

FIXED ASSETS AND INTANGIBLES

7.1 FIXED ASSET POLICY

7.1.1 Purpose and Scope

This policy sets out the definition, requirements and criteria for the recognition of a Fixed Asset.

Where a specific EQL Group 'Fixed Asset' policy exists, that policy takes precedence over this conceptual policy.

These guidelines do not apply to:

- Property, plant and equipment classified as held for sale in accordance with the EQL Group accounting policy for non-current assets held for sale and discontinued operations;
- Biological assets relating to agricultural activity;
- Exploration and evaluation assets;
- Mineral rights and mineral reserves such as oil, natural gas and similar non-regenerative resources.

7.1.2 Applicable Australian Accounting Standards and Other pronouncements

- AASB 116 *Property, plant and equipment*
- AASB 138 *Intangible assets*

7.1.3 Definitions

An **Asset** is an item, tangible or intangible, of continuing value:

- Owned or controlled by the entity as a result of past events; and
- From which future economic benefits are expected to flow to the entity.

An asset is **available for use** when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Carrying Amount is the amount at which an asset is recognised after deducting any accumulated depreciation and accumulated impairment losses.

A **Complex Asset** is a physical asset capable of disaggregation into separate and identifiable significant components.

Condition-based depreciation is a method of depreciation under which the condition of an asset is assessed periodically. The cost of restoring the asset from its current condition to a predetermined service level is then estimated and any increase recognised as a depreciation expense.

Constructed Asset: The broad definition of a constructed asset is that it involves the creation of an asset through the expenditure of labour, contractor's labour and materials and directly attributable overheads. An item of property, plant and equipment acquired without any of these attributes by default is defined as a purchased asset (see further below).

Cost is the amount of cash or cash equivalents paid or the fair value of other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Australian Accounting Standards.

The **Depreciable Amount** is the cost of an asset, or other amount substituted for cost, less its residual amount.

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life.

Development refers to the application of research findings or other knowledge to a plan or design for the production of new or substantially improved materials, devices, products, processes, systems or services before the start of commercial production or use.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

An **Impairment loss** is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An **intangible asset** is an identifiable non-monetary asset without physical substance.

Non-regulated assets include property plant and equipment that is not used to provide a service regulated by the Australian Energy Regulator (AER). These include isolated generation and distribution systems used to provide electricity services to remote communities, North-west minerals province assets, and assets providing services to Hayman Island.

Property, plant and equipment are tangible items that:

- a) are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and
- b) are expected to be used during more than one period.

A **purchased asset** is defined as an asset acquired which does not involve expenditure on EQL Group labour and/or contractor's labour and materials. A purchased asset has an individual cost of \$1,000 or more.

The **recoverable amount** is the higher of an asset's fair value less costs to sell and its value in use.

Refurbishment refers to extensive work required to bring a unit of plant up to current acceptable functional conditions. Refurbishment can be of an operating or capital nature. Capital refurbishment occurs when the work is expected to increase the life of the asset past its original design life, or otherwise uprate the asset. All other refurbishment is operating.

Regulated assets are those assets connected with the provision of services delivered by the national electricity grid and regulated by the Australian Energy Regulator such as those that support Standard Control Services and Alternative Control Services. This includes regulated electricity supply system and other regulated plant and equipment.

Research refers to original and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding.

An asset's **residual value** is the estimated amount that an entity would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

Significant is considered to be anything 10% or greater compared to the total replacement cost of the asset. A value within the range of 5 – 10% remains a matter of judgement to be considered in consultation with the Asset Accounting Manager.

Useful life is the:

- period over which an asset is expected to be available for use by an entity; or
- The number of production or similar units expected to be obtained from the asset by an entity.

7.1.4 Recognition Principles

The cost of an item of property, plant and equipment shall be recognised as an asset if:

- It is probable that a future economic benefit associated with the item will flow to the Group;
- The cost of the item can be measured reliably;
- Item is intended for productive use over a period greater than 12 months;
- Cost is equal to or greater than \$1,000 (GST exclusive); and
- Item is not consumed or sold in the short term or as part of normal business operations.

7.1.5 Constructed versus purchased assets

A distinction is made between purchased assets and constructed assets given the difference in identifying the point of recognition.

The following table shows the major categories of assets and how they are classed. This classification is indicative only as some assets may be either purchased or constructed e.g. furniture, fixtures and fittings can be a constructed asset for an office fitout or a purchased asset if buying a desk.

Asset Category	Recommended Type
Passenger Vehicles with EQL Group modifications	Constructed
Heavy Vehicles and Mobile Plant that include EQL Group modifications	Constructed
Pooled Assets less than \$5,000	Purchased
Supply System Assets	Constructed
Land and Easements that include EQL Group modifications	Constructed
Commercial Properties that include EQL Group modifications	Constructed
Fixed and Mobile Radio Equipment	Purchased
LV Contestable Metering	Constructed
Tools and Plant	Purchased
Office Machines and Equipment	Purchased
Furniture and Fittings	Purchased
Mainframe Computers specifically constructed for EQL Group	Constructed
Desktop and Peripherals	Purchased

Asset Category	Recommended Type
Corporate Servers	Purchased
Data Comms and Data Network Infrastructure	Purchased
Laptops	Purchased

7.1.6 Research and development phase

The EQL Group must distinguish between the research phase and the development phase of a capital project. This distinction is fundamental to the application of this policy as costs attributable to the research phase are expensed when incurred and therefore excluded from the value of the asset, whereas costs within the development phase are generally considered capital in nature.

The key distinction between a research phase and the development phase is the point that you have an identifiable asset. During the research phase, an entity cannot specifically identify the asset in question. In the case of the EQL Group, it may be that the transition from the research phase to the development phase is identified as the point that the project is formally approved by the appropriate approval committee. This is often the point that the specific asset can be identified and is often the stage that a project moves into a development phase.

Examples of research phases include;

- activities aimed at obtaining new knowledge;
- the search for, evaluation and final selection of, applications of research findings or other knowledge;
- the search for alternatives for materials, devices, products, processes, systems or services; and
- the formulation, design, evaluation and final selection of possible alternatives for new or improved materials, devices, products, processes, systems or services.

Once an entity moves from the research phase into the development phase, it is useful to review the project to ensure that:

- The completion of the asset is technically feasible so that it will be available for use or sale;
- It intends to complete the asset and to use or sell it;
- It is able to use or sell the asset;
- The asset will generate probable future economic benefits. Among other things, the Group must demonstrate the existence of a market for the output of the asset or the asset itself or, if it is to be used internally, the usefulness of the asset;
- There are adequate technical, financial and other resources available to complete the development and to use or sell the asset;
- It can measure reliably the expenditure attributable to the asset during its development.

