

Lakes Leisure Limited

**STATEMENT OF INTENT
2011/2012**

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1 INTRODUCTION

Lakes Leisure Limited (“Lakes Leisure”) was incorporated in January 2008 by the Queenstown Lakes District Council (“Council”) to operate and manage leisure and recreation facilities and to deliver leisure and recreation services within the Queenstown Lakes District.

Lakes Leisure is a limited liability company incorporated under the Companies Act 1993. It is a Council Controlled Organisation (CCO) as defined in Section 6 of the Local Government Act 2002. Accordingly, it operates on a “not for profit” basis.

The following Statement of Intent has been prepared in accordance with requirements of section 64 and Schedule 9 of the Local Government Act 2002 and explains the intentions and expectations of Lakes Leisure as at adoption. The purpose of this Statement of Intent is to:

- Outline the proposed activities, intentions and the Council objectives to which those activities will contribute for the period 1 July 2011 to 30 June 2012.
- Provide an opportunity for stakeholders to influence the direction of the organisation.
- Provide a basis for accountability of the Board of Directors to their stakeholders for the performance of the organisation.

The Statement of Intent is updated on an annual basis.

Lakes Leisure provides Council and the community with a governance structure for the delivery of leisure services and the operation and management of leisure facilities that will optimise the utilisation of existing community assets. The company provides a sound platform for achieving excellence in the provision of leisure services, together with strong incentives to generate additional revenue through increased use of facilities coupled with rigorous control of costs. The structure also provides an appropriate mechanism for future capital investment through the provision of robust business cases and informed decision-making.

The CCO business model provides for Council’s participation in the asset management and development process through collaboration and partnership with Lakes Leisure. This partnership will ensure that the long-term protection of community owned assets through Council’s timely investment is appropriately balanced against the cost control pressures Lakes Leisure faces as operator of those assets.

2 PRINCIPAL OBJECTIVES

Lakes Leisure contributes to the achievement of the following community outcomes which are contained in the Long Term Council Community Plan 2009-2019.

- **A safe and healthy community that is strong, diverse and inclusive for people of all age groups and incomes.**
- **Effective and efficient infrastructure that meets the needs of growth.**

The principal objectives of a Council Controlled Organisation are set out in Section 59 of the Local Government Act 2002. Those objectives, which are embodied in the constitution of Lakes Leisure, are to:

- Achieve the objectives of the shareholders, both commercial and non-commercial, specifically:
 - (i) *To promote, encourage and facilitate the widest practical community participation in recreation and leisure within the facilities under its control.*
 - (ii) *In pursuit of that objective, to make access to facilities as affordable as possible to the community and its users.*
 - (iii) *In partnership with Council, to plan for the further development of facilities under its control to meet the ongoing demands of growth.*
 - (iv) *To assure the value of assets under its control and promote their enhancement.*
- Be a good employer¹
- Exhibit social and environmental responsibility towards the community in which it operates and by endeavouring to accommodate or encourage those interests.
- Provide excellent customer service to all of its clients
- Exhibit prudent stewardship in protecting the value of assets through sound asset planning, Council funding and management

¹ As that term is defined in Clause 36 of the 7th Schedule of the Local Government Act 2002

3 THE BOARD'S APPROACH TO GOVERNANCE

The Board of Directors of Lakes Leisure comprises four independent directors appointed by the shareholder for their knowledge, skills and expertise.

The directors are responsible for the governance of Lakes Leisure in the interests of the Queenstown Lakes District Council, as shareholder, in accordance with their duties and obligations under the Companies Act 1993, the Local Government Act 2002, the Constitution of Lakes Leisure and this Statement of Intent.

The Board's approach to governance is to adopt "best practice" as recommended by the Institute of Directors in New Zealand Inc with respect to:

- The operation of the Board
- The performance of the Board
- Managing the relationship with the company's Chief Executive Officer
- Accountability to the company's shareholder

The Board works collaboratively with the Queenstown Lakes District Council as shareholder in a "no surprises" relationship. To this effect Directors will have regular dialogue with Council to ensure that each party is consulted in a timely manner prior to making any policy determinations or operational decisions that have potential to impact on delivery of leisure services and the operation and management of leisure facilities/assets. The Board will ensure all reporting protocols are adhered to and that key Lakes Leisure personnel will maintain strong working relationships with Council and key officers.

