



*Supporting Community
Swimming & Wellness*

Annual Report 2010 / 2011

CLUBfit



BAYswim

The logo for BAYswim features a stylized swimmer in blue and white, positioned above the text 'BAYswim'. The text 'BAY' is in a bold, blue sans-serif font, and 'swim' is in a bold, red sans-serif font.





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Chairman's Report

Tauranga City Aquatics Limited (TCAL) was formed in 2005 and has managed the aquatics network, on behalf of Tauranga City Council (TCC), since 29 June 2009 after taking over from Leisure Co (LCNZ). LCNZ was subsequently placed in liquidation on 13 July 2009.

These reports represent TCAL's fifth full year of trading and its second full year of directly managing the day to day business operations and service delivery of the network of five aquatic and leisure facilities.

Operations

Included in the network of Aquatic & Leisure facilities are Baywave TECT Aquatic & Leisure Centre, Greerton Aquatic & Leisure Centre, Mount Maunganui Hot Salt Water Pools, Memorial and Otumoetai Pools. Along with this TCAL also operate two health clubs being Clubfit Baywave and Clubfit Greerton.

User visits across the network decreased slightly for the 2010-11 year. Predominately this is the result of the closure of the Hot Pools for emergency maintenance works.

The network of assets are now, in some cases, over 30 years old. TCAL will be implementing in 2011 an updated Asset Management Plan to replace the existing 2006 plan. This will allow us to ensure we proactively manage the critical asset elements within the network.

The Hot Pools closure for emergency works highlights the issue for TCAL of the aged facilities. In the original Hot Pools redevelopment proposal, TCAL had identified an aged and at risk infrastructure at this facility. The redevelopment was, in part, replacing the older infrastructure with modern plant and

equipment and bringing water filtration up to the new NZ standards. Unfortunately the time delays in progressing the redevelopment resulted in a significant failure of the pipework at the facility in June. Following an 18 week closure the Hot Pools is once again open for the enjoyment of our customers and the community.

Financial

The audited results for the year ended 30 June 2011 show a deficit of \$1,138,000 (2010 \$1,278,000), after depreciation and debt servicing but before tax. The rates funded operational contribution to funding aquatics from Council remains unchanged for 2011 at \$733,000 (2010 \$733,000).

A key aspect of TCAL's business performance is the commercial operations of the two health clubs. As part of Council's policy on commercial activities, TCAL are required to operate the Health Clubs in a non-subsidised manner. The results of the Health Club performance were assessed by an independent auditor who confirmed compliance with Council's commercial activities policy.

Governance

Councillor David Stewart resigned from the Board on 16 May 2010. Incumbent director Frances Denz was not renewed at the expiry of her contract period and was replaced by Hemi Rolleston on 01 April 2011. Warren Banks and Michael King's contracts were renewed during the year. All Directors are appointed by Council.

TCAL farewelled Stephen Town and welcomed the new TCC Chief Executive Ken Paterson.

Strategic Direction

The key strategic project for TCAL has, since 2005, been the redevelopment of the Hot Pools. It was our belief that this project would deliver reduced reliance on rates funding for the aquatics network, along with improved services and facilities, positive tourism and economic impacts to the community and the ability to provide further subsidised water access for our children at no additional cost to the community. However the resource consent was not approved and subsequently the redevelopment has been placed on hold for further consultation as part of Council's Ten Year Plan process in 2012.

Despite this, there are many other exciting opportunities for the continued growth in the aquatics service delivery. Council's Aquatics Strategy for 2012-22 will consider opportunities for improvements across the network. TCAL has introduced new programmes and services during the year and will continue to do so in 2011/12. Growth in programmes such as our Schools in Pools will continue which will deliver water safety programmes to our local schools in conjunction with Sport BOP and Water Safety NZ.

Above all TCAL continue to provide safe, clean and fun aquatic facilities for families in our community to enjoy.

Despite the events of the past twelve months, TCAL is in a strong position and in full control of the aquatic business on behalf of the community. TCAL is committed to supporting a community that not only swims by ensuring affordable and accessible facilities are offered, but also supporting healthy, active lifestyles and the wellbeing this brings.

Acknowledgments

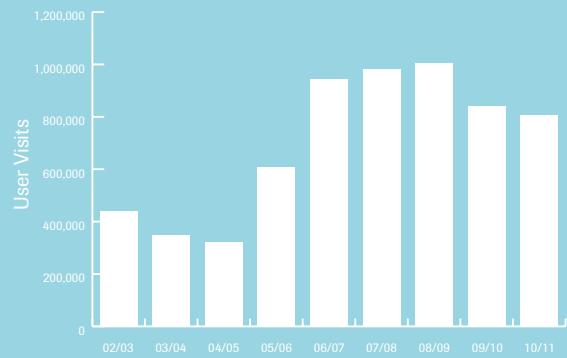
The Directors wish to acknowledge the assistance and support we have received from our shareholder, Tauranga City Investments Limited, and from Council staff and the Elected Members. TCAL can only succeed in its goals through collaborative relationships with our shareholder, the Council and the Community.

