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| Report to: | Council |
| Date: | 28 April 2021 |
| Subject: | Report for Statement of Intent for Innovative Waste Kaikōura |
| Prepared by: | M Dickson, Senior Manager Corporate Services; W Doughty, CEO |
| Input sought from: | General Manager Innovative Waste; Innovative Board of Directors; Kaikōura Enhancement Trust Trustees |
| Authorised by: | W Doughty, CEO |

1. PURPOSE

To adopt the Statement of Intent for Innovative Waste Kaikoura for 2021/2022.

2. RECOMMENDATION

That Council:

- i. Receives and adopts the Statement of Intent for Innovative Waste 2021/2022, subject to any amendments or issues identified at the meeting.

3. BACKGROUND

Section 64 of the LGA states that a council-controlled organisation must report to its shareholders through a Statement of Intent before March. This occurred.

The draft has been discussed with IWK management and Board. Note commentary has been included as waste and recycling services are currently out to tender, and could have a material impact on IWK.

The Draft Statement of Intent must be prepared in accordance with Schedule 8 of the Act.

Some of the applicable sections of the Act are as follows:

Schedule 8 Statements of Intent

1. Purpose of statement of intent

The purpose of a statement of intent is to—

- (a) state publicly the activities and intentions of a council-controlled organisation for the year and the objectives to which those activities will contribute; and*
- (b) provide an opportunity for shareholders to influence the direction of the organisation; and*
- (c) provide a basis for the accountability of the directors to their shareholders for the performance of the organisation.*

2. Statements of intent for council-controlled organisations

The board of a council-controlled organisation must deliver to its shareholders a draft statement of intent on or before 1 March each year.

3. Completion of statements of intent

The board must—

- (a) consider any comments on the draft statement of intent that are made to it within 2 months of 1 March by the shareholders or by any of them; and*
- (b) deliver the completed statement of intent to the shareholders on or before 30 June each year.*

4. Modifications of statements of intent by board

The board may, by written notice, modify a statement of intent at any time if the board has first—

- (a) given written notice to the shareholders of the proposed modification; and*
- (b) considered any comments made on the proposed modification by the shareholders or by any of them within—*
 - (i) 1 month after the date on which the notice under paragraph (a) was given; or*
 - (ii) any shorter period that the shareholders may agree.*

5. Modifications of statements of intent by resolution of shareholders

(1) Despite any other provision of the Act or of the constitution of any council-controlled organisation, the shareholders of a council-controlled organisation may, by resolution, require the board to modify the statement of intent by including or omitting any provision or provisions of the kind referred to in clause 9(1)(a) to (i), and any board to whom notice of the resolution is given must comply with the resolution.

(2) Before giving notice of the resolution to the board, the shareholders must consult the board concerned as to the matters to be referred to in the notice.

6. Statement of intent required if exemption granted under section 7 revoked

If an exemption granted under section 7 is revoked, the council-controlled organisation must,—

- (a) if there is more than 6 months remaining in the financial year, prepare a statement of intent for that financial year; or*
- (b) if there is not more than 6 months remaining in the financial year, prepare a statement of intent for the following financial year.*

7. Obligation to make statements of intent available

A completed statement of intent and each modification that is adopted to a statement of intent must be made available to the public by the board within 1 month after the date on which it is delivered to the shareholders or adopted, as the case may be.



**Innovative Waste Kaikoura Ltd
Statement of Intent
For the year ended 30 June 2022**

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1. Introduction

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

The SOI specifies for Innovative Waste Limited (IWK), 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.

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, & its ultimate owner, being the Kaikoura District Council (KDC).

IWK is contracted to manage and operate the Kaikoura Resource Recovery Centre and 3 Waters operations and maintenance activities. This includes the:

1. The Materials Recovery Facility or MRF which processes, Glass, Plastics, and Metals and sells the output product commercially to external parties from recyclable materials collected from the wider Kaikoura District.
2. The Recycling and Refuse Drop off area is open to the public along with commercial customers for the disposal of most household waste and commercial general waste and domestic recycling.
3. The Landfill which is an open facility.
4. The reuse store which sells all types of previously-owned goods are collected

from members of the public, carefully sorted, priced and then sold to the Kaikoura public.

