vbase
venues and events

VBASE LIMITED
STATEMENT OF INTENT

FOR THE YEAR ENDED 30 JUNE 2013

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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 for Vbase Ltd (Vbase), the objectives, the nature and scope of the activities to be undertaken, 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 2013, 2014 and 2015.

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

Vbase owns, manages and operates the group of venues that have been brought together under the Vbase Ltd management and governance structure.

On June 29 2012 Vbase Ltd sold its entire 100% holding in Jet Engine Facility Ltd (JEFL) to the partnership trading company 'Christchurch Engine Centre'.

The SOI is reviewed annually with Christchurch City Council and covers a three year period. Vbase Ltd is a Council Controlled Trading Organisation (CCTO) for the purposes of the Local Government Act 2002.

Vbase Ltd is a fully owned subsidiary of Christchurch City Council. From 1 July 2011 VBase entered into an agreement with the Christchurch City Council to have its business managed in-house by the Council.

The Council (as manager) is required to obtain Vbase's approval before taking any action or decision or making any proposal in respect of the matters set out in paragraph 4 of the section 10 headed "Acquisition/Divestment and other significant transaction policy".

2.0 DIRECTORY

Address:	Vbase Limited PO Box 73015 Christchurch
Registered Office:	53 Hereford Street Christchurch 8011
Chairperson:	Bob Parker Christchurch City Council PO Box 76016 Christchurch
Board:	Bob Parker Ngarie Button James Gough Tony Marryatt
Company Secretary:	Diane Brandish Christchurch City Council PO Box 73015 Christchurch Telephone + 64 3 941 8454

3.0 NATURE AND SCOPE OF ACTIVITIES

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

The earthquakes have caused serious damage to all venues other than CBS Arena, and Vbase is unable to continue trading in the manner in which it historically has.

The Air Force Museum at Wigram (AFM) was planning a 6,000sq metre extension due for completion in 2015. Due to the earthquakes, the project completion has been moved forward to February 2013. AFM is to make 4,000 sq metres of the new area available to support re vitalization of damaged museum pieces. The remaining 2,000 sq metres can be used in conjunction with existing space for event use. AFM considers this area can be used for events until a new convention centre is open. Vbase has agreed in principal to market and manage the new arena.

4.0 GOVERNANCE

Subject always to the provisions in relation to acquisitions and disposals and other significant transactions set out in section 10.0 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.

5.0 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 IP regarding the Convention centre, Town Hall and AMI stadium and would welcome the opportunity to be involved in the planning of new facilities.

Business development
The Vbase business development team has maintained all client and business contacts and is in a position to commence a marketing campaign in support of the rebuilt Convention centre. It is imperative that the selling process commences immediately the decision is announced.

6.0 PERFORMANCE TARGETS

Financial Performance Targets – Vbase earns revenue from venue rental, food and beverage, naming rights, sponsorship, equipment hire, ticketing and other categories. The business operates in a number of business segments and is relatively complex. Major expense items are food and beverage materials, service and management fees, business development, facilities costs, interest and depreciation.

<u>The financial performance targets for the company are as follows:</u>

Vbase Ltd		2012/13	2013/14	2014/15
		000s	000s	000s
Income		9,617	12,369	12,864
Less: Operating Expenses		13,715	15,067	15,519
EBITDA		(4,098)	(2,698)	(2,655)
Add:				
Interest Received		1,948	1,760	280
Insurance*		4,805	-	-
Less:				
Interest expense**		3,543	3,584	3,584
Depreciation		3,545	3,858	3,690
Net (deficit)		(4,433)	(8,380)	(9,649)
Taxation (Principally receipts from sale of Group tax losses to other CCC companies)		(1,800)	(1,301)	(2,735)
Net (deficit) after tax		(2,633)	(7,079)	(6,914)
Depreciation		3,545	3,858	3,690
Cash Gain / (Loss)		912	(3,221)	(3,224)

* This insurance revenue recognised in 2012/13 is the current estimate of the further amounts the company expects to receive for its material damage claims in relation to the Convention Centre together with an estimate of receipts under the Business Interruption cover. Vbase's business interruption insurance cover ceases in February 2013.