Examples of development phases include;

- the design, construction and testing of pre-production or pre-use prototypes and models;
- the design of tools, jigs, moulds and dies involving new technology;

- the design, construction and operation of a pilot plant that is not of a scale economically feasible for commercial production; and
- the design, construction and testing of a chosen alternative for new or improved materials, devices, products, processes, systems or services.

Where it is not possible to distinguish the *research* phase from the *development* phase, the expenditure on that project shall be treated as if it were incurred in the research phase only.

7.1.7 Verification of fixed assets

Asset Custodians, in conjunction with the Fixed Assets team, are to verify and certify the existence of fixed assets under their responsibility. During the verification process, they are to ensure each asset:

- Conforms with the recorded description; and
- Is identifiable as EQL Group property.

Where an asset is not found or an additional asset is located, an investigation is to be conducted and a recommendation submitted to the Asset Accounting Manager to decrease or increase the general ledger control accounts accordingly.

Any action to dispose of assets is to be approved by an officer with the appropriate financial authority (refer [P013 Governance and Delegations policy](#)). Assets that have been disposed of are to be retired and removed from the Fixed Assets Register

7.1.8 Asset Transfers within the EQL Group

Where material, an asset transfer is to be treated as a sale/disposal and an acquisition. If not considered material, the asset's written down value is treated as the sale price for a transfer between the entities.

For material transfers, the transfer price should be equal to the amount for which the asset would be exchanged between knowledgeable, willing parties in an arm's length transaction (being its fair value). This price must be determined with support from independent market data or advisory support. Both legal entities must agree with the valuation and a review by the Asset Accounting Manager is required.

Any asset transfers between legal entities within the EQL Group must be notified to the EQL Tax team for tax and stamp duty considerations.

7.2 MEASUREMENT UPON INITIAL RECOGNITION

7.2.1 Elements of cost

The EQL Group shall measure at cost any item of property, plant and equipment that qualifies for recognition as an asset.

The cost of an item of property, plant and equipment comprises:

- Its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates;
- Any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management;
- The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which the entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

Recognition of costs ceases when it is in the location and condition necessary for it to operate in the manner intended by management. Therefore, costs incurred in using the item or redeploying it should be expensed.

7.2.2 Constructed Assets – Directly attributable costs

The cost of assets constructed by the EQL Group include:

- The cost of construction materials used;
- Direct labour and contractors' costs;
- Costs of employee benefits arising from the construction of the item;
- An allocation of directly attributable overhead;
- Professional fees such as legal costs, architect's fees and engineering costs specific to the construction of a specific asset. Although, costs of alternative designs that are subsequently rejected should be expensed; and
- Borrowing costs directly attributable to the construction of assets.

Capital costs contribute to the operations over a greater period of time and result in a future economic benefit; therefore they are carried forward in the Balance Sheet (and depreciated over the useful life).

7.2.3 Purchased assets - Directly attributable costs

The directly attributable costs of purchased assets include:

- Costs of employee benefits arising from the acquisition of the item;
- Initial delivery and handling costs;
- Installation and assembly costs;
- Costs of testing whether the asset is functioning properly, after deducting the net proceeds from selling any items produced while testing; and
- Professional fees such as legal costs, architect's fees and engineering costs specific to the purchase of a specific asset. Costs of alternative designs that are subsequently rejected should be expensed.

Note that the above list is for example only and is not exhaustive.

7.2.4 Purchased asset at no cost

Where an asset is acquired at no cost, or for a nominal cost, the cost is its fair value at the date of acquisition, plus incidental costs directly attributable to the acquisition, and an estimate of the costs of dismantling and removing the asset and restoring the site.

7.2.5 Costs that are not directly attributable

The following are examples of costs that are not directly attributable to an item of property, plant and equipment:

- Business case preparation (except for network related projects);
- The costs of opening a new facility;
- The costs of introducing a new product or service including the costs of marketing;
- The costs of conducting business in a new location or with a new class of customer (including staff training);

- The cost of abnormal amounts of wasted materials, labour or other resources incurred in self-constructing an asset.
- Administration and other general overhead costs that are not directly attributable to bringing an asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Note that the above list is for example only and is not exhaustive.

7.2.6 Dismantling, Restoration, decommissioning and similar provisions

Upon initial recognition, an estimate of dismantling and restoration costs must be included in the cost of the assets where it is probable that these costs will be incurred, and a reliable estimate can be made.

The liability is to be measured at its present value, discounted using a pre-tax rate reflective of the risks specific to the provision (pre-tax WACC for Districts) (refer section [7.6 Sale, Disposal or Dismantling of an Asset](#)).

Alternatively, the future cash flows may be adjusted to reflect the risk and then these are to be discounted using a risk-free interest rate (such as a Government bond with a similar maturity to the obligation).

The provision for dismantling and restoration must meet the definition and recognition criteria in accordance with section [8.4 Other Provisions](#).

Electricity distribution assets do not recognise an estimate of dismantling and restoration costs in the cost of the associated assets as the distribution network is deemed to be long-lived and any resulting provision is not considered material.

Changes in the decommissioning liability (being estimated dismantling, restoration and removal costs) may result from revised estimates of anticipated future cash flows, revisions in discount rates, and changes in the timing of site restoration.

Changes in the measurement of an existing liability that result from changes in the estimated timing or amount of the liability, or a change in the discount rate, shall be accounted for as follows:

1) Asset measured at cost

If the related asset is measured using the cost model, changes in the liability shall be added to, or deducted from, the cost of the related asset in the current period.

The amount deducted from the cost of the asset shall not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess shall be recognised immediately in profit or loss.

If the adjustment results in an addition to the cost of an asset, the EQL Group shall consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the EQL Group shall test the asset for impairment by estimating its recoverable amount and shall account for any impairment loss in accordance with the Group's accounting policy for impairment.

2) Asset measured at fair value

If the related asset is measured using the revaluation model, changes in the liability shall be recognised as follows:

- A decrease in the liability shall be credited directly to the revaluation reserve in equity, except that it shall be recognised in profit or loss to the extent that it reverses a revaluation decrease on the asset that was previously recognised in profit or loss; or

- An increase in the liability shall be recognised in profit or loss, except that it shall be debited directly to the revaluation reserve in equity to the extent of a credit balance existing in the revaluation reserve in respect of that asset.

In the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess shall be recognised immediately in profit or loss.

A change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at reporting date. If a revaluation is necessary, all assets in that class shall be revalued.

7.2.7 Transfer of reserve through retained earnings

The EQL Group may transfer the revaluation reserve relating to an item of property, plant and equipment directly to retained earnings when the asset is derecognised. This may involve transferring the whole of the surplus when the asset is retired or disposed of.

Conversely, some of the surplus may be transferred as the asset is used by an entity. In such a case, the amount of the surplus transferred would be the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost. It is important to note that in no circumstances are transfers from revaluation reserve to retained earnings recognised in the profit or loss.