Warren Banks

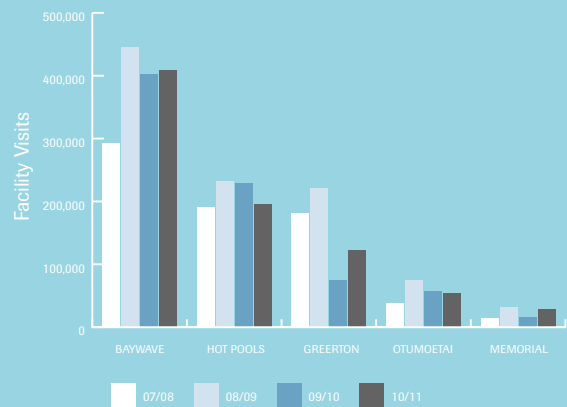
Chairman



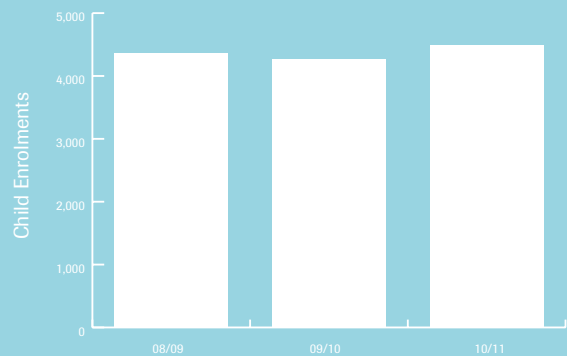
User visits to all facilities per year



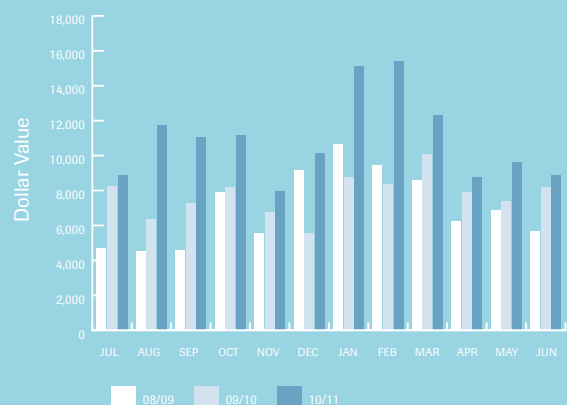
User visits history by facility



Bayswim Learn to Swim Enrolments per Year



Gross Retail Sales at Baywave



Statement of comprehensive income

for the year ended 30 June 2011

	Note	2010/11 (\$000's) Actuals	2010/11 (\$000's) Budgets	2009/10 (\$000's) Actuals
REVENUE				
Operational Revenue	2	5,235	5,851	4,838
Grants	3	1,350	733	895
Other Revenue	4	58	40	98
Total		6,643	6,624	5,831
EXPENDITURE				
Personnel Costs	5	3,313	3,279	3,202
Other Expenditure	6	2,824	2,629	2,386
Depreciation & Amortisation	7	1,245	1,154	1,189
Interest Paid		399	461	332
Total		7,781	7,523	7,109
OPERATIONAL SURPLUS / (DEFICIT)		(1,138)	(899)	(1,278)
Revaluation of Plant and Equipment		0	0	0
Surplus / (Deficit) including revaluations		(1,138)	(899)	(1,278)
Taxation Expense/(Benefit)	8a	(313)	0	3,006
NET SURPLUS / (DEFICIT) FOR THE YEAR		(825)	(899)	(4,284)
OTHER COMPREHENSIVE INCOME				
Gains / (Losses) on property revaluation		0	0	0
Tax relating to other comprehensive income		0	0	61
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(825)	(899)	(4,223)

Statement of changes in equity

for the year ended 30 June 2011

	Share Capital	Retained Earnings	Asset Revaluation Reserves	Schools in pools Reserve	Total Equity
Balance at 1 July 2009	18,861	(202)	2,165	40	20,864
Net deficit for the year	0	(4,284)	0	0	(4,284)
Taxation on Equity		0	0	62	0
62					
Transfers to Reserves	0	(20)	0	20	0
Balance at 30 June 2010	18,861	(4,506)	2,227	60	16,642
CHANGES IN EQUITY FOR 2011					
Net deficit for the year	0	(825)	0	0	(825)
Taxation on Equity	0	0	0	0	0
Transfers to reserves	0	0	0	0	0
BALANCE AT 30 JUNE 2011	18,861	(5,331)	2,227	60	15,817

Statement of financial position

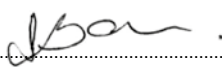
As at 30 June 2011

	Note	2010/11 (\$000's) Actuals	2009/10 (\$000's) Actuals
ASSETS			
Current Assets			
Cash and Cash Equivalents	9	47	52
Stock on Hand		76	44
Debtors and Other Receivables	10	360	186
TOTAL CURRENT ASSETS		483	282
Non Current Assets			
Property, Plant and Equipment		26,220	25,835
Intangible Assets – Software		79	7
TOTAL NON CURRENT ASSETS	24	26,299	25,842
TOTAL ASSETS		26,782	26,124
LIABILITIES			
Current Liabilities			
Employee Entitlements	14	286	197
Trade and Other Payables	15	462	386
Tauranga Energy Consumer Trust RPS	15	4,000	0
TOTAL CURRENT LIABILITIES		4,748	583
Non Current Borrowings			
Loan from Tauranga City Council	17	3,329	1,698
Tauranga Energy Consumer Trust RPS	17	0	4,000
Deferred Tax	8c	2,888	3,201
TOTAL NON CURRENT LIABILITIES		6,217	8,899
TOTAL LIABILITIES		10,965	9,482
NET ASSETS		15,817	16,642
EQUITY			
Share Capital	18	18,861	18,861
Retained Earnings	19	(5,331)	(4,506)
Revaluation Reserves	20	2,227	2,227
Reserve – Schools in Pools	21	60	60
TOTAL EQUITY		15,817	16,642

Shirley Baker

DIRECTOR

Date: 30 September 2011



Hemi Rolleston

DIRECTOR

Date: 30 September 2011



Statement of cashflows

For the year ended 30 June 2011

	Note	2010/11 (\$000's) Actuals	2009/10 (\$000's) Actuals
OPERATING ACTIVITIES			
Cash was Provided From:			
Grants		971	805
Other Revenue		5,023	4,867
		5,994	5,672
Cash was Applied To:			
Payments to Employees		3,414	3,004
Payments to Suppliers		2,629	2,505
Interest Paid		238	228
Goods and Services Tax (net)		14	17
		6,295	5,754
Net Cash from Operating Activities	13	(301)	(82)
INVESTING ACTIVITIES			
Cash was Provided from			
Tauranga City Council Capital Grant		432	121
Cash was Applied To:			
Purchase of Property, Plant and Equipment		(1,606)	(492)
Net Cash from Investing		(1,174)	(371)
FINANCE ACTIVITIES			
Cash was Provided From:			
Tauranga City Council Loans		2,881	1,909
Proceeds from Borrowings		2,881	1,909
Cash was Applied To:			
Repayment of Tauranga City Council Loans		1,250	1,419
Tauranga City Council Loan Interest		161	104
Reserves – SIP			
NET CASH FROM FINANCING ACTIVITIES		1,470	386
Net Increase / Decrease in Cash Held		(5)	(67)
Add Opening Cash	9	52	119
CLOSING CASH AND BANK	9	47	52

The GST (net) component of operating activities reflects the net GST paid and received with the Inland Revenue Department. The GST (net) component has been presented on a net basis, as the gross amounts do not provide meaningful information for financial statement purposes.

Statement of accounting policies

for the year ended 30 June 2011

Entity statement

Tauranga City Aquatics Limited is a Council Controlled Organisation (CCO) as defined in Section 6 of the Local Government Act 2002. The Company is wholly owned by Tauranga City Investments Limited which is in turn, wholly owned by Tauranga City Council. The company is registered under the Companies Act 1993 and is a reporting entity for the purposes of the Financial Reporting Act 1993.

