WHANGANUI DISTRICT COUNCIL HOLDINGS LIMITED STATEMENT OF INTENT

FOR YEAR COMMENCING 1 JULY 2025

The Directors of Whanganui District Council Holdings Limited submit this statement in accordance with section 64 of the Local Government Act 2002. This Statement of Intent sets out the overall intentions and objectives of the Company for the year 1 July 2025 - 30 June 2026

On 26 March 2024 the Whanganui District Council (WDC) as shareholder of Whanganui District Council Holdings Limited (WDCHL) resolved to transfer all WDCHL assets and liabilities to WDC and close WDCHL. At the time this statement was prepared WDCHL's shares in Port GP and property assets had been transferred, but the timing of the remaining asset transfers and closure was unknown, and as such this statement should be read as a transitional document. Updates will be provided to the shareholder as appropriate.

1. Definitions

Board refers to the Board of Directors of Whanganui District Council Holdings Limited.
CCO refers to Council Controlled Organisations.
GasNet refers to GasNet Limited.
NZICPA refers to New Zealand International Commercial Pilot Academy Limited.
WDCHL and **the Company** refer to Whanganui District Council Holdings Limited.
WDCHL Group refers to WDCHL and its subsidiaries GasNet and NZICPA.
WDC refers to Whanganui District Council, which is WDCHL's shareholder.
Consolidated shareholder funds refers to both share capital and reserves as recorded in the Company's Group Statement of Financial Position.
Total assets refers to the Company's current and non-current assets as recorded in the Group Statement of Financial Position.

2. Objectives

2.1. The Board will support WDC with the planned closure of the Company and, in the interim, operate the Company as a successful business in relation to its investments.

Specific objectives for 2025-2026

Performance Metrics/Objectives

Objective	Performance Metric
NZICPA (including NZICPA's subsidiary Aero Care Limited)	
1. Ensure that WDCHL's investment in NZICPA is prudently managed, monitor NZICPA's performance through regular reporting and take appropriate action when adverse events occur.	• Regular reporting by NZICPA on: • financial and operational KPIs that demonstrate performance • its provision and maintenance of a work environment that is safe for workers and all other persons using facilities, striving to achieve a zero-harm work place • its commitment to the principle of equal employment opportunity in the recruitment, employment, training and promotion of its employees • how it is meeting WDC's preference that ways to reduce the carbon footprint of its activities are explored.
GasNet	

2. Achieve an acceptable rate of return on WDCHL's investment in GasNet, monitor GasNet's performance through regular reporting and take appropriate action when adverse events occur.	• Regular reporting by GasNet on: • financial and operational KPIs that demonstrate achievement of objectives • its provision and maintenance of a work environment that is safe for workers and all other persons using facilities, striving to achieve a zero-harm work place • its commitment to the principle of equal employment opportunity in the recruitment, employment, training and promotion of its employees • how it is meeting WDC's preference that ways to reduce the carbon footprint of its activities are explored.
Objective	**Performance Metric**
Financial	
3. There is a shareholder expectation that WDCHL will manage its investments prudently and in close consultation with Council leadership given the transitional nature of its operations, balancing risk against future returns.	• Manage financial challenges within available cashflow.
Other	
4. Monitor the performance of the GasNet and NZICPA Boards of Directors.	• Support the work of the CCO & ED Committee of Council through the transition period, including in relation to regular reporting by the Boards of GasNet and NZICPA.
5. Complete the recruitment of directors for the GasNet Board (commenced in 2022 and deferred by WDC).	• Directors appointed to the GasNet Board.
6. Ensure maximum safe utilisation of WDCHL-owned assets.	• Aircraft and other assets available as reasonably required for the WDCHL group.
7. Establish how the activities of WDCHL and its subsidiaries will be informed by Tupua te Kawa, the guiding values of the Te Awa Tupua (Whanganui River Claims Settlement) Act 2017.	• WDC has been advised how the activities of WDCHL and its subsidiaries will be informed by Tupua te Kawa.
8. Provide commercial and strategic advice to WDC on an 'as required basis'.	• Advice provided as requested.
9. Ensure a health and safe work place and compliance with all health and safety laws.	• Zero harm workplace.

3. Governance

3.1. The Board governs the activities of WDCHL in accordance with the requirements of the Companies Act, Corporate Best Practice and the views of its shareholder, Whanganui District Council as set out in its Letter of Expectation (noting there has been no Letter of Expectations in place since 2023-24 given the planned closure of WDCHL).