5. Operating and maintaining 6 Water schemes (Oaro, Ocean Ridge, Peketa, Urban, Suburban, Kincaid)
6. Operating and maintaining the Waste Water Treatment Plant and the Wastewater Reticulation network
7. Undertaking maintenance activities on the stormwater network

IWK also provides the following services to KDC under contracts:

1. Kerbside Collection of recycling
2. Rural recycling collection
3. Amenities cleaning and maintenance

IWK provides the following services to the wider Kaikoura District:

1. Skip Hire service
2. Business recycling and waste services
3. Zero Waste Event management
4. Trees for Travellers (in abeyance – for further review over the next 12 months)

The SOI is reviewed annually with KDC and KET and covers a three-year period. Innovative Waste Kaikoura Ltd is a Council-Controlled Organisation (CCO) for purposes of the Local Government Act 2002.

This SOI forecasts 65% of the IWK revenue to be from contractual arrangements with KDC. In addition, KDC owns key assets essential for IWK's operations e.g. landfill and buildings. At the time of approval of this SOI an open market tender for waste and recycling services for KDC

is in progress. This SOI has been prepared on the basis of status quo.

In the event of a tenderer other than IWK being successful in that tender:

1. IWK, as a CCO will provide all assistance to KDC to enable the transfer of contractual arrangements, operations and assets to such third party;
2. In the event those arrangements shall likely cause IWK to be unable to pay its debts as they fall due, KDC and IWK will work through potential solutions, and if necessary KDC shall ensure that IWK's solvency obligations are met.

2. Contact Details

Address and Registered office

82 Scarborough Street
KAIKOURA 7300

Board of Directors

Glen Hughes (Chair)
Neil Pablecheque
Geoff Harmon
Lynette Buurman

General Manager

Jacki Remihana

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3. Objectives

The objectives of IWK are:

- **Deliver excellent services**
 - Develop and agree levels of service with KDC
 - Regularly survey and report stakeholder satisfaction levels
 - Constantly seek areas for improved service delivery
- **Educate the community**
 - Promote and encourage waste minimization
 - Establish partnerships with schools
 - Establish partnerships with community groups for upcycling/recycling
- **Be a good employer**
 - Pay the living wage
 - Provide training and development opportunities
 - Provide local apprenticeships/cadetships
- **Be innovative**
 - Partnership based contracts with KDC
 - Seek innovative ways to enhance services
- **Consider expansion and diversification within the district**
 - Assess alternative opportunities that are sympathetic with current operations and beneficial to KDC and the community.

4. Nature and Scope of Activities

IWK is a Council-Controlled Organisation (CCO) for the purposes of the Local Government Act 2002 and the Companies Act 1993.

IWK's current area of operation is in the upper South Island.

IWKs function is the provision of solid waste management services, resource recovery, 3 water operations and maintenance, amenity servicing and environmental enhancement services.

5. Governance

IWK currently has a Board of directors in place. This board is appointed by the Kaikoura Enhancement Trust under the direction of KDC.

IWK's Board of Directors are responsible for the corporate governance of the company. The Board and management are committed to ensuring the company operates to the recognised principles of best practice governance and adheres to high ethical standards.

This Statement presents an overview of the main corporate governance policies of the company.

Role and Responsibility of the Board of Directors

IWK's Board of Directors is appointed by the shareholder, the Kaikoura Enhancement Trust, under direction of KDC and is responsible for the direction and control of the company's activities.

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 (and for publication as required by legislation).

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

The board must make best endeavours to ensure:

1. The Company's financial position is protected to make sure that it is able to meet all debts and obligations.
2. The company's financial statements are a true and fair representation and otherwise conform to law.
3. The company has appropriate risk management in place.

Conflict of Interest

The Board is conscious of its obligations to ensure that Directors avoid conflicts of interest (both real and apparent) between the company and their interests. Where conflicts do exist, then the Director/s concerned must disclose their interest, excuse themselves from any Board discussions and not receive any Board papers in respect of those interests.

The board maintains a Board and Management Interests Register and reviews this register quarterly at a board meeting.

The Board is to prepare a succession and rotation plan for all Directors to ensure continuity and continued fit of skillset to meet the nature of the services required.

Board Composition

The board will consist of a minimum of 4 directors. With prior Shareholder and KDC approval, the Board may appoint one full time executive as a Director of the company.

Currently all members of the Board are non-executive Directors.

The Shareholder has the right to appoint a Chairperson and if it considers appropriate, a Deputy Chairperson for such periods as it sees fit. If the Shareholder does not exercise that right, then the Board may elect their own Chairperson or Deputy Chairperson.

