

VBASE LIMITED
STATEMENT OF INTENT

FOR THE YEAR ENDED
30 JUNE 2011

VBASE LIMITED STATEMENT OF INTENT

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TABLE OF CONTENTS

| | | |
|------|---|----|
| 1.0 | Introduction | 3 |
| 2.0 | Directory | 4 |
| 3.0 | Nature and Scope of Activities | 4 |
| 4.0 | Governance | 5 |
| 5.0 | Objectives | 6 |
| 6.0 | Performance Targets | 7 |
| 7.0 | Accounting Policies | 11 |
| 8.0 | Distributions | 11 |
| 9.0 | Information to be Provided to the Shareholder | 11 |
| 10.0 | Acquisition/Divestment Policy | 12 |
| 11.0 | Compensation Sought from Local Authority | 12 |
| 12.0 | Estimate of Commercial Value | 12 |
| 13.0 | Role in the CCC Group and Regional Economy | 12 |

APPENDICE

| | | | |
|----------|-----|--|----|
| Appendix | 1.1 | Statement of Significant Accounting Policies | 13 |
|----------|-----|--|----|

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 in relation to its objectives, amongst other requirements. It covers the three financial years ending 30 June 2011, 2012 and 2013.

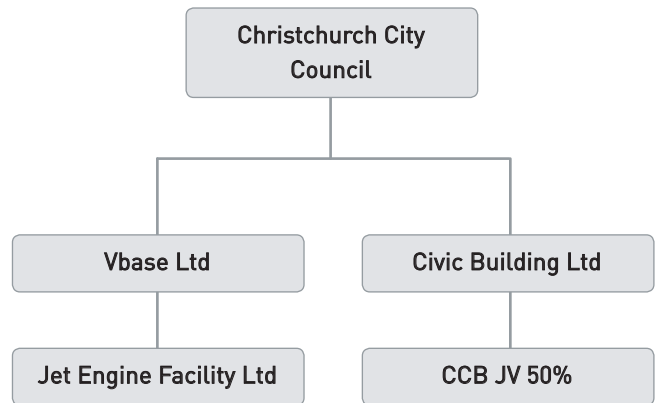
The process of negotiation and determination of an acceptable SOI is a public and legally required expression of the accountability relationship between the company and its Shareholder, the Christchurch City Council.

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

Vbase Ltd has a 100% subsidiary, Jet Engine Facility Ltd (JEFL). JEFL owns and leases the jet engine test cell facility located at Christchurch International Airport.

The Vbase Board is also directors of Civic Building Ltd. Civic Building Ltd is the entity which owns 50% of the unincorporated joint venture with Ngai Tahu Property Ltd, which will build and own the new Civic Offices at the New Zealand Post site on Worcester St.

The group structure is,



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

2.0 DIRECTORY

Address: Vbase Limited
PO Box 13-144
Christchurch

Registered Office: 95 Kilmore St
Christchurch

Chairperson: Gill Cox
C/- Vbase Ltd
PO Box 13-144
Christchurch

Board: David Cox
Chris Doig
Dominique Dowding
James Keegan
Simon Mortlock

Chief Executive: Bryan Pearson
C/- Vbase Ltd
PO Box 13-144
Christchurch
Telephone + 64 3 366 88 99
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Company Secretary: Brent Ford
C/- Vbase Ltd
PO Box 13-144
Christchurch
Telephone + 64 3 366 88 99
Facsimile + 64 3 363 3320

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 Westpac Arena.

Vbase has full governance, ownership and management responsibility and accountability for the venue portfolio and the scope of activities it undertakes includes business development to secure events; planning, hosting and delivering events; asset and facilities management and all of the associated people, systems and financial management required to make this happen.

Vbase subsidiary JEFL owns and leases to Pratt and Whitney the jet engine test cell facility located at Christchurch International Airport.

4.0 GOVERNANCE

The Board is responsible for the strategic direction and control of the company's activities. The Board guides and monitors the business and affairs of the company on behalf of the Shareholder, to whom it is accountable.

All Directors are required to comply with the New Zealand Institute of Directors' Code of Proper Practice for Directors.

In consultation with CCHL, the company undertakes periodic reviews of Directors' performance and assistance with ongoing Director training and development.

The primary function of the Board is to ensure that the company 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 made in accordance with the Council's Appointments and Remuneration of Directors policy.

