3.0 Financial Statements

3.1 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 52) shows all income received including income from Rates, the Significant Activities and Council's subsidiary company.

2. The Statement of Changes in Equity (page 53) discloses movements in total equity.

3. The Balance Sheet (page 54) shows the assets and liabilities of the Council and its subsidiary.

4. The Cash Flow Statement (page 55) summarises the cash flows from operating, investing and financing activities during the year.

5. The "Notes to the Financial Statements" (pages 56-98) should be read in conjunction with the above statements.

6. The individual Statements of Cost of Service for Council's Significant Activities (pages 17-47) 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.

3.2 Statement of Compliance and Responsibility

RESPONSIBILITY

The Council and the Management of WDC accept the responsibility for the preparation of the annual Financial Statements and the judgements used in them.

The Council and the Management of WDC also accept the responsibility for establishing and maintaining the internal controls designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

In the opinion of the Council and the Management of WDC, the annual Financial Statements for the year ended 30 June 2011 fairly reflect the financial position and operations of WDC.

COMPLIANCE

The Council and Management of WDC certify that all the statutory requirements in relation to the Annual Report, as outlined in the Local Government Act 2002, have been complied with, except for those noted in Note 33.

BRIAN HANNA	CHRIS RYAN
MAYOR	**CHIEF EXECUTIVE**

Dated this 22nd day of November 2011

3.3 Audit Report

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INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF WAITOMO DISTRICT COUNCIL AND GROUP'S ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2011

The Auditor-General is the auditor of Waitomo District Council (the District Council) and group. The Auditor-General has appointed me, Bruno Dente, using the staff and resources of Deloitte, to carry out the audit of the financial statements, groups of activity performance (performance information) and compliance with the other requirements of Schedule 10 of the Local Government Act 2002 that apply to the annual report of the District Council and group on her behalf.

We have audited:

- the financial statements of the District Council and group on pages 52 to 98, that comprise the balance sheet as at 30 June 2011, the statement of comprehensive income, statement of changes in equity and cashflow statement for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information;
- the performance information of the District Council and group on pages 100 to 126; and
- the District Council's compliance with the other requirements of Schedule 10 of the Local Government Act 2002 that apply to the annual report (other Schedule 10 information).

Opinion on the financial statements, performance information and other Schedule 10 information

In our opinion:

- The financial statements of the District Council and group on pages 52 to 98:
  - comply with generally accepted accounting practice in New Zealand; and
  - fairly reflect:
    - the District Council and group's financial position as at 30 June 2011; and
    - the financial performance and cash flows for the year ended on that date.
- The performance information of the District Council and group on pages 100 to 126:
  - complies with generally accepted accounting practice in New Zealand; and
  - fairly reflects the District Council and group's levels of service for the year ended 30 June 2011, including:
    - the levels of service as measured against the intended levels of service adopted in the long-term council community plan; and
    - the reasons for any significant variances between the actual service and the expected service.
- The District Council and group have complied with the other requirements of Schedule 10 of the Local Government Act 2002 that apply to the annual report.

Emphasis of Matter - Serious Financial Difficulties of the Council's subsidiary, Inframax Construction Limited

Without modifying our opinion, we draw your attention to the disclosures made in the notes to the financial statements, on page 97 about the serious financial difficulties of the Council's subsidiary, Inframax Construction Limited (Inframax). Inframax has been experiencing financial difficulties over the past three years arising from the economic downturn in the roading construction industry.

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Subsequent to 30 June 2011, the Council has made a further $800,000 capital investment in Inframax, and agreed to loan Inframax $750,000 (at market rates) and purchase Inframax's Parkside subdivision (at its current valuation), to enable Inframax to meet its short term cash flow obligations. Inframax's lenders have also agreed to extend its overdraft facility on a rolling basis.

The Council has noted that although the group financial statements have been prepared on a going concern basis, the going concern assumption of the Council's subsidiary, Inframax Construction Limited is dependent on three key factors:

- continued support from the lender;
- continued support from the Council of the Inframax recovery plan, and
- Inframax's ability to meet its forecast performance.

Our audit was completed on 22 November 2011. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Council and our responsibilities, and explain our independence.

Basis of opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements, performance information and other Schedule 10 information are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements, performance information and other Schedule 10 information. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements, performance information and other Schedule 10 information. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements, performance information and other Schedule 10 information whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the District Council and group's financial statements, performance information and other Schedule 10 information that fairly reflect the matters to which they relate. We consider internal control in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the District Council and group's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Council;
- the adequacy of all disclosures in the financial statements and performance information;
- determining the appropriateness of the reported performance information within the Council's framework for reporting performance; and
- the overall presentation of the financial statements, performance information and other Schedule 10 information.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements, performance information and other Schedule 10 information. We have obtained all the information and explanations we have required and we believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

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Responsibilities of the Council

The Council is responsible for preparing:

- financial statements and performance information that:
  - comply with generally accepted accounting practice in New Zealand;
  - fairly reflect the District Council and group's financial position, financial performance and cash flows;
  - fairly reflect its service performance, including achievements compared to its forecast; and
- other information required by Schedule 10 of the Local Government Act 2002.

The Council is responsible for such internal control as it determines is necessary to enable the preparation of financial statements, performance information and other Schedule 10 information that are free from material misstatement, whether due to fraud or error.

The Council's responsibilities arise from the Local Government Act 2002.

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements, performance information and compliance with the other Schedule 10 information and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001 and section 99 of the Local Government Act 2002.

Independence

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the New Zealand Institute of Chartered Accountants.

Other than the audit, we have no relationship with or interests in the District Council or any of its subsidiaries.

Bruno Dente
Deloitte
On behalf of the Auditor-General
Hamilton, New Zealand

This audit report relates to the financial statements, performance information and the other requirements of Waitomo District Council and group for the year ended 30 June 2011 included on Waitomo District Council's website. The Council is responsible for the maintenance and integrity of Waitomo District Council's website. We have not been engaged to report on the integrity of Waitomo District Council's website. We accept no responsibility for any changes that may have occurred to the financial statements, performance information and the other requirements since they were initially presented on the website.

The audit report refers only to the financial statements, performance information and the other requirements named above. It does not provide an opinion on any other information which may have been hyperlinked to or from the financial statements, performance information and the other requirements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements, performance information and the other requirements as well as the related audit report dated 22 November 2011 to confirm the information included in the audited financial statements, performance information and the other requirements presented on this website.

Legislation in New Zealand governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

3.4 Statement of Comprehensive Income for the year ended 30 June 2011

($000's)	NOTE	2011 BUDGET COUNCIL	2011 ACTUAL COUNCIL	2010 ACTUAL COUNCIL	2011 ACTUAL GROUP	2010 ACTUAL GROUP
Continuing Operations						
Rates Revenue (including Penalties)	1	14,662	14,430	13,840	14,430	13,840
Other Revenue	2	12,302	10,442	8,411	36,165	44,081
Other Gains/(Losses)	3	9	19	(8,741)	95	(244)
Total Revenue and Gains/(Losses)		**26,973**	**24,891**	**13,510**	**50,690**	**57,677**
Employee Benefit Expenses	4	2,957	2,950	2,928	14,998	16,460
Depreciation and Amortisation	18,19	4,120	4,609	4,098	6,339	6,012
Finance Costs	5	3,392	2,524	2,231	3,135	2,846
Other Expenses	6	12,343	12,757	10,658	28,379	31,987
Total Expenditure		**22,812**	**22,840**	**19,915**	**52,851**	**57,305**
Surplus/(Deficit) Before Tax		**4,161**	**2,051**	**(6,405)**	**(2,161)**	**372**
Income Tax Expense/(Revenue)	7	0	0	163	1,386	322
Surplus/(Deficit)		**4,161**	**2,051**	**(6,568)**	**(3,547)**	**50**
Other Comprehensive Income						
Revaluation of Property, Plant and Equipment	8	0	0	17,629	0	18,349
Gains/(Losses) from Cash Flow Hedges		0	(101)	0	(101)	0
Income Tax relating to Components of Other Comprehensive Income	7	0	0	0	0	6
Other Comprehensive Income/(Loss) for the Year, Net of Tax		**0**	**(101)**	**17,629**	**(101)**	**18,355**
Total Comprehensive Income for the Year, Net of Tax		**4,161**	**1,950**	**11,061**	**(3,648)**	**18,405**

These financial statements should be read in conjunction with the notes to the financial statements on pages 55 to 97.

3.5 Statement of Changes in Equity for the year ended 30 June 2011

($000's)	NOTE	2011 ACTUAL COUNCIL	2010 ACTUAL COUNCIL	2011 ACTUAL GROUP	2010 ACTUAL GROUP
Retained Earnings					
Balance at 1 July		197,598	196,530	203,495	195,809
Surplus/(Deficit) for the year		2,051	(6,568)	(3,547)	50
		2,051	**(6,568)**	**(3,547)**	**50**
Transfer to Retained Earnings on Asset Disposal		614	262	614	262
Transfer to Council Created Reserves		(9,814)	7,374	(9,814)	7,374
Balance at 30 June		**190,449**	**197,598**	**190,748**	**203,495**
Other Reserves					
Council Created Reserves					
Balance at 1 July		(6,518)	856	(6,518)	856
Transfers from Retained Earnings		9,814	(7,374)	9,814	(7,374)
		3,296	**(6,518)**	**3,296**	**(6,518)**
Available for Sale Reserves					
Balance at 1 July		4	4	4	4
Valuation Gains/(Losses)		0	0	0	0
Balance at 30 June		**4**	**4**	**4**	**4**
Hedging Reserve					
Balance at 1 July		0	0	0	0
Gains/(Losses) from Cash Flow Hedges		(101)	0	(101)	0
Balance at 30 June		**(101)**	**0**	**(101)**	**0**
Total Other Reserves at 30 June		**3,199**	**(6,514)**	**3,199**	**(6,514)**
Revaluation Reserves					
Balance at 1 July		50,879	33,512	52,272	34,179
Revaluation Gains/(Losses)		0	17,629	0	18,349
Related Income Tax		0	0	0	6
		0	**17,629**	**0**	**18,355**
Transfer to Retained Earnings on Asset Disposal		(614)	(262)	(614)	(262)
Balance at 30 June	8	**50,265**	**50,879**	**51,658**	**52,272**
Total Equity					
Balance at 1 July		241,963	230,902	249,253	230,848
Surplus/(Deficit) for the year		2,051	(6,568)	(3,547)	50
Other Comprehensive Income					
Revaluation of Property, Plant and Equipment		0	17,629	0	18,349
Gains/(Losses) from Cash Flow Hedges		(101)	0	(101)	0
Related Income Tax		0	0	0	6
Total Comprehensive Income		**1,950**	**11,061**	**(3,648)**	**18,405**
Balance at 30 June		**243,913**	**241,963**	**245,605**	**249,253**

These financial statements should be read in conjunction with the notes to the financial statements on pages 55 to 97.