7.2.8 Transferring WIP to Property, Plant and Equipment

The criteria for transferring capital work in progress as being ready to capitalise is that the item under construction must meet the definition as an asset and is classified as work in progress. Once the in-service date has been input into Ellipse, work in progress is transferred to property, plant and equipment and depreciation commences when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

7.3 MEASUREMENT AFTER INITIAL RECOGNITION

7.3.1 Assets classified as regulated assets

The revaluation model is the measurement basis applied to all regulated assets after initial recognition. The following table details the classifications of property, plant and equipment as disclosed in the EQL Group's annual financial statements and examples of the regulated asset types included in these categories.

Classification in Group financial statements	Asset types (example only)	Measurement basis
Supply system assets	Grid connected distribution, sub-transmission and substation assets, and generators embedded within the distribution grid	Revaluation model
Land	Land associated with the distribution of electricity by the grid e.g. substation land, depot land, regional office land.	Revaluation model
Buildings	Buildings associated with the distribution of electricity by the grid such as substation buildings, depots and regional offices.	Revaluation model

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Other property, plant and equipment	Computers, tools, vehicles, furniture where their use is predominately to support the electricity distribution grid.	Cost model
Work in progress	Assets under construction that when completed will predominantly be used to earn regulated income, such as grid connected distribution lines or motor vehicles to be used to maintain or construct grid connected distribution lines.	Cost model

7.3.2 Assets classified as non-regulated assets

The following table details the classifications of property, plant and equipment as disclosed in the Group's annual financial statements, examples of the non-regulated asset types included in these categories and the measurement basis that applies after initial recognition.

Classification in Group financial statements	Asset types (example only)	Measurement basis
Supply system assets	North West Minerals Province Assets Co-generation assets	Revaluation model
Power station assets	Isolated power stations such as those in the Torres Strait	Revaluation model
Land	Land not associated with the distribution of electricity by the grid. This includes land at isolated power stations.	Revaluation model
Buildings	Buildings not associated with the distribution of electricity by the grid. This includes buildings at isolated power stations.	Revaluation model
Other property, plant and equipment	Computers, tools, vehicles, furniture where the use is not to support distribution grid.	Cost model
Work in progress	Assets under construction that when completed will not be used to earn regulated income e.g. assets connected with the retailing of electricity.	Cost model

Note: For the purposes of this policy, 'regulated' means regulated by the Australian Energy Regulator (AER). Assets whose return on assets is governed by Queensland Treasury have been referred to as 'Non-regulated' in light of the above definition.

The following provides further guidance on the respective measurement methodologies.

7.3.3 Measurement basis of regulated assets after initial recognition

The regulated assets comprise distribution systems, embedded generation and associated land, buildings and other property, plant and equipment connected with the provision of services using the national electricity grid. The regulated assets represent one single complex asset capable of disaggregation into separate and identifiable significant components which are recognised and depreciated separately in the fixed asset register. These comprise various major plant items including substations, underground cables and overhead lines, transformers and other electrical distribution equipment, to enable the transport of electricity to homes and businesses throughout regional Queensland.

The future cash flows for the regulated assets are wholly dependent on the AER's asset valuation model. They are of a specialised nature, are rarely sold, and operate within a regulated environment with no expectation that the assets will cease to be subject to regulation. In addition, the design and construction of these assets requires specialist expertise.

As the separate components are incapable of individually generating income to earn future economic benefits, regulated assets are accounted for as a single asset for the purposes of revaluation.

On the basis that regulated assets represent a single complex asset:

- Revaluation increments shall be credited directly to the asset revaluation reserve, except that, to the extent that an increment reverses a revaluation decrement for regulated assets previously recognised as an expense in net profit or loss, the increment is recognised immediately as revenue in net profit or loss.
- Revaluation decrements are recognised immediately as expenses in net profit or loss, except that, to the extent that a credit balance for regulated assets exists in the asset revaluation reserve they are debited directly to the asset revaluation reserve.
- Revaluation increments and decrements for regulated assets recognised directly in equity shall be reported in the Statement of Comprehensive Income.

Accumulated *depreciation* shall be restated proportionately with the change in the *gross carrying amount* of the *asset* so that the *carrying amount* of the *asset* after revaluation equals its revalued amount.

7.3.4 Measurement basis of non-regulated power station assets after initial recognition

Non-regulated power-station assets comprise isolated generation and distribution systems and associated land, buildings and other property plant and equipment. These assets provide electricity to communities throughout western Queensland, the Gulf of Carpentaria, Cape York, on various Torres Strait Islands, and on Palm and Mornington Islands, all of which are too remote for connection to the national electricity grid.

These assets are of a specialised nature and the provision of isolated electricity services is a legislative requirement. The separate components are incapable of individually generating income to earn future economic benefits as the future cash flows for the non-regulated assets are derived and managed with reference to the total carrying value. These non-regulated assets are accounted for as a single asset for the purposes of revaluation.

- Revaluation increments shall be credited directly to the *asset* revaluation reserve, except that, to the extent that an increment reverses a revaluation decrement for non-regulated power station assets previously recognised as an expense in net profit or loss, the increment is recognised immediately as revenue in net profit or loss.
- Revaluation decrements are recognised immediately as expenses in net profit or loss, except that, to the extent that a credit balance for non-regulated power station assets exists in the *asset* revaluation reserve they are debited directly to the *asset* revaluation reserve.

- Revaluation increments and decrements for non-regulated power station assets recognised directly in equity shall be reported in the Statement of Comprehensive Income.

7.3.5 Measurement basis of other property, plant and equipment and work in progress after initial recognition

The Group shall state all other property, plant and equipment and work in progress, not covered by sections 7.3.3 and 7.3.4, at historical cost less accumulated depreciation and accumulated impairment losses.

7.3.6 Cancelled Projects

On cancellation of projects, all direct costs incurred on those projects will be specifically reviewed, and:

- Costs that can be attributed to and used in other projects will be re-allocated to those capital projects;
- Items of inventory or equipment will be returned to the stores where they will be subject to normal procedures to review them for obsolescence;
- Remaining costs will be assessed individually to consider whether such costs are directly attributable to the supply system. Where costs are incurred on components that will be used and which can function as an integral part of the supply system, those costs will be capitalised as part of the supply system. Examples of such costs would include access tracks or other infrastructure that will be utilised by the EQL Group; and
- Remaining costs that cannot be considered to be directly attributable to the supply system will be processed as a direct expense and excluded from the overhead pool to ensure none of these costs are capitalised as part of the supply system.

7.4 CAPITAL VS OPERATING EXPENDITURE

Costs incurred in relation to an asset after the initial acquisition and measurement can be capitalised provided there is an enhancement of economic benefits to the asset in excess of the previously assessed standard of performance. If it is probable there will be no enhancement of economic benefits, the additional costs must be expensed in the financial year in which they are incurred.