4 NATURE AND SCOPE OF ACTIVITIES

The purpose of Lakes Leisure is to operate and manage leisure and recreation facilities and to deliver leisure and recreation services within the Queenstown Lakes District. The scope of activities is as follows:

The facilities managed by Lakes Leisure are:

- Alpine Aqualand
- Queenstown Events Centre
- Alpine Health & Fitness
- Queenstown Memorial Hall
- Lake Wanaka Centre
- Wanaka Community Pool
- Lakes Hayes Pavilion
- Arrowsmith Athenaeum Hall
- Arrowsmith Memorial Pool

Lakes Leisure provides turf management and bookings of District sports fields and reserves including:

- Queenstown Events Centre Sports Fields
- Queenstown Recreation Ground
- Jacks Point Sports Fields
- Warren Park, Queenstown
- Lake Hayes Estate multi-sports pitch
- Lake Hayes Estate McBride Park (2010)
- Lake Hayes Pavilion Show Grounds
- Millbrook Corner
- Jack Reid Park, Arrowtown
- Wanaka Recreation Reserve
- Pembroke Park, Wanaka
- Allenby Park, Wanaka
- Peter Fraser Park, Lake Hawea

Lakes Leisure coordinates the bookings of the following reserves and greens:

Queenstown

- Earnslaw Park
- St Omer Park
- Queenstown Village Green
- Queenstown Gardens

Arrowtown

- Butler Green
- Buckingham Green
- Library Green

Wanaka

- Wanaka Station Park
- Dinosaur Playground

Banners, Signs and Flags

- Banner over Horne Creek - Queenstown
- Flags(Streetlight) - Queenstown
- Flags (Streetlight) - Wanaka
- Event Sign at Wanaka Show Grounds
- Bus Shelter Event Light Box - Frankton, Queenstown

Lakes Leisure also provides the following:

- The delivery of community sports and leisure programmes and services
- Provision and management of pay to play sports for Queenstown Lakes District residents
- Swim school covering classes in Queenstown and Wanaka
- Health and Fitness Centre operations including group fitness classes and new programmes and initiatives to increase participation and target different groups in the community

- Event management including promotion, contracted event management, facilities hire and operations and strategic involvement in major international events in the district
- Management of the southern branch of national ticketing agency Ticketdirect
- School water safety programmes and swim events for Queenstown Lakes District schools

5 STRATEGIC DIRECTION TO JUNE 2012

Lakes Leisure was established in January 2008 and is now entering its fourth year of operation. During its next 12 months of operation to 30 June 2012, the strategic direction will focus on the following areas:

- Consolidation:** ensuring that the facilities in the Lakes Leisure portfolio are managed efficiently and in a manner that meets the needs of existing, planned and potential users.
- Planning for Growth:** ensuring that Lakes Leisure actively pursues planning for future growth and associated opportunities that meet community needs in the medium and long term.
- Financial Control and Accountability:** ensuring that the community's investment is managed and controlled in a responsible manner while meeting the strategic objectives of the organisation. Any surpluses created from successful operations will be reinvested into programmes, services or community assets that are consistent with the company's objectives. New activities will be balanced against company obligations for retirement of debt and other liabilities or as the directors consider to be in the best interest of the company.
- Relationship Building:** Ensuring open, timely, meaningful communication with community and stakeholders in order to build positive relationships and a sound future.

The key initiatives for Lakes Leisure in the coming 12 months are:

5.1 ASSETS

Ensuring that facilities and sports fields are maintained to an appropriate standard is a key driver for Lakes Leisure. In conjunction with Council, Lakes Leisure will plan for growth on a district basis through further development of the Master Facilities Plan.

Council (as the owner) will plan for the necessary capital for Lakes Leisure (as the steward) to enable the timely renewal or replacement of assets as per the agreed schedule to protect the value of the existing assets.