3.6 Balance Sheet as at 30 June 2011

($000's)	Note	2011 BUDGET COUNCIL	2011 ACTUAL COUNCIL	2010 ACTUAL COUNCIL	2011 ACTUAL GROUP	2010 ACTUAL GROUP
Equity						
Retained Earnings		200,791	190,449	197,598	190,748	203,495
Other Reserves		2,475	3,199	(6,514)	3,199	(6,514)
Revaluation Reserve	8	47,309	50,265	50,879	51,658	52,272
Total Equity		**250,575**	**243,913**	**241,963**	**245,605**	**249,253**
Current Assets						
Cash and Cash Equivalents	9	1,491	5,154	398	5,172	566
Other Financial Assets	10	1	2	2	2	2
Inventories	11	88	36	31	2,719	3,335
Trade and Other Receivables	12	3,809	5,039	2,960	9,390	7,571
Total Current Assets		**5,389**	**10,231**	**3,391**	**17,283**	**11,474**
Current Liabilities						
Bank Overdraft (Secured)	15	0	0	0	3,308	2,300
Trade and Other Payables	14	3,534	3,616	3,069	7,066	5,615
Current Portion of Borrowings	15	1,048	9,831	8,505	16,249	15,353
Provisions	16	39	51	51	51	57
Employee Entitlements	17	363	456	375	1,425	1,444
Derivative Financial Instruments	13	0	117	0	117	0
Total Current Liabilities		**4,984**	**14,071**	**12,000**	**28,216**	**24,769**
Net Working Capital		**405**	**(3,840)**	**(8,609)**	**(10,933)**	**(13,295)**
Non Current Assets						
Property, Plant and Equipment	18	286,116	283,490	280,295	292,861	291,435
Intangible Assets	19	0	79	77	99	127
Forestry Assets	20	75	39	75	39	75
Investment Property	21	842	627	564	627	564
Other Financial Assets	10	8,436	32	34	32	34
Deferred Tax Asset	7	163	0	0	18	1,405
Derivative Financial Instruments	13	0	54	0	54	0
Total Non Current Assets		**295,632**	**284,321**	**281,045**	**293,730**	**293,640**
Non Current Liabilities						
Borrowings	15	44,747	35,541	29,588	35,825	29,784
Employee Entitlements	17	64	61	65	102	113
Provisions	16	651	928	820	928	820
Derivative Financial Instruments	13	0	38	0	337	375
Total Non Current Liabilities		**45,462**	**36,568**	**30,473**	**37,192**	**31,092**
Net Assets		**250,575**	**243,913**	**241,963**	**245,605**	**249,253**

These financial statements should be read in conjunction with the notes to the financial statements on pages 55 to 97.

3.7 Cashflow Statement for the year ended 30 June 2011

($000's)	Note	2011 BUDGET COUNCIL	2011 ACTUAL COUNCIL	2010 ACTUAL COUNCIL	2011 ACTUAL GROUP	2010 ACTUAL GROUP
Cash flows from Operating Activities						
Cash was provided from:						
Rates Revenue (including penalties)		14,443	15,981	15,068	15,981	15,800
Subsidies and Grants		8,433	6,431	6,001	6,431	6,001
Property Rentals		311	336	348	336	348
Petroleum Tax		115	92	145	92	145
Interest from Investments		5	3	12	3	16
Receipts from Other Revenue and Construction Contracts		3,447	3,028	3,767	34,299	45,742
Tax Refunds Received/(Paid)		0	0	0	1	(6)
		26,754	**25,871**	**25,341**	**57,143**	**68,046**
Cash was applied to:						
Payments to Suppliers and Employees		14,918	15,910	14,498	45,866	55,210
Elected Members		272	224	243	224	243
Interest Paid on Borrowings		3,392	2,463	2,182	3,074	2,797
GST Received/(Paid) (net)		0	200	487	1,753	2,413
		18,582	**18,797**	**17,410**	**50,917**	**60,663**
Net Cash Inflow from Operating Activities	24	**8,172**	**7,074**	**7,931**	**6,226**	**7,383**
Cash flows from Investing Activities						
Cash was provided from:						
Proceeds from Sale of Property, Plant and Equipment		0	43	42	487	284
Repayment from Advance to Community Groups		0	2	0	2	0
		0	**45**	**42**	**489**	**284**
Cash was applied to:						
Purchase and Development of Property, Plant						
and Equipment		13,384	9,548	8,405	10,141	8,794
Purchase of Intangible Assets		0	22	79	22	137
Renewals of Investment Properties		0	11	0	11	0
Investment in Subsidiary		0	0	2,000	0	0
		13,384	**9,581**	**10,484**	**10,174**	**8,931**
Net Cash Inflow from Investing Activities		**(13,384)**	**(9,536)**	**(10,442)**	**(9,685)**	**(8,647)**
Cash flows from Financing Activities						
Cash was provided from:						
Proceeds from Borrowings		6,387	20,362	4,000	20,905	4,047
		6,387	**20,362**	**4,000**	**20,905**	**4,047**
Cash was applied to:						
Repayment of Borrowings		1,048	13,144	1,310	13,848	1,857
		1,048	**13,144**	**1,310**	**13,848**	**1,857**
Net Cash Inflow from Financing Activities		**5,339**	**7,218**	**2,690**	**7,057**	**2,190**
Net increase/(decrease) in cash, cash equivalents and bank overdrafts		127	4,756	179	3,598	926
Cash, cash equivalents and bank overdrafts at the beginning of the year		1,364	398	219	(1,734)	(2,660)
Cash, cash equivalents and bank overdrafts at the end of the year		**1,491**	**5,154**	**398**	**1,864**	**(1,734)**
Balance at end of year represented by:	9					
Cash at Bank and In Hand		1,491	154	398	172	566
Term deposits with maturities of less than 3 months		0	5,000	0	5,000	0
Bank Overdraft		0	0	0	(3,308)	(2,300)
		1,491	**5,154**	**398**	**1,864**	**(1,734)**

These financial statements should be read in conjunction with the notes to the financial statements on pages 55 to 97.

3.8 Notes to the Financial Statements

Statement of Accounting Policies for the year ended 30 June 2011.

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 2011. The financial statements were authorised for issue by the Council on 22 November 2011.

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 and financial instruments, investment property and forestry assets.

Going Concern

The financial statements of the Group have been prepared on a going concern basis. Refer to Note 31 regarding the basis of preparation of Inframax Construction Limited's financial statements.

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 and Interpretations issued and not yet effective

At the date of authorisation of the financial statements, a number of Standards and Interpretations were in issue but not yet effective.

Application of the following Standards, Amendments and Interpretations is not expected to have a material impact on the financial statement account balances of the Group.

Standard/ Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
Amendments to NZ IAS 24 'Related Party Disclosures' NZ IFRS 9 'Financial Instruments'	1 January 2011	30 June 2012
NZ IFRS 9 'Financial Instruments	1 January 2013	30 June 2014
*Revised NZ IFRS 9 'Financial Instruments' (2010)	1 January 2013	30 June 2014
Improvements to New Zealand Equivalents to International Financial Reporting Standards 2010 - Improvements to NZ IFRS 7, NZ IAS 1, NZ IAS 34 and NZ IFRIC 13	1 January 2011	30 June 2012
Amendments to NZ IAS 26 'Accounting and Reporting by Retirement Benefit Plans'	1 April 2011	30 June 2012
Amendments to NZ IFRS 7 'Financial Instruments: Disclosures'	1 July 2011	30 June 2012
Amendments to NZ IAS 12' Income Taxes'- Deferred Tax: Recovery of Underlying Assets	1 January 2012	30 June 2013
Amendments to NZ IFRS 7- Appendix E	1 April 2011	30 June 2012
NZ IFRS 10 'Consolidated Financial Statements'	1 January 2013	30 June 2014
NZ IFRS 11 'Joint Arrangements'	1 January 2013	30 June 2014
NZ IFRS 12 'Disclosure of Interests in Other Entities'	1 January 2013	30 June 2014
NZ IFRS 13 'Fair Value Measurement'	1 January 2013	30 June 2014
NZ IAS 27 'Separate Financial Statements' (revised 2011)	1 January 2013	30 June 2014
NZ IAS 28 'Investments in Associates and Joint Ventures' (revised 2011)	1 January 2013	30 June 2014
Amendments to New Zealand Equivalents to International Financial Reporting Standards to Harmonise with International Financial Reporting Standards and Australian Accounting Standards	1 July 2011	30 June 2012
FRS 44 'NZ Additional Disclosures'	1 July 2011	30 June 2012
Amendments to FRS 44 'NZ Additional Disclosures'	1 July 2011	30 June 2012
Amendments to NZ IAS 1 'Presentation of Financial Statements' - Presentation of Items of Other Comprehensive Income	1 July 2012	30 June 2013
Amendments to NZ IAS 19 'Employee Benefits'	1 January 2013	30 June 2014

*the revised NZ IFRS 9 adds guidance on the classification and measurement of financial liabilities and de-recognition of financial instruments. The effective date remains the same as the previous version of NZ IFRS 9, 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 NZ Transport Agency, which subsidises part of the Group's costs of maintaining local roading, and subsidies for water and wastewater projects from Ministry of Health. In addition to this, the Group has also received government grants from the NZ Defence Force for $1,312 and an Energywise grant for insulation of $10,730.

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

Derivative financial instruments are used to manage exposure to interest rate risks arising from financing activities. In accordance with its treasury policy, the Council does not hold or issue derivative financial instruments for trading purposes.

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 at each balance date. 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 associated gains or losses of derivatives that are not hedge accounted are recognised in the profit or loss.

The Council and group designates certain derivatives as either:

- hedges of highly probable forecast transactions (cash flow hedge).
- derivatives that do not qualify for hedge accounting.

The Council and Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Council and Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedge transactions are highly effective in offsetting changes in fair values or cash flows of hedges items.