7.4.1 Improvements and alterations

Costs relating to a significant improvement to an asset should be capitalised only if the asset as a result of the alteration:

- Performs an additional function;
- Has increased capacity, capability or reliability; or
- Operates more efficiently.

Alterations and improvements to assets that are not significant and do not meet the above criteria shall be expensed.

7.4.2 Replacements

Costs for the replacement of components of an asset (e.g. work undertaken under a refurbishment project) should be capitalised if the work:

- Significantly extends the assets useful life beyond the original expected useful life, and/or
- Replacements to components of plant where those parts are significant in relation to the whole unit of plant and are expected to be used for more than one year. In such instances, the original components

are required to be retired from the fixed assets register (even if the replaced part had not previously been depreciated separately).

The replacement of small components (which are insignificant to the whole unit of plant) to maintain the asset and do not significantly extend the original useful life should be expensed.

7.4.3 Spare Parts

Spare parts and servicing equipment are usually carried as inventory and recognised in profit or loss as consumed. However, major spare parts and stand-by equipment qualify as property, plant and equipment when the Group expects to use them during more than one period. Similarly, if the spare parts and servicing equipment can be used only in connection with a specific item of property, plant and equipment, they are accounted for as property, plant and equipment. When the original part is replaced with a spare part, the original components are required to be retired from the fixed assets register (even if the replaced part had not previously been depreciated separately).

7.4.4 Repairs of a capital nature

If repairs performed improve the asset beyond its original condition, it could be capital expenditure in certain cases. The following expenditure on repair items might be considered capital expenditure:

- Initial repairs required at acquisition of a unit of plant or performed before the unit is put in service;
- Major planned maintenance resulting in an extension to the original expected useful life of the asset; and/or
- Statutory repairs performed to comply with a law or rule from which benefits arise because it enables the Group to derive future economic benefits from related assets in excess of what could be derived had it not been repaired.

7.4.5 Repairs and maintenance

Repairs performed to maintain an asset in operating condition or to bring an asset back to its original condition are considered an expense.

Examples of operating and maintenance expenses are:

- Painting,
- Cleaning,
- Servicing/adjusting,
- Replacing minor parts.

Generally the intention at the outset will determine whether expenditures are capitalised or expensed. If the intention is to up-rate the capacity or useful life of the asset, then the expenditure is capital. However, if there is an unintentional improvement simply because similar materials are not available, or current work practices dictate that different materials be used, then the expenditure shall be expensed.

7.5 DEPRECIATION

A fixed asset purchased, acquired or constructed and brought into service shall be depreciated from when the asset is first put into use or held ready for use.

Where it is considered the pattern of use of the asset's service potential will remain constant from one year to the next, the straight-line method of depreciation is to be used. Where an asset can be expected to yield more service in the earlier years of service rather than later years, the diminishing value method can be used. Where

expected usage is based on output, the units of production method can be used. In most cases, the EQL Group uses the straight-line method of depreciation.

The depreciation method applied shall be reviewed at least at the end of each annual reporting period to ascertain if any change in the method is required due to significant changes in the pattern of use.

7.5.1 Useful Life

The EQL Group is required to depreciate its depreciable assets on a systematic basis that best reflects the use of the asset over its useful life. Depreciation is charged from the date the asset is transferred from capital work in progress ('date in service') or is brought into commercial operation. The useful life of an asset is determined with consideration to expected usage based on the asset's capacity and expected physical wear and tear, expected technical or commercial obsolescence and legal or other limits on usage.

Useful lives shall be reviewed on an annual basis to ensure they are current at the end of the reporting period. A change in the useful life of an asset shall be made prospectively from the date of the approved change and shall be reflected in the financial year of the change.

7.5.2 Buildings

For the purpose of determining the depreciable amount for buildings, the historical cost, or other revalued amount substituted for historical cost, of freehold land and buildings must be apportioned between the land and building(s) erected on the land.

7.5.3 Leasehold Improvements

The depreciable amount of improvements to or on a leasehold property must be progressively allocated over the unexpired period of the lease or the useful lives of the improvements, whichever is the shorter.

7.5.4 Additions to an existing asset

The depreciable amount of any addition or extension to an existing depreciable asset (other than supply system assets) that becomes an integral part of that asset must be allocated over the remaining useful life of that asset at the time the addition or extension is made. Where that asset is a supply system asset, the addition or extension must be allocated over the total useful life of that asset at the time the addition or extension is made.

7.5.5 Depreciation Rates

Depreciation on depreciable assets is calculated using useful lives/rates as per the Corporate and Tax Book rates available from the Asset Accounting team.

7.5.6 Disclosure Requirements

Depreciation expense must be recognised in the profit or loss unless it is included in the carrying amount of another asset, e.g. where the depreciation on plant and equipment has been included in the costs of conversion of inventories.

Accumulated depreciation must be presented in the Balance Sheet as a deduction from the asset or class to which it relates.

The following information shall be disclosed for each class of depreciable asset:

- The depreciation method used;
- The useful lives or the depreciation rates used; and
- The gross amounts of depreciable assets and the related accumulated depreciation.

The financial effect of the change, i.e. the increase or reduction in depreciation expense must be disclosed where material, where the depreciation expense for any financial year has changed due to:

- A reassessment of the useful lives of certain assets;
- Changes in depreciable amounts as a consequence of a revaluation of certain assets; or
- Changes in depreciable amounts following a reappraisal of the net amounts expected to be recovered on disposal of certain assets.

Where there is a change in a depreciation method from that applied in the preceding financial year which has a material effect in the current financial year or is expected to have a material effect in a subsequent financial year, the following must be disclosed:

- The nature of and reasons for the change;
- Where the change materially affects the current financial year, the financial effects of the change since the beginning of the financial year, and since the date of the change in depreciation method, if the two dates differ; and
- Where the change does not materially affect the current financial year and is expected to materially affect a subsequent financial year, a statement that the change does not materially affect the current financial year.

7.6 SALE, DISPOSAL OR DISMANTLING OF AN ASSET

A depreciable asset ceases to be recognised on its disposal or when the asset is permanently withdrawn from use and there are no probable future economic benefits from its disposal or use.

Where a fixed asset is retired or disposed of, the written down value or other revalued amount substituted for historical cost, less any net amount recovered on disposal and less any amount recorded directly to equity as the result of impairment, must be recognised as a revenue or expense item. Written down value is the net amount after deducting accumulated depreciation.

7.6.1 Definition

A **Dismantled Asset** is an asset that has been decommissioned and recovered from the Supply System Network, and subsequently found not to be fit for reintroduction into the Network. Dismantled assets are recovered from the Network for a variety of reasons including asset failures, system upgrades, relocation of services, demolition works, changes of land use, etc. Typical reasons for Dismantled Assets not to be deemed fit for re-introduction into the Network include asset failure, technical obsolescence, or asset condition.

Fair Value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.

