4. Financial Statements

Entrance to Aranui Caves, Waitomo

4.1 Introduction to the Financial Statements

Financial Statements are produced by the Council to fulfil the requirements of the Local Government Act 2002 and also to communicate its financial performance and position to the ratepayers. This introduction will give you a guide on how to follow the financial information given in this report. Ratepayers are welcome to contact the Group Manager - Corporate Services if further assistance or clarification is required.

1. The Statement of Comprehensive Income (page 78) shows all income received including income from Rates, the Significant Activities and Council's subsidiary company.

2. The Statement of Changes in Equity (page 79) discloses movements in total equity.

3. The Balance Sheet (page 80) shows the assets and liabilities of the Council and its subsidiary.

4. The Cash Flow Statement (page 81) summarises the cash flows from operating, investing and financing activities during the year.

5. The "Notes to the Financial Statements" (pages 82) should be read in conjunction with the above statements.

6. The individual Statements of Cost of Service for Council's Significant Activities (pages 26-75) record the revenue and costs associated with the provision of each service.

7. The figures used in the Statements of Cost of Services for Estimated Gross Cost and Actual Gross Cost are extracted from the detailed management accounts.

4.2 Statement of Comprehensive Income For the Year Ended 30 June 2010

	Note	2010 Council Budget $000's	2010 Council Actual $000's	2009 Council Actual $000's	2010 Group Actual $000's	2009 Group Actual $000's
Continuing operations						
Rates Revenue (including Penalties)	1	14,053	13,840	12,331	13,840	12,331
Other Revenue	2	10,777	8,411	9,379	44,081	55,517
Other Gains/(Losses)	3	0	(8,741)	(2,814)	(244)	(8)
Total Revenue and Gains/(Losses)		**24,830**	**13,510**	**18,896**	**57,677**	**67,840**
Employee Benefit Expenses	4	2,857	2,928	3,105	16,460	19,276
Depreciation and Amortisation	18,19	4,215	4,098	3,983	6,012	5,946
Finance Costs	5	3,285	2,231	2,312	2,846	3,294
Other Expenses	6	11,102	10,658	11,780	31,987	44,673
		21,459	**19,915**	**21,180**	**57,305**	**73,189**
Surplus/(Deficit) Before Tax		**3,371**	**(6,405)**	**(2,284)**	**372**	**(5,349)**
Income Tax Expense/(Revenue)	7	0	163	(63)	322	(1,300)
Surplus/ Deficit		**3,371**	**(6,568)**	**(2,221)**	**50**	**(4,049)**
Other comprehensive income						
Revaluation of Property, Plant and Equipment		15,793	17,629	0	18,349	395
Gains/(Losses) from Available-For-Sale Financial Assets		0	0	(7,637)	0	0
Income Tax relating to components of other Comprehensive Income	7	0	0	0	6	(55)
Other Comprehensive Income/(Loss) for the Year Net of Tax		**15,793**	**17,629**	**(7,637)**	**18,355**	**340**
Total Comprehensive Income/(Loss) for the Year, Net of Tax		**19,164**	**11,061**	**(9,858)**	**18,405**	**(3,709)**

4.3 Statement of Changes in Equity For the Year ended 30 June 2010

	Note	2010 Council Actual $000's	2009 Council Actual $000's	2010 Group Actual $000's	2009 Group Actual $000's
Retained Earnings					
Balance at 1 July		196,530	196,741	195,809	197,848
Surplus/(Deficit) for the year		(6,568)	(2,221)	50	(4,049)
		(6,568)	**(2,221)**	**50**	**(4,049)**
Transfer to Retained Earnings on Asset Disposal		262	102	262	102
Transfer to Council Created Reserves		7,374	1,908	7,374	1,908
Balance at 30 June		**197,598**	**196,530**	**203,495**	**195,809**
Other Reserves					
Council Created Reserves					
Balance at 1 July		856	2,764	856	2,764
Transfers from Retained Earnings		(7,374)	(1,908)	(7,374)	(1,908)
		(6,518)	**856**	**(6,518)**	**856**
Available for Sale Reserves					
Balance at 1 July		4	7,641	4	4
Valuation Gains/(Losses)		0	(7,637)	0	0
Balance at 30 June		**4**	**4**	**4**	**4**
Total Other Reserves at 30 June		**(6,514)**	**860**	**(6,514)**	**860**
Revaluation Reserves					
Balance at 1 July		33,512	33,614	34,179	33,941
Revaluation Gains/(Losses)		17,629	0	18,349	395
Related Income Tax		0	0	6	(55)
		17,629	**0**	**18,355**	**340**
Transfer to Retained Earnings on Asset Disposal		(262)	(102)	(262)	(102)
Balance at 30 June	**8**	**50,879**	**33,512**	**52,272**	**34,179**
Total Equity					
Balance at 1 July		230,902	240,760	230,848	234,557
Surplus/(Deficit) for the year		(6,568)	(2,221)	50	(4,049)
Other Comprehensive Income					
Revaluation of Property, Plant and Equipment		17,629	0	18,349	395
Gains/(Losses) from Available-For-Sale Financial Assets		0	(7,637)	0	0
Related Income Tax		0	0	6	(55)
Total Comprehensive Income		**11,061**	**(9,858)**	**18,405**	**(3,709)**
Balance at 30 June		**241,963**	**230,902**	**249,253**	**230,848**

4.4 Balance Sheet as at 30 June 2010

	Note	2010 Council Budget $000's	2010 Council Actual $000's	2009 Council Actual $000's	2010 Group Actual $000's	2009 Group Actual $000's
Equity						
Retained Earnings		195,721	197,598	196,530	203,495	195,809
Other Reserves		4,224	(6,514)	860	(6,514)	860
Revaluation Reserve	8	49,407	50,879	33,512	52,272	34,179
Total Equity		**249,352**	**241,963**	**230,902**	**249,253**	**230,848**
Current Assets						
Cash and Cash Equivalents	9	686	398	219	566	253
Other Financial Assets	10	1	2	1	2	1
Inventories	11	87	31	88	3,335	3,305
Trade and Other Receivables	12	5,974	2,960	3,378	7,571	9,532
Total Current Assets		**6,748**	**3,391**	**3,686**	**11,474**	**13,091**
Current Liabilities						
Bank Overdraft (Secured)	15	0	0	0	2,300	2,913
Trade and Other Payables	14	5,897	3,189	3,353	5,735	7,893
Current Portion of Borrowings	15	930	8,385	6,168	15,233	13,711
Provisions	16	13	51	37	57	335
Taxation Payable		0		0	0	2
Employee Entitlements	17	316	375	344	1,444	1,565
Total Current Liabilities		**7,156**	**12,000**	**9,902**	**24,769**	**26,419**
Net Working Capital		**(408)**	**(8,609)**	**(6,216)**	**(13,295)**	**(13,328)**
Non Current Assets						
Property, Plant and Equipment	18	287,572	280,295	259,405	291,435	271,817
Intangible Assets	19	0	77	0	127	6
Forestry Assets	20	75	75	75	75	75
Investment Property	21	334	564	833	564	833
Other Financial Assets	10	9,038	34	6,436	34	36
Deferred Tax Asset	7	100	0	163	1,405	1,721
Total Non Current Assets		**297,119**	**281,045**	**266,912**	**293,640**	**274,488**
Non Current Liabilities						
Borrowings	15	46,852	29,588	29,115	29,784	29,115
Employee Entitlements	17	61	65	61	113	107
Provisions	16	446	820	618	820	618
Derivative Financial Instruments	13	0	0	0	375	472
Total Non Current Liabilities		**47,359**	**30,473**	**29,794**	**31,092**	**30,312**
Net Assets		**249,352**	**241,963**	**230,902**	**249,253**	**230,848**

4.5 Cash Flow Statement For the Year ended 30 June 2010

	Note	2010 Council Budget $000's	2010 Council Actual $000's	2009 Council Actual $000's	2010 Group Actual $000's	2009 Group Actual $000's
Cash flows from Operating Activities						
Cash was provided from:						
Rates Revenue (including penalties)		13,863	15,068	13,414	15,800	13,414
Subsidies and Grants		7,558	6,001	9,960	6,001	9,960
Property Rentals		275	348	338	348	338
Petroleum Tax		115	145	124	145	124
Interest from Investments		5	12	30	16	30
Receipts from Other Revenue and Construction Contracts		2,824	3,767	3,239	45,742	59,236
Tax Refunds Received		0	0	0	(6)	554
		24,640	**25,341**	**27,105**	**68,046**	**83,656**
Cash was applied to:						
Payments to Suppliers and Employees		13,648	14,498	16,498	55,210	68,807
Elected Members		214	243	200	243	200
Interest Paid on Borrowings		3,285	2,182	2,331	2,797	3,313
GST Received/(Paid) (net)		0	487	6	2,413	2,348
		17,147	**17,410**	**19,035**	**60,663**	**74,668**
Net Cash Inflow from Operating Activities	**24**	**7,493**	**7,931**	**8,070**	**7,383**	**8,988**
Cash flows from Investing Activities						
Cash was provided from:						
Proceeds from Sale of Property, Plant and Equipment		0	42	20	284	566
Repayment from Advance to Community Groups		0	0	2	0	2
		0	**42**	**22**	**284**	**568**
Cash was applied to:						
Purchase and Development of Property, Plant and Equipment		14,395	8,405	13,550	8,794	11,573
Purchase of Intangibles		0	79	0	137	7
Investment in Subsidiary		2,000	2,000	0	0	0
		16,395	**10,484**	**13,550**	**8,931**	**11,580**
Net Cash Inflow from Investing Activities		**(16,395)**	**(10,442)**	**(13,528)**	**(8,647)**	**(11,012)**
Cash flow from Financing Activities						
Cash was provided from Proceeds from Borrowings		10,663	4,000	13,606	4,047	13,664
		10,663	**4,000**	**13,606**	**4,047**	**13,664**
Cash was applied to:						
Repayment of Borrowings		930	1,310	8,285	1,857	10,642
		930	**1,310**	**8,285**	**1,857**	**10,642**
Net Cash Inflow from Financing Activities		**9,733**	**2,690**	**5,321**	**2,190**	**3,022**
Net increase/(decrease) in cash, cash equivalents and bank overdrafts		831	179	(137)	926	998
Cash, cash equivalents and bank overdrafts at the beginning of the year		(145)	219	356	(2,660)	(3,658)
Cash, cash equivalents and bank overdrafts at the end of the year		**686**	**398**	**219**	**(1,734)**	**(2,660)**
Balance at end of year represented by:						
Cash and Cash Equivalents		686	398	219	566	253
Bank Overdraft		0	0	0	(2,300)	(2,913)
		686	**398**	**219**	**(1,734)**	**(2,660)**

4.6 Notes to the Financial Statements For the Year Ended 30 June 2010

Statement of Accounting Policies for the year ended 30 June 2010.

Reporting Entity

Waitomo District Council is a territorial local authority governed by the Local Government Act 2002. Waitomo District Council Group (the Group) consists of the Waitomo District Council (the Council) and its 100% owned subsidiary, Inframax Construction Limited incorporated in New Zealand, and its subsidiary Independent Roadmarkers Taranaki Ltd (100% owned) incorporated in New Zealand.

The primary objective of the Council is to provide goods or services for the community for social benefit rather than for making a financial return. Accordingly, the Council has designated itself as a public benefit entity for the purposes of New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

The financial statements are for the year ended 30 June 2010. The financial statements were authorised for issue by the Council on 8 October 2010.

Basis of Preparation

The financial statements have been prepared in accordance with the requirements of the Local Government Act 2002: Part 6, Section 98 and Part 3 of Schedule 10, which includes the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP). These financial statements have been prepared in accordance with NZ GAAP. They comply with NZ IFRS, and other applicable Financial Reporting Standards, as appropriate for public benefit entities. The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars ($'000). The functional currency of the Group is New Zealand dollars.

The financial statements have been prepared on a historical cost basis, modified by the revaluation of land and buildings, certain infrastructural assets, investment property and forestry assets.

Going Concern

The financial statements of the Group have been prepared on a going concern basis. The going concern assumption is dependent on two key factors as follows:

1) Continued support from the lender to Inframax Construction Ltd at the level provided at 30 June 2010 (that being $3.75 million overdraft facility and $6.8 million term loan) for the 12 months from the date the accounts are approved. If the lender was to call the loan or reduce the overdraft facility, Inframax may have insufficient funds to continue.
2) Inframax's ability to meet the forecasted financial performance and to operate within the cash flow forecasts estimated to be required for the 12 months from the date the accounts are approved.

Whilst the Board of Directors are confident that Inframax Construction Ltd will be able to continue as a going concern, this is however dependent on the factors listed above.

If Inframax Construction Limited or its subsidiary were unable to continue to operate and pay their debts as and when they become due and payable, adjustments may have to be made to reflect the situation that assets may need to be realised and liabilities extinguished, other than in the normal course of business and at amounts which could differ from the amounts at which they are currently recorded in the Group's Balance Sheet. The total value of assets recorded in Inframax's Accounts at 30 June 2010, was $21,502,795 and the total net assets was $7,501,101.

The Group financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that may be necessary should Inframax Construction Limited be unable to continue to as a going concern.

Standards, Amendments and Interpretations issued but not yet effective

At the date of authorisation of the Financial Statements, a number of Standards, Amendments and Interpretations were in issue but not yet effective.

Standards Approved But Not Yet Effective

Initial application of the following Standards, Interpretations and Amendments will not have a significant impact on the financial statements:

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
Improvements to New Zealand Equivalents to International Financial Reporting Standards 2009	*	30 June 2011
Amendments to NZ IAS 24 'Related Party Disclosures'	1 January 2011	30 June 2012
NZ IFRS 9 Financial Instruments	1 January 2013	30 June 2014

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
Improvements to New Zealand Equivalents International Financial Reporting Standards 2010		
- Improvements to NZ IFRS 3 and NZ IAS 27	1 July 2010	30 June 2011
- Improvements to other standards	1 January 2011	30 June 2012

* The effective date and transitional provisions vary by Standard. Most of the improvements are effective for annual periods beginning on or after 1 January 2010, with earlier adoption permitted.

All other standards and interpretations approved but not yet effective that are not included above are not relevant to the Group.

Basis of Consolidation

The Group's financial statements incorporate the financial statements of the Council and entities controlled by the Council (its subsidiaries). Control is achieved where the Council has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in profit and loss from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statement of subsidiaries to bring the accounting policies used into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the Council.

Investments in subsidiaries are recorded at fair value in the Council's financial statements.

Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

Revenue is measured at fair value of the consideration received or receivable.

Rates

Rates are recognised as revenue when rates are levied.

Levies & Charges

Other levies and charges are recognised as revenue when the obligation to pay arises or, in the case of licence fees, upon renewal of the licence.

Other

Other grants, bequests and assets vested in the Group are recognised as revenue when control over the asset is obtained.