** $3,230 of interest expense relates to borrowing for the old AMI Stadium.

The earthquake on 22 February 2011 caused significant damage to three of Vbase's four venues. AMI Stadium, Christchurch Town Hall for Performing Arts and Christchurch Convention Centre all sustained major structural damage. They have been closed since 22 February 2011 and will remain closed for a significant period. Vbase has business interruption insurance for a period of 2 years to cover lost revenues. The Convention Centre, Town Hall and Old AMI Stadium will not reopen within the period covered by this insurance.

Vbase is currently in negotiations with the Christchurch Stadium Trust whereby Vbase is to be the manager of the Stadium. Although Vbase is providing these services already, this arrangement is not finalised/recorded in a contract at the time of preparing this SOI.

The Vbase business is very asset intensive and depreciation on buildings, plant and equipment together with interest expense on borrowing result in the company recording a net accounting loss.

For accounting purposes the Company 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:

	2012/13	2013/14	2014/15
	72%	72%	71%

The forecast capital structure for the next three years is:

		2012/13 $m	2013/14 $m	2014/15 $m
Equity		$229m	$222m	$215m
Debt		$34m	$34m	$34m
Total Assets		$316m	$309	$302m

The forecast capital spend on Major Facilities as detailed in the Christchurch City Council's 2012/13 Annual Plan is included in the table below.

The annual plan shows the combined future insurance recoveries for the Town Hall, Convention Centre and AMI Stadium as $242.5 million. The 2012 financial statements have recognised $215.3 million as revenue, being $220.8 million less an excess of 2.5%.

The difference between the recovery percentages used in the Annual Plan and the 2012 financial statements is due to the insufficient insurance information being available at the time of preparing the financial statements. It is now clear that under the contract the minimum insurance recovery amount is 110% of each of the buildings insured value. The additional 10% difference will be recognised as an insurance recovery receivable in the Vbase 2012/13 financial statements.

$37 million of insurance recoveries have been received as at 30 June 2012 and $178.3 million is shown on the balance sheet as a receivable.

Vbase Ltd	Total	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
	$m	$m	$m	$m	$m	$m	$m	$m
Major Facilities Rebuild:								
Town Hall Repairs	127.5		2.0	22.7	76.4	26.4		
Convention Centre Replacement	220.7		3.0	41.2	69.0	54.6	52.9	
Former AMI Stadium Replacement	241.5		4.0	10.3	42.4	54.6	66.4	63.8
	589.7		9.0	74.2	187.8	135.6	119.3	63.8
Insurance Recoveries as per Annual Plan:								
Town Hall Repairs	-68.9	-24.6			-44.3			
Convention Centre Replacement	-30.6	-13.3		-17.3				
Former AMI Stadium Replacement	-143.0		-4.0		-40.0	-50.0	-49.0	
	-242.5	-37.9	-4	-17.3	-84.3	-50.0	-49.0	
Less 2.5% excess	6.1	0.9	0.2	0.4	2.1	1.3	1.2	
Total recoveries net of excess	-236.4	-37.0	-3.8	-16.9	-82.2	-48.7	-47.8	
Balance requiring funding [1]								
Town Hall Repairs	60.3		2.0	22.7	33.2	2.4		
Convention Centre Replacement	190.8		3.0	24.3	69	54.6	39.9	
Former AMI Stadium Replacement	102.2		0.2	10.3	3.4	5.9	18.6	63.8
	353.3		5.2	57.3	105.6	62.9	58.5	63.8

1 The source of funding has not been finalised at the time of writing this document. As detailed in the Christchurch City Council 2012/13 Annual Plan, negotiations were underway with Central Government prior to the earthquake events for the government to contribute $70 million towards the construction of the Convention Centre. The balance of funding will be sourced either from Council or through external sources, such as, for example, a public private partnership.

