



chartered
accountants
limited

EASTERN BAY ENERGY TRUST

CONVERSION TO NZ IFRS IMPLEMENTATION REPORT

**Focus Chartered Accountants Limited
P O Box 302
WHAKATANE
Phone (07) 307 1141
April 2008**

Prepared by Focus Chartered Accountants Limited
April 2008

Eastern Bay Energy Trust Conversion to NZ IFRS

Contents

- 1 Executive summary
- 2 Scope and limitations
 - 2.1 Scope
 - 2.2 Limitations
- 3 First-time adoption of NZ IFRS
 - 3.1 Timeline for transition
 - 3.2 Transition exemptions
 - 3.2.1 Deemed cost exemption on property, plant and equipment
- 4 Identified NZ IFRS issues
 - 4.1 Impairment of non-current assets
 - 4.2 Goodwill
 - 4.2.1 Subsequent measurement of goodwill
 - 4.2.2 Annual impairment assessment
 - 4.3 Investment Properties
 - 4.4 Deferred Taxation
 - 4.5 Financial Instruments
 - 4.5.1 Background
 - 4.5.2 Fair value of investments
 - 4.6 Provisions for long term employee benefits
 - 4.7 Valuation of investment in HEDL in the parent
- 5 Key disclosure issues
 - 5.1 Financial instruments
 - 5.2 Related party disclosures
 - 5.3 Deferred tax
- 6 Additional issues identified
 - 6.1 Share based payments
 - 6.2 Assets held for sale
 - 6.3 Loans with non-commercial terms
 - 6.4 Financial guarantees (insurance) contracts
 - 6.5 Provisions for short-term employee benefits

Glossary

NZ IAS 16 (extract)

Eastern Bay Energy Trust Conversion to NZ IFRS

1 Executive summary

The following report outlines the results of the initial assessment to determine the impact of transitioning to the New Zealand Equivalents to International Financial Reporting Standards ("NZ IFRS") and the additional accounting and disclosure requirements identified as they relate to the Eastern Bay Energy Trust ("EBET") and its subsidiaries.

The key issues and actions identified in the report are as follows:

Section	Issue	Action
Most Impact		
4.1	Impairment testing for non-current assets under NZ IFRS.	Confirm the level at which CGU(s) exist and consider impairment indicators at least annually.
4.2.1	Goodwill is no longer amortised under NZ IFRS	Under NZ IFRS the Trust will discontinue amortisation of goodwill from 1/4/2006 and restate the balance as at 31 March 2007 to reflect this change.
4.2.2	Goodwill must be annually reviewed for impairment under NZ IFRS	The Trust needs to determine an appropriate impairment approach in accordance with NZ IAS 36. The assessment should be approved by the Trust annually.
Medium Impact		
3.2.1	Deemed Cost exemption on property, plant and equipment on transition to NZ IFRS.	The Trust management should determine the appropriate accounting policy plant and equipment on transition to NZ IFRS.
4.4	Deferred tax calculation	The Trust needs to ensure deferred tax is calculated in accordance with NZ IFRS.
4.5.2	Investments should be valued at fair value	EBET management to recognise investments at fair value and record any movements through the income statement.
Least Impact		
4.3	Investment property measurement no longer includes the values less cost to sell and all fair value movements must be taken to the income statement.	The Trust determines treatment of properties and confirms measurement and reporting is in accordance with NZ IAS 40.
4.6	Long term employee benefits	The Trust needs to assess if this provision is material and therefore whether it needs to be recognised.
4.7	Options are available for valuation of listed investments.	That the HEDL Shareholding is recognised and stated at the fair value. In this case this is the share trading price.