The board supports the separation of the role of Chairperson and General Manager. The Chairperson's role is to manage and provide leadership to the Board and to facilitate the Board's interface with the General Manager.

The Board has delegated to the General Manager the day-to-day leadership and management of the company. The General Manager has formally delegated certain authorities to direct reports and has established a formal delegated authority framework for those direct reports to sub-delegate as appropriate.

The company may also make use of external advisors from time to time.

The Board is responsible for reviewing the company's accounting policies, reporting practices and resultant financial statements. It also considers external audit reports; audit relationship matters and fees as well as delegated authorities.

Board Meetings

Each year there are a minimum of 6 scheduled meetings of the Board, the Board also meets as required between the scheduled meetings.

Director Induction and Education

Upon appointment to the Board, all new Directors will undergo a tailored induction programme appropriate to their experience to familiarise them with IWK's business and strategy. The programme includes one-on-one meetings with management and visits to facilities managed by the company.

Directors are expected to keep themselves informed of changes and trends in the company's business and in the environment and markets in which the company operates.

All Directors will undertake continuous education so that they may appropriately and effectively perform their duties.

Board Performance Review

The board reviews its own performance and the performance of the General Manager. The process includes one-on-one meetings between the Chairperson and each Director, as well as regular Board discussion on governance and performance issues.

General Manager Performance Review

The Board reviews the performance of the General Manager against their key performance objectives at least once a year.

Controlling and Managing Risk

Health and Safety – The Board oversees company health and safety protection policies and hazard assessments and regularly monitor their performance. The General Manager provides a report and supporting data monthly to the Board to review.

Risk Management - The company will develop a formal risk management framework which identifies the key risks and outlines the appropriate risk management and mitigation

plans. The risk management framework is reported to and reviewed by the Board. Mitigation plans are controlled and administered by Management.

Performance – The Board sets the strategic direction of the company and participates in developing strategic plans, approves budgets and monitors company performance monthly.

Insurance – The Board satisfies itself that adequate insurance cover is in place for the company’s size and risk profile. External advice is received by the Board as appropriate.

| | | | |
|---|--------|--------|--------|
| Liquidity ratio (excl Holiday pay accrual) (baseline Jun 2019) | 1.31 | 1.31 | 1.31 |
| Wages as % of Revenue | 53.38% | 54.00% | 54.00% |
| R & M as a % of Revenue | 6.38% | 6.13% | 6.13% |

6. Performance Targets

Financial Performance Targets

The financial performance targets for the company are as follows, based on status quo (2020/21) contractual relationships with KDC:

| | 2021/22 | 2022/23 | 2023/24 |
|--|-----------|-----------|-----------|
| Revenue - KDC | 1,490,358 | 1,512,000 | 1,512,000 |
| Revenue - Private | 818,141 | 888,000 | 888,000 |
| Net Profit Before Tax - KDC | -41,969 | -42,578 | -42,578 |
| Net Profit Before Tax - Private | 128,206 | 133,200 | 133,200 |
| Return on Equity | 10% | 11% | 10% |
| Equity | 1,021,296 | 1,141,296 | 1,261,296 |
| Fixed Asset turnover | 1.26 | 1.31 | 1.31 |

Operational Performance Targets

In addition to the above financial performance measures, IWK will use the following measures to assess its performance of the 2020/21 financial year:

| Performance Targets | Performance Measure 2019 / 20 |
|----------------------------|---|
| Client Satisfaction | <p>98% of all urgent or callouts, applicable to the contract are responded to within one hour or two hours respectively from the time of the notification to the time that service personnel depart to the site.</p> <p>98% of all non-urgent call outs, applicable to the contract are responded to within 48 hours from the time the notification to the time that service personnel attend site.</p> <p>Service requests received about recycling collections is less than 20 per year.</p> <p>Compliance with KDC contractual requirements, including provision of all information required by KDC to enable assessment of its adopted performance measures in respect of public complaints and responsiveness for the 3 waters and solid waste activities supported by IWK</p> <p>Compliance with and provision of all KPI information as per contracts.</p> <p>Obtaining an unqualified audit opinion</p> |

| | |
|--------------------------------|--|
| Service Performance | <p>Zero abatement notices or infringements issued to KDC for non-compliance with resource consent conditions.</p> <p>The number of complaints received per year being due to a service request not being actioned appropriately is less than 10.</p> |
| Health and Safety | <p>5% reduction in TRIF (Total Recordable Incident Frequency) accident rates</p> <p>LTIFR (LTI per 200,000 hours worked) <6</p> |
| Staff Engagement | Staff engagement score at 4.0 or better |
| Diversion from Landfill | 55% (as per Ministry for Environment methodology) |

7. Accounting Policies

IWK has adopted accounting policies that are consistent with New Zealand International Financial Reporting Standards, generally accepted accounting practice and the policies adopted by the KDC.