Government Grants

Government grants and subsidies are recognised at their fair value when there is reasonable assurance that the conditions associated with the grant approval have been fulfilled. The Group receives government grants from Land Transport New Zealand, which subsidises part of the Group's costs of maintaining local roading. In addition to this, the Group has also received government grants from the NZ Defence Force for $1,312.67.

Interest

Revenue is recognised using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument.

Rental Income

Rental income arising on property owned by the Group is accounted for on a straight-line basis over the lease term.

Construction Contracts

Revenue from construction contracting services includes revenue from building and civil contracting services. Revenue and expenditure are recognised by reference to the stage of completion of the contract at balance date. The stage of completion is measured by reference to costs incurred up to balance date as a percentage of the total estimated costs for each contract.

Contract costs include all costs directly related to specific contracts, costs that are specifically chargeable to the customer under the terms of the contract and an allocation of overhead expenses incurred in connection with the Group's construction activities in general.

Expected losses are recognised immediately as an expense in the profit or loss.

Where the outcome of a contract cannot be reliably estimated, contract costs are recognised as an expense as incurred, and where it is probable that the costs will be recovered, revenue is recognised to the extent of costs incurred.

Construction work in progress is stated at the aggregate of contract costs incurred to date plus recognised profits less recognised losses and progress billings. If there are contract costs where progress billings exceed the aggregate costs incurred plus profits less losses, the net amounts are presented under trade and other payables.

Expenditure

Expenditure is recognised when the Group has been supplied with the service or has control of the goods supplied.

Grant Expenditure

Non-discretionary grants are those grants that are awarded if the grant application meets the specified criteria and are recognised as expenditure when an application that meets the specified criteria for the grant has been received.

Discretionary grants are those grants where the Group has no obligation to award on receipt of the grant application and are recognised as expenditure when a successful applicant has been notified of the Group's decision.

Borrowing Costs

Borrowing costs are recognised as an expense in the period in which they are incurred.
The Group has chosen to defer the application of NZ IAS 23 (revised 2007).

Income Tax

Income tax expense on the surplus or deficit for the period comprises current tax expense and deferred tax. Income tax expense is recognised in the profit or loss except to the extent that it relates to items recognised in other comprehensive income or directly to equity, in which case it is recognised in other comprehensive income or directly to equity. Current tax is the amount of income tax payable based on the taxable profit for the current year plus any adjustments to income tax payable in respect of prior years. Current tax is calculated using rates that have been enacted or substantially enacted at balance date.

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

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

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

Deferred tax is recognised on taxable temporary differences arising on investments in subsidiaries and associates, except where the Group can control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The amount of deferred tax provided is based on the tax rates which are expected to apply in the period the liability is settled or asset realised using tax rates enacted or substantially enacted at the balance sheet date.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Cash and Cash Equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within Borrowings in Current Liabilities on the face of the Balance Sheet.

Inventories

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

The amount of any write down from the loss of service potential or from cost to net realisable value is recognised in profit or loss.

Metal stocks held by Inframax Construction Limited are measured using a standard cost, this cost is based on the average cost of production. This valuation includes allowance for slow moving or obsolete items. The standard cost approximates actual costs and is reviewed annually and adjusted where necessary to reflect current conditions.

Subdivision property is stated at the lower of cost and net realisable value. Cost comprises development expenditure including engineering costs, direct professional fees, and construction costs relating to establishing utilities as well as related production overheads (based on normal operating capacity). Net realisable value is the estimated selling price of the property less the applicable variable selling expense.

Financial Assets

The Group classifies its financial assets into the following four categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets and liabilities are initially measured at fair value plus transaction costs unless they are carried at fair value through profit or loss in which case the transaction costs are recognised in the profit or loss.

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

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The four categories of financial assets are:

Financial Assets at Fair Value Through Profit or Loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

After initial recognition they are measured at their fair values. Gains or losses on re-measurement are recognised in the profit or loss.

Derivative financial instrument assets are included in this class.

Loans & Receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

After initial recognition they are measured at amortised cost using the effective interest method. Gains and losses when the asset is impaired or de-recognised are recognised in the profit or loss. Loans and receivables are classified as "trade and other receivables" in the Balance Sheet.

Loans made by the Group at nil or below-market interest rates are initially recognised at the present value of their expected future cash flows, discounted at the current market rate of return for a similar asset/investment. They are subsequently measured at amortised cost using the effective interest method. The difference between the face value and present value of expected future cash flows of the loan is recognised in the profit or loss.

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

Held to Maturity Investments

Held to maturity investments are assets with fixed or determinable payments and fixed maturities that the Group has the positive intention and ability to hold to maturity.

After initial recognition they are measured at amortised cost using the effective interest method. Gains and losses when the asset is impaired or de-recognised are recognised in the profit or loss.

The Group does not hold any financial assets in this category.

Available for Sale

Available for sale financial assets are those that are not classified in any of the other categories above.

This category encompasses:

Investments that the Group intends to hold long-term but which may be realised before maturity; and
Shareholdings that the Group holds for strategic purposes. The Group's investment in Inframax Construction Limited is included in this category.

After initial recognition these investments are measured at their fair value.

Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated as a separate component of equity in the available-for-sale revaluation reserve with the exception of impairment losses, interest calculated using the effective interest rate and foreign exchange gains and losses on monetary assets, which are recognised directly in profit and loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the available-for-sale revaluation reserve is reclassified from equity to profit and loss (as a reclassification adjustment).

Impairment of Financial Assets

At each balance sheet date the Group assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired. Any impairment losses are recognised in the profit or loss.

Derivative Financial Instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group uses various instruments to manage operational risks but does not apply hedge accounting therefore the associated gains or losses of derivatives are recognised in the profit or loss. The full fair value of a derivative is classified as a non-current asset or liability when the remaining maturity of the derivative is more than 12 months and as a current asset or liability when the remaining maturity of the derivative item is less than 12 months.

Payables

Trade payables and other payables are recognised when the Group becomes obligated to make future payments resulting from the purchase of goods or services.

Borrowings

All loans and borrowings are initially recognised at their fair value net of transaction costs.

After initial recognition, all borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Good and Service Tax (GST)

All items in the Statement of Comprehensive Income and Balance Sheet are stated exclusive of GST, except for receivables and payables, which are stated on a GST inclusive basis. Where GST is not recoverable as input tax then it is recognised as part of the related asset or expense. The Cash Flow Statement is stated inclusive of GST in accordance with NZ IAS 7.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the Balance Sheet. The net GST paid to, or received from the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the Statement of Cash Flows.

Commitments and contingencies are disclosed exclusive of GST.

Provisions

The Group recognises a provision for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that expenditures will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.
Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense.

Financial Guarantee Contracts

A financial guarantee contract is a contract that requires Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due. Financial guarantee contracts are disclosed as contingent liabilities. The amount of these contingent liabilities is equal to the loan balances guaranteed.

Landfill Post Closure Costs

The Group has a legal obligation under the resource consents for open and closed landfills to provide ongoing maintenance and monitoring services at the sites after closure. A provision for post closure costs is recognised as a liability when the obligation for post closure arises.

The provision is a measure based on the present value of future cash flows expected to be incurred, taking into account future events including legal requirements and known improvements in technology. The provision includes all costs associated with landfill post closure.
Amounts provided for landfill post closure are capitalised to the landfill asset where they give rise to future economic benefits to be obtained. Components of the capitalised landfill asset are depreciated over their useful lives.

The discount rate of 5.51% (2009 5.97%) is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to Group.

Employee Benefits

Short-Term Benefits

Employee benefits that the Group expects to be settled within 12 months of balance date are measured at nominal values based on accrued entitlements at the rate expected to apply at the time of settlement.

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

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

Long-Term Benefits

Retirement Gratuities

Entitlements that are payable beyond twelve months, such as retirement gratuities have been calculated on an actuarial basis. The calculations are based on the likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement and contractual entitlements information, and the present value of estimated future cash flows. A discount rate of 6% (2009 5.97%) and an inflation rate of 2% (2009 2%) were used. The discount rate is based on the weighted average of Government interest rates for stock with terms to maturity similar to those of the relevant liabilities. The inflation factor is based on the expected long-term increase in remuneration for employees.

Leases

Finance Leases

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

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

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

Operating leases

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

Property, Plant & Equipment

Property, Plant and Equipment have been divided into 3 broad categories.

Operational Assets

Operational assets are tangible assets, able to be dealt with as part of the operating strategy and include land, buildings, furniture and fittings, computer hardware, plant and equipment, library books and motor vehicles.

Infrastructural Assets

Infrastructural assets are the fixed utility systems providing an ongoing service to the community, but are not generally regarded as tradable. They include roads, water reticulation systems, refuse transfer stations, sewerage reticulation systems, stormwater systems, and land under roads.

Restricted Assets

Restricted assets cannot be disposed of because of legal and other restrictions but provide a benefit or service to the community. These are mainly assets associated with reserves vested under the Reserves Act, endowments and other property held in Trust for specific purposes.

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

Additions

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

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

Disposals

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

Subsequent Costs

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to the Group and the cost of the item can be measured reliably.

Depreciation

Depreciation is provided on a straight-line basis on all property, plant and equipment other than land and land under roads at rates that will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives.

Operational Assets

Operational assets are depreciated on a straight line basis. The estimated useful lives are as follows:

Buildings	40-100 years
Plant and Equipment	2-15 years
Motor Vehicles	5-15 years
Furniture and Fittings	2-5 years
Computers	2-5 years
Library books	3-7 years
Archive books	Not depreciated

Infrastructural Assets

Infrastructural assets are depreciated on a straight line basis. The estimated useful lives are as follows:

<u>Roads</u>

Top surface	2-20 years
Base course	25-120 years
Sub base	25-115 years
	Or not depreciated
Formation and running course	Not depreciated
Culverts – timber and other	40-100 years
Signs	15-30 years
Street Lights and poles	15-60 years
Bridges	70-120 years
Footpath surface and base	18-80 years

Water Reticulation

Pipes, hydrant, valves	60-100 years
Pump station, reservoirs	25-100 years

Sewerage Reticulation

Pipes and manholes	60-80 years
Pump station	15-100 years
Treatment plant	10-80 years

Stormwater Systems

Pipes, cesspits	60-100 years
Flood Control Systems	10-80 years

Refuse Systems

Retaining walls	70-90 years
Drainage	70-75 years
Signs	9 years
Kerb and channelling	60-75 years
Truck wash and weighbridge	28 years

The depreciation rates are applied at a component level and are dependent on the remaining useful life of each component.

Restricted Assets

Restricted assets are depreciated on a straight line basis as follows:

Buildings	40-100 years

Capital Work in Progress

Capital work in progress is not depreciated.

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

Revaluation

Those assets that are revalued are valued on a three yearly valuation cycle on the basis described below. All other asset classes are carried at depreciated historical cost. The carrying values of revalued items are reviewed at each balance date to ensure that those values are not materially different to fair value. If there is a material difference, then off cycle asset classes are revalued.

Revaluation of Operational Assets

Land and Buildings

An independent valuation of the Council's land and buildings was performed by Darroch Valuations, independent registered valuers, to determine the fair market value of the land and buildings at 1 July 2009. Darroch Valuations are members of the Property Institute of New Zealand and have the appropriate qualifications and recent experience in the valuation of properties within the Waitomo District.

The values of the assets have been considered on a Fair Value basis in accordance with NZIAS 16 under a highest and best use scenario.

The valuation was prepared with reference to the Property Institute of New Zealand Professional Practice Standard 2006, and in particular International Valuation Application 1 and New Zealand Valuation Guidance Note 1 (effective from 1 March 2007), and Valuation Guidance for Property, Plant and Equipment.

Land is valued on a fair value basis determined from market based evidence and conditions that prevailed as at 1 July 2009.

All buildings have been valued on either a fair value or depreciated replacement cost basis.

The Total Value for the Waitomo District Council Operational Property Portfolio as at 1 July 2009 is reported at:

Improvements Value (1 July 2009)	Land Value (1 July 2009)	Site Improvements (1 July 2009)	Total Fair Value (1 July 2009)
$7,512,200	$11,164,300	$594,600	$19,271,100

Subsequent additions are at cost less accumulated depreciation.

An independent valuation of the land and buildings held by Inframax Construction Limited (the wholly owned subsidiary of the Waitomo District Council) was carried out on 30 June 2009 by Doyle Valuations Ltd and Mr K. Wrenn, independent registered valuers, who have the appropriate qualifications and recent experience in the valuation of properties within the Waitomo District.

The fair value at 30 June 2009 was estimated to be $2,773,550.

Library Books

A valuation of the Council's library books was carried out as at 1 July 2004 by North Langley & Associates, independent registered valuers, to determine the 'Existing Use' value of the library books.

North Langley & Associates are specialist valuers of plant, machinery and equipment (including chattels and infrastructural assets) and have the appropriate qualifications and relevant experience in the valuation of these types of assets.

The valuation was computed in strict accordance with the guidance notes and background papers issued by the International Assets Valuation Standards Committee of which the NZ Institute of Valuers is a member.

The value of the library books at 1 July 2004, subject to them having a good and marketable title, free from encumbrances, was determined as $492,800 (excl GST).

Subsequent additions are at cost less accumulated depreciation.

Revaluation of Infrastructural Assets

Roads

An independent valuation of the Council's roading infrastructure was performed as at 1 July 2009 by Messrs G.S. Boyle & Associates, independent registered engineers, to determine the depreciated replacement cost of those assets. Messrs G.S. Boyle & Associates are members of the Institute of Professional Engineers of New Zealand (MIPENZ) and have the appropriate qualifications and experience in the valuation of land transport infrastructural assets. The valuation, which conforms to New Zealand Equivalent to International Accounting Standard (NZ IAS) 16 'Property, Plant & Equipment' was determined using the optimised depreciated replacement costs (ODRC) method as described in the NZ Infrastructure Asset Valuation and Depreciation Guidelines – Version 2, 2006.

The total value of Council's roading infrastructure at 1 July 2009 (as determined using the ODRC valuation method) is reported at $208,639,753.

Sewerage, Water, Stormwater and Solid Waste

A valuation of the Council's water utilities (water, wastewater, stormwater) and solid waste infrastructure was carried out by Council's engineering staff as at 1 July 2009 to determine the depreciated replacement cost of those assets. The valuation prepared by Council's engineering staff was based on the 2006 valuation previously undertaken by Maunsell Limited, international consulting engineers, and was peer reviewed by Messrs G.S. Boyle & Associates, independent registered engineers, who have the appropriate qualifications and experience in valuing community infrastructure. The valuation, which conforms to New Zealand Equivalent to International Accounting Standard (NZ IAS) 16 'Property, Plant & Equipment' was determined using the optimised depreciated replacement costs (ODRC) method as described in the NZ Infrastructure Asset Valuation and Depreciation Guidelines – Version 2, 2006.