5.2 PARTICIPATION

Growing overall use of facilities and developing recreational and leisure opportunities for the Queenstown Lakes District community is the major priority for the company as reflected in our nature and scope of activities. Hosting a calendar of events, including a number of nationally recognised events which generates social and economic benefits for the district is a key component of this strategy. This must be tempered by the need for facilities to be accessible to increasing numbers of regular users and the need to minimise financial risk of events.

5.3 OPERATIONS

Providing a safe and enjoyable environment and ensuring the community has opportunities to participate in a variety of activities are critical priorities for the company in the 2011/12 year. Lakes Leisure Limited will operate services sustainably to maximise community benefit.

5.4 FINANCIAL AND ORGANISATIONAL SUSTAINABILITY

The financial sustainability of Lakes Leisure is a key driver. A focus will be ensuring the company is in a strong financial position and has sufficient human resources and robust management practices to deliver affordable and accessible facilities and services to the Queenstown Lakes District community. Lakes Leisure will assess the financial viability of all events measured against achievement of social objectives, taking all reasonable steps to achieve these results and ensure that full event plans and risk mitigation plans are in place.

5.5 KEY STAKEHOLDERS

As a Council Controlled Organisation our relationship with the Queenstown Lakes District Council is paramount. It is the goal of Lakes Leisure to have an open and collaborative relationship with Council, and one that is based on a “no surprises” basis.

As a regional organisation there are a number of sports, leisure and community organisations and other key agencies that are important in the delivery of community benefits by Lakes Leisure. Lakes Leisure will continue to build strong working relationships with these stakeholders.

6 SERVICE LEVEL AGREEMENT

The Service Level Agreement between QLDC and Lakes Leisure sets out the services to be delivered and the agreed minimum levels of performance. The Company will report against this agreement as set out in Reporting Requirements, section 14 of the Statement of Intent.

7 PERFORMANCE MONITORING, ACTIVITY OBJECTIVES AND PERFORMANCE TARGETS

Performance monitoring will occur against both the Statement of Intent and the Service Level Agreement. Council will monitor the performance of Lakes Leisure to evaluate its contribution to the achievement of:

- (a) The Council’s principal objectives for the organisation
- (b) The performance targets detailed in the Service Level Agreement

To ensure that Lakes Leisure is accountable to the Council and the community, a number of objectives and performance targets have been identified, which are listed below. The actual performance of Lakes Leisure will be reported regularly to Council in accordance with the Service Level Agreement and the requirements outlined in this document.

7.1 ECONOMIC

Outcome: A sustainable and efficient business that contributes to the social and economic wellbeing of the district.

Objective	Performance Indicator
Ensure that Lakes Leisure’s financial targets are within the funding available from Council identified in the 10 Year Plan	<p>Annual review concludes that: Lakes Leisure’s actual financial performance is consistent with the funding available from Council.</p> <p>Lakes Leisure’s financial management policies are appropriate and consistent with Council’s investment, borrowing and funding policies.</p>
Maintain a robust and sustainable pricing policy that promotes participation in leisure and recreation	Undertake an annual review of pricing for facility and field usage consistent with Council pricing policy.
Contribute to the economic development of the district	<p>Events hosted to maximise the utilisation of facilities and extend the peaks in activity in the region.</p> <p>Events hosted as a result of work with external organisations</p>

7.2 SOCIAL AND CULTURAL

Outcome: Creating opportunities for increased participation in physical activity and community recreation and leisure.

Objective	Performance Indicator
Work with Council to implement a policy on access to leisure activities	Pricing and space allocation practices support community participation.
Increase programme range and capacity	Achieve targets for direct programming as a proportion of total usage of facilities.
Deliver programmes/events that have a specific “community good” outcome	Direct programming based on intervention to meet specific community need.
Develop effective relationships with sports and community organisations	Programmes developed in response to working with organisations. Bookings generated from working with organisations.
Establish baseline participation data	Accurate user figures maintained for each facility, event and programme.
Develop partnerships with educational and health providers	Initiatives generated from collaboration with education and health providers.

7.3 CUSTOMER SERVICE

Outcome: Consistent high level of service and customer satisfaction achieved.