The company's current Accounting Policies are attached to this Statement of Intent as Appendix One.

8. Distributions

IWK will consider a dividend to the shareholder, the Enhancement Trust, from residual cash after operating cash flow is applied to necessary capital expenditure, including looming capital expenditure initiatives, finance costs, the

reduction of debt and maintaining reserves sufficient to meet the company's future obligations. IWK recognises that a significant portion of its revenues are susceptible to commodity and foreign exchange price fluctuations. For this reason, the directors consider it prudent for the company to maintain cash reserves and/or borrowing capacity to ensure the company can withstand unfavourable short-term commodity and foreign exchange movements. The dividends payable to the shareholder, the Enhancement Trust, will be determined by the IWK Board after consideration of the company's funding requirements and the requirement to meet the solvency test under the provisions of the Companies Act 1993.

9. Information to be provided to the Shareholder

An annual report will be submitted to the Shareholders and KDC. 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 Shareholder.

Half-yearly reports will also be provided to the Shareholder and KDC. These reports will contain unaudited information and comply with NZ IAS 34.

Annual reports will be produced and will provide

- a comparison of the performance of the IWK with the statement of intent; and

- an explanation of any material variances between that performance and the statement of intent;

The statement of intent will be submitted to the Shareholder and KDC for consultation annually, as required by the Local Government Act 2002. The Directors will include any other information they consider appropriate. Where it is appropriate, revised forecasts will be submitted to the Shareholder and KDC.

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 Shareholder in accordance with the requirements of the Local Government Act 2002.

10. Acquisition and 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 commercial objectives of IWK.

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 and KDC. Any significant investment or acquisition is subject to a post investment review.

Appendix 1

Statement of Accounting Policies

Reporting Entity

The financial statements are of Innovative Waste Kaikoura Limited (“the Company”). Innovative Waste Kaikoura Limited is a company incorporated in New Zealand registered under the Companies Act 1993. Innovative Waste Kaikoura Limited is engaged in the business of operation of Kaikoura resource recovery centre & landfill. The company further secured a three-year contract in July 2020 to provide contractual maintenance services in Kaikoura to the Council for the storm water, wastewater and water supply. The company is wholly owned by Kaikoura Enhancement Trust, a subsidiary of Kaikoura District Council, therefore the company is a council-controlled organisation as defined in section 6 of the Local Government Act 2002. The financial statements of Innovative Waste Kaikoura Limited have been prepared in accordance with the reporting requirements of Section 11 of the Financial Reporting Act 1993.

The objectives of the company are to deliver excellent services, educate the community, be a good employer, be innovative and consider expansion and diversification within the District. Accordingly, the company has designated itself as a public benefit entity for financial reporting purposes.

Measurement Base

The financial statements of Innovative Waste Kaikoura Limited have been prepared on an historical cost basis, except as noted otherwise below. The statements have been prepared on the going concern basis and the accounting policies have been applied consistently throughout the period.

The financial statements have been prepared in accordance with NZ PBE IPSAS Tier 2 RDR accounting standards. They comply with New Zealand generally accepted accounting practices (NZ GAAP). The financial statements are presented in New Zealand dollars and all values are rounded to the nearest dollar. The functional currency of the company is New Zealand dollars.

Significant Accounting Policies

1. Property, Plant & Equipment

The entity has the following classes of Property, Plant & Equipment. Depreciation is calculated using the straight line basis, apart from site development, to allocate their cost over their useful life. The following rates have been used:

| Asset type | 2020 (%) |
|-------------------|------------------|
| Site development | 0.0% |
| Buildings | 2.0% - 22.65% SL |
| Motor vehicles | 6.5% - 13.5% SL |
| Office equipment | 5.0% - 67.0% SL |
| Plant & equipment | 4.0% - 33.0% SL |

All property & equipment is stated at cost less depreciation and impairment, except for land that is not depreciated.

Leased assets are depreciated over the unexpired term of the lease or over the estimated useful life, whichever is shorter.

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

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 company and the cost of the item can be measured reliably.