Tauranga City Aquatics Limited was incorporated on 17 February 2005.

The primary objective of Tauranga City Aquatics Limited is to provide goods and services for the community or social benefit, rather than making a financial return. Accordingly, Tauranga City Aquatics Limited, as part of the Tauranga City Council group, 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 have been prepared in accordance with NZ GAAP. They comply with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards, as appropriate for public benefit entities.

The financial statements of Tauranga City Aquatics Limited are for the year ended 30 June 2011. The financial statements were authorised for issue by Tauranga City Aquatics Limited Directors on 28 September 2011.

Basis of preparation

The financial statements of Tauranga City Aquatics Limited have been prepared in accordance with the requirements of the Companies Act 1993, the Financial Reporting Act 1993 and the Local Government Act 2002, which includes the requirements to comply with New Zealand generally accepted accounting practice (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 to public benefit entities.

The accounting notes set out below have been applied consistently to all periods presented in these financial statements.

The measurement base adopted is that of historical cost.

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$ 000).

The functional currency of Tauranga City Aquatics Limited is New Zealand dollars.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains or losses resulting from the settlement of such transactions are recognised in the Statement of Comprehensive Income.

Significant accounting policies

Revenue recognition

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

- **Grants and Subsidies** Grants and Subsidies are recognised when the conditions of the grant or subsidy have been met.
- **Leases** Lease revenue is recognised on a straight line basis over the term of the lease
- **Other Revenue** Products held for sale are recognised when a product is sold to the customer.

Taxation

Income tax expense comprises both current tax and deferred tax, and is calculated using tax rates that have been enacted or substantively enacted at balance date.

Current tax is the amount of income tax payable based in the taxable profit for the current year, plus any adjustments to income tax payable in respect of prior years.

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.

The measurements of deferred tax reflects the tax consequences that would follow from the manner in which Tauranga City Aquatics Limited expects to recover or settle the carrying amount of deferred tax liabilities.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that 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 differences arise 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 the accounting profit nor taxable profit.

Current tax and deferred tax is charged or credited to the Statement of Comprehensive Income, except when it relates to items charged or credited directly to equity, in which case the tax is dealt with in equity.

Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred

Goods & services tax

All items in the financial statements are exclusive of goods and services tax (GST) with the exception of receivables and payables, which are stated with GST included. When GST is not recoverable as input tax, it is recognised as part of the related asset expense.

Commitments and contingencies are disclosed exclusive of GST.

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 statement of financial position.

The net GST paid to, or received from the IRD, including GST relating to investing and financing activities, is classified as an operating cash flow in the statement of cash flows.

Property, plant & equipment

Property, Plant and Equipment consist of assets including buildings, improvements, computer equipment, office furniture/equipment and plant and equipment.

Depreciation: All assets are depreciated over their expected useful live. Depreciation is provided on a straight line (SL) at rates calculated to allocate the asset cost less estimated residual value over the estimated useful life.

	Useful Life (Years)	Depreciation method	Depreciation rate
Non Infrastructural Assets			
Land	N/A	N/A	0%
Buildings	2-100	SL	1% -50%
Improvements	2-25	SL	4% -50%
Computer Equipment	4-5	SL	20% -25%
Office Furniture / Equipment	8-12	SL	8.3% -12.5%
Other Plant & Equipment	8-50	SL	2% -12.5%
Vehicles	5-7	SL	14.3% -20%

Valuation

Those asset classes that are revalued are valued on a three yearly valuation cycle on a basis described below. All other asset classes are carried at depreciated historical cost. The carrying values of all assets not revalued in any year are reviewed at each balance date to ensure that those values are not materially different to fair value.

Buildings and improvements were valued at fair value as determined from market-based evidence by an independent valuer. The most recent valuations were undertaken on 1st July 2008 by Property Solutions BOP Limited and related to all buildings and improvements.

Tauranga City Aquatics Limited accounts for revaluations of Property, Plant and Equipment on a class of asset basis

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 Tauranga City Aquatics Limited 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 when control over the asset is obtained.

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 statement of comprehensive income.

Intangible assets

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Costs associated with computer software are recognised as an expense when incurred.

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 the asset is derecognised. Amortisation charge for each period is recognised in the statement of financial performance. Intangible assets capitalised to other assets are amortised at the rate of the principal asset to which they have been capitalised.

The useful lives for associated amortisation rates of major classes of intangible assets have been estimated as follows:

	Useful Life (Years)	Depreciation method	Depreciation rate
Computer Software	3 to 4 years	SL	25% to 33%

Impairment of property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets are reviewed for indicators of impairment at each balance date. When there is an indicator of impairment the asset's recoverable amount is estimated. 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 dependant on the asset's ability to generate net cash inflows and where the company would, if deprived of the asset, replace its remaining future economic benefits or service potential.

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. The impairment loss is recognised in the statement of financial performance.

Leases

Operating lease revenue, where the lessors effectively retain substantially all the risks and benefits of ownership of the leased item, are recognised as revenue on a straight line basis over the term of the lease.

The assets subject to the lease are included in the statement of financial position according to the nature of the asset. The leased assets are depreciated over the period Tauranga City Aquatics Limited expect to benefit from their use.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

Debtors and other receivables

Debtors and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest rate method, less any provision for impairment.

A provision for impairment of receivables is established when there is objective evidence that Tauranga City Aquatics Limited will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, and default in payments are considered indicators that the receivable is impaired. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate. The carrying amount of an impaired receivable is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of financial performance. When the receivable is uncollectable, it is written off against the allowance account. Overdue receivables that have been renegotiated are reclassified as current (i.e. not past due).

Inventories

Inventories held for sale on a commercial basis are valued at the lower of cost and net realisable value. The cost of the inventory is determined using the first-in-first-out method.

Statement of cashflows

The following definitions have been used for the preparation of the Statement of Cashflows:

Cash

Coins, notes, demand deposits, or highly liquid investments for which there is a recognised ready market and which are unconditionally convertible to coins and notes at Tauranga City Aquatics Limited's option within no more than two working days and which Tauranga City Aquatics Limited regards as part of its day-to-day cash management.

Operating Activities

Includes cash received from all sources of the company and records the cash payments made for the supply of goods and services.

Investing Activities

Activities relating to the acquisition, holding and disposal of fixed assets and of investments; such as securities.

Financing Activities

Activities which result in changes in the size and composition of equity and the capital structure of Tauranga City Aquatics Limited

Creditors and other payables

Creditors and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest rate method.