Objective	Performance Indicator
Maintain high customer satisfaction ratings	Annual QLDC customer survey rates satisfaction at 90% or higher for Events Centre and Aquatic centre. Annual QLDC customer survey rates satisfaction at 80% or higher for all other facilities.
Maintain service capacity	Facilities available at all contracted times. Continue planning of extension of facilities where there is demonstrated need in order to maintain level of service.
Maintain facility quality	Annual QLDC customer survey rates 90% of facility users satisfied with: tidiness, cleanliness, state of repair and availability of facility.

7.4 ENVIRONMENTAL

Outcome: Environmentally sustainable.

Objective	Performance Indicator
Efficient water and energy consumption	Energy consumption records for each facility and sports field maintained. Water consumption records where possible for each facility and sports field maintained.
Location and design of future facilities.	Extent to which that sustainability features are incorporated into decisions on location and design of future facilities.

7.5 RELATIONSHIP WITH COUNCIL

Outcome: Open relationship between Council and Board.

Objective	Performance Indicator
Ensure that Council is kept informed of all significant matters relating to Lakes Leisure and vice versa. Ensure Council is advised on strategic issues relating to Lakes Leisure's investments and other assets.	<p>The Board prepare at least four reports for Council's Finance and Corporate Accountability Committee:</p> <ul style="list-style-type: none"> • The half yearly report • The yearly report • Two quarterly reports providing Council with a brief review on progress on key measures <p>Reports are delivered at or before the required times.</p> <p>Major and urgent matters are reported to the CEO of QLDC.</p> <p>The reporting and authorisation obligations in the constitution are met.</p> <p>The "no surprises" policy is followed at all times.</p> <p>GM Community Services and CCO staff work co-operatively on recreation planning.</p> <p>Lakes Leisure will work cooperatively with Council and QAC as land owners in the Frankton Flats.</p> <p>Work cooperatively with all QLDC CCO's</p>
Monitor performance of Lakes Leisure's investments and other assets.	The annual review concludes that Council has no material concerns with Lakes Leisure's audited accounts.

Objective	Performance Indicator
Ensure that Lakes Leisure's corporate governance procedures are appropriate, documented and reflect best practice.	<p>The annual review by auditors concludes that the corporate governance procedures are; appropriate, documented and reflect best practice.</p> <p>The draft statement of intent is submitted for consideration by 1 March each year.</p>

8 ACTIVITIES FOR WHICH COUNCIL FUNDING IS SOUGHT

Lakes Leisure seeks funding for the activities that will enable the company to meet its strategic and operational objectives as follows:

LAKES LEISURE	Forecast* 2011/12	Forecast* 2012/13	Forecast* 2013/14
	\$000's	\$000's	\$000's
Operating Revenue	3,095	3,188	3,283
Operating Expenditure (Business as Usual)	5,139	5,293	5,452
Gross Deficit	<u>2,044</u>	<u>2,105</u>	<u>2,168</u>
Debt reduction, capital and other liabilities	249	188	125
Deficit (before facilities major maintenance)	<u>2,293</u>	<u>2,293</u>	<u>2,293</u>
Facilities major maintenance expenditure	90	144	148
Operating Deficit	<u>2,383</u>	<u>2,437</u>	<u>2,442</u>
** Rugby World Cup Team Hosting Funding	104		
*** Estimated impact of Proposed pricing policy on sports fields and venues revenue	105	108	111
Less: Allocation to Capital/Debt Funding	(360)		
Total Operating Funding Requested	<u>2,232</u>	<u>2,545</u>	<u>2,553</u>
Total Capital Funding Requested	<u>1,086</u>	<u>5,252</u>	<u>19,214</u>
Total Funding Requested	<u>3,318</u>	<u>7,797</u>	<u>21,767</u>
Turf Contracts – Funded separately	277	285	294

* Forecast 2011/12 based on wages inflation 1.9%, other inflation 1.5% and community growth 2%. Forecast years 2 & 3 are based on a 3% increase on revenue and expenditure 2010/2011.

** Rugby World Cup team hosting funding 2011/2012 are as per the budget submitted to Rugby World Cup 2011 Limited. These funds cover sections K45 to K59 and section K71 in the Team Hosting budget template.