Operational Performance Targets

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

Objective and Strategy	Performance Measure 2012/13	Performance Measure 2013/14	Performance Measure 2014/15
1 - Great Stages – Vbase will tailor a great stage for any event • Maximise the number of events at CBS Canterbury Arena • Maximise the number of event days at CBS Canterbury Arena	At least 80 events are delivered at CBS Arena At least 150 event days are delivered at CBS Arena	At least 90 events are delivered at CBS Arena At least 180 event days are delivered at CBS Arena	At least 100 events are delivered at CBS Arena At least 190 event days are delivered at CBS Arena
2 - Great Hosting – deliver an outstanding client and service experience • Guest satisfaction with events delivered at Vbase venues (client satisfaction survey)	Achieve greater than 80% satisfaction during year	Achieve greater than 80% satisfaction during year	Achieve greater than 80% satisfaction during year
3 - Growth – utilise assets and capabilities for growth • Support the Christchurch City Council in endeavours to increase the available conference venues	Vbase is part of project team for new conference venue development initiatives	Vbase is part of project team for new conference venue development initiatives	Vbase is part of project team for new conference venue development initiatives
4 - Valuable Partnerships – great to do business with and a great place to work • Secure events that will attract national and international visitors to Christchurch and generate positive economic impact • Secure events that will encourage high usage of the venues • Facilitate access to the venues for local sporting, charitable and cultural organisations	Annual visitor spending exceeds $25m Visitors to venues exceeds 240,000 Total venue discounts exceed $300,000	Annual visitor spending exceeds $27.5m Visitors to venues exceeds 250,000 Total venue discounts exceed $300,000	Annual visitor spending exceeds $30m Visitors to venues exceeds 260,000 Total venue discounts exceed $300,000

7.0 ACCOUNTING POLICIES

Vbase Ltd has adopted accounting policies that are consistent with New Zealand International Financial Reporting Standards, generally accepted accounting practice and the policies adopted by the Christchurch City Council Group. The company's current accounting policies are attached to this Statement of Intent

8.0 DISTRIBUTIONS

During the year to 30 June 2012 the company will make no distribution to the Shareholder.

9.0 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 NZ IAS 34.

Annual reports will be produced consistent with the "triple bottom line" (or sustainability) reporting philosophy. The reports will outline the company's objectives and performance in terms of:

Financial

Environmental

Social and cultural inputs, outputs and outcome

The Statement of Intent 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.

The company 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.

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

10.0 ACQUISITION/DIVESTMENT AND OTHER SIGNIFICANT TRANSACTION 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 the company'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 the company 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.

11.0 COMPENSATION SOUGHT FROM LOCAL AUTHORITY

At the request of the Shareholder, the company 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. Currently, no such activities are undertaken.

12.0 ESTIMATE OF COMMERCIAL VALUE

The Shareholder has recorded the value of its investment in Vbase Ltd in its accounts as $191 million and this is considered an appropriate estimation of the commercial value of the company.

APPENDIX 1.0
STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

1. Reporting Entity

This is the Statement of Intent (SOI) of Vbase Limited (the 'Company'). The significant accounting policies detailed below will be applied in the preparation of the financial statements for the year ended 30 June 2012. Vbase prepares its financial statements in accordance with the Financial Reporting Act 1993, the Companies Act 1993, the Local Government Act 2002 and with NZ GAAP. The financial statements comply with NZ IFRS and other applicable Financial Reporting Standards.

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.

On 30 April 2008, Christchurch City Facilities Limited (of which at that time Vbase Limited was a subsidiary), and Vbase No 2 Limited, a subsidiary of Christchurch City Council, were amalgamated into Vbase Limited. All the assets and liabilities of Christchurch City Facilities Limited (CCFL) and Vbase No 2 Limited were transferred to Vbase Limited at 30 April 2008. The share capital of Vbase Limited was cancelled, and the share capital of CCFL and Vbase No 2 Limited was retained. Vbase Limited is now a wholly owned subsidiary of Christchurch City Council.

The Company manages and develops the Christchurch Town Hall for the Performing Arts, the Christchurch Convention Centre, CBS Arena and AMI Stadium in Christchurch and holds the supply and business partnership contracts as well as being the manager of all staff within the facilities. Vbase is also the brand name for the combined management of the venues.

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

2. Basis of Financial Statement Preparation

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.

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 is major uncertainty around the insurance claim process both in relation to amount and timing. The amount uncertainly is more specifically related to the Business Interruption (BI) insurance claim and the timing is still in doubt for the receipts for both BI and material damage receipts.