The Chief Executive of Vbase has been delegated responsibility for leadership and management of the company. The Chief Executive is assisted by the Vbase executive and team, and the company makes use of external advisors from time to time.

The Board has two sub-committees, the Audit Sub-Committee, and the Remuneration Sub-Committee. The Audit Sub-Committee has responsibility for reviewing the company's accounting policies, reporting practices and resultant financial statements. The committee also considers external audit reports, audit relationship matters and fees as well as delegated authorities. The Remuneration Sub-Committee considers the remuneration of the CEO and Leadership Team members.

The board considers that Risk Management is an important governance task and the whole of the board assumes responsibility for this matter.

5.0 OBJECTIVES

The Vbase Vision is to be:

A Great Stage and Great Host

A Great Stage is the strategic platform for the Vbase business and is the essential foundation for a great event – our aim is to tailor a great stage for any event. The centralised management and diversity of our four venue portfolio enables Vbase to successfully compete in all major event market segments.

Great Hosting is the Vbase competitive strategy and recognises an event can only be great if the supporting hosting is also great – our aim is to have ‘all your bases covered’ in securing and planning events and delivering an outstanding client and guest experience.

Vbase will be efficient, knowledgeable, flexible and user friendly in planning the event and then deliver an international quality event experience in support of our service philosophies of ‘basics done brilliantly’ and ‘best of’ products and services. We aspire, one day, to be recognised as Great Host and for the Christchurch and Canterbury region to see such value in what we do that Great Hosting is embraced as a regional tourism strategy.

Vbase is committed to the ongoing development and management of the venue portfolio and developing our reputation as Great Host to ensure we strongly compete and win in attracting more events and more national and international visitors to Christchurch and the South Island.

This commitment is further demonstrated in the Vbase 2009/19 LTCCP Submission proposing expansion of the Christchurch Convention Centre (\$81 million; 2012/13) and major refurbishment and modernisation of the Town Hall (\$20 million; 2010/11).

Our vision is simply to shift the business focus away from thinking about venues and facilities management to what we can do with them to compete and win in attracting more visitors and events to Christchurch and Canterbury, creating economic and social benefit for the community.

Vbase has 6 Strategic Goals in support of our vision to be A Great Stage and Great Host,

- **Great Stages** – Vbase will tailor a great stage for any event
- **Great Hosting** – Vbase will deliver an outstanding client and guest experience
- **Growth** – Vbase will fully utilise its assets and capabilities for growth, and economic and social benefit
- **Valuable Partnerships** – Vbase will be great to do business with and a great place to work
- **Brand Equity** – Vbase will build its reputation, profile and influence
- **Health & Safety** – Vbase will be a safe place to work and visit

6.0 PERFORMANCE TARGETS

Financial Performance Targets – Vbase earns revenue from venue rental, food and beverage, memberships, 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, wages and salaries, business development, facilities costs, interest and depreciation.

The financial performance targets for the company are as follows :

| Vbase Ltd | 2011 | 2012 | 2013 |
|--|---------|---------|---------|
| | 000's | 000's | 000's |
| Income | 30,002 | 30,816 | 29,029 |
| Less Operating Expenses | 23,792 | 24,791 | 23,549 |
| EBITDA | 6,210 | 6,025 | 5,480 |
| Less | | | |
| Interest | 7,366 | 6,975 | 6,443 |
| Depreciation | 9,702 | 9,714 | 10,470 |
| Net Surplus (deficit) before tax | -10,858 | -10,664 | -11,433 |
| Taxation (principally receipts from sale of Group tax losses to other CCC companies) | -3,408 | -3,665 | -3,880 |
| Net Surplus (deficit) after tax | -7,450 | -6,999 | -7,553 |

* Note Capex for 2011 will be funded from cash reserves.

Two significant capital projects impact on performance targets over the three year period. The first is the refurbishment of the Town Hall which as far as possible is scheduled to take place around existing bookings. The second is the expansion of the Convention Centre (project yet to be fully funded) which commences at the end of 2011. These projects will impact on occupancy and revenue and these factors have been reflected in the financial performance targets for FY11, FY12 and FY13. Both of these projects are funded by way of equity injection from Council, with the Convention Centre expansion dependant on funding assistance from central government.