*** QLDC Community Facility Funding Policy was implemented on 1st October 2010. 10/11 reflects part year; 11/12 reflects projected full year impact.

9 FINANCIAL OBJECTIVES

Lakes Leisure will operate in a business-like manner. It will seek to recover some of its costs directly from users of its services and facilities. Those users include the Council for public good services or services where a statutory or Council imposed fee limit does not allow full recovery of costs. It may at times generate funds to reinvest in service development.

The Directors will be responsible for ensuring that adequate systems, processes and controls are in place for the organisation to operate in an efficient and effective manner and to manage and control costs.

10 COMMERCIAL VALUE

The net value of the Council's equity in the company is estimated at \$1,366,644 as at 30 June 2010. It shall be reassessed by the Board on completion of the annual accounts or at any other time determined by the Board. The method of assessment will use the value of shareholder's funds as determined in the annual accounts as a guide.

11 THE RATIO OF CONSOLIDATED SHAREHOLDERS FUNDS TO TOTAL ASSETS

The term "shareholder funds" (also known as Equity) shall mean the aggregate of paid up shareholders capital, accumulated undistributed reserves, capital and revenue reserves.

The term "total assets" shall mean the aggregate of current assets, fixed assets, investments and intangible assets.

As disclosed in the Company's audited Statement of Financial Position prepared in accordance with IRFS

Equity (shareholders funds) to Total Assets	
30 June 2009	49%
30 June 2010	44%

12 DIVIDEND POLICY

As Lakes Leisure is a not for profit Council Controlled Organisation, there is no requirement to pay dividends.

13 INVESTMENT IN OTHER ENTITIES

Unless authorised by the shareholder, (whether required under the major transactions test of the Companies Act or not) Lakes Leisure will not purchase or acquire any shares in any other company or other organisation.

14 REPORTING TO SHAREHOLDERS

14.1 STATEMENT OF INTENT

By March 1st of each year the Company will deliver to the shareholder its draft Statement of Intent for the following year in the form required by clause 9(1) of Schedule 8 of the Local Government Act 2002. Subject to comments from the shareholder being received by 30 April, the Company will deliver the completed Statement of Intent to the shareholder on or before 30 June each year.

14.2 HALF YEARLY REPORT

Within two months after the end of the first half of each financial year, Lakes Leisure will deliver to the Council a half yearly report complying with section 66 of the Local Government Act 2002 consisting of:

- Directors commentary on operations
- Unaudited Financial statements including a Statement of Financial Position,
- Statement of Financial Performance, Statement of Movements in Equity and Cash Flow Statement.

14.3 ANNUAL REPORT

Within three months after the end of each financial year, Lakes Leisure will deliver to the Council an Annual Report complying with sections 68 and 69 of the Local Government Act 2002 which will consist of:

- Directors commentary on operations A comparison of the Company's performance with the Statement of Intent and an explanation of any material variances between that performance and the statement of intent
- Financial Statements incorporating a Statement of Financial Position, Statement of Financial Performance (Statement of Comprehensive Income)
- Statement of Cash flows
- an auditor's report on those financial statements; and the performance targets and other measures by which performance was judged in relation to that organisation's objectives in the Statement of Intent.

14.4 PERFORMANCE REPORTS

The Company will provide reports to Council every three months on the performance of the organisation against the participation related key performance indicators established in the Service Level Agreement.

Reports to Council will be available to the public (unless specific grounds for withholding the information exist under LGOIMA).

14.5 BALANCE DATE

Lakes Leisure has adopted 30 June as its balance date. T

14.6 AUDIT

As a Council Controlled Organisation the Company is a public entity as defined in section 4 of the Public Audit Act 2001, and in accordance with that Act, the Auditor General is its auditor. The Auditor General has contracted Deloitte, the Council's auditor, to act as his agent and carry out the audit of the financial statements of Lakes Leisure.

15 ACCOUNTING POLICIES

Lakes Leisure will maintain accounting records in accordance with the Companies Act 1993.