The total value of Council's water utilities and solid waste infrastructure as at 1 July 2009 is reported at:

Asset Class	Optimised Depreciated Replacement Cost @ 1 July 2009
Waste Water Network	$10,588,874
Water Supply Network	$10,973,749
Storm Water Network	$8,360,064
Solid Waste Assets	$2,219,913

Land

An independent valuation of the Council's infrastructural land was performed by Darroch Valuations, independent registered valuers, to determine the fair market value of the land at 1 July 2009.

Darroch Valuations are members of the Property Institute of New Zealand and have the appropriate qualifications and recent experience in the valuation of properties within the Waitomo District.

The value of the land has been considered on a Fair Market Value basis in accordance with NZIAS 16 and NZIAS 40 under a highest and best use scenario.

The valuation was prepared with reference to the Property Institute of New Zealand Professional Practice Standard 2006, and in particular International Valuation Application 1 and New Zealand Valuation Guidance Note 1 (effective from 1 March 2007), and Valuation Guidance for Property, Plant and Equipment.

The Total Value for the Waitomo District Council Operational Property Portfolio (Infrastructural Land) as at 1 July 2009 is reported at:

Land Value (1 July 2009)	Total Fair Value (1 July 2009)
$1,254,000	$1,254,000

Revaluation of Restricted Assets

Restricted assets cannot be disposed of because of legal or other restrictions and provide a benefit or service to the community. They are principally reserves vested under the Reserves Act. Darroch Valuations (independent Registered Valuers) valued restricted assets on 1 July 2009 at fair value based on market based evidence.

Accounting for Revaluations

The Group accounts for revaluations of property, plant and equipment on a class of asset basis. Any revaluation surpluses and deficits are recognised in the other Comprehensive Income and accumulated as a separate equity in the Revaluation Reserve for that class of asset. Where a revaluation of a class of assets results in a revaluation deficit, and the amount of the deficit is greater than an existing revaluation reserve, the revaluation deficit is recognised in the profit or loss. Any subsequent increase on revaluation that off-sets a previous decrease in value recognised in the profit or loss will be recognised first in the profit or loss up to the amount previously expensed, and then credited to the revaluation reserve for that class of asset.

Intangible Assets

Software

Computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. The costs associated with maintaining computer software are recognised as an expense as incurred. The costs associated with the development and maintenance of the Group's website are recognised as an expense as incurred.

Goodwill

Goodwill is initially measured at its cost, being the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Goodwill on acquisition of subsidiaries is included in intangible assets by applying the purchase method. Goodwill on acquisition of associates is included in investments in associates by applying the equity method. Goodwill arising in business combinations is not amortised. Instead, goodwill is tested for impairment annually or where there is an indication that it is impaired. After initial recognition, the Group measures goodwill at cost less any accumulated impairment losses. An impairment loss recognised for goodwill will not be reversed in any subsequent period.

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

Amortisation

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

The useful lives and associated amortisation rates for software have been estimated as follows:

Computer software 2 to 5 years 20% to 50%

Forestry Assets

Revaluation of Council's forestry asset to determine its fair value less estimated point of sale costs was not undertaken as at 30 June 2010. Council is of the opinion that the carrying value of its forestry assets has not altered materially since the previous valuation was undertaken in 2006.

However, the Council acknowledges its obligation to revalue its forestry assets in accordance with NZ IAS 41 and that, together with the potential implications of the recently introduced Emissions Trading Scheme (ETS) for forest owners in terms of carbon credits, will now be looking much more closely at the management of its forestry asset and will reinstate annual valuations commencing in 2010-2011.

Non-current Assets Held For Sale

Non-current assets held for sale are classified as held for sale if their carrying amount will be recovered principally through a sale transaction, not through continuing use. This condition is regarded as met only when the sale is highly probable and the assets (or disposal group) is available for immediate sale in its present condition and the sale of the asset (or disposal group) is expected to be completed within one year from the date of classification. Non-current assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Any impairment losses for write-downs of non-current assets held for sale are recognised in the profit or loss.

Any increases in fair value less costs to sell are recognised up to the level of any impairment losses that have been previously recognised.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Investment in Unlisted Shares

Council has an interest (1.6%) in a Council Controlled Organisation (CCO), Local Authority Shared Services Limited. Council has no significant influences on operational or financial policies.

As this investment is not traded on an active market, and quoted market prices of similar financial assets are not available, the fair value cannot be measured reliably. The investment is therefore measured at cost.

Council has an interest (0.04%) in New Zealand National Mutual Riskpool. Council has no significant influences on operational or financial policies.

As this investment is not traded on an active market, and quoted market prices of similar financial assets are not available, the fair value cannot be measured reliably. The investment is therefore measured at cost.

Investment Property

Investment properties consist of miscellaneous housing properties. Investment properties are held primarily for capital growth, rental or similar income. Properties leased to third parties under operating leases are classified as investment property unless the property is held to meet service delivery objectives, rather than to earn rentals or for capital appreciation.

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

After initial recognition, the Group measures all investment property at fair value as determined annually by an independent valuer.

Gains or losses arising from a change in the fair value of investment property are recognised in the profit or loss.

An independent valuation of the Council's investment properties was performed by Darroch Valuations, independent registered valuers, to determine the fair market value of the properties at 30 June 2010.

Darroch Valuations are members of the Property Institute of New Zealand and have the appropriate qualifications and recent experience in the valuation of properties within the Waitomo District.

The value of the investment properties has been considered on a Fair Value basis in accordance with NZ IAS 40.

The valuation was prepared with reference to the Property Institute of New Zealand Professional Practice Standard 2006, and in particular International Valuation Application 1 and New Zealand Valuation Guidance Note 1 (effective from 1 March 2007), and Valuation Guidance for Property, Plant and Equipment.

The Total Value for the Waitomo District Council Investment Properties as at 30 June 2010 is reported at:

Improvements Value (30 June 2010)	Land Value (30 June 2010)	Total Fair Value (30 June 2010)
$258,000	$306,000	$564,000

Overhead Allocation

All overhead costs have been allocated to significant activities.

Overhead costs are allocated on a pro-rata basis to those activities of Group which are funded by rates.

Impairment of Non-Financial Assets

Non-financial assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or where there is an indication that the asset is impaired. Assets that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

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

The value in use for cash-generating assets is the present value of expected future cash flows.

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

For assets not carried at a revalued amount, the total impairment loss is recognised in the profit or loss.

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

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

Equity

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

The components of equity are:
- Retained earnings
- Other reserves
- Asset revaluation reserves

Reserves

Restricted reserves are a component of equity generally representing a particular use to which various parts of equity have been assigned. Reserves may be legally restricted or created by the Group. Restricted reserves are those subject to specific conditions accepted as binding by the Group and which may not be revised by the Group without reference to the Courts or a third party. Transfers from these reserves may be made only for certain specified purposes or when certain specified conditions are met.

Also included in restricted reserves are reserves restricted by Group decision. Transfers to and from these reserves are at the discretion of the Group.

Statement of Cash Flows

The Cash Flow Statement is prepared inclusive of GST. For the purpose of the Cash Flow Statement cash means cash balances on hand, held in bank accounts, demand deposits and other highly liquid investments in which the Group invests as part of its day-to-day cash management net of bank overdrafts.
Operating activities include cash received from all income sources of the Group and record the cash payments made for the supply of goods and services. Agency transactions (e.g. the collection of regional Group rates) are recognised as receipts and payments in the Statement of Cash Flows given that they flow through the Group's main bank account. Investing activities are those activities relating to the acquisition and disposal of non-current investments.

Financing activities comprise activities that change the equity and debt capital structure of the Group.

Budget Figures

The budget figures are those approved by the Group at the beginning of the year in the annual plan. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted by the Group for the preparation of the financial statements.

Critical Accounting Estimates and Judgements

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

<u>Landfill Aftercare Provision</u>

Note 16 discloses an analysis of the exposure of the Group in relation to the estimates and uncertainties surrounding the landfill aftercare provision.

<u>Infrastructural Assets</u>

There are a number of assumptions and estimates used when performing discounted replacement cost valuations over infrastructural assets. These include:

- The physical deterioration and condition of an asset, for example the Group could be carrying an asset at an amount that does not reflect its actual condition. This is particularly so for those assets, which are not visible, for example stormwater, wastewater and water supply pipes that are underground. This risk is minimised by Group performing a combination of physical inspections and condition modelling assessments of underground assets;
- Estimating any obsolescence or surplus capacity of an asset; and'
- Estimates are made when determining the remaining useful lives over which the asset will be depreciated. These

estimates can be impacted by the local conditions, for example weather patterns and traffic growth. If useful lives do not reflect the actual consumption of the benefits of the asset, then the Group could be over or under estimating the annual deprecation charge recognised as an expense in the Profit or loss. To minimise this risk the Group's infrastructural asset useful lives have been determined with reference to the NZ Infrastructural Asset Valuation and Depreciation Guidelines published by the National Asset Management Steering Group, and have been adjusted for local conditions based on past experience. Asset inspections, deterioration and condition modelling are also carried out regularly as part of the Group's asset management planning activities, which gives the Group further assurance over its useful life estimates.

Experienced independent valuers perform the Group's infrastructural asset revaluations. The carrying value of infrastructure assets is disclosed in note 18.

Property, plant and equipment useful lives and residual values

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

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

- physical inspection of assets;
- asset replacement programs;
- review of second hand market prices for similar assets; and
- analysis of prior asset sales.

The Group has not made significant changes to past assumptions concerning useful lives and residual values. The carrying amounts of property, plant and equipment are disclosed in note 18.

Estimating Construction Contract Revenue

Assessment of projects on a percentage of completion basis, in particular with regard to accounting for variations, the timing of profit recognition and the amount of profit recognised. The amount recognised in revenue is disclosed in note 2, and the receivable in note 12 and the payable in note 14 and 16.

Impairment of Goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which the goodwill has been allocated. The value in use calculation requires the company to estimate the future cash flows expected to arise from cash generating units and a suitable discount rate in order to calculate the present value. Details are provided in note 19.

Valuation of Investment in Inframax Construction Ltd

As a result of the continuing poor performance of Inframax Construction Limited in relation to the breach of its bank covenants, its reliance on the lenders continued financial support and given that it is unlikely that the subsidiary will be in a position to provide a return on Council's investment in the immediate future, the Council decided to write-down the value of its investment in Inframax Construction Limited to nil as at 30 June 2010. This has resulted in an impairment loss of $8.4 million being recorded in the current year (2009: $3.3 million). The impairment loss has been recorded in other Gains/(Losses) in the profit or loss. Refer to note 3 for details.

The Company's financial performance will continue to be monitored and the future value of Council's investment in the Company will be assessed accordingly.

Deferred Tax Asset

Recognition

Determining whether or not to recognise a deferred tax asset requires estimation of future cash flows. Any significant deviation from the assumptions used in forecasting future cash flows may effect the carrying value of the asset.

The evidence supporting its recognition and the outstanding balance at balance date is disclosed in Note 7.

Recoverablility

The Council has indicated in its 2011 Exceptions Annual Plan that it is considering the divestment of some of the shares held in Inframax. If there is a change in shareholding which is more than 51% the losses recognised by Inframax will be forfeited. The value of losses at 30 June 2010 has been disclosed in Note 7.

Net Realisable Value of property Held as Inventory

Management have obtained a market valuation of the likely sale prices of the sites held for sale in the Te Kuiti subdivision. The Directors have then estimated the required discount factor to adjust the market selling prices down to net realisable value for financial reporting purposes. This discount factor used is an estimate only based on the best information available at the time and does involve a degree of uncertainty. Refer to note 11 for the carrying value of property held as inventory.

Changes in accounting policies

Accounting policies have been consistently applied unless otherwise stated.

Standards, Amendments and Interpretations effective in the current period

Those with disclosure impact:

The impact of the adoption of the following Standards and Amendments has been to expand the disclosures provided in these financial statements:

Name	Impact
NZ IAS 1 Presentation of Financial Statements (Revised 2007)	This has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements
Amendments to NZ IFRS 7 – Financial Instruments Disclosures	The amendments to NZ IFRS 7 expand the disclosures required in respect of fair value measurements and liquidity risk

Those with no impact:

Adoption of the other Standards, Interpretations and Amendments has not led to any changes in accounting policies with measurement or recognition impact on the periods presented in these financial statements.

The Group has chosen to defer the application of NZ IAS 23 (revised 2007).

Note 1: Rates Revenue

	2010 Council Actual $000's	2009 Council Actual $000's	2010 Group Actual $000's	2009 Group Actual $000's
General Rates	2,644	2,246	2,644	2,246
Uniform Annual General Charges	2,999	2,944	2,999	2,944
Targeted Rates - Waste Water and Sewerage	1,533	1,270	1,533	1,270
Targeted Rates - Water	1,276	1,203	1,276	1,203
Targeted Rates - Waste	988	728	988	728
Targeted Rates - Other	4,336	3,893	4,336	3,893
Rates Penalties	255	221	255	221
Sub Total	**14,031**	**12,505**	**14,031**	**12,505**
Less Rates paid on Council properties	(191)	(174)	(191)	(174)
Total Rates Revenue	**13,840**	**12,331**	**13,840**	**12,331**

Note 2: Other Revenue

	2010 Council Actual $000's	2009 Council Actual $000's	2010 Group Actual $000's	2009 Group Actual $000's
Interest Revenue	12	30	16	75
Income from Construction Contracts	0	0	34,778	44,685
Land Transport New Zealand Government Grants	4,842	6,337	4,842	6,337
Ministry of Health Government Grants	0	(34)	0	(34)
New Zealand Defence Force Grants	1	0	1	0
Other Revenue	3,208	2,708	4,096	4,116
Property Rentals	329	327	329	327
Rental Income from Investment Properties	19	11	19	11
Total Other Revenue	**8,411**	**9,379**	**44,081**	**55,517**

Council has entered into an agreement with the Ministry of Health to provide a subsidy for the construction of the Piopio wastewater system. The subsidy is subject to Council receiving resource consent and completion of works within two years of the date of the funding agreement. The Council has yet to obtain the resource consent and this process is currently underway. Council considers it unlikely that the resource consent will not be granted. The construction has been delayed and is expected to be completed by June 2011. Council has sought an extension of the consent conditions from the Ministry of Health.