Vbase is investigating the impact of changes to taxation law announced in the 2010 Budget. Any changes which arise from the budget have not been reflected in the forecast

The Vbase business is very asset intensive and non cash depreciation expenses result in the company recording net losses. The Vbase business model is structured with the goal that operating cash flow surpluses fund interest on borrowings and the majority of asset renewal and refurbishment. Any major project expansion or refurbishment initiatives require funding assistance from the shareholder.

Ratio of Shareholder Funds to Total Assets

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

| 2010/11 | 2011/12 | 2012/13 |
|---------|---------|---------|
| 62 % | 63% | 66% |

The forecast capital structure for the next three years is:

| | 2010/11 | 2011/12 | 2012/13 |
|--------------|---------|---------|---------|
| | \$m | \$m | \$m |
| Equity | \$184m | \$191m | \$201m |
| Debt | \$81m | \$79m | \$71m |
| Total Assets | \$299m | \$302m | \$308m |

VBASE LIMITED STATEMENT OF INTENT

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 2010/11 |
|---|--|
| <p>1 - Great Stages – Vbase will tailor a great stage for any event</p> <ul style="list-style-type: none"> • Establish the technology platform for best practice Asset & Facilities Management • Commence Town Hall refurbishment project and achieve project milestones in accordance with plan | <p>Implement EBMS asset management software by June 2011</p> <p>Project milestones achieved</p> |
| <p>2 - Great Hosting – deliver an outstanding client and service experience</p> <ul style="list-style-type: none"> • Implement event guest experience standards and supporting training process • Vbase Great Hosts casual staff recruitment and training further developed • All milestones for AMI Stadium hosting of RWC2011 achieved | <p>Achieve greater than 80% satisfaction during year</p> <p>Extend e-learning to include role specific skills training</p> <p>Milestones agreed with RWC2011 Ltd management and deadlines achieved, event planning and management resource deployed in support of RWC2011 by 1 July 2011</p> |
| <p>3 - Growth – utilise assets and capabilities for growth</p> <ul style="list-style-type: none"> • Maintain AMI Stadium corporate suite occupancy • Maximise event days in the Convention Centre • Maximise event days in the Auditorium • Maximise event days in the James Hay • Maximise event days at Westpac Arena • Maximise event days at AMI Stadium | <p>> 92%</p> <p>> 210 event days</p> <p>> 100 event days</p> <p>> 100event days</p> <p>> 120 event days</p> <p>> 14 event days (Field)</p> <p>> 100 event days (Functions)</p> |

| Objective and Strategy | Performance Measure 2010/11 |
|---|--|
| <p>4 - Valuable Partnerships – great to do business with and a great place to work</p> <ul style="list-style-type: none"> • 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 • Nurture the Vbase way of doing business and develop leadership succession | <p>Annual visitor spending exceeds \$50m</p> <p>Visitors to venues exceeds 800,000</p> <p>Total venue discounts exceed \$250,000</p> <p>Establish wider leadership group and invest in leadership development</p> |
| <p>5 - Brand Equity – Vbase will build its reputation, profile and influence</p> <ul style="list-style-type: none"> • Increase the recognition level of the Vbase brand • Increase Vbase influence in support of the Business Tourism strategy for Christchurch and Canterbury | <p>Trend of increased positive recognition over prior year</p> <p>Vbase is influential in the direction of the Christchurch and Canterbury Business Tourism strategy.</p> |
| <p>6 - Health and Safety – Vbase will be a safe place to work and visit</p> <ul style="list-style-type: none"> • Further develop Vbase staff culture and conduct staff climate survey • Continue to tune health and safety systems and processes • Provide leadership to clients, contractors and sub contractors | <p>At least 80% engagement rating in staff climate survey</p> <p>Improvement in staff H&S performance review scores</p> <p>100% contractor and client compliance</p> <p>Improvement in contractor performance review outcomes</p> <p>100% accreditation of contractors</p> |

Christchurch City Council Sustainable Energy Strategy

The Christchurch City Council Sustainable Energy Strategy is an important initiative that Vbase supports. Everyone needs to play their part as the worldwide escalation of energy usage is leading to unprecedented problems including global warming, unsustainable use of fuels, future fuel shortages, health and social issues and fuel poverty.