Provisions

Tauranga City Aquatics Limited 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 a finance cost

Borrowings

Borrowings are initially recognised at their fair value. After initial recognition, all borrowings are measured at amortised cost using the effective interest rate method

Critical accounting estimates and assumptions

In preparing these financial statements Tauranga City Aquatics Limited has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based in historical experience and other factors, including expectations of 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 with the next financial year are discussed below:

Property, plant and equipment useful lives and residual value.

At each balance date Tauranga City Aquatics Limited reviews the useful life 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 Tauranga City Aquatics Limited to consider a number of factors such as the physical condition of the asset, expected period of use of the asset by the company 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 statement of comprehensive income and carrying amount of the asset in the statement of financial position. Tauranga City Aquatics Limited minimises the risk of this estimation uncertainty by:

- Physical inspection of assets
- Asset replacement programs
- Review of second hand market prices for similar assets
- Analysis of prior asset sales

Tauranga City Aquatics Limited has not made significant changes to past assumptions concerning useful lives and residual values. The carrying amount of property, plant and equipment are disclosed in note 24

Tauranga City Aquatics Limited has not made significant changes to past assumptions concerning useful lives and residual values. The carrying amount of property, plant and equipment are disclosed in note 24.

Statements and interpretations not yet adopted

NZ IFRS 9 Financial Instruments will eventually replace NZ IAS 39 Financial Instruments: Recognition and Measurement.

NZ IAS 39 is being replaced through the following 3 main phases: Phase 1 Classification and measurement, Phase 2 Impairment Methodology and Phase 3 Hedge Accounting. Phase 1 on the classification and measurement of financial assets has been completed and has been published in the new financial instrument standard NZ IFRS 9. NZ IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in NZ IAS 39. The approach in NZ IFRS 9 is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The financial liability requirements are the same as those of NZ IAS 39, except for when an entity elects to designate a financial liability at fair value through the surplus or deficit. The new standard is required to be adopted for the year ended 30 June 2014. TCAL has not yet assessed the effect of the new standard and expects it will not be early adopted.

Notes to the financial statements

2. Operational revenue

	2010/11 (\$000's) Actuals	2010/11 (\$000's) Budget	2009/10 (\$000's) Actuals
Operating Revenue	5,235	5,851	4,838
	5,235	5,851	4,838

In the 2009 financial year operational revenue was received by LCNZ, with the termination of the management contract Tauranga City Aquatics Limited receives the operational revenue directly.

3. Grant revenue

	2010/11 (\$000's) Actuals	2010/11 (\$000's) Budget	2009/10 (\$000's) Actuals
Tauranga City Council			
- Operational	733	733	733
- Renewal	432	0	121
- Debt Retirement	185	0	41
	1,350	733	895

4. Other revenue

	2010/11 (\$000's) Actuals	2010/11 (\$000's) Budget	2009/10 (\$000's) Actuals
Lease Revenue	23	31	48
Miscellaneous Revenue	35	9	50
	58	40	98

5. Personnel costs

	2010/11 (\$000's) Actuals	2010/11 (\$000's) Budget	2009/10 (\$000's) Actuals
Salaries and Wages	3,277	3,245	3,180
Defined contribution plan employer contributions (kiwisaver)	36	34	22
Total Personnel Costs	3,313	3,279	3,202

6. Other expenditure

	2010/11 (\$000's) Actuals	2010/11 (\$000's) Budget	2009/10 (\$000's) Actuals
Administration	526	471	514
Consultants			
General	111	96	108
Legal	16	5	90
Contract Payments	0	0	583
Audit			
Annual Report	30	25	25
Operations	10	0	12
Operating Costs	1,710	1,592	1,405
Maintenance	421	440	232
	2,824	2,629	2,386

7. Depreciation & amortisation

	2010/11 (\$000's) Actuals	2010/11 (\$000's) Budget	2009/10 (\$000's) Actuals
Buildings and Improvements	927	863	900
Office Furniture and Equipment	57	52	49
Plant and Equipment	240	222	223
Vehicles	10	9	9
Software	11	8	8
	1,245	1,154	1,189

8. Taxation

		2010/11 (\$000's)	2009/10 (\$000's)
a) Operational Surplus /(Deficit) before Taxation		(1,138)	(1,277)
Prima Facie Taxation at 30% (2008: 33%)		(341)	(383)
Non-deductible expenditure		291	301
Non taxable income		(220)	(233)
Deferred Tax Adjustment		4	3,499
Tax rate adjustment		(47)	(169)
Prior year adjustment		0	(9)
Taxation Loss		(313)	3,006
Represented As:			
Current Taxation		0	0
Deferred Taxation expense/(benefit)		(313)	3,006
		(313)	3,006

	2010/11 (\$000's)	2009/10 (\$000's)
Tax Receivable (Payable)		
Opening Balance	0	0
Prior period adjustment	0	0
Subvention payment	0	0
Current tax liability	0	0
Tax paid	0	0
	0	0

	2010/11 (\$000's)	2009/10 (\$000's)
b) Imputation Account		
Opening balance 1 July	542	654
Tax Paid	0	0
Imputation credits attached to dividends paid out	(101)	(112)
Other Adjustments	0	0
Closing balance at 30 June	441	542

	Property, plant and equipment	Other Provisions	Tax losses	Total
Balance at 30 June 2009	(1206)	32	918	(256)
Charged to Income	(3,344)	6	332	(3,006)
Charged to equity	61	0	0	61
Balance at 30 June 2009	(4,488)	38	1,250	(3,201)
Charged to Income	155	18	139	313
Charged to equity	0	0	0	0
Balance at 30 June 2010	(4,333)	56	1,389	2,888

9. Cash and cash equivalents

	2010/11 (\$000's)	2009/10 (\$000's)
Cash	43	49
Till Floats	4	3
	47	52

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and Bank overdrafts. The carrying value of cash and till floats approximates their fair value.

10. Debtors and other receivables

	2010/11 (\$000's) Gross	Impairment ent (\$000's)	2010/11 (\$000's) Net	2009/010 (\$000's) Gross	Impairment (\$000's)	2009/09 (\$000's) Net
Debtors and other Receivables						
Not Past Due	323	0	323	163	0	163
Aged Receivables: 31-60 days	23	0	23	6	0	6
Aged Receivables: 61-90 days	0	0	0	0	0	0
Aged Receivables: greater than 90 days	56	(42)	14	19	(2)	17
GST Receivable	0	0	0	0	0	0
	402	(42)	360	188	(2)	186

The carrying value of receivables approximates their fair value.

11. Statement of commitments

The statement represents extraordinary or exceptionally large commitments for that type of expenditure within the normal course of business, which have been contractually entered into.