Eastern Bay Energy Trust Conversion to NZ IFRS

No Immediate Impact		
5.1	Financial instrument disclosures	That the HEDL Shareholding is recognised and stated as the fair value. In this case this is the share trading price.
5.2	Related party disclosures	EBET, including subsidiaries, continue to identify and report related parties' transactions and interests.
5.3	Deferred tax disclosures	EBET management to ensure that deferred tax calculation separately identifies these components.
6.1	Share based payments	That the EBET management is to be aware of the potential impact of any future share based payments..
6.2	Assets held for sale	That the EBET management to be aware of the potential impact of holding assets for sale.
6.3	Loans with non commercial terms	That the EBET management are to be aware of the potential impact of non-commercial term loans.
6.4	Financial guarantees must be recognised in the financial statements	That the EBET management ensure appropriate documentation of financial guarantees prior to issuing any financial guarantees and to disclose the potential contingent liabilities (if appropriate).
6.5	Short term employee benefits	That the EBET management is to be aware of this change under NZ IFRS and if required, assess the materiality of the entitlement for the year ending 31 March 2007 and 31 March 2008.

2 Scope and Limitations

2.1 Scope

This report outlines the issues arising as a result of the work performed in the accounting phase with the Eastern Bay Energy Trust (EBET or “the Trust”) and its subsidiaries excluding Horizon Energy Distribution Limited (HEDL).

The pro-forma financial statements for EBET for the year ended 31 March 2008 will be prepared once the accounting policies have been discussed and determined.

2.2 Limitations

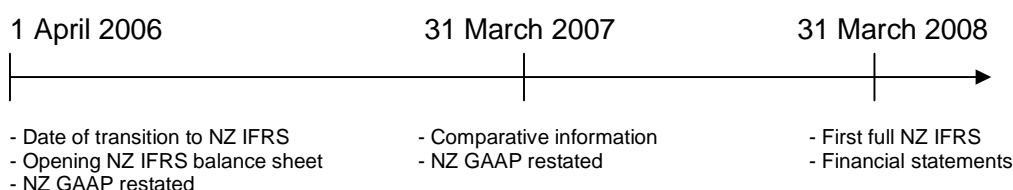
This report has been prepared on the basis of currently applicable NZ IFRS. Any further changes to accounting and financial reporting standards will need to be considered at the time of the proposed changes.

Eastern Bay Energy Trust Conversion to NZ IFRS

3 First-time adoption of NZ IFRS

3.1 Timeline for transition

The Trust as a parent entity and in consolidation reports will present their first set of NZ IFRS compliant financial statements for the year ending 31 March 2008. Based on this the date of transition to NZ IFRS for EBET (and opening NZ IFRS balance sheet date) is 1 April 2006. This timeline is shown graphically as follows



The opening balance sheet adjustments and comparative balance sheet and income statement restatements will be disclosed in the first full set of NZ IFRS financial statements (i.e. as at 31 March 2008) and audited.

3.2 Transition exemptions

Certain exemptions and concessions from NZ IFRS requirements are provided for entities transitioning to NZ IFRS. The only concession applicable to EBET is the following:

3.2.1 Deemed cost exemption on property, plant and equipment

EBET has three options:

- **State all items to original cost (less depreciation)**

This is the current practice for all assets.

- **Revalue any or all fixed assets as the opening balance date (31 March 2006)**

This option does not force EBET to revalue on an ongoing basis. It does however create deferred tax implications and additional administration, and does not reflect the assets fair value in future periods (as the assets value at 31 March 2006 will be frozen, except for depreciation).

- **Adopt a revaluation policy going forward for certain classes**

This results in the carrying values of assets being updated to reflect their fair value. If choosing this policy, fair values shall be made with sufficient regularity to ensure that the carrying value does not differ materially from the fair value at the balance sheet date. For buildings it is expected that an independent valuation would be obtained, refer to NZ IAS 16.35 1 for further details (see appendix).

There will be new deferred tax balances relating to any fair value adjustments of any item except land. It will be very difficult to change the accounting policy at a later date as

Eastern Bay Energy Trust Conversion to NZ IFRS

any change under NZ IFRS must result in more reliable or relevant information to shareholders.

Action:

The Trust management should determine the appropriate accounting policy for plant and equipment on transition to NZ IFRS. If the Trustees decide to fair value, time must be allowed for this process to take place.

