOI.

1. Statement of Compliance

The financial statements of Vbase Limited (the 'Company') have been prepared in accordance with New Zealand generally accepted accounting practice. They comply with Tier 2 Public Benefit Entity Accounting Standards (including PBE FRS 46 – First time Adoption of PBE Standards by Entities Previously Applying NZ IFRSs).

2. Basis of Financial Statement Preparation

These financial statements are the first set of financial statements prepared under PBE Accounting Standards. In accordance with the new Accounting Standards Framework the Company is a public Sector PBE and is not considered large (is not publicly accountable and expenses are not greater than \$30 million). This results in the Company being classified as a Tier 2 Public Sector PBE and being required to apply Tier 2 PBE Accounting Standards with effect from 1 July 2014.

As a result of the new accounting standards it will follow various PBE External Reporting Board, International Public Sector Accounting Standards Board, International Financial Reporting, International Accounting and Financial Reporting standards (IPSAS, IFRS, IAS and FRS) that have effective dates of 1 July 2014 including PBE FRS 46 – First time Adoption of PBE Standards by Entities Previously Applying NZ IFRS's.

As a result of the new accounting standards, there have been no significant changes in the Council's accounting policies.

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

The functional and presentation currency is New Zealand dollars, and all values are rounded to the nearest thousand dollars (\$000).

In preparing the financial statements management will be 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.

The Board considers that there continues to be major uncertainty around the insurance claim process both in relation to amount and timing. The amount uncertainly is specifically related to the business interruption (BI) and the material damage (MD) insurance claim.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

3. 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.

4. Financial Assets

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

5. 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).

6. 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.

7. 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 Vbase's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows, and in current liabilities on the statement of financial position.

8. 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.

Vbase accounts for revaluations of property, plant and equipment on a class of asset basis, increases in the carrying amounts arising on revaluation of the class of assets are credited directly to equity under the heading revaluation reserve. However, the net revaluation increase shall be recognised in income statement to the extent it reverses a net revaluation decrease of the same asset class previously recognised in the statement of profit and loss and 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 Vbase 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 Vbase and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of profit and loss and other comprehensive income during the financial period in which they are incurred.

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

Assets 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 statement of profit and loss and other comprehensive income. When revalued assets are sold, the amounts included in asset revaluation reserves in respect of those assets are transferred to retained earnings.

9. 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 statement of profit and loss and other comprehensive income.

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

Computer software	24-36 months
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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.

10. Impairment

The carrying amounts of Vbase's assets, other than inventories (see Inventories policy 7) and deferred tax assets (see Income Tax policy 18), 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 are recognised in the statement of profit and loss and other comprehensive income.

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

11. 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 Vbase's option. Dividends on preference share capital classified as equity are recognised as distributions within equity.

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

(iii) Dividends

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

12. 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.

13. Provisions

A provision is recognised in the statement of financial position when Vbase 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.

14. Leases

(i) Finance Leases

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

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

(ii) Operating Leases

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

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

15. Revenue

Revenue is measured at the fair value of consideration received.

(i) Services Rendered

Revenue from services rendered is recognised in the statement of profit and loss and other comprehensive income in proportion to the stage of completion of the transaction at the balance sheet date.

(ii) Interest Income

Interest income is recognised in the statement of profit and loss and other comprehensive income as it accrues, using the effective interest method.

(iii) Finance Lease Income

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

16. 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 statement of profit and loss and other comprehensive income as it occurs.

The interest expense component of finance lease payments is recognised in the statement of profit and loss and other comprehensive income using the effective interest rate method.

17. Income Tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the statement of profit and loss and other comprehensive income 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.

18. 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 statement of financial position.