The Company has adopted the following revisions to accounting standards during the financial year which have only had a presentational or disclosure effect:

Improvements to NZ IFRS 7 Financial Instruments Disclosures - effective 1 January 2011 – The amendments add an explicit statement that qualitative disclosure should be made in the context of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments. Existing disclosure requirements were amended or removed and the requirement to disclose the carrying amounts of renegotiated financial assets that would otherwise be past due or impaired was deleted.

Amendments to NZ IFRS 7 Financial Instruments effective 1 July 2011 – The amendments introduce new disclosure requirements about transfers of financial assets including disclosures for:

- Financial assets that are not derecognised in their entirety; and
- Financial assets that are derecognised in their entirety but for which the entity retains continuing involvement.

Amendments to NZ IAS 12 Income Taxes effective 1 January 2012 – The amendments introduce an exception to the general measurement requirements of IAS 12 Income Taxes in respect of investment properties measured at fair value. The measurement of deferred tax assets and liabilities, in this limited circumstance, is based on a rebuttable presumption that the carrying amount of the investment property will be recovered entirely through sale. The presumption can be rebutted only if the investment property is depreciable and held within a business model whose objective is to consume substantially all of the asset's economic benefits over the life of the asset.

Improvements to NZ IAS 1 Presentation of Financial Statements effective 1 January 2011 – Clarification was provided in that entities may present the required reconciliations for each component of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements.

Amendments to NZ IAS 1 Presentation of Financial Statements effective 1 July 2012 - An entity must present separately the items of other comprehensive income that would be reclassified to profit or loss in the future (if certain conditions are met) from those that would never be reclassified to profit or loss. Change of title from 'Statement of Comprehensive Income' to 'Statement of Profit or Loss and Other Comprehensive Income' to emphasise the two components. However, an entity is still allowed to use other titles.

FRS 44 – NZ Additional Disclosures effective 1 July 2011 – The objective of this Standard is to prescribe New Zealand-specific disclosures such as:

- Where an entity's financial statements comply with NZ IFRSs they shall make an explicit statement of such compliance in the notes;
- An entity shall disclose in its notes its reporting framework and for the purposes of complying with General Accepted Accounting Practice in New Zealand ("NZ GAAP"), it is a profit-oriented or public benefit entity;
- An entity shall disclose fees to each auditor or reviewer, including any network firm, separately for an Audit/Review of the Financial Statements and all Other services during that period;
- Imputation credits available for use in subsequent reporting periods;
- Where prospective financial statements are issued, a comparison & explanation of material movements;
- Where a Statement of Service Performance is presented the entity must disclose the outputs of an entity and information on the effects on the community of the entity's existence and operations.

Standards, amendments and interpretations issued but not yet effective that have not yet been early adopted, and which are relevant to Vbase Ltd include:

NZ IFRS 9 Financial Instruments – replacing NZ IAS 39 Financial Instruments: Recognition and Measurement – effective 1 January 2013. NZ IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value. Entities are required to classify financial assets based on the objectives of the entity's business model for managing the financial assets. Where the financial assets are eligible to be measured at amortised cost due to the business model, the entity shall use the characteristics of the contractual cash flows to measure cost.

NZ IFRS 10 Consolidated Financial Statements – replacing IAS 27 (2008) and SIC-12 Consolidation — Special Purpose Entities - effective 1 January 2013 – IFRS 10 introduces a new approach to determining which investees should be consolidated and provides a single model to be applied in the control analysis for all investees. This model centres on rights to variable returns and the ability to affect those returns (ie a link between power and returns).

NZ IFRS 12 Disclosure of interests in other entities - effective 1 January 2013 – IFRS 12 contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities. The aim of the standard is to provide users with more information to evaluate an entity's interests in other entities and the effects of those interests on the entity's financial position, financial performance and cash flows.

NZ IFRS 13 Fair Value Measurement - effective 1 January 2013 – IFRS 13 introduces a single source of fair value measurement guidance which:
Defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements; and explains how to measure fair value when it is required or permitted by other IFRSs. It does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards.

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

3. 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.

4. 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.

5. Financial Assets

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

6. 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).

7. 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.

8. 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.

9. 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, 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 income statement.

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.

10. 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.

11. 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 are 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.

12. 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 as a liability in the period in which they are declared.

13. 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.

14. Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of expenditures, the amount of which can be reliably estimated, will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

15. 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.

16. 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.

17. 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.

18. 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.

19. 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.