Recommendation:

The Trust should adopt a policy of stating Property Plant and Equipment at original cost (less depreciation) for all asset classes, except for the class of property. Property should be stated at fair value. Fair value for property should be based on valuations obtained by a registered independent valuer at least every second year.

The Trust currently has two real estate properties that could fall into the definition of Property, Plant and Equipment. Based on the current interpretation of the reporting standards, it is recommended that the Richardson Street property is classed as Property, Plant and Equipment in the parent reports as this property is for use by the Trust and its group. In DEL Property Investments Limited the property can be classed as Investment Property. The Pohutu Street property would be classified as Investment Property in both the DEL Property Investment Limited financial statements and the consolidated financial statements (see 4.3 below).

Regardless of properties being recorded as Property, Plant and Equipment or Investment Properties, it is recommended that each property is valued on a rotational basis, ie; Pohutu Street revalued for March 2009, Richardson Street revalued for March 2010 and so on.

Furthermore it is recommended that as at the 31st March 2007 that the Trust deems cost price to be fair value considering the short time frame between purchase and the year end. Furthermore it is recommended that as at the 31st March 2008 the Trust deems cost price to be fair value taking into account the development undertaken at Richardson Street and current market conditions.

Eastern Bay Energy Trust Conversion to NZ IFRS

4 Identified NZ IFRS issues

4.1 Impairment of non-current assets

The process for testing assets for impairment is more rigorous under NZ IFRS than under existing NZ GAAP.

Under NZ IFRS, an entity reviews for 'indicators of impairment' and where indicators exist, calculates the recoverable amount. For individual assets the recoverable amount is the higher of the asset's fair value less costs to sell or its value in use. Where it is not possible to estimate the recoverable amount of an individual asset the entity calculates the recoverable amount of the cash generating unit (CGU) to which the asset relates. A CGU is defined as the smallest group of assets that generates cash inflows independently of other asset groups within the business. Determination of CGUs requires significant management judgement and should include consideration of how management monitor the business performance.

For the Trust and the subsidiaries, the non-current assets would include property, plant and equipment and intangible assets. Indicators of impairment for EBET may include:

- Decreasing market values for land and buildings owned.
- Changes to the business which may impact how, and/or to what extent, the assets are being used
- A consistent worsening in the performance or economic outlook for EBET.

Action:

Confirm the level at which CGU(s) exist and consider impairment indicators at least annually.

Recommendation:

The Trust review the list of CGU's at least annually and review the impairment indicators and follow a process to determine if any impairment has occurred.

My assessment of the CGU's are as follows (excluding HEDL):

CGU	Impairment Indicator(s)	Impairment Determination Process
DEL	Investment returns, capital and revenue gains	Benchmark returns against budget targets, industry averages and cashflow requirements.
DEL - CT Lease	Bad debts doubtful and/or ageing debtors	Confirmation that payments are being received in a timely manner

Eastern Bay Energy Trust Conversion to NZ IFRS

CGU	Impairment Indicator(s)	Impairment Determination Process
DEL Property Investments Limited - Pohutu Street	Valuations, occupancy levels	Benchmark returns, both capital and revenue against targets. Confirm payments are being received and made in a timely manner.
DEL Property Investments Limited - Richardson Street	Valuations, occupancy levels	Benchmark returns, both capital and revenue against targets. Confirm payments are being received and made in a timely manner.
Eco Finance Limited	Review of loan portfolio, review of aged debtors	Confirmation that payments are being received in a timely manner. Confirm reliability of the aged debtors reports.
Energy Options Charitable Company Limited	Trading performance	Financial reporting. Benchmark returns against targets, industry averages and cashflow requirements.
Energy Options Limited	Trading performance	Financial reporting. Benchmark returns against targets, industry averages and cashflow requirements.
Parkwood	Trading performance	Financial reporting. Benchmark returns against targets, industry averages and cashflow requirements.