Scrap is defined as an item that cannot be used elsewhere within the EQL Group and is not considered worthwhile disposing of at auction.

Value in Use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

7.6.2 Asset disposal options

Prudent business judgment needs to be exercised in determining the appropriate disposal option. Any action to dispose of assets surplus to the EQL Group's requirements is to be approved by an officer with the appropriate financial authority.

The asset categories listed below have special requirements upon disposal:

- Tools and Plant;
- Communications Equipment;
- Office Equipment;
- Computer Equipment; or
- Furniture, Fixtures and Fittings

For these assets, the following steps must be followed:

a) Assessment of an asset

The department responsible for disposing of a particular asset class is to be contacted for their assessment of the item. That is, whether the item can be used elsewhere within the EQL Group, is to be sent to auction, or if the particular location can dispose of the item as scrap.

b) Asset qualifying for auction

If an asset cannot be used elsewhere in the EQL Group, arrangements are to be made for the item to be disposed of through public auction or public tender. Employees may be notified of the auction.

c) Asset disposed of locally as Scrap

All requests to dispose of an asset as scrap must be made to the Fixed Assets Manager in the first instance. If there is no reasonable value in sending an item to auction (e.g. damaged or unsaleable equipment), it may be classified as scrap and disposed of locally by the Department Manager. The Department Manager is to ensure a fair and equitable process is followed in disposing of the item.

d) Asset disposed of by write-off

Where an item is of a scrap nature or has been lost or damaged, the item is to be written off in the Fixed Assets Register. The same applies to lost or damaged property of the EQL Group per [7.6.3](#) below.

e) Trade-ins

Where the Fixed Assets Register records the purchase price of a new asset net of trade-in, a cost adjustment is made to the new asset for the trade-in value with the other side of the entry to sale proceeds.

If an asset is disposed of by way of trade-in, approval obtained to dispose of the asset is to form part of the submission seeking approval for the purchase of a replacement asset.

7.6.3 Loss of, or damage to EQL Group property

Where the EQL Group property is lost or damaged the Department Manager is to:

- investigate the incident immediately;
- notify all concerned parties (refer 'Parties to Involve' below); and

Investigation

Incidents involving assets that are lost or damaged are to be investigated to:

- Enable corrections or improvements to existing security measures; and
- Facilitate relevant and reliable information being produced for management and external parties regarding the value and nature of assets under the control of the EQL Group.

Parties to involve

Dependent on the nature of the incident, the following parties are to be notified following the discovery of lost or damaged EQL Group property:

If incident relates to...	Then notify...
Break and enter	Queensland Police Service; and Property Facilities Manager
Theft or major incident of monetary loss or misappropriation of EQL Group property	Queensland Police Service; and Internal Audit Manager; and Property Facilities Manager
Consumer accounts monetary losses or thefts	Receivables and Insurance Manager Internal Audit Manager
Petty cash losses	GM Financial Control
Any property loss or damage	Receivables and Insurance Manager
Any significant incident	Divisional Manager

7.6.4 Asset write offs/write downs

Refer to the EQL Group's Delegation of Authority Policy for the appropriate level of authorisation for the write-off/write down of lost or damaged assets.

The value of the loss is based on the written down value of the asset and the expected recoverable amount (if any), which is available from Asset Accounting.

The primary and related subsidiary asset registers are to be updated for write offs/write downs of fixed assets. To enable this, a copy of the authorised loss report is to be forwarded to Assets Accounting and the appropriate subsidiary asset register custodian.

Where assets previously written off/written down require reinstatement in the asset register (e.g. a lost item is subsequently found), a memorandum authorised as above is to be submitted to Asset Accounting and the custodian of the related subsidiary register. The memo is to identify the relevant loss report number and the asset(s) to be reinstated.

7.6.5 Sale proceeds

Proceeds from the disposal of an asset are to be credited to the relevant revenue account. If payment for the item is deferred, the consideration received is recognised initially at the cash price equivalent. The difference between the nominal amount of the consideration and the cash price equivalent is recognised as interest revenue where the impact is material.

Direct costs of the sale, such as legal fees, advertising and commission, are to be charged to the relevant direct expenditure account. Indirect costs, such as EQL Group labour and associated costs, are not to be offset against the sale proceeds.

7.6.6 Derecognition of assets

The Group shall derecognise the carrying amount of property, plant and equipment either:

- On disposal; or
- When no future economic benefits are expected from its use or disposal.

Prior to disposal, components of the regulated system assets are written off against the revaluation reserve to give a revised carrying amount (refer section [9.3 Asset Revaluation Reserve](#)). The gains and losses on disposal of items of property, plant and equipment are determined by comparing the proceeds of disposals with the revised carrying amounts of the items. The net gains and losses on disposal shall be included in the profit or loss.

7.6.7 Dismantled assets

Network Facilities Management (NFM) dismantled assets are identified in the Fixed Assets Register and retired or disposed of in a timely manner. Examples include Ring Main Units (RMUs), transformers, regulators, circuit breakers, reclosers, air break switches, etc.

A management decision to dismantle a component of the supply system asset is an indicator of impairment for that particular asset. Once the decision is made to dismantle the asset, it no longer contributes, on an ongoing basis, to the cash flows associated with the complex supply system network asset.

At this point, the recoverable amount for the individual asset should be assessed based on the estimated proceeds from any scrap sales of the asset. If the estimated proceeds from the sale are lower than the written down value of the dismantled asset, the difference is recognised as an impairment loss. In practice, the estimated proceeds from any scrap sales are likely to be only an immaterial nominal amount. Where this is the case, the impairment will normally be to zero.

Any impairment loss shall be treated as a revaluation decrement and recorded directly in equity to the extent of any credit balance existing in the asset revaluation reserve in respect of that asset.

7.6.8 Disclosure requirements

The net gain or loss on disposal of assets recognised in the profit or loss must be disclosed separately in the notes to the financial statements.

The following Held for Sale information must also be disclosed:

- Where a non-current asset is held for sale it should be classified separately from other assets in the Balance Sheet;
- Where a non-current asset is classified as held for sale or is sold in the financial period, a description of the non-current asset; and
- Where a non-current asset is classified as held for sale or is sold in the financial period, a description of the facts and circumstances surrounding the sale or expected disposal.

7.7 INTANGIBLES AND INTERNALLY GENERATED ASSETS

7.7.1 Purpose and scope

This policy sets out the definition, requirements and recognition of Intangibles and Internally Generated Assets.

7.7.2 Applicable Australian Accounting Standards and Other pronouncements

- AASB 138 *Intangible Assets*

7.7.3 Definitions

An **intangible asset** is an identifiable non-monetary asset without physical substance.

Research is original and planned investigation, undertaken with the prospect of gaining new scientific or technical knowledge and understanding.

Development is the application of research findings or other knowledge to plan or design for the production of new or substantially improved materials, devices, products, processes, systems or services before the start of commercial production or use.