Vbase is motivated to manage its business in a sustainable manner. Operating in a sustainable manner is rapidly becoming an important decision point for clients selecting a venue to host their events. As with environmental sustainability, venues committed to a sustainable energy strategy have a competitive advantage when securing business.

| Objective and Strategy | Performance Measure 2010/11 |
|--|-----------------------------|
| Sustainable Energy Audit completed and recommendations implemented | By 31 December 2010 |

Urban Development Strategy (UDS)

Vbase recognises the broad objectives of the UDS and these are very relevant to the activities of the company, especially relating to the ongoing development and expansion of the venues. The Vbase submission to the 2009/19 LTCCP process considered and supports the objectives of the UDS. The expansion of the Convention Centre is part of the Vbase submission to the 2009/19 LTCCP and this project is contingent on receipt of 50% of funding from central government. The LTCCP submission also provides for refurbishment of the Town Hall as this venue is an important part of the conference venue portfolio and is the premier performing arts venue in the city.

Vbase works closely with the Council CEO and Executive Team to ensure development of all property holdings under our control recognises the UDS.

JEFL Performance Targets

| Performance Target | Performance Measure |
|---|--|
| 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 |
| The company meets all relevant legislative and contractual requirements | No breaches of legislative or contractual requirements are recorded |

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 2011 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 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.

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 \$110.1m and this is considered an appropriate estimation of the commercial value of the company.

13.0 ROLE IN THE CCC GROUP AND REGIONAL ECONOMY

Commercial Relationships within the CCC Group

Vbase Ltd is owned by the Christchurch City Council, but is operated on a commercial basis. The relationship with the shareholders is critical to the success of Vbase and Vbase works in close collaboration with both Council and CCHL. Vbase may use the services of other entities within the CCC Group, however this is on a normal commercial basis.

Vbase Ltd is conscious of the benefits that being part of the wider CCC/CCHL Group of companies can bring and will continue to work collaboratively to foster relationships and to provide benefits to other group entities where at all possible. One significant benefit of being part of the CCC/CCHL Group is the ability to receive subvention payments which assist with company cashflow.

Role in the Growth of the Regional Economy

Vbase hosts major conference, sporting and entertainment events that attract significant numbers of visitors to the City of Christchurch and the wider Canterbury region. This creates positive economic impact as these visitors use local services such as restaurants, bars, taxis and accommodation.

Vbase also utilises local goods and services from within the community and employs a large number of full and part-time staff during events.

APPENDIX 1.0

Statement of Significant Accounting Policies

1. 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.

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 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 Vbase Limited Group comprises Vbase Limited and its wholly owned subsidiary, Jet Engine Facility Limited (JEFL). Vbase Limited manages and develops the Christchurch Town Hall for the Performing Arts, the Christchurch Convention Centre, Westpac 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.

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 2009. The financial statements were authorised for issue by the Board of Directors on 4 September 2009.

2. 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.

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.

The Board considers that there are no major sources of estimation uncertainty, and no critical judgements have had to be made in compiling this financial report.

The following new standards, interpretations and amendments are not yet effective for the year ended 30 June 2009, and have not been applied in preparing these consolidated financial statements:

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

- NZ IAS 1 Presentation of Financial Statements (revised 2007) replaces NZ IAS 1 Presentation of Financial Statements (issued 2004) and is effective for reporting periods beginning on or after 1 January 2009. The revised standard requires information

in financial statements to be aggregated on the basis of shared characteristics. The statement of comprehensive income will enable readers to analyse changes in equity resulting from non-owner changes separately from transactions with owners. The revised standard gives Vbase the option of presenting items of income and expense and components of other comprehensive income either in a single statement of comprehensive income with subtotals, or in two separate statements (a separate income statement followed by a statement of comprehensive income).

- NZ IFRS 7 Financial Instruments (amended March 2008) and is effective for reporting periods beginning on or after 1 January 2009. The amended IFRS 7 requires fair value measurements to be disclosed by the source of inputs, using the following three-level hierarchy:
- Quoted prices in active markets for identical assets or liabilities (Level 1)
- Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2)
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3)

The company intends to adopt these standards and amendments for the year ending 30 June 2010 and has not yet quantified the potential impact of the new standard.

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.

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

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 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.

15. 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.

16. 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.

17. 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.

18. 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.

19. 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.

20. 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.

FOR THE YEAR ENDED 30 JUNE 2011



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