4.2 Goodwill

4.2.1 Subsequent measurement of goodwill

In accordance with NZ IFRS 3 Business Combinations EBET shall measure goodwill acquired in a business combination at cost less any accumulated impairment losses. This calculation must be prepared annually, or more frequently if events or changes in circumstances indicate that it might be impaired.

NZ IAS 36 Impairment of Assets prescribes the basis for measuring impairment losses for all assets, with specific guidance for goodwill, see 4.1 and 4.2.2 for general guidance.

Previously the Trust has amortised goodwill over its assessed useful life.

Recommendation:

Under NZ IFRS the Trust will discontinue amortisation of goodwill from 1/4/2006 and restate the balance as at 31 March 2007 to reflect this change.

Eastern Bay Energy Trust Conversion to NZ IFRS

4.2.2 Annual impairment assessment

As noted above an annual impairment assessment of goodwill is required.

In preparing this assessment management should refer to NZ IAS 36, for specific guidance refer to paragraph 80 to 99. Specific considerations include but are not limited to:

- Allocate goodwill to cash generating units (CGU's)
- Allocate corporate assets to CGU's
- Minority interests held, if any

An impairment loss should be recognised if the recoverable amount of the CGU is less than the carrying amount of the CGU. Paragraphs 24 to 57 specify the basis for calculating the recoverable amount.

An impairment loss recognised against goodwill cannot be reversed in a subsequent period.

Action:

The Trust needs to determine an appropriate impairment approach in accordance with NZ IAS 36. The assessment should be approved by the Trust annually.

Recommendation:

My recommendation to meet the above process for assessing impairment of goodwill is for the following:

The Finance and Investment Committee to meet and review carrying values of goodwill on a minimum of annual basis.

In the meeting immediately following the preparation of the DEL group year financial results, the Finance and Investment Committee are to review the carrying values and discuss if impairment has occurred.

If, in the opinion of the Finance and Investment Committee, there has been impairment of goodwill, the level of impairment is to be based on the following calculation for goodwill:

- *(Multiplier x EBIT*) less current value of assets plus liabilities.*
- *Multiplier is based on the industry, period and specific business.*

** See attached Glossary*

4.3 Investment Properties

NZ IAS 40 Investment Property details what should be recognised as an investment property and how it should be measured.

Eastern Bay Energy Trust Conversion to NZ IFRS

The main change from NZ GAAP is that the valuation of the investment property does not include costs to sell and the gain or loss arising from the fair valuation is recognised in profit or loss for the period in which it arises.

If the investment property was used by the entity itself then this would be classed as owner-occupied and accounted for under NZ IAS 16 Property, Plant and Equipment. If the entity leased the property to a group entity, the entity would account for this under NZ IAS 40 and under NZ IAS 16 in the consolidated group financial statement. (See 3.2.1 above)

Action:

The Trust determines treatment of properties and confirms measurement and reporting is in accordance with NZ IAS 40.

Recommendation:

It is my recommendation that properties are valued by an independent registered valuer at least every two years (see 3.2.1 above)

Furthermore it is recommended that any further properties purchased and intended for investment purposes are recorded as investment properties and revalued in accordance with the above valuation policies.

4.4 Deferred taxation

The deferred tax calculation under NZ IFRS differs from that performed under NZ GAAP. Under NZ IFRS, deferred tax is calculated on all temporary differences arising by comparing the accounting balance sheet under NZ IFRS to the tax balance sheet.

Possible deferred tax implications due to the adoption of NZ IFRS include:

- Temporary differences arising on any building revaluation; and
- Temporary differences arising on any NZ IFRS adjustments.

Action:

The Trust needs to ensure deferred tax is calculated in accordance with NZ IFRS.

Recommendation:

Deferred tax calculations are calculated as required and completed once all other decisions are known and confirmed.