7.7.4 Recognition of intangible assets

The EQL Group recognises an intangible asset if:

- a) it is identifiable, the Group controls the asset and there is a future economic benefit; and
- b) It is probable that the expected future economic benefits that are attributable to the asset will flow to the Group; and
- c) The cost of the asset can be measured reliably.

For an intangible asset to be identifiable it must:

- Be separable, (i.e. capable of being separable and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability, even if there is no intention to do so). An example being a licence that could be sold to third parties allowing them to market and retail products under the name of the EQL Group; or
- Arise from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations. An example being patents and trademarks.

A distinction is made between purchased intangible assets and internally generated intangible assets given the differences in identifying the point of recognition.

The following table shows categories of intangible assets and how they are classed. This classification is indicative only of computer software as some assets may be either purchased or constructed e.g. patents, contractual rights.

Asset Category	Recommended Type
Personal Computer Software	Purchased intangible asset
Corporate Applications Software	Internally generated intangible asset
Infrastructure Software	Purchased intangible asset

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not to be recognised as intangible assets.

Computer software meets the definition of an intangible asset that may be internally generated, with one exception. The exception is computer software that is an integral part of the related hardware (such as the operating system) which is to be classified as property, plant and equipment.

All new intangible assets aside from new computer software must be approved in advance by the GM Financial Control.

7.7.5 Recognition of an Internally Generated Intangible Asset

Internally generated intangibles will be recognised only where they generate expected future economic benefits and their cost can be determined reliably.

No internally generated intangible asset arising from research shall be recognised; therefore expenditure on research shall be expensed.

An internally generated intangible asset arising from development shall only be recognised if a number of criteria are satisfied (those criteria relate to the technical and commercial feasibility of completing the project).

In order to assess whether an internally generated asset meets the recognition criteria, the generation of the asset has to be classified into one of two phases:

- 1) A research phase; or
- 2) A development phase.

Research phase

Research activities include:

- The search for alternatives for materials, devices, products, processes, systems, or services; and
- The formulation, design, evaluation and final selection of possible alternatives for new or improved materials, devices, products, processes, systems, or services.

For example, in regard to computer software projects, all costs incurred prior to the commitment to a particular product will be research activities (that is, expenses incurred in investigating the various alternatives and the preparation of the business case).

Development phase

Development activities include:

- The design, construction and testing of a chosen alternative for new or improved materials, devices, products, processes, systems or services.

For example, this will include costs incurred in the detailed functional design, build and configure phases of a project.

However, in order for costs that have been incurred in the development phase to be capitalised as an intangible asset, a number of criteria must be met. The EQL Group must be able to demonstrate all of the following:

- 1) The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- 2) The intention to complete the intangible asset and use or sell it;
- 3) The ability to use or sell the intangible asset;
- 4) How the intangible asset will generate probable future economic benefits;
- 5) The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- 6) The ability to measure reliably the expenditure attributable to the intangible asset during its development.

In order to demonstrate that these criteria have been met there would normally be:

- A business case or similar analysis demonstrating the feasibility of the project; and
- Unconditional approval of the project by the relevant delegated authority (e.g. CEO, Board).

Where there is indicative approval of a project by the relevant delegated authority, as part of a formal two stage approval process, judgement must be exercised on a case by case basis to determine whether all the criteria are satisfied.

The approval must cover the project to the point at which the intangible asset can be used or is capable of being sold. That is, not all project phases necessarily need full and unconditional approval before costs are capitalised, as long as approval reaches the point at which an intangible asset is created. For instance, approval may be gained only for the initial functional design phase of a software project at which point useable/saleable computer software is created, although it may not have the full functionality envisaged after subsequent design phases. In such cases, approval is required from the GM Financial Control.

7.7.6 Enhancements

Enhancements, for instance to software, that provide additional capability or additional efficiency above what was initially expected when the asset was first created may be recorded as an addition to the existing asset, where the amount is material and future benefits are expected. The remaining useful life of the intangible asset should be reviewed.

A software example may be enhancements to EQL Group's financial reporting system that provide capability that is not already available in the program.

However, costs incurred in minor works such as the development of new reports, queries, and bug fixes do not meet the definition of an intangible asset, and must be expensed.

7.7.7 Measurement of intangible assets

At initial recognition, the EQL Group shall measure its intangible assets at cost.

After initial recognition, intangible assets shall be carried at its cost less any accumulated amortisation and any accumulated impairment losses.

The cost of a separately acquired intangible asset comprises:

- Its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates; and
- Any directly attributable cost of preparing the asset for its intended use.

The cost of an internally generated intangible asset comprises all directly attributable costs necessary to create, produce, and prepare the asset to be capable of operating in the manner intended by management.

The cost of an internally generated intangible asset comprises the sum of expenditure incurred from the date when the intangible asset first meets both the recognition criteria for an intangible asset set out in section 7.7.5. and, in particular, the criteria for the development phase. Expenditure previously recognised as an expense in the profit or loss cannot be reinstated as an intangible asset.

Recognition of costs in the carrying amount of an intangible asset ceases when the asset is in the condition necessary for it to be capable of operating in the manner intended by management.

Costs attributable to the value of an intangible asset

Costs that are considered to be directly attributable to bringing an intangible asset to the location and condition necessary for it to be capable of operating in the manner intended by management include the following:

- Costs of employee benefits arising from bringing an asset to its working condition;
- Professional fees arising directly from bringing the asset to its working condition; and
- Costs of testing whether the asset is functioning properly.

Costs not attributable to the value of an intangible asset

While not an exhaustive list, the following items are not considered part of the cost of an intangible asset;

- Costs of introducing a new product or service (including costs of advertising and promotional activities);
- Costs of conducting business in a new location or with a new class of customer (including costs of training staff);
- Selling, administrative and other general overhead expenditure unless this expenditure can be directly attributed to preparing the asset for use;
- Costs incurred while an asset capable of operating in a manner intended by management has yet to be brought into use; and
- Initial operating losses, such as those incurred while demand for the asset's output builds up.

7.7.8 Amortisation of Intangible Assets

Finite Life

An intangible asset with a finite useful life is systematically amortised over its useful life from the time that it is available for use until it is either derecognised or classified as held for sale.

The amortisation period and method must be reviewed at least at the end of each reporting period. The residual value is assumed to be zero unless there is a commitment by a third party to purchase the asset at the end of its useful life, or an active market for the asset in which its residual value can be determined and it is probable that such a market will exist at the end of the asset's useful life.

Indefinite Life

An intangible asset with an indefinite life is not amortised, but is subject to annual impairment testing.

7.7.9 Derecognition of Intangible Assets

An intangible asset is derecognised on disposal (e.g. written off, sold) or when there are no future economic benefits expected from its use or disposal.