The full fair value of a hedge accounted derivative is classified as non-current if the remaining maturity of the hedged item is more than 12 months, and as current of the remaining maturity of the hedges items is less than 12 months.

Cash flow hedge

The portion of the gain or loss on a hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income, and the ineffective portion of the gain or loss on the hedging instrument is recognised in the profit or loss as part of finance costs.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains or losses that were recognised in other comprehensive income are classified into the profit or loss in the same period or periods during which the asset acquired or liability assumed affects the profit or loss. However, if it is expected that all or a portion of a loss recognised in other comprehensive income will not be recovered in one or more future periods, the amount that is not expected to be recovered is reclassified to the profit or loss.

If a hedging instrument expires or is sold, terminated, exercised, or revoked, or it no longer meets the criteria for hedge accounting, the cumulative gain or loss on the hedging instrument that has been recognised in other comprehensive income from the period when the hedge was effective will remain separately recognised in equity until the forecast transaction occurs. When a forecast transaction is no longer expected to occur, any related cumulative gain or loss on the hedging instrument that has been recognised in other comprehensive income from the period when the hedge was effective is reclassified from equity to the profit or loss.

Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are immediately in profit or loss.

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 5.04% (2010: 5.51%) 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 5.04% (2010: 6%) and an inflation rate of 2% (2010: 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

<u>Water Reticulation</u>

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

<u>Sewerage Reticulation</u>

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

<u>Stormwater Systems</u>

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

<u>Refuse Systems</u>

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 NZ IAS 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 and Restricted Property Portfolio as at 1 July 2009 is reported at:

Improvements Value (1 July 2009) $7,512,200
Land Value (1 July 2009) $11,164,300
Site Improvements (1 July 2009) $594,600
Total Fair Value (1 July 2009) $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 NZ IAS 16 and NZ IAS 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.

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

An independent valuation of Council's forestry assets was performed by North Langley and Associates, independent registered valuers, to determine the fair value less estimated point of sale costs at 30 June 2011.

North Langley and Associates are members of the Property Institute of New Zealand and have the appropriate qualifications and recent experience in the valuation for assets of this nature. The valuation, which conforms to the New Zealand Professional Practice Standard 2006, and in particular International Valuation Application Standard 1 'Valuation for Financial Reporting' and International Valuation Application Standard 3 'Valuation Reporting'.

The fair value less estimated point of sale costs as at 30 June 2011 was $39,000.

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 QV Valuations, independent registered valuers, to determine the fair market value of the properties at 30 June 2011.

QV 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 2009, and in particular International Valuation Application 1 and 3 and New Zealand Valuation Guidance Note 1 (effective from 1 October 2009).

The Total Value for the Waitomo District Council Investment Properties as at 30 June 2011 is reported at:

Improvements Value (30 June 2011) $385,000
Land Value (30 June 2011) $242,000
Total Fair Value (30 June 2011) $627,000

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.

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.

Hedging reserves comprise the effective portion of the cumulative net change in the fair value of derivatives designated as cash flow hedges. Property revaluation reserves relates to the revaluation of property, plant and equipment to fair value.

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. 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:

Landfill Aftercare Provision

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

Infrastructural Assets

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.

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 in the 2009/10 year.

Refer to Note 31 for status of Inframax Construction Limited with regards to future investment from the Council.

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

It is unlikely the Group will be able to benefit from its deferred tax assets resulting from its accumulated tax losses. As such most of the Group's deferred tax balances, have been written off to profit and loss. In addition to that, Council is unlikely to receive taxable income from which to offset its accumulated tax losses and continues to not recognise a deferred tax asset. The value of losses at 30 June 2011 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

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

Name	Impact
NZ IAS 7 Statement of Cashflows	Amendment made to require that only expenditure that results in a recognised asset in the balance sheet can be classified as investing activities. This clarification does not have any impact on the financial statements.
NZ IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations.	Amendment has been made to the standard to clarify that the standard specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale. This clarification does not have any impact on the financial statements.
NZ IAS 17 Leases	There has been a deletion of specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating using the general principles of NZ IAS 17. This deletion does not have any impact on the financial statements.

All other standards, interpretations and amendments effective in the current period are not applicable to the Group and therefore have been excluded from the table above.

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

Comparatives

The prior interest payable balance for the Council and Group of $120,000 has been reclassified in the current year from trade and other payables to short term borrowings. The disclosure of the interest payable balance in short term borrowings complies with NZ IAS 39 Financial Instruments: Recognition and Measurement.

1• Rates Revenue

($000's)	Waitomo District Council 2011 ACTUAL	Waitomo District Council 2010 ACTUAL	Waitomo District Group 2011 ACTUAL	Waitomo District Group 2010 ACTUAL
General Rates	3,020	2,644	3,020	2,644
Uniform Annual General Charges	2,974	2,999	2,974	2,999
Targeted Rates - Waste Water and Sewerage	1,318	1,533	1,318	1,533
Targeted Rates - Water	1,338	1,276	1,338	1,276
Targeted Rates - Waste	995	988	995	988
Targeted Rates - Other	4,633	4,336	4,633	4,336
Rates Penalties	347	255	347	255
Sub Total	**14,625**	**14,031**	**14,625**	**14,031**
Less Rates paid on Council properties	(195)	(191)	(195)	(191)
Total Rates Revenue	**14,430**	**13,840**	**14,430**	**13,840**

2• Other Revenue

($000's)	Waitomo District Council 2011 ACTUAL	Waitomo District Council 2010 ACTUAL	Waitomo District Group 2011 ACTUAL	Waitomo District Group 2010 ACTUAL
Interest Revenue	111	12	111	16
Income from Construction Contracts	0	0	25,064	34,778
Land Transport New Zealand Government Grants	5,759	4,842	5,759	4,842
Ministry of Health Government Grants	1,187	0	1,187	0
New Zealand Defence Force Grants	1	1	1	1
Energywise Home Insulation Grants	11	0	11	0
Regulatory Revenue	303	350	303	350
Other Revenue	2,733	2,858	3,392	3,746
Property Rentals	325	329	325	329
Rental Income from Investment Properties	12	19	12	19
Total Other Revenue	**10,442**	**8,411**	**36,165**	**44,081**

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 obtained the resource consent and construction is underway. The construction was delayed due to delays in obtaining the resource consent however it is expected to be completed by December 2012. Council has sought an extension of the consent conditions from the Ministry of Health.

Council has entered into an agreement with Ministry of Health for the wastewater reticulation extension at Benneydale. The subsidy is subject to Council obtaining the necessary resource consents and the commissioning of the works within two years of the date of the funding agreement. The Council has the required resource consent and construction was completed in September 2011.

In June 2011 Council received confirmation that the Ministry of Health have approved the provisional application for the Te Kuiti Wastewater Plant upgrade. The total provisional subsidy available is $3.65 million. Council have incurred design costs relating to the upgrade which are subject to subsidy revenue. Council is reasonably certain that the subsidy funds will be received and have recognised $114,870 of subsidy revenue in the 2010/2011 year. It is anticipated that the completed final design and application will be submitted in October 2011.

3• Other Gains/(Losses)

($000's)	Waitomo District Council 2011 ACTUAL	Waitomo District Council 2010 ACTUAL	Waitomo District Group 2011 ACTUAL	Waitomo District Group 2010 ACTUAL
Gain/(Loss) in Change in Fair Value of Investment Property	55	(283)	55	(283)
Gain/(Loss) in Forestry Assets	(36)	0	(36)	0
Gain/(Loss) on Property, Plant and Equipment	0	(58)	0	(58)
Impairment Loss on Available for Sale Financial Assets	0	(8,400)	0	0
Gain/(Loss) on Derivatives	0	0	76	97
Total Other Gains/(Losses)	**19**	**(8,741)**	**95**	**(244)**

4• Employee Benefit Expenses

($000's)	Waitomo District Council 2011 ACTUAL	Waitomo District Council 2010 ACTUAL	Waitomo District Group 2011 ACTUAL	Waitomo District Group 2010 ACTUAL
Salaries and Wages	2,873	2,893	15,028	16,575
Increase/(Decrease) in Employee Benefit Liabilities	77	35	(30)	(115)
Total Employee Benefit Expenses	**2,950**	**2,928**	**14,998**	**16,460**

5• Finance Costs

($000's)	Waitomo District Council 2011 ACTUAL	Waitomo District Council 2010 ACTUAL	Waitomo District Group 2011 ACTUAL	Waitomo District Group 2010 ACTUAL
Interest on Bank Borrowings	2,479	2,182	3,080	2,791
Interest on Finance Leases	23	26	33	32
Discount Unwinding on Provision (note 16)	22	23	22	23
Total Finance Costs	**2,524**	**2,231**	**3,135**	**2,846**

6• Other Expenditure

($000's)	Waitomo District Council 2011 ACTUAL	Waitomo District Council 2010 ACTUAL	Waitomo District Group 2011 ACTUAL	Waitomo District Group 2010 ACTUAL
Audit Fees for Financial Statements Audit	138	102	208	169
Audit Related Fees for Assurance Related Services	0	10	0	10
Bad Debts Written Off	90	65	143	334
Directors Fees	0	0	110	121
Grants	234	157	234	157
Impairment of Property, Plant and Equipment	0	0	188	0
Insurance Expenses	214	228	513	616
Inventories	0	0	5,236	5,084
Cost of Sales held as Trading Stock	0	0	40	48
Lease Expenses	74	68	1,804	2,159
Movement in Provision for Doubtful Debt	81	80	111	2
Remuneration of Elected Members	224	221	224	243
(Gain)/Loss on Sale or Disposal of Property, Plant and Equipment	420	252	440	226
Subscriptions	74	81	92	81
Road Maintenance	4,807	3,424	4,807	3,423
Direct Contract Expenses	0	0	3,683	7,925
Other Expenditure	6,388	5,953	10,533	11,372
Investment Property Expenditure	13	17	13	17
Total Other Expenditure	**12,757**	**10,658**	**28,379**	**31,987**

The audit related services in 2010 related to the audit of the Exceptions Annual Plan 2010/11. There were no audit related fees for assurance related services in 2011.