4.5 Financial Instruments

4.5.1 Background

NZ IAS 39 Financial Instruments: Recognition and Measurement requires financial assets and financial liabilities to be classified as one of the following categories on initial recognition:

Eastern Bay Energy Trust Conversion to NZ IFRS

- Trading assets or liabilities,
- Designate at fair value through profit or loss (assets and liabilities),
- Held-to-maturity assets,
- Loans or receivables (assets),
- Available-for-sale assets; or
- Other liabilities.

The classification of financial instruments determines the subsequent accounting treatment under NZ IFRS

Trading assets and liabilities

This category includes financial assets or liabilities held for trading i.e. any financial asset or liability held to generate short-term profits or that is part of a portfolio that are managed together for that purpose.

Designated at fair value

An entity may designate a financial asset or liability at fair value through profit and loss only when it results in more relevant information because it either reduces a measurement or recognition inconsistency or a group of financial assets or liabilities or both is managed on a fair value basis, in accordance with a documented risk management or investment strategy.

Held-to-maturity assets

A held-to-maturity asset is one that has a fixed maturity and fixed or determinable payments and that the entity has the positive intent and ability to hold until maturity.

Loans and receivables (assets)

This category is for non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Available-for-sale

Any financial asset that does not fall into any of the previous categories is classified as available for sale.

Other liabilities

All liabilities not in the “fair value through profit or loss” category are other liabilities.

4.5.2 Fair value of investments

Investments held in Comvita Limited and OPAC Limited are most probably designated at fair value through the profit or loss. EBET currently recognise these investments at cost.

For Comvita Limited this would be calculated based on a ‘bid’ price valuation (e.g. the listed share price).

For OPAC Limited, being an unlisted equity investment there is a hierarchical approach which considers market based information to be the most appropriate method to determine fair value. A trustee’s valuation may be assessed as appropriate. If there is no reliable measure for these instruments they should be stated at cost and subject to impairment testing.

Eastern Bay Energy Trust Conversion to NZ IFRS

Action:

EBET management to recognise investments at fair value and record any movements through the income statement.

Recommendation:

Comvita shareholding is measured as per the listed share price.

OPAC and OTK Orchards Limited shareholdings are measured as follows:

- *Benchmarked or with reference to active market transactions. If there is no active market then;*
- *Apply a valuation method that the Trustees consider appropriate (such as Discounted Cash flows), if no such method is considered appropriate then;*
- *Use cost price.*

For the 2007 and 2008 financial statements the material benefits of completing a valuation of shareholdings in OPAC and OTK Orchards Limited are outweighed by the costs, therefore I recommend using cost price for stating the shareholding in OPAC and OTK Orchards Limited.

4.6 Provisions for long term employee benefits

Employees may be entitled to long service leave. NZ IFRS requires an entity to measure the expected cost of such a benefit from the date an employee commences employment. Measurement of this obligation would use an actuarial method and would reflect the probability of an employee completing the required number of year's service. The amount needs to be discounted before arriving at the provision.

Action:

The Trust needs to assess if this provision is material and therefore would need to be recognised.

Recommendation:

That as no EBET employees are currently entitled to long service leave, no provision be recognised

4.7 Valuation of investment in HEDL in the parent

Under NZ GAAP the investment has been valued at cost. NZ IAS 27 Consolidated and separate financial statements para 37, states that investments in subsidiaries in the parents financial statements should be accounted for either at cost or in accordance with NZ IAS 39. The latter would be at fair value.

Eastern Bay Energy Trust Conversion to NZ IFRS

Recommendation:

That the HEDL Shareholding is recognised and stated as the fair value. In this case this is the share trading price.

5 Key disclosure issues

Note the following are for entities applying full reporting, differential reporting exemptions will be applied to the appropriate entities individual financial statements.