The gain or loss on derecognition is the difference between any net disposal proceeds and carrying amount of the asset. It is recognised in the profit or loss when derecognition occurs.

7.7.10 Disclosure Requirements

For each class of intangible asset, distinguishing between internally generated intangible assets and other intangible assets:

- Whether the useful lives are indefinite or finite and, if finite, the useful lives or the amortisation rates used;
- The amortisation methods used for intangible assets with finite useful lives;
- The gross carrying amount and any accumulated amortisation at the beginning and end of the reporting period;
- A reconciliation of the carrying amount at the beginning and end of the period; and
- The line item of the statement of other comprehensive income in which any amortisation of the intangible assets is included.

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Appendix A: Capital v Operating - Software Development (Internally Generated Assets)

ACTIVITY	TREATMENT	COMMENTS
ENHANCEMENTS:		Enhancements must result in an <u>increased useful life</u> of the asset <u>or</u> provide <u>new capability</u> that did not exist previously.
<ul style="list-style-type: none"> Minor enhancement to existing asset – report writing to extract additional or different details/information from a system 	OPERATING	The capability to write reports existed previously in the asset.
<ul style="list-style-type: none"> Minor enhancement to existing asset – replacement of existing obsolete module to provide same capability 	OPERATING	E.g. ATO requires a new file format for existing data which cannot be done using the existing module. Life not extended, same functionality.
<ul style="list-style-type: none"> Minor enhancement to existing asset – additional functionality/new capability 	CAPITAL	E.g. A new screen is developed in a program.
<ul style="list-style-type: none"> Enhancement to purchased asset – disk array upgrade 	CAPITAL	Addition of disk capacity to extend useability of asset but not life or functionality.
<ul style="list-style-type: none"> Software Upgrade – upgrade to next version of software 	CAPITAL	compatibility, additional functionality.
<ul style="list-style-type: none"> Major enhancement to existing asset – new capability and useful life not extended 	CAPITAL	E.g. Development of a new module.
<ul style="list-style-type: none"> Major enhancement to existing asset – no new capability and useful life not extended 	OPERATING	E.g. Legal or regulatory requirement to modify the system to extract additional data.
USER PRELIMINARY RESEARCH:		
<ul style="list-style-type: none"> Request for Tender 	OPERATING	RFT
<ul style="list-style-type: none"> Request for Quote 	OPERATING	RFQ
<ul style="list-style-type: none"> Expression of Interest 	OPERATING	EOI
<ul style="list-style-type: none"> Request for Information 	OPERATING	RFI
<ul style="list-style-type: none"> Consultancy to develop/establish an appropriate ICT strategy 	OPERATING	Costs are research in nature.
<ul style="list-style-type: none"> Survey of business base to determine requirements for a new capability (refer also “User Capability Requirements” below) 	OPERATING	Costs are research in nature.
CHANGE/REPLACEMENT REQUEST EVALUATION:		
<ul style="list-style-type: none"> Scope change within an approved project recommending a solution option – feasibility/recommendation report 	OPERATING	Costs are research in nature.
<ul style="list-style-type: none"> Investigative work required to size the expansion of an existing hardware platform to accommodate additional loads 	OPERATING	Costs are research in nature.
BUSINESS BLUEPRINT/VISION:		
<ul style="list-style-type: none"> Business process review, redesign, development as a pre-cursor to a system implementation 	OPERATING	Activity drives the design and solution definition of the new capability. Costs are research in nature.
<ul style="list-style-type: none"> Process redesign as a result of solution decision and approval (business case) 	OPERATING	
<ul style="list-style-type: none"> Development of an Information Management Strategic Plan 	OPERATING	The plan that drives ICT capability development and enhancement based on business objectives. Costs are operating in nature.

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USER CAPABILITY REQUIREMENTS and/or HIGH-LEVEL FUNCTIONAL DESIGN:		
<ul style="list-style-type: none"> Investigation and analysis of system capability requirements of users. Undertake user requirements definition sign-off and/or high-level product functional design or analysis normally as a pre-cursor/input to the business case. 	<p>OPERATING OPERATING</p>	<p>Costs are research in nature, and are to always be expensed. User capability requirements are normally higher-level user request for system requirements rather than detailed system specification and design. Contrast with “User Product Specification” below, where the user is involved in system specification, design or configuration.</p>
BUSINESS CASE / FEASIBILITY ANALYSIS:		
<ul style="list-style-type: none"> Develop a business case based on a new chosen product/system 	<p>OPERATING</p>	<p>Costs are research in nature.</p>
<ul style="list-style-type: none"> Develop a business case for the enhancement of an existing system 	<p>OPERATING</p>	<p>Costs are research in nature.</p>
<ul style="list-style-type: none"> Develop a business case where the company has committed to a course of action requiring a solution but that solution has yet to be determined 	<p>OPERATING</p>	<p>E.g. GSL implementation. EQL Group will develop and approve the “indicative business case” where the true costs will not be known until the scope and design have been done but it will be done anyway. Costs are research in nature.</p>
USER PRODUCT SPECIFICATION:		
<ul style="list-style-type: none"> Undertake detailed user specification definition and sign-off as a pre-cursor/input to detailed functional design requirements definition – <ul style="list-style-type: none"> before business case and full implementation is approved after business case and full implementation is approved <p>Should not normally undertake this type of work prior to business case approval.</p>	<p>OPERATING CAPITAL</p>	<p>Costs are development in nature but may only be capitalised if there is proven technical and commercial feasibility of completing the product (i.e. a business case and full implementation is approved).</p>
<ul style="list-style-type: none"> Non-functional requirements development – <ul style="list-style-type: none"> before business case and full implementation is approved after business case and full implementation is approved <p>Should not normally undertake this type of work prior to business case approval.</p>	<p>OPERATING CAPITAL</p>	<p>Costs are development in nature but may only be capitalised if there is proven technical and commercial feasibility of completing the product (i.e. a business case and full implementation is approved).</p>
SOFTWARE LICENCES:		
<ul style="list-style-type: none"> Licences purchased <i>during system construction</i> where the life of the licence extends beyond 12 months and the usefulness of the licence depends on the construction of the system – <ul style="list-style-type: none"> before business case and full implementation is approved after business case and full implementation is approved 	<p>OPERATING CAPITAL</p>	<p>Cost is development in nature where it is required as part of a new system/module implementation, as it is a cost necessarily incurred in bringing the asset into use. E.g. Purchase of licence (and first year’s maintenance) to operate an approved new accounting system.</p>
<ul style="list-style-type: none"> Licence/maintenance fees/upgrades purchased <i>after the system is implemented</i>, where the licence – <ul style="list-style-type: none"> is not part of a constructed software project does increase capability of the system and is part of an enhancement project 	<p>OPERATING CAPITAL</p>	<p>Licence fees/upgrades are operating in nature unless they are part of an approved new/enhanced system implementation.</p> <p>Note: Operating licences and maintenance fees > 12 months are usually recorded as a prepayment and expensed equally over the life of the licence/maintenance period.</p>