Capital Commitments

	2010/11 (\$000's)	2009/10 (\$000's)
Capital expenditure (property, plant and equipment) contracted for at balance date but not yet incurred.		
Ross Maguire Architect – Hot Pools Redevelopment*	0	277
Rawlinsons – Quantity Surveyor		
Hot Pools Redevelopment	0	110
Hot Pools Emergency capital maintenance works*	20	0
SGL Consulting Group Ltd	0	27
Davis Langdon – Project Management Services		
Hot Pools Redevelopment	0	106
Hot Pools Emergency capital maintenance works*	50	0
Pool Water Services 2010/11 Hot Pools Emergency maintenance works*	879	0
Opus 2010/11 Hot Pools Emergency capital maintenance works.*	45	0
Total Capital Commitments	994	520

* The Hot Pools redevelopment is currently on hold until resource consent is received. The Hot Pools Emergency capital maintenance work is budgeted to be completed 22 September 2011

Operating Commitments

The Company leases equipment in the normal course of its business. The majority of these leases have a non-cancellable term of 36 months. The future aggregate minimum lease payments payable under non-cancellable operating leases are as follows:

	2010/11 (\$000's)	2009/10 (\$000's)
Operating Leases		
Not later than one year	11	49
Later than one year and not later than five years	33	90
Later than five years	0	0
	44	139

12. Contingencies

Contingent Liabilities

Tauranga City Aquatics Limited has no contingent liabilities. (2010: nil)

13. Reconciliation of net surplus with net cashflows from operations

	2010/11 (\$000's)	2009/10 (\$000's)
Net Surplus / (Deficit) from Statement Financial Performance	(1,138)	(1,277)
Add/(Deduct) Non Cash Items		
Asset revaluation	0	0
Depreciation + Loss on disposal	1,245	1,189
Add/(Deduct) Movements in Working Capital		
Decrease / (Increase) in Trade and other Receivables	(174)	(144)
Decrease / (Increase) in Inventories	(32)	4
Increase in Employee Entitlements	89	-
Increase in Trade and other Payables	76	163
Add/Deduct Movements in classified as Investing and Financing		
Capital Grant	(432)	(121)
Interest	161	104
Capital Related Accounts Payable	(96)	0
NET CASH FROM OPERATING ACTIVITIES	(301)	(82)

Added movements in Investing and Financing category for 2010/11 statements and included 2009/10 comparisons.

14. Employee entitlements

	2010/11 (\$000's)	2009/10 (\$000's)
Accrued pay	115	33
Annual leave	157	126
ACC Employer contribution	14	38
TOTAL EMPLOYEE ENTITLEMENTS	286	197

15. Trade and other payables

	2010/11 (\$000's)	2009/10 (\$000's)
Trade and Other Payables		
Income in Advance	99	94
Trade & Other Payables	70	102
Accrued Expenditure	296	179
GST Payable	(3)	11
TECT Redeemable Preference Shares	4000	0
TOTAL TRADE AND OTHER PAYABLES	386	420

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 value. TECT Redeemable Preference Shares have a maturity date of 25 July 2011 (see note 17).

16 Related party transactions

	2010/11 (\$000's)	2009/10 (\$000's)
Tauranga City Council		
Grants received (including accruals)	(1,350)	(895)
Loans received	(2,720)	(1805)
Interest paid	161	104
Capital	38	0
Administration/rates services provided	353	125
Loans repaid	1,250	1,745
SGL		
(TCAL Director Mike King)		
Consultation regarding Hot Pools Redevelopment	25	10
Tauranga Aquatics Trust		
(TCAL Director Mike King is a Director)		
Marketing, merchandise consultation, website development, and staff training	149	-

Transactions with key Management Personnel

	2010/11 (\$000's)	2009/10 (\$000's)
Salaries and other short term employee benefits	501	360
Post employment benefits	9	0
Other long term benefits	0	0
Termination benefits	40	0
Share-based payment	0	0
TOTAL	550	360

Key management personnel include the Chief Executive, and other senior management. The senior management team was appointed mid way through 2009/10. The increase in 2010/11 reflects the full year costs of the senior management team. The senior management team includes; Finance & Business Services manager, Health Club Manager, Aquatics Manager and Programmes & Services Manager.

17. Borrowings

	2010/11 (\$000's)	2009/10 (\$000's)
Non-current Borrowings		
Loan from Tauranga City Council	3,329	1,698
TECT Redeemable Preference Shares	0	4,000
TOTAL NON-CURRENT BORROWINGS	3,329	5,698

Loan from Tauranga City Council - The loan from Tauranga City Council (TCC) to Tauranga City Aquatics Limited (TCAL) was recognised at cost under previous NZ GAAP. TCAL designated the loan as a Financial Liability and recognised it initially at fair value under NZ IAS 39. The repayment date is 30 June 2016. The interest rate for 2010/11 was 6.75%, and is fixed annually. An increase of 1% would increase the deficit by \$33,290 and a decrease of 1% would reduce the deficit by \$33,290.

Security - The loan from TCC is unsecured.

TECT Redeemable Preference Shares - Tauranga City Aquatics Ltd has classified the \$4m fixed rate redeemable preference shares (RPS) issued to TECT as debt under NZ IFRS. The maturity date is 25 July 2011 and are shown in Trade and Other payments in note 15 for 2010/11. The interest of \$237,930 (2010: \$227,733) paid in relation to these shares is recognised as an expense in the Statement of Financial Performance. The loan is secured by a guarantee from TCC. Repayment of the TECT redeemable preference shares will be funded through an increase in TCC loans.

18. Share capital

	2010/11 (\$000's)	2009/10 (\$000's)
a) Fully paid ordinary shares		
Balance at beginning of financial year	18,861	18,861
Shares issued to Parent	0	0
TOTAL CLOSING SHARE CAPITAL	18,861	18,861

- i) Fully paid ordinary shares carry one vote per share and carry the right to dividends
- ii) No ready market for these shares so recognised at cost.

19. Retained earnings

	2010/11 (\$000's)	2009/10 (\$000's)
Retained Earnings Opening Balance	(4,506)	(202)
(Deficit) / Surplus after Tax	(825)	(4,284)
Transfer to Reserves	0	(20)
Dividends paid to parent	0	0
TOTAL RETAINED EARNINGS	(5,331)	(4,506)

20. Reserve – revaluations

	2010/11 (\$000's)	2009/10 (\$000's)
Buildings & Improvements Revaluation Reserve	2,165	2,165
Taxation on Revaluation Movement	62	62
TOTAL REVALUATION RESERVE	2,227	2,227

21. Reserve – schools in pools

	2010/11 (\$000's)	2009/10 (\$000's)
Opening Balance	60	40
Transfer from Retained Earnings	0	20
TOTAL SCHOOLS IN POOLS RESERVE	60	60

- i) The Schools in Pools Reserve has been set up to encourage schools to add learning to swim to their curriculum. TCAL are working with Sports Bay of Plenty and schools to continue development of a water safety programme.