Note 3: Other Gains/(Losses)

	2010 Council Actual $000's	2009 Council Actual $000's	2010 Group Actual $000's	2009 Group Actual $000's
Gain/(loss) in Change in Fair Value of investment Property	(283)	499	(283)	499
Gain/(loss) on Land and Building Revaluation	0	0	0	(13)
Gain/(loss) on Property, Plant and Equipment	(58)	0	(58)	0
Impairment Loss on available for Sale Financial Assets	(8,400)	(3,313)	0	0
Gain/(loss) on Derivatives	0	0	97	(494)
Total Other Gains/(Losses)	**(8,741)**	**(2,814)**	**(244)**	**(8)**

Note 4: Employee Benefit Expenses

	2010 Council Actual $000's	2009 Council Actual $000's	2010 Group Actual $000's	2009 Group Actual $000's
Salaries and Wages	2,893	3,067	16,575	19,394
Increase/(Decrease) in Employee Benefit Liabilities	35	38	(115)	(118)
Total Employee Benefit Expenses	**2,928**	**3,105**	**16,460**	**19,276**

Note 5: Finance Costs

	2010 Council Actual $000's	2009 Council Actual $000's	2010 Group Actual $000's	2009 Group Actual $000's
Interest on Bank Borrowings	2,182	2,266	2,791	3,236
Interest on Finance Leases	26	20	32	32
Discount Unwinding on Provision (note 16)	23	26	23	26
Total Finance Costs	**2,231**	**2,312**	**2,846**	**3,294**

Note 6: Other Expenditure

	2010 Council Actual $000's	2009 Council Actual $000's	2010 Group Actual $000's	2009 Group Actual $000's
Audit Fees for Financial Statements Audit	102	102	169	168
Audit Related Fees for Assurance Related Services	10	79	10	79
Bad Debts Written Off	65	58	334	58
Directors Fees	0	0	121	117
Grants	157	182	157	182
Impairment of Subdivision Property	0	0	0	370
Impairment of Goodwill	0	0	0	2,526
Insurance Expenses	228	207	616	567
Inventories	0	0	5,084	4,792
Cost of Sales held as Trading Stock	0	0	48	258
Lease Expenses	68	75	2,159	2,598
Movement in Provision for Doubtful Debt	80	107	2	200
Remuneration of Elected Members	221	200	243	200
Plant and Equipment	252	105	226	(132)
Subscriptions	81	45	81	64
Road Maintenance	3,424	4,179	3,423	4,179
Direct Contract Expenses	0	0	7,925	14,949
Other Expenditure	5,953	6,428	11,372	13,485
Investment Property Expenditure	17	13	17	13
Total Other Expenditure	**10,658**	**11,780**	**31,987**	**44,673**

The audit related services relates to the audit of the Exceptions Annual Plan 2010/11 (2009: Audit of the 2009-19 Long Term Plan).

Note 7: Tax

	2010 Council Actual $000's	2009 Council Actual $000's	2010 Group Actual $000's	2009 Group Actual $000's
Income Tax Recognised in Profit or loss				
Current Tax	0	0	0	2
Deferred tax on Temporary Differences	(19)	(63)	51	(1,302)
Tax Rate Change Adjustment	0	0	89	0
Writedown of Deferred Tax Assets	182	0	182	0
	163	**(63)**	**322**	**(1,300)**
Reconciliation of Accounting Profit/(Loss) before tax and income tax expense				
Surplus/(deficit) before Tax	**(6,405)**	**(2,284)**	**372**	**(5,349)**
Prima facie Taxation at 30% (2009: 30%)	(1,922)	(685)	112	(1,605)
Taxation effect of Non Deductible Expenditure	1,903	622	(531)	375
Non Taxable Income	0	0	1	(69)
Effect of Future Tax Rate Reduction	0	0	89	0
Impact of Building Depreciation Reduction to 0%	0	0	428	0
Non-Recognition of Benefit of Tax Losses	182	0	182	0
Under/(over) provided in Prior Periods	0	0	41	(1)
Taxation Expense	**163**	**(63)**	**322**	**(1,300)**

	Depreciation and Amortisation	Employee Entitlements	Other	Tax Losses Carried Forward	Total Deferred Tax Asset/ (Liability)
Deferred tax balances					
Council 2009					
Opening Balance	0	0	0	100	100
(Charged)/Credited to Profit or Loss	0	0	0	63	63
Closing Balance	**0**	**0**	**0**	**163**	**163**
Council 2010					
(Charged)/Credited to Profit or Loss	0	0	0	19	19
Write down of Deferred Tax Asset	0	0	0	(182)	(182)
Closing Balance	**0**	**0**	**0**	**0**	**0**
Group 2009					
Opening Balance	65	352	(277)	334	474
(Charged)/Credited to Profit or Loss	(273)	(108)	537	1,146	1,302
(Charged)/Credited to other Comprehensive Income	(55)	0	0	0	(55)
Closing Balance	**(263)**	**244**	**260**	**1,480**	**1,721**
Group 2010					
(Charged)/Credited to Profit or Loss	(361)	(28)	6	332	(51)
(Charged)/Credited to other Comprehensive Income	6	0	0	0	6
(Charged)/Credited to the Profit or Loss due to the Tax Rate Change	36	0	(16)	(109)	(89)
Write down of Deferred Tax Asset	0	0	0	(182)	(182)
Closing Balance	**(582)**	**216**	**250**	**1,521**	**1,405**

In the short term it is unlikely that the Council will receive dividends or subvention payments from its subsidiaries. As a result Council has decided to write off its deferred tax asset on the basis that it is not probable it will be able to utilise the future benefit of accumulated tax losses in the near term.

The amount of deferred tax charged or credited to Other Comprehensive Income during the period by the Group was $5,800 primarily arising from the change in the corporate tax rate from 30% to 28%.

During the year, as a result of the change in the NZ corporate tax rate from 30% to 28% that was enacted on 27 May 2010 and that will be effective from 1 July 2011, the relevant deferred tax balances have been re-measured. Deferred tax expected to reverse in the year to 30 June 2012 or later, has been measured using the effective rate that will apply for the period (28%). This has resulted in a reduction in the deferred tax asset of $88,921.

As a result of the change in tax legislation that was enacted on 27 May 2010, with effect from 1 July 2011 being the beginning of the 2011/12 income year, the tax depreciation rate on buildings with an estimated life of 50 years or more will be reduced to 0%. This reduction in the tax depreciation rate has significantly reduced the tax base of the company's buildings as future tax deductions will no longer be available from the 2011/12 income year. [This has resulted in a reduction to the Company's deferred tax asset by $427,987 which has been recognised in the Company's tax expense in the current year.]

Deferred Tax Asset

The Group's deferred tax asset has been recognised as at 30 June 2010 based on the current budget and projected financial performance of Council's wholly owned subsidiary Inframax Construction Ltd for the next four years, which indicates that this asset will be utilised.

The subsidiary's losses in the past three years were the result of strategic decisions made in 2005, 2006 and 2007 to use debt to finance rapid geographic expansion and plant acquisition, and to invest in property development. As a result of this, and as a result of dividends continuing to be paid out, Inframax's average shareholders funds as a percentage of average assets dropped to 31.9% for the year ended 30 June 2009. While the subsidiary continues to bear some of the costs of these decisions, these costs are reducing annually to the extent that a return to profit is anticipated as the new strategic direction is implemented.

In 2009, the subsidiary adopted a new strategic direction which focuses it back to its core business of road making and road maintenance. With support of Council (as shareholder), the Board of Inframax is overseeing company restructuring, including the rationalisation of operations, selected asset sales and overhead cost reductions. The Board is of the view that Inframax will deliver taxable profits over the next four years that will use its tax losses, and that the cause of the tax losses will not recur.

Deferred Tax Losses

The Council has indicated in its 2011 Exceptions Annual Plan that it is considering the divestment of some of the shares in Inframax. If there is a change in shareholding which is more than 51%, the losses recognised by Inframax will be forfeited.

Imputation Credit Account

	2010 Group Actual $000's	2009 Group Actual $000's
Balance 1 July	3,416	4,241
Income Tax payments during the year	0	18
Income Tax refunds during the year	0	(515)
Transfers from other Tax Types	0	(328)
Closing Balance	**3,416**	**3,416**

Note 8: Revaluation Reserves

	2010 Council Actual $000's	2009 Council Actual $000's	2010 Group Actual $000's	2009 Group Actual $000's
Revaluation Reserves				
Balance at 1 July	33,512	33,614	34,179	33,941
Transfer to retained earnings on Asset Disposal	(262)	(102)	(262)	(102)
Related Income Tax	0	0	6	(55)
Revaluation Gains/(Losses)	17,629	0	18,349	395
Balance at 30 June	**50,879**	**33,512**	**52,272**	**34,179**
This is made up of:				
Infrastructural Land	710	788	710	788
Water Assets	2,822	1,908	2,822	1,908
Roading Assets	27,315	14,641	28,035	14,641
Sewerage Assets	3,914	1,511	3,914	1,511
Land Drainage Assets	5,274	3,293	5,274	3,293
Refuse Assets	0	226	0	226
Operational Land	3,552	3,848	3,978	4,271
Operational Buildings	1,151	629	1,398	873
Restricted Land	5,500	5,885	5,500	5,885
Restricted Buildings	298	440	298	440
Library Books	343	343	343	343
Total Revaluation Reserves	**50,879**	**33,512**	**52,272**	**34,179**

Council Created Reserves

Council created reserves are a combination of depreciation reserves and transfers of Surplus or Deficit from operations. The purpose of the reserves is to maintain balances of funded depreciation for future renewal of assets and to hold revenue streams in separate balances as required by Council.

Available for sale reserves consists of valuation gains associated with Council's investments, classified as Available for Sale.

Note 9: Cash and Cash Equivalents

	Note	2010 Council Actual $000's	2009 Council Actual $000's	2010 Group Actual $000's	2009 Group Actual $000's
Cash and Cash Equivalents:					
Cash at Bank and In Hand		398	219	566	253
Total Cash and Cash Equivalents		**398**	**219**	**566**	**253**
Cash and bank overdrafts include the following for the purposes of the Statement of Cash Flows:					
Cash at Bank and In Hand		398	219	566	253
Bank Overdrafts	15	0	0	(2,300)	(2,913)
Total Cash and Cash Equivalents		**398**	**219**	**(1,734)**	**(2,660)**

Note 10: Other Financial Assets

	2010 Council Actual $000's	2009 Council Actual $000's	2010 Group Actual $000's	2009 Group Actual $000's
Current				
Loans and Advances	2	1	2	1
Total Current Investments	**2**	**1**	**2**	**1**
Non Current				
Loans and Advances	27	29	27	29
Shares in Companies	7	7	7	7
Shares in Subsidiary	0	6,400	0	0
Total Non Current Investments	**34**	**6,436**	**34**	**36**
Total Investments	**36**	**6,437**	**36**	**37**

Shares in Companies

Council is a shareholder in Local Authority Shared Services Ltd (LASS). LASS is jointly owned by 13 local authorities and has been set up to develop shared service initiatives, including a valuation database. Council also holds 2,470 shares in NZ Local Government Insurance Company (2009: 2,470). The investment is recorded at cost because it cannot be measured reliably. Refer to note 26 for further detail.

Shares in Subsidaries

Council has 100% shareholding in Inframax Construction Ltd (2009:100%). The principal activity of the company is roading. The balance date of the company is 30 June. During the year the Council made a further investment of $2 million in Inframax Construction Limited.

As a result of the continuing poor performance of Inframax Construction Limited, the fact it is in breach of its bank covenants, its reliance on its lender for continued financial support and given that it is unlikely that the subsidiary will be in a position to provide a return on Council's investment in the immediate future, the Council decided to write-down the value of its investment in Inframax Construction Limited to nil as at 30 June 2010. This has resulted in an impairment loss of $8.4 million being recorded in the current year (2009: $3.3 million). The impairment loss has been recorded in other Gains/(losses) in the profit or loss. Refer to note 3 for details.

Note 11: Inventories

	2010 Council Actual $000's	2009 Council Actual $000's	2010 Group Actual $000's	2009 Group Actual $000's
Subdivision Property	0	0	1,353	1,400
Metal Stockpiles and Landfill Stock	22	82	1,783	1,687
Fuels, Spares and Consumables	9	6	199	218
Total Inventories	**31**	**88**	**3,335**	**3,305**

No write down of inventories to net realisable value were required during the year (2009: $92,227 write-down).

The Group through its subsidiary has completed a subdivision in Te Kuiti (Parkside Subdivision). Sections are currently being marketed. Titles were made available in September 2008. An independent market valuation of the sections was prepared for Inframax in April 2009. The Directors at 30 June 2009 determined that a further impairment should be applied to take account of current conditions in the domestic real estate market. After provision for anticipated selling/marketing and legal expenses, an impaired value of $1,400,000 was determined as the fair value of the subdivision at 30 June 2009. This resulted in an impairment loss of $369,726 in 2009. No impairment has been recorded in 2010.

Note 12: Trade and Other Receivables

	2010 Council Actual $000's	2009 Council Actual $000's	2010 Group Actual $000's	2009 Group Actual $000's
Construction Contracts Accrued Income	0	0	0	316
Rates Receivables *	2,184	1,679	2,184	1,679
Related Party Receivables	1	6	0	0
General Debtors	1,475	2,277	3,618	4,588
Amounts due from Customers for Contract Work	0	0	1,807	2,798
Retentions Receivable	0	0	491	659
Prepayments	31	66	217	235
	3,691	**4,028**	**8,317**	**10,275**
Provision for Doubtful Debts	(731)	(650)	(746)	(743)
Total Trade and Other Receivables	**2,960**	**3,378**	**7,571**	**9,532**

* Included in the rates receivable figure is an amount of $593,382 (2009: $472,567) relating to rates penalties.

Impairment

As of 30 June 2010 and 2009, all overdue receivables, have been assessed for impairment and appropriate provisions applied. The Council holds no collateral as security or other credit enhancements over receivables that are either past due or impaired.

The status of receivables at 30 June 2010 and 2009 for both Council and Group are detailed below:

	2010 Council Actual $000's	2009 Council Actual $000's	2010 Group Actual $000's	2009 Group Actual $000's
Gross Receivables				
Current	2,370	2,961	6,473	8,295
Past due 1-30 days	33	40	244	40
Past due 31-60 days	5	51	166	613
Past due 61-90 days	0	112	89	144
Past due > 90 days	1,283	864	1,345	1,183
Total Gross Receivables	**3,691**	**4,028**	**8,317**	**10,275**
Impairment of Receivables				
Current	0	0	0	0
Past due 1-30 days	(3)	0	(3)	0
Past due 31-60 days	(1)	0	(1)	0
Past due 61-90 days	0	0	0	0
Past due > 90 days	(727)	(650)	(742)	(743)
Total Impairment of Receivables	**(731)**	**(650)**	**(746)**	**(743)**
Net Receivables				
Current	2,370	2,961	6,473	8,295
Past due 1-30 days	30	40	241	40
Past due 31-60 days	4	51	165	613
Past due 61-90 days	0	112	89	144
Past due > 90 days	556	214	603	440
Total Net Receivables	**2,960**	**3,378**	**7,571**	**9,532**
Individual Impairment	74	105	89	198
Collective Impairment	657	545	657	545
Total Provision for Impairment	**731**	**650**	**746**	**743**
Past due 1-30 days	0	0	0	0
Past due 31-60 days	3	0	3	0
Past due 61-90 days	1	0	1	0
Past due > 90 days	70	105	85	198
Total Individual Impairment	**74**	**105**	**89**	**198**
Balance at 1 July	(650)	(543)	(743)	(543)
Additional provisions made during the year	(145)	(165)	(145)	(258)
Receivables written off during the period	64	58	142	58
Balance at 30 June	**(731)**	**(650)**	**(746)**	**(743)**

* Rates receivable for the current year have been categorised as current.