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 when control over the asset is obtained.

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 surplus or deficit.

Subsequent Costs

Costs incurred subsequent to initial acquisition are capitalised only when 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.

2. Impairment

Assets with a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its 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 company would, if deprived of the asset, replace its remaining future economic benefits or service potential. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of an asset is reduced to its recoverable amount. The total impairment loss is recognised in the surplus or deficit. The reversal of an impairment is recognised in surplus or deficit.

3. Goods and Services Tax

These financial statements have been prepared on a GST exclusive basis with the exception of accounts receivable and accounts payable which are shown inclusive of GST. Where GST is not recoverable as input tax then it is recognised as part of the related asset or expense.

The net GST paid to, or received from the Inland Revenue, 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.

4. Income Tax

Income tax expense in relation to the surplus or deficit for the period comprises current tax 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 rates that have been enacted or substantively enacted by 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 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 calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, using tax rates that have been enacted or substantively enacted by balance date.

Current tax and deferred tax is charged or credited to the surplus or deficit, except when it relates to items charged or credited directly to equity, in which case the tax is dealt with in equity.

5. Leases

Operating Leases

Operating leases are those which all the risks and benefits are substantially retained by the lessor. Operating lease payments are expensed in the periods the amounts are payable.

Lease incentives received are recognised in the surplus or deficit over the lease term as an integral part of the total lease expense.

Finance Leases

A finance lease is a lease that transfers to the lessee substantially all the risks and rewards incidental to ownership of an asset, whether or not title is eventually transferred.

At the commencement of the lease term, the company recognises finance leases as assets and liabilities in the Balance Sheet at the lower of the fair value of the leased item or the present value of the minimum lease payments.

The amount recognised as an asset is depreciated over its useful life. If there is no certainty as to whether the company will obtain ownership at the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

6. Cash and Cash Equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less plus bank overdrafts. Bank overdrafts are shown on the balance sheet as current liabilities within short term borrowings.

7. Work in Progress

Work in progress is stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed

overhead expenditure, the latter being allocated on the basis of normal operating capacity.

8. Financial Assets

Financial assets are initially recognised at fair value on the trade date, which includes transaction costs when the contractual rights or obligations exist. After initial recognition, financial instruments are measured as set out below:

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition they are measured at amortised cost using the effective interest method.

Impairments

The company assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. Impairment losses are recognised in the surplus or deficit. Impairment is established when there is evidence that the company will not be able to collect amounts due according to the original terms.

De-recognition of Financial Instruments

The de-recognition of a financial instrument takes place when the company sells the instrument, or all cash flows attributable to the instrument are passed to an independent third party.

9. Revenue

Revenue is measured at the fair value of consideration received.

Grants

Council, government and non-government grants are recognised as revenue when they become receivable unless there is an obligation to return the funds if conditions of the grant are not met. If there is such an obligation the grants are initially recorded as grants received in advance, and recognised as revenue when conditions of the grant are satisfied.

Other Revenue

Products held for sale are recognised when a product is sold to the customer. Sales are usually in cash or by credit card. The recorded revenue is the gross amount of the sale, including credit card fees payable for the transaction. Such fees are included in gate expenses.

Where a physical asset is donated or vested in the company for nil or nominal consideration the fair value of the asset received is recognised as revenue. Assets vested in the company are recognised as revenue when control over the asset is obtained.

Volunteer services received are not recognised as revenue or expenditure as the company is unable to reliably measure the fair value of the services received.

Interest income is recognised using the effective interest method.

Revenue from a contract to provide services is recognised by reference to stage of completion of the contract at year end balance date.

10. Receivables

Trade and other receivables are recorded at their fair value less any provision for impairment.

A provision for impairment of receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the effective interest method.

11. Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the present value of the expenditure expected using an appropriate discount rate.

12. Employee Entitlements

A liability for holiday pay entitlements is recognised in the balance sheet.

Where the payment is expected to be longer than 12 months of balance date, the liability is recorded at its present value. Where the payment is expected to be less than 12 months, the provision is the amount expected to be paid.

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.

13. Finance Costs

Finance costs are recognised as an expense in the period in which they are incurred.

14. Creditors and Other Payables

Short-term creditors and other payables are recorded at their face value.

15. Borrowings

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

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after balance date.

Borrowings where the company has an unconditional right to defer settlement of the liability for at least 12 months after balance date are classified as non-current liabilities.