3.2. The Board will ensure that any activities are undertaken in accordance with the relevant WDC policies.

3.3. The Board will align any strategy, business plan and activities to reflect the strategic objectives of WDC.

3.4. The Board, in particular the Chair, will keep the Council informed of any issues or concerns that may impact on the ability of WDCHL to deliver on WDC's expectations; and

3.5. The Board will maintain effective ongoing relations with WDC and nominated WDC officers.

4. Nature and scope of activities

4.1. The business of WDCHL will primarily be:

4.1.1. to hold shares in GasNet, NZICPA and other subsidiaries or undertakings transferred to WDCHL

4.1.2. to provide strategic planning advice to WDC when required

4.1.3. to undertake such other matters as shall be determined by the Board in conjunction with WDC.

5. Consolidated shareholders' funds

5.1. For the year ended 30 June 2024, consolidated shareholders' funds, as a ratio to total assets was 41.2%, with group equity of $28.1m and total group assets of $68.1m. Please note that these results are provisional as at the time of preparing this Statement of Intent, given the WDCHL Annual Report for the year ended 30 June 2024 was still in draft and waiting on audit completion by Audit NZ. As a result this information is subject to change.

6. Performance Targets

6.1. The Company's performance targets for the next three years could not be provided at the time this Statement of Intent was prepared:

6.1.1. as WDC does not intend WDCHL to remain in existence in its current form for the next three years

6.1.2. due to uncertainty with NZICPA's ability to pay WDCHL's asset lease and operational costs.

The performance targets will be provided to the shareholder as soon as there is certainty with NZICPA's financial and operational forecasts.

7. Accounting policies

7.1. The Statement of Accounting Policies for the year ended 30 June 2023 is attached in Appendix 1.

8. Distributions to shareholders

8.1. The Board will comply with the procedures and requirements as they relate to dividends pursuant to the Companies Act 1993.

8.2. Recommendations to WDC will be based on:

8.2.1. the retention of an appropriate level of earnings before reinvestment in the business and capitalisation needs

8.2.2. maintenance of the desired ratio of the shareholder's funds to total assets

8.2.3. the shareholder's request for WDCHL, to manage its investments prudently, balancing risk against future return

8.2.4. the need for WDCHL to provide support to NZICPA as a direct result of the impact of COVID-19 on the business and ongoing challenges. The Directors will provide regular updates to WDC on WDCHL's ability to, and likelihood of, paying a dividend during the year.

9. Information to be provided to shareholders

9.1. To enable WDC to make an informed assessment of the operation of the WDCHL and its investment in WDCHL, any information that would normally be supplied to a controlling private shareholder will be made available. In addition, WDCHL will meet all the requirements for information disclosure in the relevant legislation.

9.2. The Board will report on the activities and progress of WDCHL in accordance with the WDC CCO Director Appointment and Remuneration Policy 2019. This includes a quarterly activity report and a verbal update, usually in February, May, September and December. The verbal update would also include a tabled financial report.

9.3. A half yearly report in accordance with Section 66 (Half-yearly report) and Section 71 (Protection from disclosure of sensitive information) of the Local Government Act 2002 will be provided to WDC. The report will contain the following financial information:

9.3.1. a statement of financial position as at the end of the period

9.3.2. a statement of comprehensive income for the period.

9.4. By 30 September each year, provided audited financial statements are available, the Board will deliver to WDC and make available to the public an audited Annual Report prepared in accordance with generally accepted accounting practice and the Local Government Act 2002.

9.5. WDCHL will provide to WDC's Risk & Assurance Committee an annual update to its risk register.

9.6. WDCHL will report to WDC on a regular basis as set out in the WDC Council Controlled Organisations Governance Manual

10. Procedure for acquisition or sale of shares and property

10.1. Before the Company or any subsidiary subscribes for, purchases or acquires shares in any other company, or acquires any interest in any business or property whatsoever the Directors shall give at least 21 days' notice to WDC of such proposals prior to the Directors deciding whether or not to proceed, unless WDC agrees otherwise.

10.2. The Company shall not proceed to purchase such an interest without an ordinary shareholder's resolution first being completed by WDC.

10.3. The Company under clause 11 of its constitution cannot sell shares of any company in which it has a shareholding or divest of any asset without a resolution of WDC.