Note 13: Derivative Financial Instruments

The full fair value of a derivative is classified as a non-current asset or liability if the remaining maturity of the derivative is more than 12 months and is a current asset or liability if the maturity of the derivative is less than 12 months.

The Group, through Council's ownership of Inframax Construction Ltd, has derivative financial instruments. These instruments consist of the following:

Derivative Financial Instrument Liability

Interest Rate Swaps

The notional principal amounts of the outstanding interest rate swaps contracts at 30 June 2010 were $374,989 liability (2009: $471,766 liability). At 30 June 2010 the floating rate for the applicable loan was BKBB + 2.95% (2009: BKBB + 2.85%).

Note 14: Trade and Other Payables

	2010 Council Actual $000's	2009 Council Actual $000's	2010 Group Actual $000's	2009 Group Actual $000's
Trade Payables	1,673	1,725	4,758	6,981
Related Party Payables	883	956	0	44
Deposits and bonds	146	149	146	149
Retention Monies	210	272	210	272
Revenue in Advance	157	150	157	150
Councillors and Directors Fees Payable	0	7	0	7
Interest Accrual	120	94	120	94
Amounts due to Customers for Contract Work	0	0	344	196
Total Trade and Other Payables	**3,189**	**3,353**	**5,735**	**7,893**

Trade and other payables are non-interest bearing and are normally settled on 30 day terms, therefore the carrying value of trade and other payables approximates their fair value.

Note 15: Borrowings

	2010 Council Actual $000's	2009 Council Actual $000's	2010 Group Actual $000's	2009 Group Actual $000's
Bank Overdraft	0	0	2,300	2,913
Current				
Secured Loans	8,314	6,100	15,149	13,616
Lease Liabilities	71	68	84	95
Total Current	**8,385**	**6,168**	**15,233**	**13,711**
Non Current				
Secured Loans	29,497	29,011	29,660	29,011
Lease Liabilities	91	104	124	104
Sub Total	**29,588**	**29,115**	**29,784**	**29,115**
Total Borrowings	**37,973**	**35,283**	**45,017**	**42,826**

Council

The current portion of secured loans as at 30 June 2010 for the Council is made up of two amounts: $3,514,000 term loan and $4,800,000 term loan both of which are due to expire on 31 July 2010. These loans have been refinanced subsequent to year end. Refer to note 31 for details. The wholesale advance facility has a limit of $5,000,000 (2009: $2,000,000). There was $5,000,000 (2009: $700,000) available on this facility as at 30 June 2010.

Security

Council borrowings are secured over annual rates on every rateable property within the Waitomo District.

Group

The current portion of secured loans as at 30 June 2010 for the Group is made up of the Council loans noted above and bank loans issued to Inframax Construction Limited and Independent Roadmarkers Limited. As part of Inframax Construction Limited's security arrangements with Westpac, Inframax Construction Limited is required to meet the banks covenant requirements on a quarterly basis. At balance date, Inframax Construction Limited a subsidiary of the Group was in breach of its banking covenants. Accordingly, the interest bearing borrowings for Inframax Construction Limited have been reclassified as current loans pursuant to NZ IFRS (NZ IAS 1). The carrying value of non-current loans reclassified to current borrowings is $6,754,485 (2009: $7,272,205). Both Westpac and the Board of Directors of Inframax Construction Limited are aware of the breaches and are committed to rectifying the breaches in the coming financial year through negotiation and business process improvements. Inframax Construction Ltd is dependent on the continuing financial support from Westpac.

If Inframax Construction Ltd (or its subsidiary Independent Roadmarkers Taranaki Ltd) were unable to operate and pay their debts as and when they become due and payable, adjustments may have to be made to reflect the situation that assets may need to be realised and liabilities extinguished, other than in the normal course of business and at amounts which could differ from the amounts at which they are currently recorded in the Group's Balance Sheet. The total value of assets recorded in Inframax's accounts to 30 June 2010 was $21,502,795 and the total net assets were $7,501,101.

These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that may be necessary should Inframax be unable to continue as a going concern.

At 30 June 2010, Inframax Construction Ltd had a multi option credit line facility of $3,750,000 (2009: $3,750,000) of which $1,466,021 (2009: $835,910) was available at 30 June 2010. The multi option credit line facility matures on 31 March 2011.

Security

The overdraft facility and loans of Inframax Construction Ltd are secured by way of debenture over the assets of the business.

The repayment terms for borrowings are:

	2010 Council Actual $000's	2009 Council Actual $000's	2010 Group Actual $000's	2009 Group Actual $000's
Repayment Terms				
Payable in less than 1 year	8,385	6,168	15,233	13,711
Payable in 1-2 years	12,528	8,383	12,642	8,383
Payable in 2-5 years	17,060	20,732	17,142	20,732
Total	**37,973**	**35,283**	**45,017**	**42,826**

Analysis of Finance Lease Liabilities

	2010 Council Actual $000's	2009 Council Actual $000's	2010 Group Actual $000's	2009 Group Actual $000's
Total Future Minimum Lease Liability	203	221	265	251
Less Future Finance Charges	(41)	(49)	(57)	(52)
Present Value of Minimum Lease Payments	**162**	**172**	**208**	**199**
Not later than 1 year	71	68	84	95
Later than 1 Year but not more than 5 years	91	104	124	104
Present Value of Minimum Lease Payments	**162**	**172**	**208**	**199**
Lease liabilities				
Weighted average interest rates	11.54%	11.76%	11.54%	11.76%

Variations from/Changes to the Policy on Liability Management

Council's Policy on Liability Management provides the parameters under which it will manage its public debt and other borrowings. There have been no significant variations or changes to the policy during the year.

Note 16: Provisions

Provision for Landfill Aftercare

Council owns the Rangitoto Landfill as well as a number of closed landfill sites. The closed landfill sites are located at Te Kuiti, Mokau, Piopio, Aria and Benneydale. Council has closure and post closure responsibilities for these landfills. The responsibility for closed landfills consists of obligations imposed under the resource consents issued. Non compliance with these consents may lead to prosecution under the Resource Management Act.

Closure responsibilities include final cover application and vegetation, completing facilities for leachate collection, water quality and gas monitoring.

Post-closure responsibilities include leachate, water and gas monitoring and remedial measures such as ongoing site maintenance for drainage systems, final cover and vegetation.

Council has resource consents for all sites except Mokau Landfill. Council has the responsibility under the resource consent to provide ongoing maintenance and monitoring of the landfill after the sites are closed.

The Rangitoto Landfill has a remaining capacity of 400,000 cubic metres. The estimated remaining life of the landfill is 26 years. The long term nature of the liability means that there are inherent uncertainties in estimating costs that will be incurred. The provision has been estimated taking into account existing technology and is discounted using a discount rate of 5.51% (2009: 5.97%).

Provision for Contract Rework

A provision for contract rework is recognised for certain contracts where either the work is not finished or that the work has not been completed to a satisfactory level. The provision is recognised in the Statement of Comprehensive Income within Other Expenditure. The balance at 30 June 2010 is $nil (2009:$144,576).

Provision for Riskpool Insurance Calls

Council is a member of RiskPool. RiskPool is a mutual fund created and owned by local authorities to provide long term, affordable legal and professional liability protection. The purpose of RiskPool is to replace conventional Public Liability and Professional Indemnity insurance products with discretionary mutual protection from risk.

RiskPool has been under financial pressure as a result of the leaky building issue, where Councils and RiskPool have found themselves as respondents to legal claims from property owners. Council has been advised that the Board of RiskPool will be making a call on member Councils for a shortfall in the mutual pool's funds and therefore Council has provided for two future calls being made by Riskpool. These claims are expected to be paid out over the next two years.

Provision for Restructuring

A provision for restructuring was recognised in the prior year for employee redundancy costs associated with the restructuring in the Te Kuiti and New Plymouth regions that had been determined as at 30 June 2010. These redundancy payments were made during the month of July 2009. A provision was also recognised in the current year for restructuring in the Wanganui region that had been determined as at 30 June 2010. The redundancy payments were made during the month of July 2010.

	2010 Council Actual $000's	2009 Council Actual $000's	2010 Group Actual $000's	2009 Group Actual $000's
Provision for Landfill Aftercare				
Balance at 1 July	616	459	616	459
Additional Provisions made during the year	193	149	193	149
Amounts used during the year	(18)	(18)	(18)	(18)
Discount unwinding	23	26	23	26
Unused amounts reversed	(17)	0	(17)	0
Balance at 30 June	**797**	**616**	**797**	**616**
Provision for Contract Rework				
Balance at 1 July	0	0	144	184
Additional Provisions made during the year	0	0	0	59
Amounts used during the year	0	0	(144)	(30)
Unused amounts reversed	0	0	0	(69)
Balance at 30 June	**0**	**0**	**0**	**144**
Provision for Riskpool Insurance Liability				
Balance at 1 July	39	0	39	0
Additional Provisions made during the year	72	39	72	39
Amounts used during the year	(37)	0	(37)	0
Balance at 30 June	**74**	**39**	**74**	**39**
Provision for Restructuring				
Balance at 1 July	0	0	154	0
Additional Provisions made during the year	0	0	35	154
Amounts used during the year	0	0	(183)	0
Balance at 30 June	**0**	**0**	**6**	**154**
Total Provisions	**871**	**655**	**877**	**953**
This is made up of:				
Current	51	37	57	335
Non Current	820	618	820	618
Total Provisions	**871**	**655**	**877**	**953**

Note 17: Employee Entitlements

	2010 Council Actual $000's	2009 Council Actual $000's	2010 Group Actual $000's	2009 Group Actual $000's
Accrued Pay	85	77	426	437
Annual Leave, Long Service Leave and Sick Leave	276	252	1,004	1,113
Gratuities and Retirement Provision	79	76	127	122
Total Employee Entitlements	**440**	**405**	**1,557**	**1,672**
This is made up of:				
Current	375	344	1,444	1,565
Non Current	65	61	113	107
Total Employee Entitlements	**440**	**405**	**1,557**	**1,672**

Note 18: Property, Plant and Equipment

Council 2010 $000's	Cost/ Revaluation 01.07.09	Acc Depn & Impairment Charges 01.07.09	Carrying Value 01.07.09	Current Year Additions	Current Year Disposals	Reclassification	Current Year Depreciation	Revaluation Gain/(Loss)	Cost/ Revaluation 30.06.10	Acc Depn & Impairment Charges 30.06.10	Carrying Value 30.06.10
Operational Assets											
Land	4,907	0	4,907	12	0	0	0	(295)	4,624	0	4,624
Buildings	5,325	894	4,431	20	8	0	357	535	4,978	357	4,621
Plant and equipment	113	94	19	0	0	0	5	0	113	99	14
Motor Vehicles	588	231	357	73	37	0	103	0	624	334	290
Furniture and fittings	1,044	846	198	25	0	0	45	0	1,069	891	178
Computers	1,410	1,408	2	63	0	0	8	0	1,473	1,416	57
Library Books	689	499	190	67	8	0	43	0	748	542	206
"Finance leases - office equipment"	436	269	167	111	46	0	78	0	501	347	154
Total Operational Assets	**14,512**	**4,241**	**10,271**	**371**	**99**	**0**	**639**	**240**	**14,130**	**3,986**	**10,144**
Restricted Assets											
Land	6,938	0	6,938	0	0	0	0	(385)	6,553	0	6,553
Buildings	3,671	440	3,231	112	33	0	183	(88)	3,222	183	3,039
Total Restricted Assets	**10,609**	**440**	**10,169**	**112**	**33**	**0**	**183**	**(473)**	**9,775**	**183**	**9,592**
Infrastructural Assets											
Land	1,334	0	1,334	0	0	0	0	(78)	1,256	0	1,256
Buildings	2,944	94	2,850	0	0	(2,850)	0	0	0	0	0
Roads	202,826	6,877	195,949	4,603	74	0	2,491	12,744	213,222	2,491	210,731
Water Reticulation	8,989	567	8,422	468	44	1,595	231	957	11,398	231	11,167
Sewerage Reticulation	7,403	732	6,671	2,179	67	1,457	290	2,460	12,700	290	12,410
Stormwater Systems	6,699	429	6,270	76	0	108	155	1,981	8,435	155	8,280
Refuse Systems	2,962	171	2,791	863	18	(310)	108	(260)	3,066	108	2,958
Land under roads	9,883	0	9,883	0	0	0	0	0	9,883	0	9,883
Total I nfrastructural Assets	**243,040**	**8,870**	**234,170**	**8,189**	**203**	**0**	**3,275**	**17,804**	**259,960**	**3,275**	**256,685**
Contract Work in Progress	4,795	0	4,795	(921)	0	0	0	0	3,874	0	3,874
Total Council Assets	**272,956**	**13,551**	**259,405**	**7,751**	**335**	**0**	**4,097**	**17,571**	**287,739**	**7,444**	**280,295**

Council 2009 $000's	Cost/ Revaluation 01.07.08	Acc Depn & Impairment Charges 01.07.08	Carrying Value 01.07.08	Current Year Additions	Current Year Disposals	Current Year Impairment Charges	Current Year Depreciation	Revaluation Gain/(Loss)	Cost/ Revaluation 30.06.09	Acc Depn & Impairment Charges 30.06.09	Carrying Value 30.06.09
Operational Assets											
Land	4,907	0	4,907	0	0	0	0	0	4,907	0	4,907
Buildings	5,162	588	4,574	163	0	0	306	0	5,325	894	4,431
Plant and equipment	113	85	28	0	0	0	9	0	113	94	19
Motor Vehicles	471	138	333	150	33	0	93	0	588	231	357
Furniture and fittings	1,027	783	244	17	0	0	63	0	1,044	846	198
Computers	1,410	1,389	21	0	0	0	19	0	1,410	1,408	2
Library Books	633	432	201	75	19	0	67	0	689	499	190
"Finance leases - office equipment"	436	198	238	0	0	0	71	0	436	269	167
Total Operational Assets	**14,159**	**3,613**	**10,546**	**405**	**52**	**0**	**628**	**0**	**14,512**	**4,241**	**10,271**
Restricted Assets											
Land	6,938	0	6,938	0	0	0	0	0	6,938	0	6,938
Buildings	3,645	288	3,357	26	0	0	152	0	3,671	440	3,231
Total Restricted Assets	**10,583**	**288**	**10,295**	**26**	**0**	**0**	**152**	**0**	**10,609**	**440**	**10,169**
Infrastructural Assets											
Land	1,306	0	1,306	28	0	0	0	0	1,334	0	1,334
Buildings	2,944	64	2,880	0	0	0	30	0	2,944	94	2,850
Roads	196,539	4,402	192,137	6,312	25	0	2,475	0	202,826	6,877	195,949
Water Reticulation	7,963	362	7,601	1,075	49	0	205	0	8,989	567	8,422
Sewerage Reticulation	7,236	472	6,764	167	0	0	260	0	7,403	732	6,671
Stormwater Systems	6,495	285	6,210	204	0	0	144	0	6,699	429	6,270
Refuse Systems	2,814	82	2,732	148	0	0	89	0	2,962	171	2,791
Land under roads	9,883	0	9,883	0	0	0	0	0	9,883	0	9,883
Total Infrastructural Assets	**235,180**	**5,667**	**229,513**	**7,934**	**74**	**0**	**3,203**	**0**	**243,040**	**8,870**	**234,170**
Contract Work in Progress	2,878	0	2,878	1,917	0	0	0	0	4,795	0	4,795
Total Council Assets	**262,800**	**9,568**	**253,232**	**10,282**	**126**	**0**	**3,983**	**0**	**272,956**	**13,551**	**259,405**