22. Capital management

Tauranga City Aquatics Limited's capital is its equity, which comprises Tauranga City Aquatics Limited capital and retained surpluses. Equity is represented by net assets.

Tauranga City Aquatics Limited's constitution requires the Board of Directors to manage its revenues, expenses, assets, liabilities, investments, and general financial dealings prudently. The equity is largely managed as a by-product of managing revenues, expenses, assets, liabilities, investments, and general financial dealings.

The objective of managing Tauranga City Aquatics Limited's equity is to ensure that Tauranga City Aquatics Limited effectively achieves its objectives and purpose, whilst remaining a going concern

23. Significant events after balance date

No significant events after balance date.

24. Analysis of property, plant and equipment

2011 Tauranga City Aquatics Limited

	2009/10 Cost Reval (\$000s)	2009/10 Acc Depn (\$000s)	2010/11 Opening Book Value (\$000s)	2010/11 New Assets (\$000s)	2010/11 Assets Disposed (\$000,s)	2010/11 Cost Reval (\$000's)	2010/11 Current Depn (\$000,s)	2010/11 Accum Depn (\$000,s)	2010/11 Cost/Val (\$000s)
At Cost									
Buildings & Improvements	23,443	(1,796)	21,647	269	0	23,712	(927)	(2,723)	20,989
Office Furniture & Equip	388	(162)	226	117	0	505	(57)	(219)	286
Plant and Equipment	3,987	(431)	3,556	105	0	4,092	(240)	(671)	3421
Vehicles	55	(9)	46	0	0	55	(10)	(19)	36
Work In Progress	359	0	359	1,702	570	1491	0	0	1491
	28,232	(2,398)	25,834	2,193	570	29,855	(1,234)	(3,632)	26,223
Software	39	(31)	8	79	0	118	(11)	(42)	76
	28,271	(2,429)	25,842	2,272	570	29,973	(1,245)	(3,674)	26,299

2010 Tauranga City Aquatics Limited

	2008/09 Cost Reval (\$000s)	2008/09 Acc Depn (\$000s)	2009/10 Opening Book Value (\$000s)	2009/10 New Assets (\$000s)	2009/10 Assets Disposed (\$000,s)	2009/10 Cost Reval (\$000's)	2009/10 Current Depn (\$000,s)	2009/10 Accum Depn (\$000,s)	2009/10 Cost/Val (\$000s)
At Cost									
Buildings	23,398	(896)	22,502	45	0	23,443	(900)	(1,796)	21,647
Office Furniture & Equip	268	(113)	155	120	0	388	(49)	(162)	226
Plant and Equipment	3,819	(209)	3,610	168	0	3,987	(223)	(431)	3,556
Vehicles	0	0	0	55	0	55	(9)	(9)	46
Work In Progress	625	0	625	0	0	359	0	0	359
	28,110	(1,218)	26,892	0	0	28,232	(1,181)	(2,398)	25,834
Software	39	(23)	17	0	0	39	(8)	(31)	8
	28,149	(1,241)	26,909	0	0	28,271	(1,189)	(2,429)	25,842

Notes: Change in classification of asset in 2009 of \$40k between Office Furniture & Equip & Plant & Equipment.

25. Explanations of major variances against budget

Explanations for major variations from the Company's budget figures in the 2010-2011 Financial Statements are as follows:

- Statement of comprehensive income
- Operating revenue was lower than budgeted by \$616,000 due to:
 - Budgeted Clubfit membership, the member price increases impacted many long term members who had not had an increase for five years under the previous management, coupled with a lower than expected retention resulted reduced Clubfit Revenue \$440,000.
 - Hot Pools closure in June due to emergency capital maintenance works to replace aged pipes and plant \$130,000.
- Café gross revenue was lower than expected by \$46,000.
- Operating expenses are greater than budget by \$258,000 due to:
 - Additional personnel costs recognising the liability for time in lieu leave \$34,000.
 - Additional pool operating costs ie water rates and chemical costs greater than budget \$88,000.
 - Bad Debt provision for outstanding membership amount of \$42,000.
 - Telephone and photocopier lease costs greater than budget by \$40,000.
- Costs for operational audit of facilities and Baywave defects review (in conjunction with TCC) not budgeted for \$25,000

26. Financial instruments

	2010/11 (\$000's)	2009/10 (\$000's)
Financial Assets		
Cash and equivalents	47	52
Debtors and other receivables	360	186
Total loans and receivables	407	238
Financial Liabilities		
Creditors and other payables	748	583
TCC Loan	3,329	1,698
Secure Loans (including Redeemable Preference Shares)	4,000	4,000
TOTAL FINANCIAL LIABILITIES	8,077	6,281

Statutory disclosures

There have been no changes to the nature of the business of the company.

Transactions involving self-interest have been disclosed in the interests register during the period. These relate to consultancy work undertaken by SGL.

CHIEF EXECUTIVE REMUNERATION

Total Remuneration paid or payable	2010/11	2009/10
100,000-109,999		
110,000-119,999		
120,000-129,999		
130,000-139,999		1
140,000-149,999		
150,000-159,999		
160,000-169,999		
170,000-179,999	1	

Directors during the year and directors fees paid and accrued (including reimbursements for travel and accommodation) were as follows:

Director	Start Date	End Date	Director fees 2011	Travel & Accom 2011	Director fees 2010	Travel & Accom 2010
Frances Denz	01 July, 2008	31 March 2011	\$13,680	\$280	\$14,400	\$0
Warren Banks	01 April 2008	Still a Director	\$22,700	\$0	\$14,800	\$0
David Stewart	01 Sept 2009	25 May 2011	\$0	\$0	\$0	\$0
Shirley Baker	01 May 2010	Still a Director	\$20,600	\$0	\$0	\$0
Hemi Rolleston	01 April 2011	Still a Director	\$2,800	\$0	\$0	\$0
Mike King *	22 March 2005	Still a Director	\$16,410	\$20,847	\$16,038	\$23,462

There were no director remuneration benefits paid in excess of \$100,000.

* This director is based in Australia as such director fees and travel reimbursements are subject to exchange rate fluctuations.

There were no donations made by the company during the period.