11. Compensation

11.1. Other than remuneration for services provided to WDC there are no activities for which the Board will be seeking compensation from any other local authority.

12. Commercial value

12.1. As stated in the previous WDCHL Statement of Intent, the Board had estimated the commercial value of GasNet and stated that NZICPA had not been assessed. In consideration of the impact of COVID-19, in particular on NZICPA, and the potential impact on GasNet of the Government's 2022 Emissions Reduction Plan, the Board considers it imprudent to speculate on the value of either business at the time this Statement of Intent was prepared.

12.2. On request from WDC, the Directors will provide an assessment of the then current commercial value of WDC's shareholding.

13. External transactions requiring disclosure

13.1. At the time of preparing this Statement of Intent the Company had financing arrangements with the shareholder for short- and long-term borrowings .

14. Other matters

14.1. The Directors and WDC have agreed prudent governance practices including that WDCHL should:

14.1.1. monitor the performance of each of its subsidiaries by:

a. considering the draft Statement of Intent or Statement of Corporate Intent

b. analysing the financial reports

c. regularly reviewing the investment

d. regularly reviewing WDC's commercial investments as agreed with WDC

14.1.2. facilitate an informed relationship between each subsidiary and WDC by:

a. preserving the operating autonomy of each subsidiary

b. applying business disciplines to professional management of each subsidiary

c. acting as an advisor to WDC in relation to each subsidiary

d. promoting best practices in corporate governance

e. providing a source of information and analysis

14.1.3. notify WDC in advance of any endeavour, or other matter known to WDCHL, on a “no surprises” basis.

14.1.4. notify WDC of any proposed changes to the composition of WDCHL or any subsidiary.

Carolyn van Leuven
Chair
Whanganui District Council Holdings Limited

APPENDIX 1

Statement of accounting policies

REPORTING ENTITY

Whanganui District Council Holdings Limited (WDCHL) is a company formed in accordance with and registered under the Companies Act 1993. The Group is controlled by Whanganui District Council (the Council) and is a Council Controlled Trading Organisation as defined under section 6 of the Local Government Act 2002, by virtue of the Council's right to appoint the Board of Directors. The Group is domiciled in New Zealand.

The Group financial statements include its subsidiaries, GasNet Limited, New Zealand International Commercial Pilot Academy (NZICPA) and Whanganui Port General Partner Limited which are also domiciled in New Zealand.

The primary objective of The Group is to operate as a successful business in relation to its investments and the monitoring roles assigned to it under contract by the Council. The Group aims to improve the long term value and financial return that the Council receives from its trading undertakings.

The Group is a profit-oriented entity for the purposes of New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

The financial statements of The Group are for the year ended 30 June 2023. The financial statements were authorised for issue by the Board of Directors on 2 May 2025.

BASIS OF PREPARATION

At its meeting on 26 March 2024 the Whanganui District Council resolved to disestablish Whanganui District Council Holdings Limited. This is expected to be completed prior to the end of 2025. The disestablishment process will include the transitioning of the Company's operations into Council. As a result, the financial statements have been prepared on a disestablishment basis. Prior to 30 June 2025 we expect all rights, assets and liabilities will have been transferred to Whanganui District Council. The subsidiaries of The Group will continue to operate but will consolidate directly into Whanganui District Council group accounts.

Because the operation of Whanganui District Council Holdings Limited will continue to be provided after the transfer, no changes were made to the carrying value of assets and liabilities as a result of the disestablishment basis of accounting.

Statement of compliance

The Group financial statements of The Group have been prepared in accordance with the requirements of the Local Government Act 2002, which includes the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP).

These financial statements have been prepared in accordance with NZ GAAP.

For the purposes of complying with NZ GAAP, the The Group is eligible to apply Tier 2 For-profit Accounting Standards (New Zealand equivalents to International Financial Reporting Standards – Reduced Disclosure Regime ('NZ IFRS RDR')) on the basis that it does not have public accountability and is not a large for-profit public sector. The Group has elected to report in accordance with NZ IFRS RDR and has applied disclosure concessions.

Measurement base

The financial statements are prepared using the historical cost basis, modified by the revaluation of certain financial instruments (including derivative instruments).

Functional and presentation currency
The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars. The Group's functional currency is New Zealand dollars.

Changes to Accounting Policies
There have been no changes to accounting policies.

SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation
The purchase method is used to prepare the consolidated financial statements, which involves adding together like items of assets, liabilities, equity, income and expenses on a line-by-line basis. All significant intergroup balances, transactions, income and expenses are eliminated on consolidation.

Subsidiaries
The Group consolidates as subsidiaries in The Group financial statements all entities where The Group has the capacity to control their financing and operating policies so as to obtain benefits from the activities of the entity. This power exists where The Group controls the majority voting power on the governing body or where such policies have been irreversibly predetermined by The Group or where the determination of such policies is unable to materially impact the level of potential ownership benefits that arise from the activities of the subsidiary.

The Group measures the cost of a business combination as the aggregate of:
- the consideration transferred, which is generally measured at acquisition date fair value;
- the amount of any non-controlling interest measured at either fair value or the non-controlling interest in the fair value of the net identifiable assets of the acquiree; and
- the acquisition date fair value of the previously held equity interest in the acquiree, if any.

Any excess of the cost of the business combination over The Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is recognised as goodwill. If The Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised exceeds the cost of the business combination, the difference will be recognised immediately in the statement of comprehensive income.

Revenue
Revenue is measured at the fair value of consideration received or receivable. The Group satisfies its performance obligations of IFRS 15 and recognises revenue over time.

Revenue is derived from gas network distribution services. Such revenue is recognised when earned and is reported in the financial period to which it relates.

Interest income is accrued on a time basis, by reference to the principal outstanding and the effective interest rate applicable.

Dividends are recognised when the shareholder's rights to receive payment has been established and are recognised net of imputation credits.

A grant is not recognised until there is reasonable assurance that the entity will comply with the conditions attaching to it, and that the grant will be received. Grants are recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate.

Borrowing costs

Borrowing costs are capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset, otherwise borrowing costs are recognised as an expense in the period in which they are incurred.

Income Tax

Income tax expense is the aggregate of current period movements in relation to both current and deferred tax.

Current tax is the amount of income tax payable based on the taxable surplus for the current year, plus any adjustments to income tax payable in respect of prior years. Current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted at balance date.

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable surplus.

Deferred tax is measured at the tax rates that are expected to apply when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at balance date. The measurement of deferred tax reflects that tax consequences that would follow from the manner in which The Group expects to recover or settle the carrying amount of its assets and liabilities.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable surpluses will be available against which the deductible temporary differences or tax losses can be utilised.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset and liability in a transaction that is not a business combination, and at the time of the transaction, affects neither the accounting surplus nor taxable surplus.

Current and deferred tax is recognised against the statement of comprehensive income for the period, except to the extent that it relates to a business combination, or to transactions recognised in other comprehensive income or directly in equity.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

Debtors and other receivables

Debtors 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.

Impairment of a receivable is established when there is objective evidence that The Group will not be able to collect amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, receivership or liquidation, and default in payments are considered indicators that the debt is impaired. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of comprehensive income. When the receivable is uncollectible, it is written off against the allowance account for receivables. Overdue receivables that have been renegotiated are reclassified as current (that is, not past due).

Financial Instruments
Financial instruments that potentially subject The Group to credit risk are cash and bank balances, debtors and investments. The Group is exposed to interest rate risk through the issuance of debt instruments. The Group is not subject to currency risk. Financial instruments are recognised in the Statement of Financial Position. Revenues and expenses in relation to financial instruments are recognised in the Statement of comprehensive income. Unless covered by a separate policy, all financial instruments are shown at their fair value. Therefore, as per the new standard IFRS 9 The Group meets its requirements.

The Group applies the NZ IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

Financial Assets
Financial assets are initially recognised at fair value plus transaction costs unless they are carried at fair value through profit or loss in which case the transaction costs are recognised in the statement of comprehensive income.

Purchases and sales of financial assets are recognised on trade-date, the date on which The Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

The Group has amortised cost assets.

Amortised cost assets and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance date, which are included in non-current assets. The Group amortised cost assets comprise cash and cash equivalents, debtors and other receivables, and term deposits.

Financial Liabilities
Financial liabilities (creditors, income in advance, loans, bonds and deposits) are initially recognised at fair value. These are subsequently recognised at amortised cost.

Impairment of Financial Assets
At each Statement of Financial Position date The Group assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired. Any impairment losses are recognised in the statement of comprehensive income.