Group 2010 $000's	Cost/ Revaluation 01.07.09	Acc Depn & Impairment Charges 01.07.09	Carrying Value 01.07.09	Current Year Additions	Current Year Disposals	Reclassification	Current Year Depreciation	Revaluation Gain/(Loss)	Cost/ Revaluation 30.06.10	Acc Depn & Impairment Charges 30.06.10	Carrying Value 30.06.10
Operational Assets											
Land	5,499	0	5,499	33	0	0	0	(295)	5,237	0	5,237
Buildings	7,515	894	6,621	63	29	0	456	535	7,187	454	6,733
Plant and equipment	113	94	19	0	0	0	5	0	113	99	14
Motor Vehicles	22,269	11,717	10,552	286	237	43	1,828	0	21,549	12,734	8,815
Furniture and fittings	1,658	1,348	310	160	1	0	120	0	1,792	1,442	350
Computers	1,410	1,408	2	63	0	0	8	0	1,473	1,416	57
Library Books	689	499	190	67	8	0	43	0	748	542	206
Finance leases - plant and vehicles	84	41	43	0	0	(43)	0	0	0	0	0
Finance leases - office equipment"	436	269	167	111	46	0	78	0	501	347	154
Total Operational Assets	**39,673**	**16,270**	**23,403**	**783**	**321**	**0**	**2,538**	**240**	**38,600**	**17,033**	**21,566**
Restricted Assets											
Land	6,938	0	6,938	0	0	0	0	(385)	6,553	0	6,553
Buildings	3,671	440	3,231	112	33	0	183	(88)	3,222	183	3,039
Total Restricted Assets	**10,609**	**440**	**10,169**	**112**	**33**	**0**	**183**	**(473)**	**9,775**	**183**	**9,592**
Infrastructural Assets											
Land	1,334	0	1,334	0	0	0	0	(78)	1,256	0	1,256
Buildings	2,944	94	2,850	0	0	(2,850)	0	0	0	0	0
Roads	202,106	6,877	195,229	4,321	74	0	2,491	13,446	212,942	2,491	210,451
Water Reticulation	8,989	567	8,422	468	44	1,595	231	957	11,398	231	11,167
Sewerage Reticulation	7,403	732	6,671	2,179	67	1,457	290	2,460	12,700	290	12,410
Stormwater Systems	6,699	429	6,270	76	0	108	155	1,981	8,435	155	8,280
Refuse Systems	2,962	171	2,791	863	18	(310)	108	(260)	3,066	108	2,958
Land under Roads	9,883	0	9,883	0	0	0	0	0	9,883	0	9,883
Total Infrastructural Assets	**242,320**	**8,870**	**233,450**	**7,907**	**203**	**0**	**3,275**	**18,526**	**259,680**	**3,275**	**256,405**
Work in Progress	4,795	0	4,795	(921)	0	0	0	0	3,874	0	3,874
Total Assets	**297,397**	**25,580**	**271,817**	**7,881**	**557**	**0**	**5,996**	**18,293**	**311,929**	**20,493**	**291,435**

Group 2009 $000's	Cost/ Revaluation 01.07.08	Acc Depn & Impairment Charges 01.07.08	Carrying Value 01.07.08	Current Year Additions	Current Year Disposals	Current Year Impairment Charges	Current Year Depreciation	Revaluation Gain/(Loss)	Cost/ Revaluation 30.06.09	Acc Depn & Impairment Charges 30.06.09	Carrying Value 30.06.09
Operational Assets											
Land	5,289	0	5,289	0	0	0	0	211	5,499	0	5,499
Buildings	7,767	796	6,971	17	171	0	380	184	7,515	894	6,621
Plant and equipment	113	85	28	0	0	0	9	0	113	94	19
Motor Vehicles	23,166	11,570	11,596	1,093	269	0	1,868	0	22,269	11,717	10,552
Furniture and fittings	1,825	1,402	423	41	9	0	145	0	1,658	1,348	310
Computers	1,410	1,389	21	0	0	0	19	0	1,410	1,408	2
Library Books	633	432	201	75	19	0	67	0	689	499	190
Finance leases - plant and vehicles	84	26	58	0	0	0	15	0	84	41	43
"Finance leases - office equipment"	436	198	238	0	0	0	71	0	436	269	167
Total Operational Assets	**40,723**	**15,898**	**24,825**	**1,226**	**468**	**0**	**2,574**	**395**	**39,673**	**16,270**	**23,403**
Restricted Assets											
Land	6,938	0	6,938	0	0	0	0	0	6,938	0	6,938
Buildings	3,645	288	3,357	26	0	0	152	0	3,671	440	3,231
Total Restricted Assets	**10,583**	**288**	**10,295**	**26**	**0**	**0**	**152**	**0**	**10,609**	**440**	**10,169**
Infrastructural Assets											
Land	1,306	0	1,306	28	0	0	0	0	1,334	0	1,334
Buildings	2,944	64	2,880	0	0	0	30	0	2,944	94	2,850
Roads	195,819	4,402	191,417	6,312	25	0	2,475	0	202,106	6,877	195,229
Water Reticulation	7,963	362	7,601	1,075	49	0	205	0	8,989	567	8,422
Sewerage Reticulation	7,236	472	6,764	167	0	0	260	0	7,403	732	6,671
Stormwater Systems	6,495	285	6,210	204	0	0	144	0	6,699	429	6,270
Refuse Systems	2,814	82	2,732	148	0	0	89	0	2,962	171	2,791
Land under Roads	9,883	0	9,883	0	0	0	0	0	9,883	0	9,883
Total Infrastructural Assets	**234,460**	**5,667**	**228,793**	**7,934**	**74**	**0**	**3,203**	**0**	**242,320**	**8,870**	**233,450**
Work in Progress	2,878	0	2,878	1,917	0	0	0	0	4,795	0	4,795
Total Assets	**288,644**	**21,853**	**266,791**	**11,103**	**542**	**0**	**5,929**	**395**	**297,397**	**25,580**	**271,817**

Fair Value (Council)

The Council considers the valuations, as currently reflected in the Council and Group's financial statements, to be the fair value of land and buildings.

Fair Value (Inframax Construction Ltd)

The Company considers the valuations, as currently reflected in the Group's financial statements, to be the fair value of land and buildings. Land and buildings were revalued at 30 June 2009 by Doyle Valuations Ltd.

There are no items or property, plant and equipment that are not in current use.

There have been no impairment losses recognised in relation to property, plant and equipment.

At balance date one of the Council's subsidiaries was in breach of it's debt covenants, and is reliant on the continued support of its Lender to continue. The recoverable amount of the assets may require adjustments if the Company was unable to continue. These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that may be necessary should the Company be unable to continue as a going concern.

Note 19: Intangible Assets

	2010 Council Actual $000's	2009 Council Actual $000's	2010 Group Actual $000's	2009 Group Actual $000's
Goodwill				
Cost				
Balance at 1 July	0	0	2,623	2,623
Goodwill recognised on business acquisition	0	0	0	0
Balance at 30 June	**0**	**0**	**2,623**	**2,623**
Accumulated Impairment Losses				
Balance at 1 July	0	0	2,623	97
Impairment Losses for the year	0	0	0	2,526
Balance at 30 June	**0**	**0**	**2,623**	**2,623**
Net Book Value at 30 June	**0**	**0**	**0**	**0**
Software				
Cost				
Balance at 1 July	596	596	1,201	1,208
Additions	78	0	138	6
Disposals	0	0	0	(13)
Balance at 30 June	**674**	**596**	**1,339**	**1,201**
Accumulated Amortisation				
Balance at 1 July	596	596	1,196	1,178
Amortisation expense for the year	1	0	16	17
Balance at 30 June	**597**	**596**	**1,212**	**1,195**
Net Book Value at 30 June	**77**	**0**	**127**	**6**
Carrying Book Value				
Goodwill	0	0	0	0
Software	77	0	127	6
Total Carrying Value at 30 June	**77**	**0**	**127**	**6**

Impairment of Goodwill

Goodwill is allocated to related cash-generating units and is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses.

All goodwill recorded has been acquired in a business combination and is allocated, at acquisition, to the cash generating unit (CGU) that is expected to benefit from the business combination.

The carrying amount of Goodwill of the Group is $nil (30 June 2009: $nil).

The Goodwill acquired by the Group in the year to 30 June 2008 was allocated to Independent Roadmarkers Taranaki Limited, CGU. During the previous financial year, the Group assessed the recoverable amount of Goodwill and determined that Goodwill associated with past acquisitions of asset purchases was impaired. The impairment loss in relation to Goodwill is included in other gains/(losses) in profit or loss. The recoverable amount was based on a value in use calculation using a multiple between 3.75 and 4.25.

The main factor contributing to the impairment is the lack of ongoing business benefitting Inframax Construction Ltd and Independent Roadmarkers Taranaki Ltd in the Wanganui and South Taranaki regions where the goodwill arose through acquisitions of businesses in these regions.

Note 20: Forestry Assets

	2010 Council Actual $000's	2009 Council Actual $000's	2010 Group Actual $000's	2009 Group Actual $000's
Balance at 1 July	75	75	75	75
Balance at 30 June	**75**	**75**	**75**	**75**

The Council owns 15.7 hectares of pinus radiata which mature in 17 years. No forests have been harvested during the year (2009: Nil).

Revaluation of Council's forestry assets to determine its fair value less estimated point of sale costs was not undertaken as at 30 June 2010. Council is of the opinion that the carrying value of its forestry assets has not altered materially since the previous valuation was undertaken. However, following the recent introduction of the Emissions Trading Scheme Council intends to reinstate annual valuations commencing in 2010-2011.

Financial Risk Management Strategies

The Council is exposed to financial risks arising from changes in timber prices. The Council is a long-term forestry investor and does not expect timber prices to decline significantly in the foreseeable future, therefore, has not taken any measures to manage the risks of a decline in timber prices. The Council reviews its outlook for timber prices regularly in considering the need for active financial risk management.

Note 21: Investment Property

	2010 Council Actual $000's	2009 Council Actual $000's	2010 Group Actual $000's	2009 Group Actual $000's
Balance at 1 July	833	334	833	334
Additions	16	0	16	0
Gains/(Losses) due to change in Fair Value	(283)	499	(283)	499
Disposals	(2)	0	(2)	0
Balance at 30 June	**564**	**833**	**564**	**833**

An independent valuation of the Group's investment properties was performed by Darroch Valuations, independent registered valuers, to determine the fair market value of the investment properties.

Darroch Valuations are members of the Property Institute of New Zealand and have the appropriate qualifications and recent experience in the valuation of properties within the Waitomo District. The valuation, which conforms to the New Zealand Professional Practice Manual 2006, including International Valuation Standard ('IVS') 3 'Valuation Reporting', International Valuation Application ('IVA') 1 'Valuation for Financial Reporting' and New Zealand Valuation Guidance Note ('NZVGN') 1 'Valuations for Use in New Zealand Financial Reports' was determined by reference to market-based evidence of prices for similar properties.

Under IVS 3, all valuations must be assessed as at the date of inspection of the property, except where the valuation instructions are to assess the value at a retrospective date. Accordingly, the valuation date is the date of inspection. The valuers considered the use of the valuation for financial reporting at 30 June 2010.

Note 22: Capital Commitments and Operating Leases

	2010 Council Actual $000's	2009 Council Actual $000's	2010 Group Actual $000's	2009 Group Actual $000's
Commitments for capital contracted by not provided for:				
Capital Expenditure	**203**	**1,265**	**203**	**1,265**
Non Cancellable Operating Leases as Lessee				
Not later than one year	60	68	60	2,708
Later than one year but not later than five years	35	104	35	6,219
Later than five years	9	0	9	1,474
Total Non Cancellable Operating Leases	**104**	**172**	**104**	**10,401**
Operational Commitments				
Not later than one year	8,506	4,374	10,526	4,374
Later than one year but not later than five years	2,559	2,566	6,471	1,889
Later than five years	102	0	1,314	677
Total Operational Commitments	**11,167**	**6,940**	**18,311**	**6,940**
Total Commitments	**11,474**	**8,377**	**18,618**	**18,606**

Note 23: Contingencies

Council

In respect of the mining licence for McKenzies Quarry, Council has provided the Ministry of Commerce with a land reinstatement bond of $10,700 (2009: $10,700), in lieu of a cash deposit.

Council is a shareholder in Local Authority Shared Services Ltd. LASS is jointly owned by 13 local authorities and has been set up to develop shared service initiatives, including a valuation database. There is uncalled capital of $34,221 (2009: $34,221) that Council may be required to pay if called. Council considers it unlikely that it will be called upon for the capital and therefore have not provided for this claim.

Council has provided in its provisions amounts for calls for New Zealand National Mutual Riskpool of which Council a member of (Note 16). It is possible further calls may be demanded of Council in the future. The timing and amount of further calls is currently unknown.

Group

As a result of a contractual dispute a claim has been filed in the High Court for $415,675 plus interest and costs. The Board of Directors believed this claim had been settled through an adjudication process under the Construction Contracts Act. The Board considers the claim to be without foundation and frivolous.

Provision for Financial Guarantees

The Council is listed as sole guarantor to two community organisation bank loans for a total of $100,000 (2009: $100,000). The Council is obligated under the guarantee to make loan payments in the event the organisation defaults on a loan arrangement. The exercising of guarantees will be dependent on the financial stability of the community organisations, which will vary over time. Council considers it unlikely that the groups will default on the loan arrangement and therefore have not provided for these guarantees.