5.1 Financial instruments

NZ IFRS 7 Financial Instruments: Disclosures, specifies the disclosure requirements for financial instruments. These will be included in the pro-forma financial statements that we prepare, but as an indication the following is required:

- The 'class' (see 4.5) for each financial asset and liability (including cash, accounts receivables etc) must be disclosed, along with the carrying amount and fair value, for those that are not recognised at fair value. Note that there may be a difference in the value of related party loans that are not at market floating rates.
- Qualitative information is required on the nature of the financial risks the Trust has. This requires management to assess which risks are relevant.
- Quantitative data for credit risk — i.e. past due receivables must be disclosed, details of any impairment provisions for accounts receivable (and any other credit risk) must also be disclosed.
- Quantitative data for liquidity risk — i.e. loans, payables, bank overdraft, a summary of contractual cash flows is required in this instance.
- Sensitivity analysis must be completed for market risks, such as equity price risk. For example the impact on the financial statements of a percentage movement in Comvita's share price or a percentage movement in interest rates.

NZ IAS 1 Presentation of financial statements requires disclosure of capital management, such the entities objectives, policies and processes for managing capital.

Recommendation:

The trust identifies and classifies all financial instruments, identifies financial risk and ensures data is collated for these disclosures.

5.2 Related party disclosures

Under NZ IFRS the definition of a related party is wider and more clearly defined. For example, the standard requires disclosure for all transactions that relate to key management personnel. The definition of a related party also includes immediate family members of key management personnel.

It is recommended that key personnel make an annual declaration to the board of any related party transactions that have occurred during the financial year commencing from 1 April 2006.

Eastern Bay Energy Trust Conversion to NZ IFRS

Action:

EBET, including subsidiaries, continue to identify and report related parties' transactions and interests.

Recommendation:

That the interests register is made available for audit purposes and the interests register is extended to include other key personnel within the EBET group.

5.3 Deferred tax

NZ IAS 12 Income taxes requires that deferred tax assets and liabilities be disclosed by item, such as property, plant and equipment, intangible assets, investment property, derivatives, employee benefits. Also the annual movement in these items must be disclosed separately.

Currently EBET (excluding HEDL) has no deferred tax though under NZ IFRS there may be deferred tax (refer 4.4)

Action:

EBET management to ensure that deferred tax calculation separately identifies these components.

Recommendation:

As per 4.4 above.

6 Additional issues identified

6.1 Share based payments

Share-based payments cover transactions to be settled:

- by shares, share options or other equity instruments (granted to employees or other parties);
- or
- in cash or other assets (cash-settled transactions) when the amount payable is based on the price of the entity's shares.

Equity-settled share-based payment transactions must be measured by reference to the fair value of equity instruments granted. All share-based payments recognised as an expense must be spread over the vesting period when services are being rendered.

We understand that since 1 April 2006 there has been no share based payments. If the board were to introduce share based payments, for example, employees were paid a bonus based on the share price of HEDL, this standard would need to be applied.

Recommendation:

That the EBET management is to be aware of the potential impact of any future share based payments.

6.2 Assets held for sale

EBET does not currently have assets held for sale. If there were, depreciation would need to be frozen, the assets classified as current and recorded at the lower of carrying value or net sale price.

Recommendation:

That the EBET management to be aware of the potential impact of holding assets for sale.

6.3 Loans with non-commercial terms

EBET does not currently have any loans (receivable or payable) with non-commercial terms. An example of a loan with non-commercial terms is an interest free loan to or from a related party.

The terms of the loan may impact on how the loan is accounted for. Loans with defined long- term payment terms and non-market interest rates may result in a portion of the fair value being recognised as an equity contribution by the issuer (i.e. for loans to subsidiaries).

Loans that are repayable on demand are recorded similarly to NZ GAAP.

Eastern Bay Energy Trust Conversion to NZ IFRS

Recommendation:

That the EBET management are to be aware of the potential impact of non-commercial term loans.

6.4 Financial guarantees (insurance) contracts

Financial guarantees include intra-group guarantees, for example where EBET guarantees a loan to a third party on behalf of a subsidiary.

These contracts are accounted for either under NZ IFRS 4 Insurance Contracts or NZ IAS 37 Provisions, Contingent Liabilities and Contingent Assets. The latter is more onerous.

Under NZ IFRS 4, a liability is recognised if it is probable that the company will be required to make a payment under the guarantee.