Impairment of a loan or a receivable is established when there is objective evidence that The Group will not be able to collect amounts due according to the original terms. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, and default in payments are considered indicators that the asset is impaired. The amount of the impairment is the difference between the assets carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate. For debtors and other receivables, the carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of comprehensive income. When the receivable is uncollectible, it is written off against the allowance account. Overdue receivables that have been renegotiated are reclassified as current (i.e. not past due). For term deposits, impairment losses are recognised directly against the instrument's carrying amount.

Inventories
Inventories (such as spare parts and other items) held for distribution or consumption in the provision of services that are not supplied on a commercial basis are measured at the lower of cost, adjusted when applicable, for any loss of service potential. Where inventories are acquired at no cost or for nominal consideration, the cost is the current replacement cost at the date of acquisition.

Inventories held for use in the production of goods and services on a commercial basis are valued at the lower of cost and net realisable value. The cost of purchased inventory is determined using the weighted average method.

The amount of any write-down for the loss of service potential or from cost to net realisable value is recognised in the statement of comprehensive income in the period of the write-down.

Capital contributions
Where The Group constructs assets at its own cost and receives a cash payment from a third party as part, or full payment for the development of such assets, The Group recognises the asset at the cost incurred to construct the asset and recognises the cash received as revenue.

Impairment of assets
At each balance date The Group assesses whether there is any objective evidence that any asset has been impaired. Any impairment losses are recognised in the statement of comprehensive income.

Property, plant and equipment
Property, plant and equipment consists of:

Operational assets – these include land, buildings, motor vehicles and plant and equipment.

Infrastructure assets – these include the fixed utility systems comprising the distribution and measurement systems. Each asset type includes all items that are required for the network to function.

Property, plant and equipment is shown at cost or valuation, less accumulated depreciation and impairment losses.

Revaluation
Infrastructural assets are revalued with sufficient regularity to ensure that their carrying amount does not differ materially from fair value and at least every three years. All other asset classes are carried at depreciated historical cost.

The Group assesses the carrying values of its revalued assets annually to ensure that they do not differ materially from the assets' fair values. If there is a material difference, then the off-cycle asset classes are revalued.

The Group accounts for revaluations of property, plant and equipment on an asset by asset basis.

The results of revaluing are credited or debited to other comprehensive income and are accumulated to an asset revaluation reserve in equity for that class of asset. Where this results in a debit balance in the asset revaluation reserve, this balance is not recognised in other comprehensive income but is recognised in the statement of comprehensive income. Any subsequent increase on revaluation that reverses a previous decrease in value recognised in the statement of comprehensive income will be recognised first in the statement of comprehensive income up to the amount previously expensed, and then recognised in other comprehensive income.

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

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

In most instances, an item of property, plant and equipment is recognised at its cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value as at the date of acquisition.

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

Depreciation
Depreciation is provided on a straight-line basis on all property, plant and equipment other than land and art works, at rates that will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

Asset type	**Depreciation rate**
Distribution Network Mains and Services	1-15% SL
Distribution Network Condition Renewals	2% SL
Gas Measurement Systems and Distribution Network Customer Stations	1-10% SL
Buildings	2% SL
Vehicles, Plant, Office Equipment and Furniture and Fittings	4-40 % SL
Computer Hardware	20-33% SL
Leasehold Improvements	2-20% SL
Aircraft	8 -10% SL
Simulators	10% SL

The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year-end.

Investment property
Properties leased to third parties under operating leases are classified as investment property unless the property is held to meet service delivery objectives, rather than to earn rentals or for capital appreciation.

Investment property is measured initially at its cost, including transaction costs.

After initial recognition the asset shall be carried at its fair value.

Intangible assets
Goodwill
Goodwill represents the excess of the cost of an acquisition over the fair value of The Group's share of the identifiable assets, liabilities and contingent liabilities of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisition of subsidiaries is included in "intangible assets".

Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. An impairment loss recognised for goodwill is not reversed in any subsequent period.

Goodwill is allocated to cash generating units for the purposes of impairment testing. The allocation is made to those cash generating units or groups of cash generating units that are expected to benefit from the business combination, in which the goodwill arose.

Software acquisition and development
Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs that are directly associated with the development of software for internal use by The Group, are recognised as an intangible asset. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

Staff training costs are recognised in the statement of comprehensive income when incurred.