Note 24: Operating Cash Flow Reconciliation

	2010 Council Actual $000's	2009 Council Actual $000's	2010 Group Actual $000's	2009 Group Actual $000's
Net Surplus/(Deficit) After Tax	**(6,568)**	**(2,221)**	**50**	**(4,049)**
Add/(Less) Non Cash Items				
Depreciation and Amortisation	4,098	3,983	6,012	5,946
Gain in change of fair value of investment property	283	(499)	283	(499)
Impairment loss of available for sale financial assets	8,400	3,313	0	0
Loss on Revaluation of property, plant and equipment	58	0	58	13
Impairment of Goodwill	0	0	0	2,526
Loss/(Gain) on Disposal of Assets	252	105	226	(132)
Change in Unrealised Derivative Financial Instrument	0	0	(97)	379
Change in Deferred Taxation Asset/Liability	163	(63)	316	(1,247)
Add/(Less) Movements in Working Capital Items				
Increase/(Decrease) in Trade and Other Payables	(164)	(2,456)	(2,158)	(1,475)
(Increase)/Decrease in Trade and Other Receivables	418	2,406	1,961	5,336
(Increase)/Decrease in Inventories	57	(1)	(30)	966
(Increase)/Decrease in Taxation Receivable	0	0	(2)	515
(Increase)/Decrease in Taxation Payable	0	0	0	(14)
Increase/(Decrease) in Employee Entitlements	35	38	(115)	(118)
Increase/(Decrease) in Provisions	216	196	(76)	310
Add/(Less) Items Classified as Investing or Financing Activities	683	3,269	955	531
Net Cash Flows from Operating Activities	**7,931**	**8,070**	**7,383**	**8,988**

Note 25: Capital Expenditure

	Note	2010 Council Budget $000's	2010 Council Actual $000's	2009 Council Actual $000's
Capital by Significant Activity				
Leadership		0	287	171
Community Facilities		544	343	259
Solid Waste		386	888	358
Stormwater		125	76	204
Sewerage		7,562	1,302	1,915
Water		514	346	1,063
Roads		5,081	4,603	6,312
Total Capital Expenditure		**14,212**	**7,845**	**10,282**
Shown as Additions to:				
Property, plant and equipment	18	14,212	7,751	10,282
Intangible assets	19	0	78	0
Investment property	21	0	16	0
		14,212	**7,845**	**10,282**

Summary of Significant Capital Additions and Replacements

Activity	Description (actual cost in brackets)	Reason for expenditure
Roading (Total spend $4.603 million)	Emergency Structural Reinstatement ($0.28 million)	To repair damage to roads as a result of bad weather events.
	Pavement Rehabilitation ($0.93 million)	To reduce future road maintenance costs.
	Drainage Renewals ($0.69 million)	To renew culverts throughout the district.
	Unsealed road metalling ($0.77 million)	To add structural support to unsealed roads district wide.
	Sealed road surfacing ($0.94 million)	To improve the smoothness of the road surface where the existing surface has deteriorated beyond normal capacity.
	Minor improvements ($0.37 million)	To improve road safety and alignment of roads.
	Traffic Services ($0.26 million)	To improve road safety through signage and road markings.
	Structures Components Replacements ($0.29 million)	To improve the safety of bridges throughout the district.
Sewerage (Total spend $1.302 million)	Te Kuiti ($1.08 million)	To upgrade the power supply, additional costs for design investigations to support MoH subsidy application and renewal and remedial work required to improve safety.
	Te Waitere, Piopio and Benneydale ($0.22 million)	To apply for resource consent for Benneydale to extend existing reticulation and to replace sewer lines in Te Waitere to resolve land issues.
Water (Total spend $0.346 million)	Te Kuiti Water ($0.27 million)	Treatment plant renewals and insurance funded repairs to water plant after power damage.
	Other ($0.07 million)	Improvements to supply security and treatment plant renewals at Benneydale, Mokau and Piopio.
Solid Waste (Total spend $0.888 million)	Te Kuiti Transfer Station ($0.29 million)	Upgrade of the transfer station at the Te Kuiti Landfill
	Waitomo District Landfill Improvements ($0.59 million)	To increase the space of Cell 2 at the landfill and carrying out safety improvements to the site.

Significant Variations to Budget

Total capital expenditure was $6.4 million less than budget.

Community Facilities expenditure was $201,000 less than budget. Upgrade works for Public Amenties, Te Waitere Wharf and the Te Kuiti Swimming Pool filtration were not undertaken during the year.

Sewerage expenditure was $6.3 million less than budget. The Benneydale capital expenditure budget was set under the assumption that the resource application would be completed on a non notified basis under the Resource Management Act, however the application has been publicly notified. The upgrade of Benneydale Sewerage is now expected to proceed in the 2010/11 financial year. The capital budgets for the Te Kuiti Waste Water Treatment Plant Upgrade were largely unspent while Council progresses the application for renewal of the resource consent. Completion of the Piopio Sewerage scheme is being held up by an Environment Court appeal.

Roads was $478,000 less than budget due to work coming in under budget and better than expected subsidy rates received from New Zealand Land Transport Agency (NZTA). Also Mangaokewa Pavement Rehabilitation was put on hold due to NZTA not funding the widening of the road prior to the rehabilitation.

Water expenditure was $168,000 less than budget. The Water Supply upgrades are dependant on receiving subsidy from the Ministry of Health, to date this has not been received so capital expenditure will be carried forward to the 2010/11 year.

As Inframax has not performed in line with expectations over the last three years and given that it is not probable the Company will be in a position to provide a return on the Council's investment in the immediate future, the Council decided to write-down the value of its investment in Inframax Construction Ltd to nil as at 30 June 2010 incurring an unbudgeted loss of $8.4 million.

Solid waste revenues increased by $200,000 due to increased volumes received at the Waitomo District Landfill. Other savings were achieved at the landfill with the awarding of a new management contract.

Note 26: Financial Instruments

Financial Instrument Categories

The accounting policies for financial instruments have been applied to the line items below:

	2010 Council Actual $000's	2009 Council Actual $000's	2010 Group Actual $000's	2009 Group Actual $000's
Financial Instrument Categories				
Financial Assets				
Fair Value through Profit or loss - held for trading				
Loans and Receivables				
Cash and Cash Equivalents	398	219	566	253
Trade and Other Receivables	2,960	3,378	7,571	9,532
Loans and Advances - Current	2	1	2	1
Loans and Advances - Non Current	27	29	27	29
Total Loans and Receivables	**3,387**	**3,627**	**8,166**	**9,815**
Available for sale				
Shares in Companies	7	7	7	7
Shares in Subsidiaries	0	6,400	0	0
Total Available for sale	**7**	**6,407**	**7**	**7**
Financial Liabilities				
Fair Value through Profit or loss - held for trading				
Derivative Financial Instrument Liabilities	0	0	375	472
Financial Liabilities at Amortised Cost				
Trade and Other Payables	3,189	3,353	5,735	7,893
Bank Overdraft	0	0	2,300	2,913
Secured Loans - Current	8,314	6,100	15,149	13,616
Secured Loans - Non Current	29,497	29,011	29,660	29,011
Lease Liabilities - Current	71	68	84	95
Lease Liabilities - Non Current	91	104	124	104
Total Financial Liabilities at Amortised Cost	**41,162**	**38,636**	**53,052**	**53,632**

As a result of the continuing poor performance of Inframax Construction Limited, the fact it is in breach of its bank covenants, its reliance on its lender for continued financial support and given that it is unlikely that the subsidiary will be in a position to provide a return on Council's investment in the immediate future, the Council decided to write-down the value of its investment in Inframax Construction Limited to nil as at 30 June 2010. This has resulted in an impairment loss of $8.4 million being recorded in the current year (2009: $3.3 million). The impairment loss has been recorded in other Gains/(losses) in the profit or loss. Refer to note 3 for details.

Credit Risk

Credit risk is the risk that a third party will default on its obligation to the Group, causing the Group to incur a loss. Due to the timing of its cash inflows and outflows, the Group invests surplus cash into term deposits, which gives rise to credit risk.

The Group has no collateral or other credit enhancements for financial instruments that give rise to credit risk.

The Group also minimises credit risk by limiting investments to registered banks, local government stock and other entities with a Standard and Poor's credit rating no less than AA-.

Maximum Exposure to Credit Risk

Council's maximum credit exposure for each class of financial instrument is as follows:

	2010 Council Actual $000's	2009 Council Actual $000's	2010 Group Actual $000's	2009 Group Actual $000's
Cash and Cash Equivalents	398	219	566	253
Trade and Other Receivables	2,960	3,378	7,571	9,532
Loans and Advances	29	30	29	30
Total Credit Risk	**3,387**	**3,627**	**8,166**	**9,815**

Credit Quality of Financial Assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to Standard and Poor's credit ratings (if available) or to historical information about counterparty default rates:

	2010 Council Actual $000's	2009 Council Actual $000's	2010 Group Actual $000's	2009 Group Actual $000's
Counterparties with Credit Ratings				
Cash and Cash Equivalents				
AA	398	219	566	253
Derivative Financial Instrument Assets				
AA	0	0	0	0
Counterparties without Credit Ratings				
Other Financial Assets - Loans and Advances				
Existing counterparty with no defaults in the past	29	30	29	30
Existing counterparty with defaults in the past	0	0	0	0

Trade and other receivables mainly arise from Group's statutory functions, therefore there are no procedures in place to monitor or report the credit quality of debtors and other receivables with reference to internal or external credit ratings.

The Group has no significant concentrations of credit risk in relation to debtors and other receivables, as it has a large number of credit customers, mainly rate payers, and the Council has powers under the Local Government (Rating) Act 2002 to recover outstanding debts from ratepayers.

Liquidity Risk

Management of Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty raising liquid funds to meet commitments as they fall due. Prudent liquidity risk management implies maintaining sufficient cash, and the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

The Group aims to maintain flexibility in funding by keeping committed credit lines available. The Group manages its borrowings in accordance with its funding and financial policies. These policies have been adopted as part of the Council's Long Term Council Community Plan.

Contractual Maturity Analysis of Financial Liabilities

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance date to the contractual maturity date. Future interest payments on floating rate debt are based on the floating rate on the instrument at balance date. The amounts disclosed are the contractual undiscounted cash flows:

	Effective Interest Rates %	Carrying Amount	Contractual Cashflows $000's	Less than 1 Year $000's	1 - 2 Years $000's	2 - 5 Years $000's
Council 2010						
Trade and other payables	0.00%	3,189	3,189	3,189	0	0
Secured Loans - Current	4.50%	8,314	8,346	8,346	0	0
Secured Loans - Non-current	6.28%	29,497	33,084	1,853	14,028	17,203
Lease Liabilities - Current & Non-current	11.54%	162	203	105	56	42
Total		**41,162**	**44,822**	**13,493**	**14,084**	**17,245**
Group 2010						
Trade and other payables	0.00%	5,735	5,735	5,735	0	0
Bank Overdraft	5.80%	2,300	2,300	2,300	0	0
Secured Loans - Current	5.02%	15,149	15,181	15,181	0	0
Secured Loans - Non-current	6.32%	29,660	33,246	1,853	14,109	17,284
Lease Liabilities - Current & Non-current	11.85%	208	264	123	73	68
Derivative Financial Instruments	0.00%	375	518	201	201	117
Total		**53,427**	**57,244**	**25,393**	**14,383**	**17,469**
Council 2009						
Trade and other payables	0.00%	3,353	3,353	3,353	0	0
Secured Loans - Current	6.59%	6,100	6,316	6,316	0	0
Secured Loans - Non-current	5.36%	29,011	32,659	1,555	9,523	21,581
Lease Liabilities - Current & Non-current	11.76%	172	221	89	74	58
Total		**38,636**	**42,549**	**11,313**	**9,597**	**21,639**
Group 2009						
Trade and other payables	0.00%	7,893	7,893	7,893	0	0
Bank Overdraft	5.79%	2,913	2,913	2,913	0	0
Secured Loans - Current	6.14%	13,616	13,886	13,886	0	0
Secured Loans - Non-current	5.36%	29,011	32,659	1,555	9,523	21,581
Lease Liabilities - Current & Non-current	11.76%	199	251	118	75	58
Derivative Financial Instruments	0.00%	472	928	259	259	410
Total		**54,104**	**58,530**	**26,624**	**9,857**	**22,049**

Inframax Construction Limited borrowings have been disclosed in the liquidity table as less than 1 year due to the breach in debt covenants at 30 June 2010. The contractual repayment period ranges between less than 1 year to between 2-5 years.

Sensitivity Analysis

The table below illustrates the potential profit and loss impact for reasonably possible market movements, with all other variables held constant, based on Group's financial instrument exposures at balance date. The impact on Equity is the same as the profit and loss impact below. A movement of 50bps (basis points), which is 0.50% represents managements assessment of the reasonably possible change in interest rates:

	2010 Council Actual $000's	2009 Council Actual $000's	2010 Group Actual $000's	2009 Group Actual $000's
Interest Rate Risk				
Market Interest Rates increase by 50bps	0	(7)	(29)	(90)
Market Interest Rates decrease by 50bps	0	7	29	90

The sensitivity analysis is prepared assuming the amount of liability outstanding at balance date was outstanding for the whole year.

Explanation of Sensitivity Analysis - Council
Council has floating rate debt with a principal amount totalling nil (2009: $1,300,000). A movement in interest rates of plus or minus 50bps has a nil effect (2009: $6,500). A movement in market interest rates on fixed debt does not have any impact because secured loans are accounted for at amortised cost using the effective interest method.

Explanation of Sensitivity Analysis - Group
The Group has exposure to market interest movements through its floating interest rate derivative and non-derivative financial instruments.

Fair Value

The carrying value of cash and cash equivalents, trade and other receivables, loans, advances, current borrowings, bank overdraft and trade and other payables approximates their fair value. The fair value of non-current portion of borrowings of Council is $30.10 million (2009: $29.34 million) and for the Group $30.27 million (2009: $29.34 million).

The fair value of shares in unlisted companies has not been disclosed because their fair value cannot be measured reliably. It cannot be reliably measured due to a lack of an active market and a lack of appropriate cashflow projection information for NZ Local Government Insurance Corporation Limited. Local Authority Shared Services shares cannot be reliably measured due to the lack of an active market and reliable revenue stream information. Council does not intent to dispose of the unlisted shares.

The assumptions fair value of non-current portion of borrowings is based on yields in the secondary market for Government Bonds for 2,5 and 10 year maturities plus Council's bank customer margin (interest rate margin) quoted at balance date.