7• Tax

($000's)	Waitomo District Council 2011 ACTUAL	Waitomo District Council 2010 ACTUAL	Waitomo District Group 2011 ACTUAL	Waitomo District Group 2010 ACTUAL
Income tax Recognised in Profit or Loss				
Current tax	0	0	0	0
Deferred tax on temporary differences	0	(19)	0	51
Tax Rate Change Adjustment	0	0	0	89
Writedown of Deferred Tax Assets	0	182	1,386	182
Total Taxation Expense	**0**	**163**	**1,386**	**322**
Reconciliation of Accounting Profit/(Loss) before tax and income tax expense				
Surplus/(deficit) before Taxation	2,051	(6,405)	(2,161)	372
Prima facie taxation at 30% (2010: 30%)	615	(1,922)	(648)	112
Taxation effect of non deductible expenditure	(687)	1,903	(699)	(531)
Non taxable Income	0	0	0	1
Effect of future tax rate reduction	0	0	0	89
Impact of building depreciation reduction to 0%	0	0	0	428
Non-Recognition of Benefit of Tax Losses	72	182	2,700	182
Impact of tax losses transferred	0	0	10	0
Under/(over) provided in prior periods	0	0	23	41
Taxation Expense	**0**	**163**	**1,386**	**322**

	DEPRECIATION AND AMORTISATION	EMPLOYEE ENTITLEMENTS	OTHER	TAX LOSSES CARRIED FORWARD	TOTAL DEFERRED TAX ASSET/ (LIABILITY)
Deferred tax balances					
Council 2010					
Opening Balance	0	0	0	163	163
(Charged)/Credited to Profit or Loss				19	19
Write down of Deferred Tax Asset	0	0	0	(182)	(182)
Closing Balance	**0**	**0**	**0**	**0**	**0**
Council 2011					
Opening Balance	0	0	0	0	0
(Charged)/Credited to Profit or Loss	0	0	0	0	0
Closing Balance	**0**	**0**	**0**	**0**	**0**
Group 2010					
Opening Balance	(263)	244	260	1,480	1,721
(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**
Group 2011					
(Charged)/Credited to Profit or Loss	6	0	(7)	0	(1)
Write down of Deferred Tax Asset	588	(209)	(243)	(1,522)	(1,386)
Closing Balance	**12**	**7**	**0**	**(1)**	**18**

It is unlikely the Group will be able to benefit from its deferred tax assets resulting from its accumulated tax losses. As such most of the Group's deferred tax balances, have been written off to profit and loss. In addition to that, Council is unlikely to receive taxable income from which to offset its accumulated tax losses and continues to not recognise a deferred tax asset.

The NZ corporate tax rate changed from 30% to 28% was enacted in May 2010 with effective date of 1 July 2011. Deferred tax balances were re-measured in prior year and resulted in a reduction of $89,000. Taxation rules for the depreciation of buildings were also enacted by May 2010 with effective date of 1 July 2011, whereby depreciation for tax purposes is disallowed. This rule change resulted in an increase in the Group's deferred tax liability for depreciation and amortisation of $428,000 during prior year.

Accumulated Tax Losses

Council and Group have accumulated tax losses of $889,000 and $2,718,900 to 30 June 2011, respectively. The accumulated tax losses are available to offset any future taxable income, thereby reducing any income tax liability.

Imputation Credit Account

	Waitomo District Council	Waitomo District Group
($000's)	**2011 ACTUAL**	**2010 ACTUAL**
Balance 1 July	3,416	3,416
Income tax payments (refunds) made during the year	0	0
Closing Balance	**3,416**	**3,416**

8• Revaluation Reserves

($000's)	Waitomo District Council 2011 ACTUAL	Waitomo District Council 2010 ACTUAL	Waitomo District Group 2011 ACTUAL	Waitomo District Group 2010 ACTUAL
Revaluation Reserves				
Balance at 1 July	50,879	33,512	52,272	34,179
Transfer to Retained Earnings on Asset Disposal	(614)	(262)	(614)	(262)
Related Income Tax	0	0	0	6
Revaluation Gains/(Losses)	0	17,629	0	18,349
Balance at 30 June	**50,265**	**50,879**	**51,658**	**52,272**
This is made up of:				
Infrastructural Land	710	710	710	710
Water Assets	2,757	2,822	2,757	2,822
Roading Assets	27,253	27,315	27,973	28,035
Sewerage Assets	3,746	3,914	3,746	3,914
Land Drainage Assets	5,274	5,274	5,274	5,274
Operational Land	3,552	3,552	3,978	3,978
Operational Buildings	1,112	1,151	1,359	1,398
Restricted Land	5,500	5,500	5,500	5,500
Restricted Buildings	247	298	247	298
Library Books	114	343	114	343
Total Revaluation Reserves	**50,265**	**50,879**	**51,658**	**52,272**

9• Cash and Cash Equivalents

($000's)	NOTE	Waitomo District Council 2011 ACTUAL	Waitomo District Council 2010 ACTUAL	Waitomo District Group 2011 ACTUAL	Waitomo District Group 2010 ACTUAL
Cash and Cash Equivalents					
Cash at Bank and In Hand		154	398	172	566
Term deposits with maturities of less than 3 months		5,000	0	5,000	0
Total Cash and Cash Equivalents		**5,154**	**398**	**5,172**	**566**
Cash and bank overdrafts include the following for the purposes of the Statement of Cash Flows					
Cash at Bank and In Hand		154	398	172	566
Term deposits with maturities of less than 3 months		5,000	0	5,000	0
Bank Overdrafts	15	0	0	(3,308)	(2,300)
Total Cash and Cash Equivalents		**5,154**	**398**	**1,864**	**(1,734)**

10• Other Financial Assets

($000's)	Waitomo District Council 2011 ACTUAL	Waitomo District Council 2010 ACTUAL	Waitomo District Group 2011 ACTUAL	Waitomo District Group 2010 ACTUAL
Current				
Loans and Advances	2	2	2	2
Total Current Investments	**2**	**2**	**2**	**2**
Non Current				
Loans and Advances	25	27	25	27
Shares in Companies	7	7	7	7
Shares in Subsidiary	0	0	0	0
Total Non Current Investments	**32**	**34**	**32**	**34**
Total Investments	**34**	**36**	**34**	**36**

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 (2010: 2,470). The investment is recorded at cost because it cannot be measured reliably. Refer to note 26 for further detail.

Shares in Subsidiaries

Council has 100% shareholding in Inframax Construction Ltd (2010:100%). The principal activity of the company is roading. The balance date of the company is 30 June.

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 resulted in an impairment loss of $8.4 million being recorded in 2009/2010 year. The impairment loss was recorded in Other Gains/(Losses) in the profit or loss in the prior year. Refer to note 3 for details of write down and Note 31 for events occurring subsequent to balance date in regards to Inframax Construction Limited.

11• Inventories

($000's)	Waitomo District Council 2011 ACTUAL	Waitomo District Council 2010 ACTUAL	Waitomo District Group 2011 ACTUAL	Waitomo District Group 2010 ACTUAL
Subdivision Property	0	0	1,316	1,353
Metal Stockpiles and Landfill Stock	14	22	1,230	1,783
Fuels, Spares and Consumables	22	9	173	199
Total Inventories	**36**	**31**	**2,719**	**3,335**

No write down of inventories to net realisable value were required during the year (2010: nil).

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 current year (2010: Nil).

12• Trade and Other Receivables

($000's)	Waitomo District Council 2011 ACTUAL	Waitomo District Council 2010 ACTUAL	Waitomo District Group 2011 ACTUAL	Waitomo District Group 2010 ACTUAL
Construction Contracts Accrued Income	0	0	0	0
Rates Receivables *	2,719	2,184	2,719	2,184
Related Party Receivables	55	1	0	0
General Debtors	2,987	1,475	6,330	3,618
Amounts due from Customers for Contract Work	0	0	649	1,807
Retentions Receivable	0	0	366	491
Prepayments	90	31	213	217
	5,851	**3,691**	**10,277**	**8,317**
Provision for Doubtful Debts	(812)	(731)	(887)	(746)
Total Trade and Other Receivables	**5,039**	**2,960**	**9,390**	**7,571**

* Included in the rates receivable figure is an amount of $745,217 (2010: $593,382) relating to rates penalties.

Impairment

As of 30 June 2011 and 2010, 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 2011 and 2010 for both Council and Group are detailed below:

	Waitomo District Council		Waitomo District Group	
($000's)	**2011 ACTUAL**	**2010 ACTUAL**	**2011 ACTUAL**	**2010 ACTUAL**
Gross Receivables				
Current	4,106	2,339	7,837	6,256
Past due 1-30 days	13	33	11	244
Past due 31-60 days	5	5	461	166
Past due 61-90 days	1	0	33	89
Past due > 90 days	1,636	1,283	1,722	1,345
Total Gross Receivables	**5,761**	**3,660**	**10,064**	**8,100**
Impairment of Receivables				
Current	(3)	0	(3)	0
Past due 1-30 days	(9)	(3)	(9)	(3)
Past due 31-60 days	0	(1)	0	(1)
Past due 61-90 days	(1)	0	(1)	0
Past due > 90 days	(799)	(727)	(874)	(742)
Total Impairment of Receivables	**(812)**	**(731)**	**(887)**	**(746)**
Net Receivables				
Current	4,103	2,339	7,834	6,256
Past due 1-30 days	4	30	2	241
Past due 31-60 days	5	4	461	165
Past due 61-90 days	0	0	32	89
Past due > 90 days	837	556	848	603
Total Net Receivables	**4,949**	**2,929**	**9,177**	**7,354**
Plus Prepayments	90	31	213	217
Total Trade and Other Receivables	**5,039**	**2,960**	**9,390**	**7,571**
Individual Impairment	62	74	137	89
Collective Impairment	750	657	750	657
Total Provision for Impairment	**812**	**731**	**887**	**746**
Current	3	0	3	0
Past due 1-30 days	9	0	9	0
Past due 31-60 days	0	3	0	3
Past due 61-90 days	1	1	1	1
Past due > 90 days	49	70	124	85
Total Individual Impairment	**62**	**74**	**137**	**89**
Balance at 1 July	**(731)**	**(650)**	**(746)**	**(743)**
Additional provisions made during the year	(171)	(145)	(246)	(145)
Receivables written off during the period	90	64	105	142
Balance at 30 June	**(812)**	**(731)**	**(887)**	**(746)**

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

13• Derivative Financial Instruments

($000's)	Waitomo District Council 2011 ACTUAL	2010 ACTUAL	Waitomo District Group 2011 ACTUAL	2010 ACTUAL
Current Asset Portion				
Interest rate swaps - cash flow hedges	0	0	0	0
Interest rate swaps - held for trading	0	0	0	0
Non Current Asset Portion				
Interest rate swaps - cash flow hedges	54	0	54	0
Interest rate swaps - held for trading	0	0	0	0
Total Derivative Financial Instrument Assets	**54**	**0**	**54**	**0**
Current Liability Portion				
Interest rate swaps - cash flow hedges	117	0	117	0
Interest rate swaps - held for trading	0	0	0	0
Non Current Liability Portion				
Interest rate swaps - cash flow hedges	38	0	38	0
Interest rate swaps - held for trading	0	0	299	375
Total Derivative Financial Instrument Liability	**155**	**0**	**454**	**375**

Interest Rate Swaps

The fair value of interest rate swaps held by Council has been determined by calculating the expected cashflows under the terms of the swaps and discounting these values to present value. The inputs into the valuation model are from independently sourced market parameters such as interest rate yield curves. Most market parameters are implied from instrument prices.