The company paid \$25,573 in Financial Audit Fees during the year for 2010/11 and additional \$5,277 in audit fees were paid relating to the 2009/10 audit.

Statement of intent performance

The company has complied with section 64 of the Local Government Act 2002 and has had the Statement of Intent formally adopted by Council for the year ended 30 June 2011.

Objectives

As required by Section 59 of the Local Government Act 2002, the objectives of Tauranga City Aquatics Limited are:

Principal Objectives

The principal objectives of Tauranga City Aquatics Limited are:

	Objectives for 2010/11	Performance Indicators	Actual	Target																
1.	To meet, and where possible exceed, the expectation of Tauranga City Investments Limited, Tauranga City Council, and all of the stakeholders of the company.	<ul style="list-style-type: none"> To ensure we comply with our adopted Statement of Intent. 	Achieved over 85% see details below.	100%																
2.	To operate the aquatic and leisure facilities within its control so that the company meets all financial and non-financial targets.	<p>Business and Financial Monitoring</p> <ul style="list-style-type: none"> To achieve and or exceed annual budgeted targeted use and financial performance of facilities, programmes and services. <p>Financial Contract Monitoring</p> <ul style="list-style-type: none"> Tauranga City Aquatics Limited will monitor the five year fixed operating budgets to ensure the contract payments are met. <p>NON FINANCIAL TARGETS</p> <p>Quality Assurance</p> <ul style="list-style-type: none"> TCAL will ensure that annual building inspections are undertaken to ensure compliance with the Building Act warrant of fitness requirements. TCAL will ensure independent water testing at its facilities to ensure the New Zealand standard governing the safe maintenance of water quality (NZ 5826:2000 or any replacement standard) is met and maintained TCAL will ensure all facilities meet all standards of pool safety as defined by PoolSafe NZ. 	<p>The management contract with LeisureCo NZ was terminated 29th June 2009. At this date, Tauranga City Aquatics Limited assumed direct management of the network of aquatic and leisure facilities.</p> <p>Not Achieved.</p> <table border="1"> <thead> <tr> <th></th> <th>2010/11</th> </tr> </thead> <tbody> <tr> <td>Income</td> <td>\$6,643,098</td> </tr> <tr> <td>Expenditure</td> <td>\$7,781,210</td> </tr> <tr> <td>Net Operating Surplus/(Deficit)</td> <td>\$106,604</td> </tr> </tbody> </table> <p>Excluding depreciation of \$1,244,716, the net operating surplus in 2010/11 was \$106,704.</p> <p>Achieved.</p> <p>Building Warrant of Fitness issued for all facilities by Bay Building Compliance Management and are valid until December 2011.</p> <p>Achieved.</p> <p>TCAL carry out water testing to ensure water meets all required standards. Environment Bay of Plenty complete independent tests each month. The June results stated for each pool that "these samples comply with microbiological criteria for swimming pools".</p> <p>Achieved.</p> <p>Pool Safe certificates have been issued for all facilities and are valid until April 2012.</p>		2010/11	Income	\$6,643,098	Expenditure	\$7,781,210	Net Operating Surplus/(Deficit)	\$106,604	<p>100%</p> <table border="1"> <thead> <tr> <th></th> <th>2010/11</th> </tr> </thead> <tbody> <tr> <td>Income</td> <td>\$6,624,163</td> </tr> <tr> <td>Expenditure</td> <td>\$7,522,734</td> </tr> <tr> <td>Net Operating Surplus/(Deficit)</td> <td>\$255,439</td> </tr> </tbody> </table> <p>Excluding target depreciation of \$1,154,010, the net operating surplus in 2010/11 target was \$255,439.</p> <p>Annually.</p> <p>TCAL will ensure compliance with standards.</p> <p>TCAL will ensure all network facilities comply with PoolSafe standards.</p>		2010/11	Income	\$6,624,163	Expenditure	\$7,522,734	Net Operating Surplus/(Deficit)	\$255,439
	2010/11																			
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Net Operating Surplus/(Deficit)	\$255,439																			

	Objectives for 2010/11	Performance Indicators	Actual	Target																
		<p>Customer Service</p> <ul style="list-style-type: none"> • TCAL will continue to commission Centre for Education and Recreation Management (CERM) to undertake independent surveys at the three facilities to monitor customer satisfaction and business performance. • Tauranga City Aquatics Limited will ensure there is an ongoing easy to use customer service and complaints process maintained in line with the customer service charter and any customer complaint will be acted upon within five working days of identification/lodgement. • TCAL will ensure there is an ongoing easy to use customer service and complaints process maintained and any customer complaint will be acted upon within five working days of identification/lodgement. <p>Programming and Usage of Facilities</p> <ul style="list-style-type: none"> • TCAL will continue to monitor the following CERM Operational Management attributes as key performance indicators of facility programming and usage: <ul style="list-style-type: none"> - Visits per centre; - Programme range x programmable area; - Catchment multiple (visits/year by catchment population); - Program occupancy by weekly schedule of available time slots; - Class occupancy by programme; - User profile compared with demographic profile and priority users; - User profile by priority community service obligation users. 	<p>Achieved</p> <p>CERM independent survey carried out January 2011.</p> <p>Customer satisfaction results:</p> <table border="1"> <tr> <td>Mount Hot Pools</td> <td>87.1%</td> </tr> <tr> <td>Greerton</td> <td>82.9%</td> </tr> <tr> <td>Baywave</td> <td>80.0%</td> </tr> <tr> <td>Average overall</td> <td>83.3%</td> </tr> </table> <p>Customer satisfaction results:</p> <table border="1"> <tr> <td>Mount Hot Pools</td> <td>87.1%</td> </tr> <tr> <td>Greerton</td> <td>85.7%</td> </tr> <tr> <td>Baywave</td> <td>87.1%</td> </tr> <tr> <td>Average overall</td> <td>86.6%</td> </tr> </table> <p>Achieved.</p> <p>TCAL have systems in place and record and report on customer complaints and feedback.</p> <p>Achieved.</p> <p>TCAL do annually review the facilities performance indicators and ensure remedial action against indicators that are below the median result or previous year result.</p>	Mount Hot Pools	87.1%	Greerton	82.9%	Baywave	80.0%	Average overall	83.3%	Mount Hot Pools	87.1%	Greerton	85.7%	Baywave	87.1%	Average overall	86.6%	<p>Tauranga City Aquatics Limited will constantly monitor the results and endeavour to achieve CERM attributes meet a benchmark of 75% (or greater) overall satisfaction rating.</p> <p>TCAL will constantly monitor the results and endeavour to achieve CERM attributes meet a benchmark of 75% (or greater) overall satisfaction rating.</p> <p>TCAL will annually review the facilities performance indicators and ensure remedial action against indicators that are below the median result or previous year result.</p>
Mount Hot Pools	87.1%																			
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Average overall	86.6%																			
	Objectives for 2010/11	Performance Indicators	Actual	Target																
3.	To meet best practice standards in the management and maintenance of aquatic and leisure facilities.	<p>Asset Management</p> <ul style="list-style-type: none"> • TCAL will implement the asset management plans completed for each facility and negotiate with its shareholder appropriate budget allocations to meet the cost of annual maintenance renewals and improvements. • TCAL will maintain a monthly maintenance works monitoring and reporting process to ensure all planned and budget works are completed. To ensure long term maintenance data recording TCAL will ensure all works are listed on Tauranga City Council's Confirm asset register. 	<p>Not achieved.</p> <p>The existing AMP is currently being reviewed and updated and due to be completed 30th September 2011.</p> <p>On target to be achieved.</p> <p>Confirm system will be updated for the AMP on a regular basis from 1 October 2011.</p>	<p>TCAL will ensure appropriate maintenance per the AMP is scheduled each year.</p> <p>TCAL will update our asset management system Confirm regularly.</p>																