Fair Value Measurement

The table below provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 $000's	Level 2 $000's	Level 3 $000's	Total $000's
Council 2010				
Available-for-sale financial assets				
Shares in Subsidiaries	0	0	0	0
	0	**0**	**0**	**0**
Group 2010				
Available-for-sale financial assets				
Shares in Subsidiaries	0	0	0	0
	0	**0**	**0**	**0**
Financial Liabilities at FVTPL				
Derivative Financial Instrument Liabilities	0	375	0	375
	0	**375**	**0**	**375**
Council 2009				
Available-for-sale financial assets				
Shares in Subsidiaries	0	0	6,400	6,400
	0	**0**	**6,400**	**6,400**
Group 2009				
Available-for-sale financial assets				
Shares in Subsidiaries	0	0	0	0
	0	**0**	**0**	**0**
Financial Liabilities at FVTPL				
Derivative Financial Instrument Liabilities	0	472	0	472
	0	**472**	**0**	**472**

	2010 Council Actual $000's	2009 Council Actual $000's	2010 Group Actual $000's	2009 Group Actual $000's
Recognition of Level 3 fair value measurements of financial assets				
Balance at 1 July	6,400	17,350	0	0
Purchases of Shares	2,000	0	0	0
Impairment loss recognised in profit or loss	(8,400)	(3,313)	0	0
Gains/(Losses) recognised in other comprehensive income	0	(7,637)	0	0
Balance at 30 June	**0**	**6,400**	**0**	**0**

As a result of the continuing poor performance of Inframax Construction Limited, the fact it is in breach of its bank covenants, its reliance on its lender for continued financial support and given that it is unlikely that the subsidiary will be in a position to provide a return on Council's investment in the immediate future, the Council decided to write-down the value of its investment in Inframax Construction Limited to nil as at 30 June 2010. This has resulted in an impairment loss of $8.4 million being recorded in the current year (2009: $3.3 million). The impairment loss has been recorded in other Gains/(losses) in the profit or loss. Refer to note 3 for details.

The fair value of the Council's investment in Inframax Construction Ltd for 2008/09 and prior years was based on projected earnings for 2010 using a multiple of between 3.75 and 4.25. The 2010 budget was compared against the historical level of EBITDA achieved adjusted for known changes after discussion with Inframax's management. The earnings multiple was based on evidence from public listed companies in Australasia which operate similar businesses adjusted for dependence on one off contracts, historical volatility of earnings, future work prospects, market position and size, and the fact that Inframax is an unlisted company.

Valuation techniques provide a range of values. The Council has used the mid point to value its investment in Inframax. Refer to note 10 for the carrying value of the Council's investment in Inframax.

Note 27: Related Party Transactions

The Council is the ultimate parent of the Group. Related parties include its subsidiary Inframax Construction Ltd and Inframax's subsidiary Independent Roadmarkers Taranaki Ltd, the Council's investment in Local Authority Shared Services Ltd and NZ Local Government Insurance Company.

Council

Council has a 100% shareholding in Inframax Construction Ltd. The following related party transactions are included in Council's financial statements.

	2010 Actual $000's	2009 Actual $000's
Transactions with Inframax Construction Ltd		
Road construction and maintenance expenditure	6,792	8,052
Landfill expenditure	178	184
Other revenue	119	237
Balances Outstanding with Inframax Construction Ltd		
Creditors	883	956
Debtors	1	6

Inframax Construction Limited

The Company paid plant hire fees of $261,180 (2009: $239,032) to C C Browne Contracting, a business owned by C C Browne, an employee of the Company. There was $34,667 outstanding at year end (2009: $41,113).

The Company paid plant hire fees of $24,435 (2009: $76,405) to R & M Simpson Contracting, a business owned by R Simpson, an employee of the Company. There was $720 owing at year end (2009: $2,953).

Remuneration of the Chief Executive (Council)

In the 2009/10 financial year the total remuneration paid to the Council's Chief Executive was $199,393 (2009: $191,077).

Elected Representatives

	2010 Council Actual $000's	2009 Council Actual $000's	2010 Group Actual $000's	2009 Group Actual $000's
Mayor Ammon	62	56	62	56
Deputy Mayor Hickey	31	29	31	29
Councillor Stone	21	23	21	23
Councillor Hanna	25	23	25	23
Councillor Keeling	27	23	27	23
Councillor Ryan	25	23	25	23
Councillor Smith	30	23	30	23
Directors Fees	0	0	121	117
Total Elected Members Remuneration and Directors Fees	**221**	**200**	**342**	**317**

Key Management Personnel

	2010 Council Actual $000's	2009 Council Actual $000's	2010 Group Actual $000's	2009 Group Actual $000's
Short Term Employee Benefits	988	1,065	1,517	1,821
Total Payments made to Key Management Personnel	**988**	**1,065**	**1,517**	**1,821**

Council's key management personnel include the Mayor, Councillors, Chief Executive and other senior management personnel.
The Group's key management personnel include the Mayor, Councillors, Chief Executive and other senior management personnel and the Directors and executive staff of Inframax Construction Ltd.

There were no other related party transactions during the year (2009: Nil).

Note 28: Construction Contracts

	Note	2010 Group Actual $000's	2009 Group Actual $000's
Recognised Contract Profits		14,108	15,118
Retentions		491	659
Progress Billings		(12,645)	(12,344)
Contracts in Progress at 30 June		**1,954**	**3,433**
Amounts Due from Customers	12	1,807	2,798
Retentions Receivable	12	491	659
Amounts due to Customers	14	(344)	(196)
Construction Contract Accrued Income	12	0	316
Provision for Contract Rework	16	0	(144)
Contracts in Progress at 30 June		**1,954**	**3,433**

Note 29: Severance payments

During the year, the Company made payments to 26 former employees in respect of termination of employment with the company. The following table shows the severance payments made to each employee. Total severance payments was $182,845 (2009: Nil).

	2010	2010	2010	2010
	10,374	696	6,835	3,324
	13,235	4,471	2,854	2,580
	13,224	2,641	715	3,035
	8,239	3,767	615	2,864
	10,229	9,965	4,715	13,200
	756	7,616	631	6,462
	766	7,287	3,549	11,092
	2,109	4,745	2,888	4,173
	785	2,956	5,015	2,654
				1,783
Total Severance payments				**182,845**

Note 30: Capital Management

The Council's capital is its equity (or ratepayers' funds), which comprise retained earnings and reserves. Equity is represented by net assets.

The Local Government Act 2002 (the Act) requires the Council to manage its revenues, expenses, assets, liabilities, investments and general financial dealings prudently and in a manner that promotes the current and future interests of the community. Ratepayers' funds are largely managed as a by-product of managing revenues, expenses, assets, liabilities, investments and general financial dealings.

The objective of managing these items is to achieve intergenerational equity, which is a principle promoted in the Act and applied by Council. Intergenerational equity requires today's ratepayers to meet the costs of utilising the Councils' assets and not expecting them to meet the full cost of long term assets that will benefit ratepayers in future generations. Additionally, the Council has in place asset management plans for major classes of assets detailing renewal and maintenance programmes, to ensure ratepayers in future generations are not required to meet the costs of deferred renewals and maintenance.

The Act requires the Council to make adequate and effective provision in its Long Term Council Community Plan (LTCCP) and in its Annual Plan (where applicable) to meet the expenditure needs identified in those plans. And the Act set out the factors that the Council is required to consider when determining the most appropriate sources of funding for each of it activities. The sources and levels of funding are set out in the Revenue and Financing policies in the Council's LTCCP.

Council has the following council created reserves:

- Reserves for different areas of benefit are used where there is a discrete set of rate or levy payers as distinct from the general rate. Any surplus or deficit relating to these separate areas of benefit is applied to the specific reserves.
- Trust and bequest reserves are set up where Council has been donated funds that are restricted for particular purposes. Interest is added to trust and bequest reserves where applicable and deductions are made where funds have been used for the purpose they were donated.

Note 31: Events after balance date

Changes in Borrowing Security Arrangements and Current Loan Refinancing

During the year Council changed its arrangements for offering security to lenders for Council's borrowings. Prior to making the change security for debt was granted in favour of Council's bank; Westpac Banking Corporation Limited, in the form of a Deed of Charge. The security offered was a floating charge over Council's rates revenue. Council found this arrangement quite restrictive and if borrowings were required from another bank, a Deed of Security Sharing would have been required.

During the year the way security is offered was changed. The Deed of Charge between Council and its bank was replaced with a Debenture Trust Deed. Under a Debenture Trust Deed the security Council offers is transferred to a trustee to hold for the benefit of all secured lenders to Council. For Council's existing debt with Westpac, Council issued Debenture Stock with a notional value of $45 million to the bank as security to replace the security the bank held by way of Deed of Charge. This change did not alter any terms of the existing loans, Council has with the bank.

Subsequent to balance date, two term loans totalling $8,314,000 matured on the 31 July 2010 (classified as current loans in note 15). The bank granted a maturity extension of one month and on the 31 August 2010 these loans were refinanced through Council issuing commercial notes under the Debenture Trust Deed. Commercial notes are a floating interest rate debt instrument and $5,000,000 was issued with a maturity of five years and $3,500,000; three years. The commercial notes are held by an institutional investor, who is a participant in the wholesale debt market, to which Council is a new participant.

To manage interest rate risk, due to the commercial notes being on floating interest rate, Council entered into two "receive floating – pay fixed" interest rate swap contracts. Completing the swap transaction effectively converts the interest payable on this debt to a fixed interest rate for the life of the loans.

The reasons for completing these series of transactions is to allow greater flexibility in sourcing borrowing funds and extending the maturity profile of Council's debt beyond the three year time frame that banks are able to offer. There will also be greater transparency in pricing interest rates and the raising and repaying of debt will be more efficient.

<u>Progress payments to Inframax Construction Ltd under road maintenance contract</u>

On 15 September 2010 Council agreed under its Road Maintenance Contract with its wholly owned subsidiary Inframax Construction Ltd to make a lump sum payment towards the costs of production of maintenance metal, dig-out repair and sealing chip. The lump sum payment is to be made in two instalments of $400,000 each on 16 September 2010 and 18 October 2010 respectively. These instalments are to be offset against later progress payments due in February and March 2011.

<u>Workplace accident</u>

In August 2010 Inframax Construction Ltd was fined $43,000 in the District Court following charges laid by the Department of Labour. The charges related to a workplace accident that occurred in September 2009 where an employee was injured when a tree he was cutting fell on him. In addition to the fine, reparation of $17,500 was awarded. Reparation and legal costs were recovered from Inframax's insurer.

<u>Leaky Homes Financial Assistance Package</u>

On 5 October Council agreed to participate in the Ministry for Building & Construction financial assistance package for owners of leaky homes. Under the scheme both central government and local government would contribute 25% each towards the repair cost facing the homeowner. The homeowner would be required to pay the remaining 50% with the Government providing assistance to owners to access bank finance where necessary. Council agreed to participate in the financial assistance package for owners of leaky homes conditional on the capping of Council's liability at 25%. There are no known leaky homes in Waitomo District and as a consequence the expected financial impact of signing up to the scheme is nil.

Note 32: Explanations of Variances to Budget (Council)

Waitomo District Council reported a net deficit after tax of $6.6 million compared to a budgeted surplus of $3.4 million.

Results from Council's actual operations compared to budgeted forecasts are as explained below;

Revenue

Revenue and other gains/losses were $11.3 million less than budget due to:

- As Inframax has not performed in line with expectations over the last three years and given that it is not probable the Company will be in a position to provide a return on the WDC's investment in the immediate future, WDC decided to write-down the value of its investment in Inframax Construction Ltd to nil as at 30 June 2010 incurring a loss of $8.4 million.
- Subsidy revenue for Benneydale Sewerage and Piopio Sewerage was not received due to capital works for which the subsidy relates to was not undertaken. The delay in the completion of the Piopio scheme is due to Environment Court action over the granting of resource consents. Changes were made to the scope of the Benneydale project which required Ministry of Health approval, delays in receiving this approval have been experienced and therefore the project did not commence during the year. The budget for the subsidy was $2.6 million.
- A revaluation loss of $0.3 million for Council's Investment Properties was recognised against revenue this year.
- Rates revenue was $0.2 million less than budget due to the actual rates revenue excluding rates paid on Council properties. The budget figure includes the rates revenue paid on Council property.

Expenditure

Expenditure was $1.5 million less than budget due to the following factors:

- Finance costs for the Council were $1 million less than budgeted due to unplanned economic conditions resulting in external interest rates falling to historic lows.
- Depreciation was $0.1 million less than budget due to the infrastructural assets and land and buildings being revalued during the year. The budgets were prepared based on preliminary revaluation information that was available at the time the budgets were completed.
- Savings were made in the Community Services Activity due to Garden maintenance service now being delivered internally. In addition to this parks and property maintenance expenditure was only spent where needed.
- Solid Waste expenditure was less than budget for the year due to the landfill operational costs being less than anticipated and savings made from new contract arrangements put in place during the year.
- Roads expenditure was less than budget due to unsealed road maintenance expenditure not being spent. Changes in the road programme resulted in more unsealed road metalling capital expenditure being undertaken during the year.

Further detailed variances to the Annual Plan can be found at the bottom of each of the significant activities cost of service statement in Section Three.

Balance Sheet

Council's total equity was $7.4 million less than projected. The significant part of this was due to the fair value write down of Council's investment in its wholly owned subsidiary Inframax Construction Limited.

Current assets were $3.3 million less than budget due mainly to a lower level of receivables at year end than expected. This was due to the budgeted subsidy revenue associated with sewerage capital expenditure not being received and therefore not forming part of the receivables balance at 30 June 2010.

Current Liabilities were $4.8 million more than budget. This is due to the current portion of two loans totalling $8 million being incorrectly classified as noncurrent borrowings in the budgets. This was offset by a decrease in the amount of payables compared to budget of $2.7 million. Trade and Other Payables was less than expected due to the timing of contract payments where several road contracts were completed earlier than anticipated.

Non Current Assets were $16.1 million less than budget primarily due to the decrease in the value of investment in Inframax Construction Limited. In addition to this, Property, Plant and Equipment was $7.2 million less than budget due to actual capital expenditure being less than projected in the LTCCP. Significant capital projects in the Sewerage activity did not commence as expected due to delays associated with the granting of resource consents and approval of subsidy funding (see revenue note above). Also Te Kuiti Sewerage capital expenditure was not spent as Council is currently investigating alternative upgrade proposals and pursing associated subsidy revenue. Total budgeted capital expenditure for the Sewerage activity was $7.5 million of this only $1.3 million was spent during the year.

Non Current Liabilities were $16.9 million less than budget due the planned capital works programme, particularly in the roads and sewerage activities, not being spent as expected. In addition to this $8 million of borrowings were incorrectly classified in the budgets as Non Current Liabilities instead of Current Liabilities.

Note 33: Compliance with Legislation

Council is required under Section 92 of the Local Government Act 2002, to monitor and report at least every three years on the progress made by the community in achieving the community outcomes identified by the community as being important for the district.

Council has not complied with Section 92. The reason for not completing this work was due to Council rebuilding capacity and focusing on the development of an integrated planning framework to establish a revised strategic direction.