The full fair value of interest rate swaps held by the Group, other than Council are 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 notional principal amounts of the outstanding interest rate swap contracts for the Council were $8,500,000 (2010: Nil) and for the Group were $12,256,000 (2010: $3,756,000). At 30 June 2011, the fixed interest rates of cash flow hedge interest rate swaps varied from 4.03% to 4.36% for the Council (2010: Not applicable) and 4.03% for to 8.29% (2010: 8.29%) for the Group.

Gains and Losses for swap contracts qualifying as being effective as cash flow hedges under hedge accounting are recognised in the hedging reserve in equity on interest rate swap contracts as at 30 June 2011 and will be released to the surplus or deficit as interest is paid on the underlying debt. Gains and losses for swap contracts that do not qualify as being effective under hedge accounting are recognised in profit or loss.

The Council and Group currently has no fair value hedges.

14• Trade and Other Payables

($000's)	Waitomo District Council 2011 ACTUAL	2010 ACTUAL	Waitomo District Group 2011 ACTUAL	2010 ACTUAL
Trade Payables	2,016	1,673	6,282	4,758
Related Party Payables	988	883	0	0
Deposits and Bonds	102	146	102	146
Retention Monies	263	210	263	210
Revenue in Advance	239	157	239	157
Councillors and Directors Fees Payable	8	0	18	0
Amounts due to Customers for Contract Work	0	0	162	344
Total Trade and Other Payables	**3,616**	**3,069**	**7,066**	**5,615**

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.

15• Borrowings

($000's)	Waitomo District Council 2011 ACTUAL	Waitomo District Council 2010 ACTUAL	Waitomo District Group 2011 ACTUAL	Waitomo District Group 2010 ACTUAL
Bank Overdraft	0	0	3,308	2,300
Current				
Secured Loans	9,781	8,434	16,089	15,269
Lease Liabilities	50	71	160	84
Total Current	**9,831**	**8,505**	**16,249**	**15,353**
Non Current				
Secured Loans	35,500	29,497	35,581	29,660
Lease Liabilities	41	91	244	124
Total Non Current	**35,541**	**29,588**	**35,825**	**29,784**
Total Borrowings	**45,372**	**38,093**	**52,074**	**45,137**

Council

The Council has a wholesale advance facility which has a limit of $5,000,000 (2010: $5,000,000). There was $3,097,000 (2010: $5,000,000) available on this facility as at 30 June 2011. In July 2011, the wholesale advance limit was increased to $5,800,000.

Security

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

During the financial year Council changed the way security for borrowings is offered to lenders. On the 6 August 2010 a Debenture Trust Deed was executed, whereby security in the form of a charge over rates revenue is held by a trustee for the benefit of Council's lenders. Prior to that security was offered by way of Deed of Charge in favour of Council's bank who was Council's sole lender at the time.

At 30 June 2011 the total amount of Stock issued and outstanding under the Debenture Trust Deed was;

($000's)	2011 COUNCIL ACTUAL	2010 COUNCIL ACTUAL
Debenture Stock	18,500	0
Security Stock*	45,000	0
Total Stock Issued	**63,500**	**-**

*Security Stock issued is a general security instrument issued to Westpac Banking Corporation Limited for security for a number of Wholesale Term Loans, Wholesale Advance Facility and Interest Rate Swap contracts. The amount offered as security is more than the borrowing outstanding with Council's bank secured under this Security Stock.

Group

The current portion of secured loans as at 30 June 2011 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 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 $6,227,297 (2010: $6,754,485). Both Westpac and the Board of Directors of Inframax Construction Limited are aware of the breaches. Refer to Note 31 for status of Inframax Construction Limited with regards to their future borrowings.

At 30 June 2011, Inframax Construction Ltd had a multi option credit line facility of $3,750,000 (2010: $3,750,000) of which $442,502 (2010: $1,466,021) was available at 30 June 2011. The multi option credit line facility matures on 31 March 2012.

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:	Waitomo District Council		Waitomo District Group	
($000's)	**2011 ACTUAL**	**2010 ACTUAL**	**2011 ACTUAL**	**2010 ACTUAL**
Repayment Terms				
Payable in less than 1 year	9,831	8,505	16,249	15,353
Payable in 1-2 years	17,038	12,528	17,229	12,642
Payable in 2-5 years	18,503	17,060	18,596	17,142
Total	**45,372**	**38,093**	**52,074**	**45,137**

Analysis of Finance Lease Liabilities	Waitomo District Council		Waitomo District Group	
($000's)	**2011 ACTUAL**	**2010 ACTUAL**	**2011 ACTUAL**	**2010 ACTUAL**
Total Minimum Lease Payments Payable				
Not later than one year	63	94	207	123
Later than one year and not later than five years	45	109	271	142
Present Value of Minimum Lease Payments	**108**	**203**	**478**	**265**
Future Finance Charges	(17)	(41)	(74)	(57)
Present Value of Minimum Lease Payments	**91**	**162**	**404**	**208**
Not later than 1 year	50	71	160	84
Later than 1 Year but not more than 5 years	41	91	244	124
Present Value of Minimum Lease Payments	**91**	**162**	**404**	**208**
Lease liabilities				
Weighted average interest rates	11.53%	11.54%	11.53%	11.54%

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.

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.

The Rangitoto Landfill has a remaining capacity of 168,000 cubic metres. The estimated remaining life of the landfill is 25 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 5.04% (2010: 5.51%).

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.

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 fund to provide 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 a future call which will be called for $37,000 subsequent to balance date, leaving an expected remaining call of $37,000 to be paid during the 2012/13 financial year.

	Waitomo District Council		Waitomo District Group	
($000's)	**2011 ACTUAL**	**2010 ACTUAL**	**2011 ACTUAL**	**2010 ACTUAL**
Provision for Landfill Aftercare				
Balance at 1 July	797	616	797	616
Additional Provisions made during the year	100	193	100	193
Amounts used during the year	(14)	(18)	(14)	(18)
Discount unwinding	22	23	22	(23)
Unused amounts reversed	0	(17)	0	(17)
Balance at 30 June	**905**	**797**	**905**	**797**
Provision for Contract Rework				
Balance at 1 July	0	0	0	144
Amounts used during the year	0	0	0	(144)
Unused amounts reversed	0	0	0	0
Balance at 30 June	**0**	**0**	**0**	**0**
Provision for Riskpool Insurance Liability				
Balance at 1 July	74	39	74	39
Additional Provisions made during the year	0	72	0	72
Amounts used during the year	0	(37)	0	(37)
Balance at 30 June	**74**	**74**	**74**	**74**
Provision for Restructuring				
Balance at 1 July	0	0	6	154
Additional Provisions made during the year	0	0	0	35
Amounts used during the year	0	0	(6)	(183)
Balance at 30 June	**0**	**0**	**0**	**6**
Total Provisions	**979**	**871**	**979**	**877**
This is made up of:				
Current	51	51	51	57
Non Current	928	820	928	820
Total Provisions	**979**	**871**	**979**	**877**

Provision for Restructuring

A provision for restructuring was recognised in the prior year for employee redundancy costs associated with the restructuring in the Wanganui region that had been determined as at 30 June 2010. These payments were made during the month of July 2010. There was no provision for restructuring at 30 June 2011.

17• Employee Entitlements

($000's)	Waitomo District Council 2011 ACTUAL	Waitomo District Council 2010 ACTUAL	Waitomo District Group 2011 ACTUAL	Waitomo District Group 2010 ACTUAL
Accrued Pay	121	85	484	426
Annual, Long Service and Sick Leave	312	276	918	1,004
Gratuities and Retirement Provision	84	79	125	127
Total Employee Entitlements	**517**	**440**	**1,527**	**1,557**
This is made up of:				
Current	456	375	1,425	1,444
Non Current	61	65	102	113
Total Employee Entitlements	**517**	**440**	**1,527**	**1,557**

18• Property, Plant and Equipment

Council 2011 $000's	Cost/ Revaluation 01.07.10	Acc Depn & Impairment Charges 01.07.10	Carrying Value 01.07.10	Current Year Additions	Current Year Disposals	Reclassifica-tion	Current Year Depreciation	Revaluation Gain/(Loss)	Cost/ Revaluation 30.06.11	Acc Depn & Impairment Charges 30.06.11	Carrying Value 30.06.11
Operational Assets											
Land	4,624	0	4,624	0	0	(11)	0	0	4,613	0	4,613
Buildings	4,978	357	4,621	194	31	11	363	0	5,152	720	4,432
Plant and equipment	113	99	14	110	0	0	7	0	223	106	117
Motor Vehicles	624	334	290	73	37	0	108	0	660	442	218
Furniture and fittings	1,069	891	178	56	0	0	42	0	1,125	933	192
Computers	1,473	1,416	57	55	0	0	27	0	1,528	1,443	85
Library Books	748	542	206	69	0	0	50	0	817	592	225
"Finance leases - office equipment"	501	347	154	0	0	0	73	0	501	420	81
Total Operational Assets	**14,130**	**3,986**	**10,144**	**557**	**68**	**0**	**670**	**0**	**14,619**	**4,656**	**9,963**
Restricted Assets											
Land	6,553	0	6,553	0	0	0	0	0	6,553	0	6,553
Buildings	3,222	183	3,039	184	28	0	178	0	3,378	361	3,017
Total Restricted Assets	**9,775**	**183**	**9,592**	**184**	**28**	**0**	**178**	**0**	**9,931**	**361**	**9,570**
Infrastructural Assets											
Land	1,256	0	1,256	0	0	0	0	0	1,256	0	1,256
Roads	213,222	2,491	210,731	4,146	60	0	2,866	0	217,308	5,357	211,951
Water Reticulation	11,398	231	11,167	125	63	0	239	0	11,460	470	10,990
Sewerage Reticulation	12,700	290	12,410	646	192	0	336	0	13,154	626	12,528
Stormwater Systems	8,435	155	8,280	36	0	0	155	0	8,471	310	8,161
Refuse Systems	3,066	108	2,958	612	0	0	145	0	3,678	253	3,425
Land under Roads	9,883	0	9,883	0	0	0	0	0	9,883	0	9,883
Total Infrastructural Assets	**259,960**	**3,275**	**256,685**	**5,565**	**315**	**0**	**3,741**	**0**	**265,210**	**7,016**	**258,194**
Contract Work in Progress	3,874	0	3,874	1,898	9	0	0	0	5,763	0	5,763
Total Council Assets	**287,739**	**7,444**	**280,295**	**8,204**	**420**	**0**	**4,589**	**0**	**295,523**	**12,033**	**283,490**