	Objectives for 2010/11	Performance Indicators	Actual	Target
4.	To develop strategic plans and enhance the network of aquatic and leisure facilities within the control of the company.	<ul style="list-style-type: none"> • TCAL will develop a Strategic Plan to meet the companies' mission statement. • To complete a three yearly resident aquatic participation needs survey to identify participation levels, constraints to participation and future aquatic needs and demands. • To identify aquatic facility and service needs and conduct feasibility and business plans for such improvements. • To create strategic partnerships that assist in enhancing and developing our facilities. • TCAL to develop 2012 – 2022 Aquatics Strategy in partnership with Council. 	<p>Achieved. Strategic Plan completed in draft June 2011.</p> <p>On target to be achieved. Proposal to TCC to form part of the Aquatics Strategy 2012-22 currently in progress by TCC. A residents survey was not conducted as part of the TCC Aquatics Strategy development.</p> <p>On target to be achieved. To be completed as part of TCC 2012/22 Aquatics Strategy.</p> <p>Achieved. To maximise strategic partnerships. For 2011 included: • TCC: 2012/22 Aquatics Strategy and SOI TECT: RPS arrangement • Sports Bay of Plenty: "Go for it" fundamental sports programme (Schools in Pools). • BoP Rugby Union: Sponsorship of Steamers.</p> <p>On target to be achieved. In progress with TCC.</p>	<p>Completed and reviewed annually.</p> <p>Completed each three years.</p> <p>Completed as required.</p> <p>To maximise strategic partnerships.</p> <p>Completed by June 2012.</p>
5	To keep all stakeholders informed of the performance of the company.	<ul style="list-style-type: none"> • To implement and maintain communication procedures to ensure all stakeholders are provided with appropriate and timely information on the operation of all facilities under TCAL management, including quarterly shareholder meetings. • To provide financial reporting to Elected Members that reflects the total performance of both the contract and TCAL as a whole. 	<p>Achieved. All communication strategies complied with.</p> <p>Achieved. Undertaken six monthly.</p>	<p>All communication strategies completed.</p> <p>Six monthly.</p>

Audit Report - Independent Auditor's Report

To the readers of Tauranga City Aquatics Limited's financial statements and performance information for the year ended 30 June 2011

The Auditor General is the auditor of Tauranga City Aquatics Limited (the company). The Auditor General has appointed me, Clarence Susan, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and performance information of the company on her behalf.

We have audited:

- The financial statements of the company on pages 4 to 18, that comprise the statement of financial position as at 30 June 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- The performance information of the company on pages 19 to 21.

Qualified Opinion – Our work was limited because of limited control over revenue

Prior to being recorded, control over the receipt of \$2,798,000 of pool takings revenue, which is included within the total of operational revenue of \$4,838,000, is limited and there are no satisfactory audit procedures that we could adopt to confirm independently that all pool takings revenue was properly recorded.

Reason for our qualified opinion

Prior to being recorded, control over cash receipts of \$3,281,000 (2010 \$2,798,000) from swimming pool, gym, café and merchandise takings, which are included within the total operational revenue of \$5,235,000 (2010 \$4,838,000), is limited and there are no satisfactory audit procedures that we could adopt to confirm independently that all cash receipts revenue was properly recorded.

Qualified opinion on the financial statements

In our opinion, except for the effects of the matter described in the "Reason for our qualified opinion" paragraph above, the financial statements of the company on pages 4 to 18:

- Comply with generally accepted accounting practice in New Zealand; and
- Give a true and fair view of the company's:
 - Financial position as at 30 June 2011; and
 - Financial performance and cash flows for the year ended on that date.

Opinion on the performance information

In our opinion, the performance information of the company on pages 19 to 21:

- Complies with generally accepted accounting practice in New Zealand; and
- Gives a true and fair view of the company's service performance achievements measured against the performance targets adopted for the year ended 30 June 2011.

Opinion on other legal requirements

In accordance with the Financial Reporting Act 1993 we report that, in our opinion, proper accounting records have been kept by the company as far as appears from an examination of those records.

Our audit was completed on 30 September 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 Board of Directors 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 and performance 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 and performance information. We were unable to determine whether there are material misstatements in the financial statements because the scope of our work was limited, as we referred to in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements and performance information. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and performance information whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the company's preparation of the financial statements and performance information that give a true and fair view of 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 company'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 Board of Directors;
- The adequacy of all disclosures in the financial statements and performance information; and
- The overall presentation of the financial statements and performance information.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and performance information. In accordance with the Financial Reporting Act 1993, we report that we did not receive all the information and explanations we required. We believe we have obtained sufficient and appropriate audit evidence to provide a basis for our unmodified audit opinion on the performance information and our qualified audit opinion on the financial statements.

Responsibilities of the Board of Directors

The Board of Directors is responsible for preparing financial statements and performance information that:

- comply with generally accepted accounting practice in New Zealand;
- give a true and fair view of the company's financial position, financial performance and cash flows; and
- give a true and fair view of its service performance.

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

The Board of Directors' responsibilities arise from the Local Government Act 2002 and the Financial Reporting Act 1993.

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and performance 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 69 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 company.



Clarence Susan

AUDIT NEW ZEALAND
On behalf of the Auditor General
Tauranga, New Zealand







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Swimming & Wellness*