Costs associated with maintaining computer software are recognised as an expense when incurred.

Amortisation
The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in the statement of comprehensive income.

The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows:

Computer software	3 years	33%

Impairment of property, plant and equipment and intangible assets
Intangible assets that have an indefinite useful life, or not yet available for use, are not subject to amortisation and are tested annually for impairment. Assets that have a finite useful life are reviewed for indicators of impairment at each balance date. When there is an indicator of impairment the asset's recoverable amount is estimated. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds it recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Value in use is depreciated, replacement cost for an asset where the future economic benefits or service potential of the asset are not primarily dependent on the asset's ability to generate net cash inflows and where the entity would, if deprived of the asset, replace its remaining future economic benefits or service potential.

The value in use for cash-generating assets and cash generating units is the present value of expected future cash flows. In assessing value in use the estimated cashflows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and risks to the specific asset.

If an asset's carrying amount exceeds its recoverable amount, the asset is impaired and the carrying amount is written down to the recoverable amount. For revalued assets the impairment loss is recognised against the revaluation reserve for that asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in the statement of comprehensive income.

For assets not carried at a revalued amount, the total impairment loss is recognised in the statement of comprehensive income.

The reversal of an impairment loss on a revalued asset is credited to the revaluation reserve. However, to the extent that an impairment loss for that class of asset was previously recognised in the statement of comprehensive income, a reversal of the impairment loss is also recognised in the statement of comprehensive income.

For assets not carried at a revalued amount (other than goodwill) the reversal of an impairment loss is recognised in the statement of comprehensive income.

Creditors and other payables
Creditors and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

Borrowings
Borrowings are initially recognised at their fair value net of transaction costs incurred. After initial recognition, all borrowings are measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless The Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance date or if the borrowings are expected to be settled within 12 months of balance date.

Employee entitlements
Short-term employee entitlements
Employee benefits that The Group expects to be settled within 12 months of balance date are measured at nominal values based on accrued entitlements at current rates of pay.

These include salaries and wages accrued up to balance date, annual leave earned to, but not yet taken at, balance date, retiring and long service leave entitlements expected to be settled within 12 months, and sick leave.

The Group recognises a liability for sick leave to the extent that absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the extent that The Group anticipates it will be used by staff to cover those future absences.

The Group recognises a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

Presentation of employee entitlements
Annual leave expected to be settled within 12 months of balance date is classified as a current liability. All other employee entitlements are classified as a non-current liability.

Equity
Equity is the community's interest in The Group and is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into a number of reserves.

The components of equity are:
- retained earnings
- property, plant and equipment reserves
- fair value through other comprehensive reserves

Goods and Service Tax (GST)
All items in the financial statements are stated exclusive of GST, except for receivables and payables, which are stated on a GST inclusive basis. Where GST is not recoverable as input tax then it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the statement of financial position.

The net GST paid to, or received from the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the Statement of Cash Flows.

Commitments and contingencies are disclosed exclusive of GST.

Critical accounting estimates and assumptions

In preparing these financial statements The Group has made estimates and assumptions concerning the future which may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

At each balance date The Group reviews the useful lives and residual values of its property, plant and equipment. Assessing the appropriateness of useful life and residual value estimates of property, plant and equipment requires The Group to consider a number of factors such as the physical condition of the asset, expected period of use of the asset by The Group, and expected disposal proceeds from the sale of the asset.

An incorrect estimate of the useful life or residual value will impact on the depreciable amount of an asset, therefore impacting on the depreciation expense recognised in the statement of comprehensive income, and carrying amount of the asset in the statement of financial position. The Group minimises the risk of this estimation uncertainty by:

- physical inspection of assets
- asset replacement programmes
- review of second hand market prices for similar assets
- analysis of prior assets sales; and
- completing a revaluation of the infrastructure assets every third year

The Group has not made significant changes to past assumptions concerning useful lives and residual values.

The carry amounts of property, plant and equipment are disclosed in note 11.

An incorrect estimate of the residual value will impact on the amortisable amount of an intangible asset impacting on the amortisation expense recognised in the profit and loss statement and the carrying amount of the intangible asset in the balance sheet. The Group minimises the risk of this estimation uncertainty to its intangible assets by:

- a review of any prices for trades of similar intangible assets.
- an annual review of the appropriateness of the amortisation rate.
- analysis of prior intangible asset sales.