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PROCEDURE WRITING / TRAINING:		Costs relating to procedures, policies, work instructions and training are expensed where they are post-implementation or relate to a system EQL Group does not own.
<ul style="list-style-type: none"> System Use Procedure Writing – <ul style="list-style-type: none"> as part of the software implementation after software is implemented 	<p>CAPITAL OPERATING</p>	<p>Development and documentation of business procedures in the use of the capability. Procedures must result in long-lived documentation (e.g. in the form of a document) available to users and able to be kept current over the life of the software.</p>
<ul style="list-style-type: none"> Training Manual Development – <ul style="list-style-type: none"> as part of the software implementation after software is implemented 	<p>CAPITAL OPERATING</p>	<p>Manual must result in long-lived documentation (e.g. in the form of a document) available to users and able to be kept current over the life of the software.</p>
<ul style="list-style-type: none"> Training the Trainer – <ul style="list-style-type: none"> as part of the software implementation after software is implemented 	<p>OPERATING OPERATING</p>	<p>This training is operating in nature as the benefit rests with the individual that EQL Group does not control.</p>
<ul style="list-style-type: none"> Training of users in preparation for testing activities – <ul style="list-style-type: none"> as part of the software implementation after software is implemented 	<p>OPERATING OPERATING</p>	
<ul style="list-style-type: none"> Training of SPARQ support staff in the administration and maintenance of the new or enhanced capability – <ul style="list-style-type: none"> as part of the software implementation after software is implemented 	<p>OPERATING OPERATING</p>	<p>Without this training, the new or enhanced capability could not be supported. This training is operating in nature as the benefit rests with the individual that EQL Group does not control.</p>
<ul style="list-style-type: none"> Development of System support manuals – <ul style="list-style-type: none"> as part of the software implementation after software is implemented 	<p>CAPITAL OPERATING</p>	<p>Manual must result in long-lived documentation (e.g. in the form of a document) available to users and able to be kept current over the life of the software.</p>
<ul style="list-style-type: none"> Upgrade training of system support staff – <ul style="list-style-type: none"> as part of the software implementation after software is implemented 	<p>OPERATING OPERATING</p>	<p>Training for newly upgraded capability/functionality. This training is operating in nature as the benefit rests with the individual that EQL Group does not control.</p>
<ul style="list-style-type: none"> Refresher training for system support staff as part of the software implementation or after software is implemented 	<p>OPERATING</p>	
<ul style="list-style-type: none"> Business procedures for the use of the product <ul style="list-style-type: none"> as part of the software implementation after software is implemented 	<p>CAPITAL OPERATING</p>	
<ul style="list-style-type: none"> User Training as part of the software implementation or after software is implemented 	<p>OPERATING</p>	<p>Costs of training users to operate the asset are expensed. Costs associated with the trainer of the users are expensed (e.g. accommodation, labour).</p>

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SYSTEM TESTING:		
<ul style="list-style-type: none"> Business testing of functionality 	CAPITAL	
<ul style="list-style-type: none"> Project testing of technical functions 	CAPITAL	
<ul style="list-style-type: none"> Vendor-based acceptance testing 	CAPITAL	Testing performed by a vendor in order to demonstrate the delivered/installed capability meets the stated specifications.
IMPLEMENTATION PLANNING:		
<ul style="list-style-type: none"> Project planning – <ul style="list-style-type: none"> before business case approved after business case approved 	OPERATING CAPITAL	To develop the plan for managing the project i.e. Project Management Plan
<ul style="list-style-type: none"> Commissioning Plan development – <ul style="list-style-type: none"> before business case approved after business case approved 	OPERATING CAPITAL	Plan to commission the project deliverables.
<ul style="list-style-type: none"> System Support planning – <ul style="list-style-type: none"> before business case approved after business case approved 	OPERATING CAPITAL	Plan for the support of the system in production could be a system-based SLA.
DATA CAPTURE and CONVERSION:		
<ul style="list-style-type: none"> Migration of data from old system to new system – <ul style="list-style-type: none"> as part of new system implementation as part of existing system modification 	CAPITAL OPERATING	Operating in nature where the system modification is not an enhancement (i.e. does not extend the asset life or provide additional capability above that which existed previously).
<ul style="list-style-type: none"> Validation of migrated data – <ul style="list-style-type: none"> as part of new system implementation as part of existing system modification 	CAPITAL OPERATING	Operating in nature where the system modification is not an enhancement (i.e. does not extend the asset life or provide additional capability above that which existed previously).
<ul style="list-style-type: none"> Transcription of manual data to electronic data i.e. data entry – <ul style="list-style-type: none"> as part of new system implementation as part of existing system modification 	CAPITAL OPERATING	Operating in nature where the system modification is not an enhancement (i.e. does not extend the asset life or provide additional capability above that which existed previously).
POST-IMPLEMENTATION REVIEW:		
<ul style="list-style-type: none"> Project methodology based Post Implementation Review 	OPERATING	To assess the effectiveness of how the project was managed from a process perspective.
<ul style="list-style-type: none"> Project outcome based Post Implementation Review 	OPERATING	To assess the effectiveness of the project in delivering outcomes in terms of business requirements and deliverables, and the ability of the outcome to meet the business need.
OTHER:		
<ul style="list-style-type: none"> Storage of equipment prior to deployment – <ul style="list-style-type: none"> necessary as part of getting asset ready for use or where it represents idle capacity 	OPERATING	Note these types of costs may be apportioned to the project via an overhead rate

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<ul style="list-style-type: none"> Cost of air conditioning used during overtime required to undertake development work not able to be done during business hours 	OPERATING	Note these types of costs may be apportioned to the project via an overhead rate
<ul style="list-style-type: none"> Stationery, telecommunications, transportation, accommodation and rent costs directly related to project resources required to deliver the software – <ul style="list-style-type: none"> business case not approved or activities are research in nature business case approved and activities are development in nature 	OPERATING CAPITAL	Note these types of costs may be apportioned to the project via an overhead rate.
<ul style="list-style-type: none"> Catering and entertainment associated with the project. 	OPERATING	Costs are operating in nature, regardless of the stage of the project development.
REPAIRS and MAINTENANCE:		
<ul style="list-style-type: none"> Minor changes and general maintenance of software application 	OPERATING	
<ul style="list-style-type: none"> Bug fixes 	OPERATING	
<ul style="list-style-type: none"> Report writing to extract additional or different details/information from a system that is not part of a new system implementation 	OPERATING	
<ul style="list-style-type: none"> Process development (such as policies, procedures and work instructions) for the ongoing functioning of a Group that is not part of the implementation of a software development project. 	OPERATING	

All queries should be directed to Asset Accounting Manager.

Appendix B: Measurement of Intangible Assets Subsequent to Recognition