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	Reclassifica-tion	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 Infrastructural 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**

Group 2011 $000's	Cost/ Revaluation 01.07.10	Acc Depn & Impairment Charges 01.07.10	Carrying Value 01.07.10	Current Year Additions	Current Year Disposals	Reclassification	Current Year Depreciation & Impairment	Revaluation Gain/(Loss)	Cost/ Revaluation 30.06.11	Acc Depn & Impairment Charges 30.06.11	Carrying Value 30.06.11
Operational Assets											
Land	5,237	0	5,237	0	0	(11)	0	0	5,226	0	5,226
Buildings	7,187	454	6,733	198	35	4	438	0	7,354	892	6,462
Plant and equipment	113	99	14	110	0	0	7	0	223	106	117
Motor Vehicles	21,549	12,734	8,815	479	53	0	1,832	0	21,975	14,566	7,409
Furniture and fittings	1,792	1,442	350	65	0	7	131	0	1,864	1,573	291
Computers	1,473	1,416	57	55	0	0	27	0	1,528	1,443	85
Library Books	748	542	206	69	0	0	50	0	817	592	225
"Finance leases - office equipment"	501	347	154	0	0	0	73	0	501	420	81
Total Operational Assets	**38,600**	**17,033**	**21,566**	**976**	**88**	**0**	**2,558**	**0**	**39,488**	**19,592**	**19,896**
Restricted Assets											
Land	6,553	0	6,553	0	0	0	0	0	6,553	0	6,553
Buildings	3,222	183	3,039	184	28	0	178	0	3,378	361	3,017
Total Restricted Assets	**9,775**	**183**	**9,592**	**184**	**28**	**0**	**178**	**0**	**9,931**	**361**	**9,570**
Infrastructural Assets											
Land	1,256	0	1,256	0	0	0	0	0	1,256	0	1,256
Roads	212,942	2,491	210,451	3,864	60	0	2,866	0	216,746	5,357	211,389
Water Reticulation	11,398	231	11,167	125	63	0	239	0	11,460	470	10,990
Sewerage Reticulation	12,700	290	12,410	646	192	0	336	0	13,154	626	12,528
Stormwater Systems	8,435	155	8,280	36	0	0	155	0	8,471	310	8,161
Refuse Systems	3,066	108	2,958	612	0	0	145	0	3,678	253	3,425
Land under Roads	9,883	0	9,883	0	0	0	0	0	9,883	0	9,883
Total Infrastructural Assets	**259,680**	**3,275**	**256,405**	**5,283**	**315**	**0**	**3,741**	**0**	**264,648**	**7,016**	**257,632**
Contract Work in Progress	3,874	0	3,874	1,898	9	0	0	0	5,763	0	5,763
Total Council Assets	**311,929**	**20,493**	**291,435**	**8,341**	**440**	**0**	**6,477**	**0**	**319,830**	**26,969**	**292,861**

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	Reclassifica-tion	Current Year Deprecia-tion	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	13,466	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**

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 was an impairment loss of $188,000 recognised in relation to vehicles, plant and equipment.

19• Intangible Assets

($000's)	Waitomo District Council 2011 ACTUAL	Waitomo District Council 2010 ACTUAL	Waitomo District Group 2011 ACTUAL	Waitomo District Group 2010 ACTUAL
Software				
Cost				
Balance at 1 July	674	596	1,339	1,201
Additions	22	78	22	138
Disposals	0	0	0	0
Balance at 30 June	**696**	**674**	**1,361**	**1,339**
Accumulated Amortisation				
Balance at 1 July	597	596	1,212	1,196
Amortisation expense for the year	20	1	50	16
Balance at 30 June	**617**	**597**	**1,262**	**1,212**
Net Book Value at 30 June	**79**	**77**	**99**	**127**
Carrying Book Value				
Goodwill	0	0	0	0
Software	79	77	99	127
Total Carrying Value at 30 June	**79**	**77**	**99**	**127**

20• Forestry Assets

($000's)	Waitomo District Council 2011 ACTUAL	Waitomo District Council 2010 ACTUAL	Waitomo District Group 2011 ACTUAL	Waitomo District Group 2010 ACTUAL
Balance at 1 July	75	75	75	75
Gains/(Losses) due to change in fair value less estimated point of sale costs	(36)	0	(36)	0
Balance at 30 June	**39**	**75**	**39**	**75**

The Council owns 15.7 hectares of pinus radiata which mature in 16 years. No forests have been harvested during the year (2010: Nil).

An independent valuation of Council's forestry assets was performed by North Langley and Associates, independent registered valuers, to determine the fair value less estimated point of sale costs at 30 June 2011.

North Langley and Associates are members of the Property Institute of New Zealand and have the appropriate qualifications and recent experience in the valuation for assets of this nature. The valuation, which conforms to the New Zealand Professional Practice Standard 2006, and in particular International Valuation Application Standard 1 'Valuation for Financial Reporting' and International Valuation Application Standard 3 'Valuation Reporting'.

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.

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.

21• Investment Property

	Waitomo District Council		Waitomo District Group	
($000's)	**2011 ACTUAL**	**2010 ACTUAL**	**2011 ACTUAL**	**2010 ACTUAL**
Balance at 1 July	564	833	564	833
Additions	11	16	11	16
Gains/(Losses) due to change in Fair Value	55	(283)	55	(283)
Disposals	(3)	(2)	(3)	(2)
Balance at 30 June	**627**	**564**	**627**	**564**

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

QV 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 2011.

22• Capital Commitments and Operating Leases

	Waitomo District Council		Waitomo District Group	
($000's)	**2011 ACTUAL**	**2010 ACTUAL**	**2011 ACTUAL**	**2010 ACTUAL**
Commitments for capital contracted by not provided for:				
Capital Expenditure	**1,045**	**203**	**1,045**	**203**
Non Cancellable Operating Leases as Lessee				
Not later than one year	50	60	160	60
Later than one year but not later than five years	41	35	244	35
Later than five years	0	9	0	9
Total Non Cancellable Operating Leases	**91**	**104**	**404**	**104**
Operational Commitments				
Not later than one year	3,846	8,506	5,134	10,526
Later than one year but not later than five years	5,849	2,559	7,909	6,471
Later than five years	990	102	1,753	1,314
Total Operational Commitments	**10,685**	**11,167**	**14,796**	**18,311**
Total Commitments	**11,821**	**11,474**	**16,245**	**18,618**

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 (2010: $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 (2010: $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

On 1 July 2011, Inframax Construction Limited received a final claim from one of its' major subcontractors for $141,829 excl GST. This claim is disputed in full and a payment schedule of $119,061 excl GST has been submitted to the subcontractor. No further action has been taken by either party.

A contingent liability of $13,854 exists at 30 June 2011 (2010: $17,275) being bonds guaranteed by Westpac New Zealand Ltd and will be payable if the Group cannot fulfil its contractual obligations.

Provision for Financial Guarantees

The Council is listed as sole guarantor to a community organisation's bank loan for a total of $70,000 (2010: $70,000). 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.

24• Operating Cash Flow Reconciliation

	Waitomo District Council		Waitomo District Group	
($000's)	**2011 ACTUAL**	**2010 ACTUAL**	**2011 ACTUAL**	**2010 ACTUAL**
Net Surplus/(Deficit) After Tax	**2,051**	**(6,568)**	**(3,547)**	**50**
Add/(Less) Non Cash Items				
Depreciation and Amortisation	4,609	4,098	6,339	6,012
Gain in change of fair value of Investment Property	(55)	283	(55)	283
Impairment loss on Available for Sale Financial Assets	0	8,400	0	0
Loss on Revaluation of Property, Plant and Equipment	0	58	0	58
Loss on Revaluation of Forestry Assets	36	0	36	0
Loss/(Gain) on Disposal or Impairment of Assets	420	252	628	226
Change in Unrealised Derivative Financial Instrument	0	0	(76)	(97)
Change in Deferred Taxation Asset/Liability	0	163	1,387	316
Add/(Less) Movements in Working Capital Items				
Increase/(Decrease) in Trade and Other Payables	428	(164)	1,149	(2,158)
(Increase)/Decrease in Trade and Other Receivables	(2,079)	418	(1,819)	1,961
(Increase)/Decrease in Inventories	(5)	57	616	(30)
(Increase)/Decrease in Taxation Receivable	0	0	0	(2)
Increase/(Decrease) in Employee Entitlements	77	35	(30)	(115)
Increase/(Decrease) in Provisions	108	216	102	(76)
Add/(Less) Items Classified as Investing or Financing Activities	1,484	683	1,496	955
Net Cash Flows from Operating Activities	**7,074**	**7,931**	**6,226**	**7,383**

25• Capital Expenditure

($000's)	Note	2011 BUDGET	2011 ACTUAL	2010 ACTUAL
		Waitomo District Council		
Capital by Significant Activity				
Leadership		185	172	287
Community Facilities		478	684	343
Community Development		0	2	0
Solid Waste		127	407	888
Stormwater		99	36	76
Sewerage		5,965	2,383	1,302
Water Supply		1,534	236	346
Land Transport		4,996	4,317	4,603
Total Capital Expenditure		**13,384**	**8,237**	**7,845**
Shown as Additions to				
Property, plant and equipment	18	13,384	8,204	7,751
Intangible assets	19	0	22	78
Investment Property	21	0	11	16
Total Capital Expenditure		**13,384**	**8,237**	**7,845**
Funded by				
Loans		4,788	2,211	2,192
Subsidy Revenue		5,985	3,685	2,690
Reserves		2,611	2,341	2,963
Total		**13,384**	**8,237**	**7,845**