In order to be able to adopt NZ IFRS 4 the Trust should have included in its 2007 NZ GAAP financial statements an explicit statement that financial guarantee contracts are considered to be insurance agreements, and that the Trust accounts for them as such

Recommendation:

That the EBET management ensure appropriate documentation of financial guarantees prior to issuing any financial guarantees and to disclose the potential contingent liabilities (if appropriate).

6.5 Provisions for short-term employee benefits

Employees of EBET are entitled to paid sick leave days each year. If unused sick leave can be carried forward and accumulated to a certain level. Employees are not entitled to a cash payment for unused entitlement if they leave.

Under NZ IFRS sick leave is required to be recognised as a liability only to the extent that it expects employees to take more days as sick leave than accrued to them during that year (i.e. recognise value of expected sick leave over and above the allowed annual days entitlement per person). It is unlikely that this would be material, EBET should assess if they believe to be material.

Recommendation:

That the EBET management is to be aware of this change under NZ IFRS and if required, assess the materiality of the entitlement for the year ending 31 March 2007 and 31 March 2008. Based on the information currently held, it is my recommendation that this provision is not recognised as the entitlement is not material.

GLOSSARY

NZ IFRS:

New Zealand International Financial Reporting Standard.

This is the New Zealand reporting standard that is equivalent to the corresponding international financial reporting accounting standard.

GAAP

Generally Accepted Accounting Practice.

The "old" system of reporting. GAAP is being superseded by NZ IFRS.

NZ IAS

New Zealand International Accounting Standard

This is the New Zealand standard that is equivalent to the corresponding international accounting standard.

CGU

Cash Generating Unit.

A CGU is defined as the smallest group of assets that generates cash inflows independently of other asset groups within the business.

IFRS

International Financial Reporting Standard

EBIT

Earnings before interest payments and tax.

This is an indicator of a company's underlying profitability. It is calculated as: revenue less expenses, excluding tax and interest. In other words, EBIT is all profits before taking into account interest payments and income taxes. It is sometimes also referred to as 'operating earnings', 'operating profit' and 'operating income'.

EBIT is often used to compare the profitability of different companies. That is because it removes the effects on profit of the different capital structures and tax rates used by different companies. By excluding both taxes and interest expenses, EBIT hones in on a company's ability to earn profits.

PPE

Property, Plant and Equipment.

This is the depreciable assets of an entity and will usually consist of owner occupied buildings, tools, office equipment, computers, vehicles, assets held for use and not held for trading.

- (b) eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset. This method is often used for buildings.

The amount of the adjustment arising on the restatement or elimination of accumulated depreciation forms part of the increase or decrease in carrying amount that is accounted for in accordance with paragraphs 39 and 40.

<p>All Entities</p> <p>NZ 35.1 Subject to paragraph NZ 35.3 valuations shall be conducted either:</p> <ul style="list-style-type: none"> (a) by an independent valuer; or (b) where an entity employs a person sufficiently experienced to conduct a valuation, by that person, so long as the valuation has been subject to review by an independent valuer. <p>NZ 35.2 The fair value of property, plant and equipment is determined or reviewed by an independent valuer who holds a recognised and relevant professional qualification and who has recent experience in the location and category of the property, plant and equipment being valued.</p> <p>NZ 35.3 For plant and equipment, where there is an active market or readily available price indices that establish the item's fair value with reasonable reliability, the valuation need not be conducted or reviewed by an independent valuer or experienced employee.</p>
--

- 36 If an item of property, plant and equipment is revalued, the entire class of property, plant and equipment to which that asset belongs shall be revalued.**
- 37 A class of property, plant and equipment is a grouping of assets of a similar nature and use in an entity's operations. The following are examples of separate classes:
 - (a) land;
 - (b) land and buildings;
 - (c) machinery;
 - (d) ships;
 - (e) aircraft;
 - (f) motor vehicles;
 - (g) furniture and fixtures; and
 - (h) office equipment.