The financial statements of the company are prepared in accordance with the New Zealand equivalent to the International Financial Reporting Standards (NZ IFRS) as prescribed by the Institute of Chartered Accountants of New Zealand. The accounting policies have been determined in consultation with the company's accountants, WHK Cook Adam Ward Wilson, and the auditors prior to preparation of the 2009/10 financial statements. The accounting policies as published in the Lakes Leisure Limited Interim result at 31st December 2010 are attached as Appendix 1.

16 OTHER MATTERS

No other matters have been agreed by the shareholder and the Board for inclusion in the Statement of Intent pursuant to clause 9 of Schedule 8 of the Local Government Act 2002.

For and on behalf of Lakes Leisure Limited



Mike Saunders
Chairman

4 February 2011

Appendix 1

LAKES LEISURE LIMITED



Notes to the Financial Statements

For The Period 1 July 2010 To 31 December 2010

1 Statement of Accounting Policies

Reporting Entity

Lakes Leisure Limited is a company registered under the Companies Act 1993. The Company was registered as a charitable entity under the Charities Act 2005 on 30 June 2008. The Company is incorporated and domiciled in New Zealand. The primary objective of Lakes Leisure Limited is to provide leisure activities for the community.

Statutory Base

The financial statements are prepared in accordance with the Companies Act 1993 and the Financial Reporting Act 1993. The Company is a reporting entity as defined in Section 2 of the Financial Reporting Act 1993. The financial statements have been prepared in accordance with New Zealand generally accepted accounting practice (NZ GAAP) and comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS") as appropriate for public benefit entities that qualify for differential reporting. The company meets the definition of a Council Controlled Organisation in terms of Section 6 of the Local Government Act 2002.

Measurement Base

The measurement base adopted is historical cost. Cost is based on the fair values of the consideration given in exchange for the asset.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The financial statements are presented in New Zealand dollars. New Zealand dollars are the Company's functional currency.

Differential Reporting

The Company is a qualifying entity within the framework for differential reporting. The Company qualifies on the basis that it is not publicly accountable and the entity is not large. The Company has taken advantage of all available differential reporting concessions except for NZ IAS 7 related to Cash Flow Statements.

The following accounting policies which materially affect the measurement of financial performance and the financial position have been applied.

Revenue

Revenue from the sale of goods is measured at the fair value of consideration received or receivable. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer.

Revenue from the rendering of services is recognised when it is probable that the economic benefits associated with the transaction will flow to the entity. Memberships are apportioned and recognised as revenue on a monthly basis over the term of the membership.

Interest Revenue

Interest revenue is accrued on a timely basis, by reference to the principal outstanding and the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Total Business Solutions

In association with WHK Group Limited and WHK (NZ) Limited

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Notes to the Financial Statements

For The Period 1 July 2010 To 31 December 2010

Grant Revenue

Grants are received from Queenstown Lakes District Council, which subsidises part of Lakes Leisure Limited's operating costs. The subsidies are recognised as revenue upon entitlement as conditions pertaining to eligible expenditure have been fulfilled.

Valuation of Property, Plant and Equipment

Property, plant & equipment are recorded at cost, less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of assets.

Where an asset is acquired for no cost, or for a nominal cost, it is recognised at fair value at the date of acquisition.

Depreciation

Depreciation is charged to the Statement of Financial Performance on a straight line basis over the estimated useful lives of each part of an item of property, plant and equipment. Some assets are under construction and will not be depreciated until completed. The method and rates applied are as follows:

Asset Class	Method	Rate
Buildings - At Cost	Straight line	2.0 - 16.2%
Plant & Equipment	Straight line	4.8 - 80.4%
Furniture & Fittings	Straight line	7.0 - 25.2%
Computer Software & Equipment	Straight line	7.0 - 80.0%
Field Improvements	Straight line	2.0 - 25.2%
Motor Vehicles	Straight line	12.0 - 20.0%
H&F Center Equipment	Straight line	7.0 - 40.0%
H&F Center Fit Out	Straight line	8.40%

Disposal

An item of property, plant and equipment is derecognised upon disposal or recognised as impaired when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Statement of Financial Performance in the period the asset is derecognised.

Trade and Other Receivables

Accounts receivable are recorded at amortised cost less impairment losses.