Summary of Significant Capital Additions and Replacements

Activity (Total spend in $000's)	Description	Budget $000's	Actual Expenditure $000's		
			Additional demand	Improve performance	Replace existing asset
Leadership (Total Spend $172)	Replacement of failed air conditioner and renewal of existing office equipment, vehicles and computer equipment to meet organisational need.	$185			$172
Community Facilities (Total Spend $684)	Refurbishment of Te Waitere Wharf which has reached the end of its life.	$56			$152
	Stage One of the Arts and Cultural Centre refurbishment and renewal.	$96			$160
	Heating and filtration upgrade at Te Kuiti Swimming pool to ensure efficient operation of the facilities.	$51			$169
	Other property renewals including Library book stock renewal to maintain the standard of books available at the library, resurfacing of the airport runway and installation of camera system to monitor.	$275			$203
Community Development (Total Spend $2)	Upgrade of alarm system at information centre.	$0		$2	
Solid Waste (Total spend $407)	Construction of the new transfer station in Te Kuiti.	$0		$222	
	Safety improvements at Waitomo District Landfill and improvements to ensure operational efficiency and support waste minimisation targets.	$71		$154	
	Complete upgrades to recycling facilities at the rural transfer stations.	$56		$31	
Stormwater (Total spend $36)	Ongoing renewals of Council stormwater infrastructure.	$99			$36
Sewerage (Total spend $2,383)	Te Kuiti Wastewater Treatment Plant resource consent and upgrade. Upgrade the existing plant to increase the plant performance to achieve discharge consent compliance.	$2,505		$760	
	Establish a wetlands soakage field and renew and extend the reticulation network in Benneydale to allow a significant number of the community to connect to the scheme.	New wetlands $306 Reticulation renewals $742		$479	$507
	Construction of a new wastewater scheme for Piopio residents to resolve public health and environmental issues for low lying properties in the township.	$1,860	$436		
	Ongoing renewals of Council infrastructure assets includes pipe, electrical and plant renewals.	$552			$201
Water (Total spend $236)	Mokau dam upgrade and raw water storage to ensure that the dam structure meets new building compliance standards.	$740		$95	
	Various pipe and plant renewals and replacement of Benneydale water chlorinator.	$794			$141
Roads (Total spend $4,317)	Sealed road surfacing - 47km of reseal across the district to improve the smoothness of the road surface where the existing surface has deteriorated beyond normal capacity.	$1,503			$1,229
	Pavement rehabilitation carried out on Te Anga Rd, Kopaki Rd, Rora St (3 sites), Totoro Rd and Taharoa Rd to reduce future road maintenance costs.	$874			$979
	Unsealed road metalling to renew structural support to unsealed roads district wide.	$564			$512
	Emergency reinstatement to repair damage to roads as a result of bad weather events.	$252			$447
	Drainage renewals to renew culverts in road network.	$376			$404
	Minor improvements including several areas of guard rails and alignment of roads to improve road safety	$334		$250	
	Traffic services renewals to improve road safety through additional signage district wide and installation of new and replacement street lights.	$257			$201
	Structures components replacement including construction of a new deck on Bridge 121 Awakau Rd to improve the safety of the bridges through the district.	$315			$170
	Other minor road renewals of footpaths, retaining wall replacement and associated improvements. The renewal expenditure replaces existing road assets which have deteriorated.	$521			$125
Total		**$13,384**	**$436**	**$1,993**	**$5,808**

Refer to Section 1.0 for commentary on Significant Variation to Budget.

26• Financial Instruments

($000's)	Waitomo District Council 2011 ACTUAL	Waitomo District Council 2010 ACTUAL	Waitomo District Group 2011 ACTUAL	Waitomo District Group 2010 ACTUAL
The accounting policies for financial instruments have been applied to the line items below:				
Financial Instrument Categories				
Financial Assets				
Fair Value through Profit and Loss - held for trading				
Derivative Financial Instrument Assets	54	0	54	0
Loans and Receivables				
Cash and Cash Equivalents	5,154	398	5,172	566
Trade and Other Receivables	5,039	2,960	9,390	7,571
Loans and Advances - Current	2	2	2	2
Loans and Advance - Non Current	25	27	25	27
Total Loans and Receivables	**10,220**	**3,387**	**14,589**	**8,166**
Available for Sale				
Shares in Companies	7	7	7	7
Shares in Subsidiaries	0	0	0	0
Total Available for Sale	**7**	**7**	**7**	**7**
Financial Liabilities				
Fair Value through Profit and Loss - held for trading				
Derivative Financial Instrument Liabilities	155	0	454	375
Financial Liabilities at Amortised Cost				
Trade and Other Payables	3,616	3,069	7,066	5,615
Bank Overdraft	0	0	3,308	2,300
Secured Loans - Current	9,781	8,434	16,088	15,269
Secured Loans - Non Current	35,500	29,497	35,581	29,660
Lease Liabilities - Current	50	71	160	84
Lease Liabilities - Non Current	41	91	244	124
Total Financial Liabilities at Amortised Cost	**48,988**	**41,162**	**62,447**	**53,052**

Inframax Construction Limited continued its poor financial performance and remained in breach of its banking covenants. Refer to Note 31, the facts noted here have not given cause for Council to revise the valuation of its investment in its subsidiary from the nil written down value it made in 30 June 2010.

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:

($000's)	Waitomo District Council 2011 ACTUAL	Waitomo District Council 2010 ACTUAL	Waitomo District Group 2011 ACTUAL	Waitomo District Group 2010 ACTUAL
Cash and Cash Equivalents	5,154	398	5,172	566
Trade and Other Receivables	5,039	2,960	9,390	7,571
Loans and Advances	27	29	27	29
Total Credit Risk	**10,220**	**3,387**	**14,589**	**8,166**

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:

($000's)	Waitomo District Council 2011 ACTUAL	Waitomo District Council 2010 ACTUAL	Waitomo District Group 2011 ACTUAL	Waitomo District Group 2010 ACTUAL
Counterparties with Credit Ratings:				
Cash and Cash Equivalents				
AA	5,154	398	5,172	566
Derivative Financial Instrument Assets				
AA	54	0	54	0
Counterparties without Credit Ratings:				
Other Financial Assets - Loans and Advances				
Existing counterparty with no defaults in the past	27	29	27	29
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 ratepayers, and the Council has a range of powers under the Local Government (Rating) Act 2002 to recover outstanding debts from the ratepayers, the property mortgagee and/or through property sales.

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 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 2011						
Trade and other payables	0.00%	3,616	3,616	3,616	0	0
Secured Loans - Current	5.12%	9,781	9,939	9,939	0	0
Secured Loans - Non-current	5.55%	35,500	39,303	1,969	18,046	19,288
Lease Liabilities - Current & Non-currrent	11.53%	91	108	63	42	3
Derivative Financial Instruments	0.00%	155	96	119	39	-62
Total		**49,143**	**53,062**	**15,706**	**18,127**	**19,229**
Group 2011						
Trade and other payables	0.00%	7,066	7,066	7,066	0	0
Bank Overdraft	5.55%	3,308	3,308	3,308	0	0
Secured Loans - Current	5.20%	16,089	16,190	16,190	0	0
Secured Loans - Non-current	5.52%	35,581	39,392	1,977	18,127	19,288
Lease Liabilities - Current & Non-currrent	12.75%	404	478	207	250	21
Derivative Financial Instruments	0.00%	454	423	322	163	(62)
Total		**62,902**	**66,857**	**29,070**	**18,540**	**19,247**
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**

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 2011.

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 except for cashflow hedges which only have an impact on equity. A movement of 50bps (basis points), which is 0.50% and represents managements assessment of the reasonably possible change in interest rates:

	Waitomo District Council		Waitomo District Group	
($000's)	**2011 ACTUAL**	**2010 ACTUAL**	**2011 ACTUAL**	**2010 ACTUAL**
Interest Rate Risk				
Market Interest Rates increase by 50bps	(68)	0	(96)	(29)
Market Interest Rates decrease by 50bps	68	0	96	29

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 $13,650,000 (2010: $Nil). A movement in interest rates of plus or minus 50bps would result in a movement of $68,000 (2010: $Nil). 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

Group has floating rate debt with a principal amount totalling $19,200,000 (2010: $5,732,000). A movement in interest rates of plus or minus 50bps would result in a movement of $96,000 (2010: $29,000). 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.

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 $36.14 million (2010: $30.10 million) and for the Group $36.49 million (2010: $30.27 million).

Council holds a small shareholding interest in NZ Local Government Insurance Corporation Limited and Local Authority Shared Services Limited, of which it has no intention of disposing of. The fair value of these unlisted companies cannot be disclosed because their fair value cannot be reliably measured, due to a lack of an active market and lack of appropriate projected cash flow and revenue stream information for these securities.

The assumptions for fair value of non-current portion of bank borrowing (bank term loans) 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 or near balance date. Fair value of the non-current portion of Floating Rate Notes is based on mark to mark valuations based on the inter-bank interest rate yield curve 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).

($000's)	Level 1	Level 2	Level 3	Total
Council 2011				
Financial Assets at FVTPL				
Derivative Financial Instruments Assets	0	54	0	54
Available-for-sale financial assets				
Shares in Subsidiaries	0	0	0	0
Shares in Companies	0	0	7	7
	0	**54**	**7**	**61**
Financial Liabilities at FVTPL				
Derivative Financial Instrument Liabilities	0	155	0	155
	0	**155**	**0**	**155**
Group 2011				
Financial Assets at FVTPL				
Derivative Financial Instrument Assets	0	0	0	0
Available-for-sale financial assets				
Shares in Subsidiaries	0	0	0	0
Shares in Companies	0	0	7	7
	0	**54**	**7**	**61**
Financial Liabilities at FVTPL				
Derivative Financial Instrument Liabilities	0	454	0	454
	0	**454**	**0**	**454**
Council 2010				
Financial Assets at FVTPL				
Derivative Financial Instrument Assets	0	0	0	0
Available-for-sale financial assets				
Shares in Companies	0	0	7	7
Shares in Subsidiaries	0	0	0	0
	0	**0**	**7**	**7**
Group 2010				
Financial Assets at FVTPL				
Derivative Financial Instrument Assets	0	0	0	0
Available-for-sale financial assets				
Shares in Subsidiaries	0	0	0	0
Shares in Companies	0	0	7	7
	0	**0**	**7**	**7**
Financial Liabilities at FVTPL				
Derivative Financial Instrument Liabilities	0	375	0	375
	0	**375**	**0**	**375**

Recognition of Level 3 fair value measurements of financial assets

	Waitomo District Council		Waitomo District Group	
($000's)	**2011 ACTUAL**	**2010 ACTUAL**	**2011 ACTUAL**	**2010 ACTUAL**
Balance at 1 July	7	6,407	7	7
Purchases of Shares	0	2,000	0	0
Impairment loss recognised in profit or loss	0	(8,400)	0	0
Balance at 30 June	**7**	**7**	**7**	**7**

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.

	Waitomo District Council	
($000's)	**2011 ACTUAL**	**2010 ACTUAL**
Transactions with Inframax Construction Ltd		
Road construction and maintenance expenditure	7,419	6,792
Landfill expenditure	0	178
Other revenue	167	119
Subvention revenue	0	0
Dividend revenue	0	0
Balances Outstanding with Inframax Construction Ltd		
Creditors	988	883
Debtors	55	1

Inframax Construction Limited

The Company paid plant hire fees of $99,325 (2010: $261,180) to C C Browne Contracting, a business that was owned by the late C C Browne, an employee of the Company. There was $29,291 outstanding at year end (2010: $34,667).

The Company paid plant hire fees of $22,210 (2010: $24,435) to R & M Simpson Contracting, a business owned by R Simpson, an employee of the Company. There was $1,812 owing at year end (2010: $720).

Remuneration of the Chief Executive (Council)

In the 2010/11 financial year the total remuneration paid to the Council's Chief Executive was $207,645 (2010: $199,393).

Elected Representatives

($000's)	Waitomo District Council 2011 ACTUAL	Waitomo District Council 2010 ACTUAL	Waitomo District Group 2011 ACTUAL	Waitomo District Group 2010 ACTUAL
Mayor Hanna	56	25	56	25
Deputy Mayor Goddard	23	0	23	0
Councillor Hickey	27	31	27	31
Councillor Whitaker	18	0	18	0
Councillor Digby	19	0	19	0
Councillor Brodie	19	0	19	0
Councillor Te Kanawa	18	0	18	0
Mayor Ammon (up to Oct 2010 Elections)	19	62	19	62
Councillor Keeling (up to Oct 2010 Elections)	8	27	8	27
Councillor Ryan (up to Oct 2010 Elections)	7	25	7	25
Councillor Smith (up to Oct 2010 Elections)	10	30	10	30
Councillor Stone	0	21	0	21
Directors Fees	0	0	110	121
Total Elected Members Remuneration and Directors Fees	**224**	**221**	**334**	**342**

Key Management Personnel

($000's)	Waitomo District Council 2011 ACTUAL	Waitomo District Council 2010 ACTUAL	Waitomo District Group 2011 ACTUAL	Waitomo District Group 2010 ACTUAL
Short Term Employee Benefits	1,019	988	1,486	1,517
Post Employment Benefits	0	0	0	0
Other Long Term Benefits	0	0	0	0
Termination Benefits	15	0	15	0
Share Based Payments	0	0	0	0
Total Payments made to Key Management Personnel	**1,034**	**988**	**1,501**	**1,517**

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 (2010: Nil).

28• Construction Contracts

($000's)	NOTE	Waitomo District Group 2011 ACTUAL	2010 ACTUAL
Recognised Contract Profits		1,865	14,108
Retentions		366	491
Progress Billings		(1,378)	(12,645)
Contracts in Progress at 30 June		**853**	**1,954**
Amounts Due from Customers	12	649	1,807
Retentions Receivable	12	366	491
Amounts due to Customers	14	(162)	(344)
Contracts in Progress at 30 June		**853**	**1,954**

29• Severance payments

Council

There was one severance payment made during the year to the value of $15,000 (2010: Nil).

Group

The Company made payments to three former employees in respect of termination of employment for $18,577, $6,048 and $23,275 (2010: $182,845).

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 Plan (LTP) 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.

31• Events after balance date

General Maintenance Road Contract

The general maintenance road contract was retendered and on 12 August 2011 the contract was awarded to Downer NZ Ltd for the three year period commencing 1 October 2011. Waitomo District Council advised that Inframax Construction Ltd was unsuccessful in the retendering the contract for the 2011-2014 term. This contract accounted for $6.3 million revenue of the Company's total revenue of $32.7 million for the year ended 30 June 2011. As a result of the loss of the contract, approximately 25 positions at Inframax Construction Ltd will be made redundant.

Inframax Construction Ltd

Inframax Construction Limited over the past three years has been severely impacted by the economic downturn in the roading construction industry. As a result the company has been experiencing financial difficulties and the balance sheet has continued to deteriorate due to the significant losses being incurred.

During the financial year Inframax Construction Limited prepared a recovery plan which required further funding injections over the next year as follows:

(i) Introduction of $800,000 by Waitomo District Council of additional equity in the form of an increase in the shareholding investment,
(ii) Waitomo District Council to purchase the Parkside subdivision for book value, (refer below); and
(iii) Further shareholder advances or further lending from Westpac New Zealand Limited up to $2m.

Subsequent to balance date, WDC decided to and injected $800,000 of additional equity and has made the decision to purchase the Parkside subdivision and to advance a loan of $750,000 to the Company on terms that are not more favourable than if WDC were to borrow the funds externally. Westpac New Zealand Limited has also advised it will provide an extension to existing working capital facility to Inframax Construction Limited of $600,000 on a month by month basis. WDC has signed a letter of support for Inframax Construction Limited's recovery plan.

No adjustments other than the write-down/off of assets that were impaired at balance date have been made in the Group financial statements.

The carrying value of assets and liabilities of Inframax Construction Limited incorporated in the consolidated financial statements at 30 June 2011 is as follows:

Assets	17,676,452
Liabilities	15,876,873
Net assets	1,799,579

No post balance date losses or costs have been accrued in the above assets and liabilities.

Investment in Inframax Construction Ltd - Impact on Council Financial Statements

In July 2011 Council agreed to introduce $800,000 of additional equity in the form of an increased shareholding investment to that value. This was paid to the Company in two equal instalments on 5th and 13th July 2011.

Purchase of Parkside Subdivision

In October 2011 Council agreed to purchase the Parkside subdivision from Inframax Construction Ltd for the current book value which closely approximates market value ($1.316 million as adjusted for any current completed sales). It is anticipated that this transfer will be processed in November 2011.

32• Explanations of Variances to Budget (Council)

Revenue was $2.1 million less than budget due to:
- A total of $2.1 million of budgeted subsidies not being received due to delays in the water and wastewater capital projects, partly offset by an additional $0.7 million of subsidy received for roads emergency works.
- 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.
- Additional rates penalties $0.1 million were received due to a higher level of rates arrears than anticipated at the time the budgets were set.
- Interest revenue of $0.1 million was received during the year on short term investments that was not budgeted for.
- Landfill revenue was $0.3 million below budget due to reduced revenue from the sale of refuse bags as customer place greater emphasis on recycling which has affected sales levels and there have been reduced volumes of refuse entering the landfill.

Expenditure was $28,000 more than budget due to :
- Additional depreciation expenses of $0.5 million being charged. Road assets that were constructed during the year incurred a higher depreciation expense than budget. The budgets were prepared on the basis that the assets would

be completed in June 2011. Increases in depreciation were also incurred for property assets where the budgets under-estimated the impact on some of the property assets that were revalued in 2009/2010 year.
- Finance costs were $0.9 million less than budget due to unplanned economic conditions resulting in lower interest rates than what was used in the budget preparation.
- Road expenditure was $0.5 million more than budget due to unbudgeted emergency works costs that were incurred as a result of weather events during the year.

Balance Sheet

Council's total equity was $6.6 million less than budget. The significant part of this was due to the fair value write down of Council's investment in its wholly owned subsidiary Inframax Construction Ltd in the 2009/2010 year with the write down not being included in the 2010/11 budgeted equity. This decrease was partly offset by a higher than expected increase in revaluation reserve that was processed after the 2009-19 LTP budgets were prepared.

Current assets were $4.9 million less than budget. Loans were raised in anticipation of capital works program which was delayed, these additional funds were invested in short term investments to earn interest revenue that would offset the interest paid on the external loans. The surplus funds were not anticipated at the time the budgets were prepared. A higher than expected rates receivables balance at 30 June 2011 also contributed to the variance.

Current liabilities were $9.0 million more than budget due to the current portion of borrowings being incorrectly classified as non current borrowings in the budget.

Non current assets were $11 million less than budget due mostly to the reduction in Inframax Construction Ltd investment value to nil in the 2009/10 year with the writedown not being included in the 2010/11 budgeted investments. In addition to this the value of Property, Plant and Equipment was less than budget as a result of the delay or deferral of planning capital projects.

Non current liabilities were $9.0 million less than budget as the budgets incorrectly classified current borrowings as non current borrowings.

33• Compliance with Legislation

Council

Waitomo District Council have breached their statutory deadline of 31 October 2011 as required by the Local Government Act 2002, section 98 (3). This was due to the delay in receiving Inframax Construction Ltd's financial statements within the statutory timeframe. Further to this, delays were experienced in receiving the Company's recovery plan and supporting information to enable WDC to make an informed decision about further funding injections to the Company.

In 2010 Council was 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 did not comply 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. Section 92 was repealed as part of amending the Local Government Act in 2010.

Group

The following breaches of the Local Government Act 2002 are noted for the Group:

Section 69 as Inframax Construction Limited did not prepare consolidated financial statements;

Section 9 (1) of Schedule 8 as the 2010/11 Statement of Intent for Inframax Construction Limited was not prepared on a group basis;

Section 66 as the 31 December 2010 half year accounts prepared did not include information required by the company's statement of intent for Inframax Construction Limited and Independent Roadmarkers Taranaki Limited;

Schedule 8, Clause 7 as the Statement of Intent was not made publicly available within one month after the date it was delivered to the shareholders or adopted as the case may be for Inframax Construction Limited and Independent Roadmarkers Taranaki Limited; and

Section 67(1) as audited accounts were not delivered to the shareholder within three months of balance date and the 2009/2010 audit accounts were not made available to the public for Inframax Construction Limited and Independent Roadmarkers Taranaki Limited; and

Schedule 8, Clause 2 which requires delivery of the draft Statement of Intent to the Shareholders before 1 March each year for Independent Roadmarkers Taranaki Limited.