Goods and Services Tax (GST)

All revenue and expense transactions are recorded net of GST. Where applicable, all assets and liabilities have been stated net of GST with the exception of receivables and payables which are stated inclusive of GST.

Inventory

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on first in - first out principle, and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Employee Benefits

Entitlements to salary and wages and annual leave are recognised when they accrue to employees. This includes the estimated liability for salaries and wages and annual leave as a result of services rendered by employees up to balance date at current rates of pay.

Entitlements for sick leave are calculated based on an actuarial approach to assess the level of leave that is expected to be taken over and above the annual entitlement, and calculated using anticipated future pay rates.

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Notes to the Financial Statements

For The Period 1 July 2010 To 31 December 2010

Financial Instruments

Financial assets and financial liabilities are recognised on the Company's Statement of Financial Position when the Company becomes a party to contractual provisions of the instrument.

The effective interest method, referred to below, is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the interest rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where

(i) Financial Assets

Loans and Receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is expensed in the Statement of Financial Performance.

Loans, including loans to community organisations made by the Company at nil, or below-market interest rates are initially recognised at the present value of their expected future cash flows and 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 and loss.

Deposits are included within this classification

Impairment of Financial Assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the profit and loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the profit and loss to the extent the carrying amount of the investment at the date of impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

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Notes to the Financial Statements

For The Period 1 July 2010 To 31 December 2010

(ii) Financial Liabilities

Trade and Other Payables

Trade payables and other accounts payable are recognised when the Company becomes obliged to make future payments resulting from the purchase of goods and services.

Trade and other payables are initially recognised at fair value and are subsequently measured at amortised cost, using the effective interest method.

Borrowings

Borrowings are recorded initially at fair value, net of transaction costs.

Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in the Statement of Financial Performance over the period of the borrowing using the effective interest method.

Finite life intangible assets

Finite life intangible assets are recorded at cost less accumulated amortisation. Amortisation is charged on a straight line basis over their estimated useful life. The estimated useful life and amortisation period is reviewed at the end of each annual reporting period.

Intangible Assets - Software acquisition and development

Acquired computer software licenses are recorded at cost less accumulated amortisation. Amortisation is charged on a straight line basis over their estimated useful life. The estimated useful life and amortisation period is reviewed at the end of each annual reporting period.

Costs associated with maintaining computer software are recognised as an expense when incurred. Costs that are directly associated with the development of software for internal use by the Council and Group, are recognised as an intangible asset. Direct costs include the software development employee costs and an appropriate portion of relevant overheads

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to the Statement of Financial Performance on a basis representative of the pattern of benefits to be derived from the leased assets.

Company as Lessee

Assets held under finance leases are recognised at their fair value or, if lower, at amounts equal to the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the Statement of Financial Position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised. Rentals payable under operating leases are charged to income on a straight line basis over the term of the relevant lease.

Notes to the Financial Statements

For The Period 1 July 2010 To 31 December 2010

Lease incentives

Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight line basis over the lease term.

Provisions

Provisions are recognised when the Company has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cashflows estimated to settle the present obligation, its carrying amount is the present value of those cashflows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

Statement of cash flows

Cash means cash balances on hand, held in bank accounts and demand deposits that the Company invests in as part of its day to day cash management.

Operating activities include cash received from all income sources of the Company 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 assets.

Financing activities comprise the change in equity and debt structure of the Company.

Impairment of Non-Financial Assets

At each reporting date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. Value in use is depreciated replacement cost for an asset where the future economic benefits or service potential of the asset are not primarily dependent on the asset's ability to generate net cash inflows and where the entity would, if deprived of the asset, replace it's remaining future economic benefits or service potential. In assessing value in use for cash-generating assets, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in the Statement of Financial Performance immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Total Business Solutions

In association with WHK Group Limited and WHK (NZ) Limited

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Notes to the Financial Statements

For The Period 1 July 2010 To 31 December 2010

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in the Statement of Financial Performance immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

Changes in Accounting Policies

There have been no changes in accounting policies. All policies have been applied on a basis consistent with those used in the previous year.