

Tauranga City Aquatics Limited

Financial Statements
For The Year Ended
30 June 2013





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Chairperson's Report

TCAL has been operating the aquatics network for seven years, and this is the fourth full year of directly managing the operations and service delivery of five aquatic and leisure facilities. It is also the last year TCAL will report as its own entity with the merger of TCAL and TCVL occurring on 1st July 2013.

The Mount Hot Pools refurbishment has been completed. Resource consent for the bore was renewed during the year and within the terms of that consent we struggle to maintain sufficient temperatures during the winter months. In light of that we are progressing with the installation of a gas boiler to top up the temperatures so we can guarantee hot water and provide a consistent experience for users, regardless of weather conditions.

Greerton Pools continue to provide a facility for squads, learn to swim and general public. The Elite programme at Greerton is paying dividends with some fantastic results for the swimmers at various meets throughout the year. Clubfit at Greerton continues to be well utilised.

Otumoetai is predominately used by Otumoetai Swim Club and Otumoetai College, with some 50,830 visits this year. There has been no further discussion on the option to vest this pool as per the Ten Year Plan and it is still acknowledged that a new facility in Tauranga West will be required in the future.

Memorial Pool is the only outdoor pool within our network. Open from October to April, this is a fantastic location and it attracted 34,817 visits during this season. Incorporating other activities into this facility and progressing the Memorial Park notion will be something for the new board to consider going forward.

Baywave attracted 229,168 aquatic user visits this year and a total of 397,696 total visits. We had a month long shut this year emptying the 25 metre pool for the first time since the facility was built. A nervous time whilst the pool emptied but a success due to the risk plans and management of the closure. The shut enabled tile repairs on the walls and floor of that pool. A facility paint and general tidy up occurred at the same time. A second hydroslide is in the budget and a business case will be progressed next year for consideration by the Board.

New cardio equipment was installed during the year keeping Clubfit as a premium gym in the area. With a move to no contract memberships, the number of members has been on the increase at this facility.

Once again there have been some fantastic achievements from the high user groups at regional and national level – swimming, water polo and synchronised swimming. This assists those groups in attracting more members, making their clubs more sustainable. Water space availability continues to be a shortfall at their peak times and it is acknowledged that we can generally only accommodate 60% of their requirements. Future flat water space additions included in the Ten Year Plan should assist in addressing this.

Schools in Pools (a Bayswim programme) continued this year and there is a substantial increase in schools already booked for next year. A combined application to TECT by TCAL, Swimming NZ and Sport Bay of Plenty has been approved to provide transport for schools enabling more children to access this great programme. School visits for the year were 19,514, up from 15,132 for 2011/12. With the TECT initiative this is set to grow in the coming year.

Asset maintenance continues to occur as per our Asset Management Plan and we plan for annual closures to undertake some of this work. Whilst we acknowledge this can be an inconvenience for users, it is a necessary part of our operation to ensure the facilities remain in their best condition.

The decision to merge TCAL and TCVL (Baypark) was made by Council during the year. This was a welcomed decision and gave the staff of TCAL some resolution to the reviews that have been underway for 18 months. The new company, Bay Leisure and Events Limited, will comprise not only the five aquatic facilities and two health clubs, but add into the mix seven dry facilities including the ASB Arena and Baypark Stadium. A new board comprising myself, Graeme Elvin (TCVL Chair), Peter Farmer, Murray Gutry, John Loughlin and Keith Tempest was appointed and took effect from 1 April.

Councillors David Stewart, Wayne Moultrie and Larry Baldock stood down from the Board at that point. I would like to thank them for their contributions; their support of TCAL and the staff was much appreciated.

I wish to acknowledge the CEO, Tania Delahunty and the staff of TCAL. They have all made a tremendous effort to ensure service levels have been maintained whilst under a cloud of uncertainty. Positive attitudes and a great culture set all the staff at TCAL apart from other organisations I have worked with and your enthusiasm has driven me in my role as Chair.

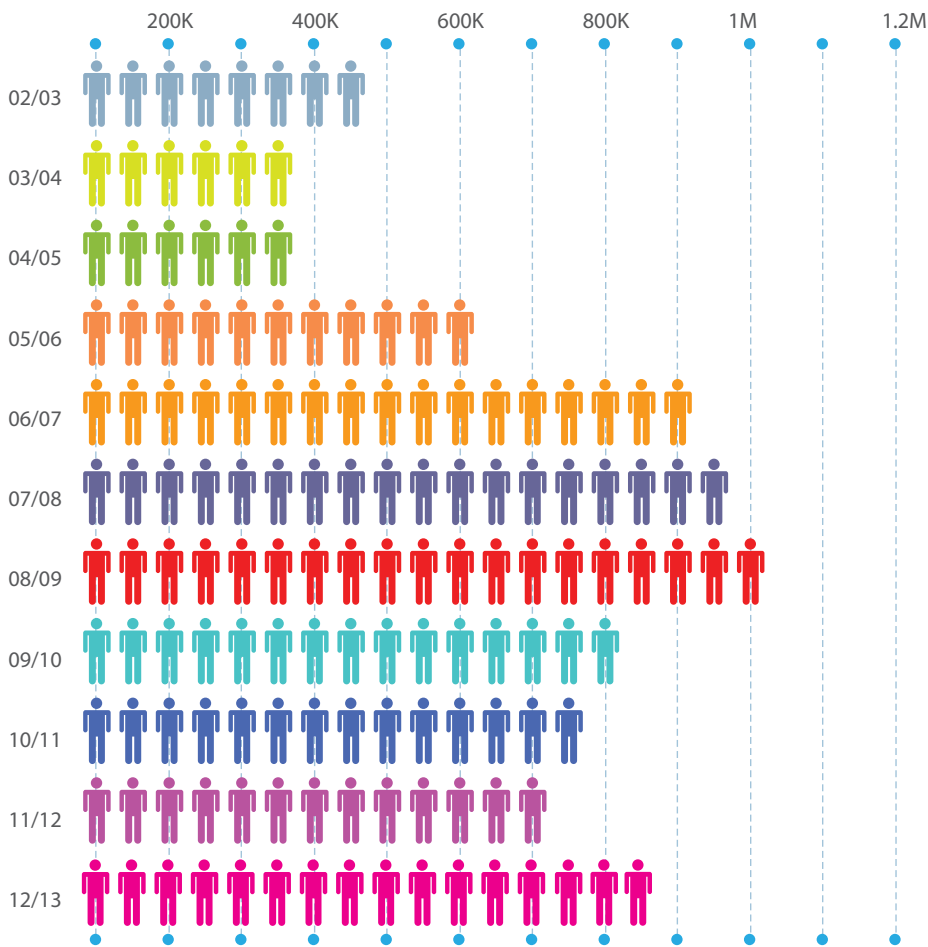
We also wish to acknowledge the assistance and support we have received from our Shareholder, Council staff and Elected Members. We will continue to work collaboratively together to meet the goals and needs of our Community.

Finally, my personal thanks to all involved during my time as a Director and then Chair of TCAL. Going forward there are many opportunities to make the combined operation a strong leader in the leisure, fitness and venue industry. A challenge I look forward to.

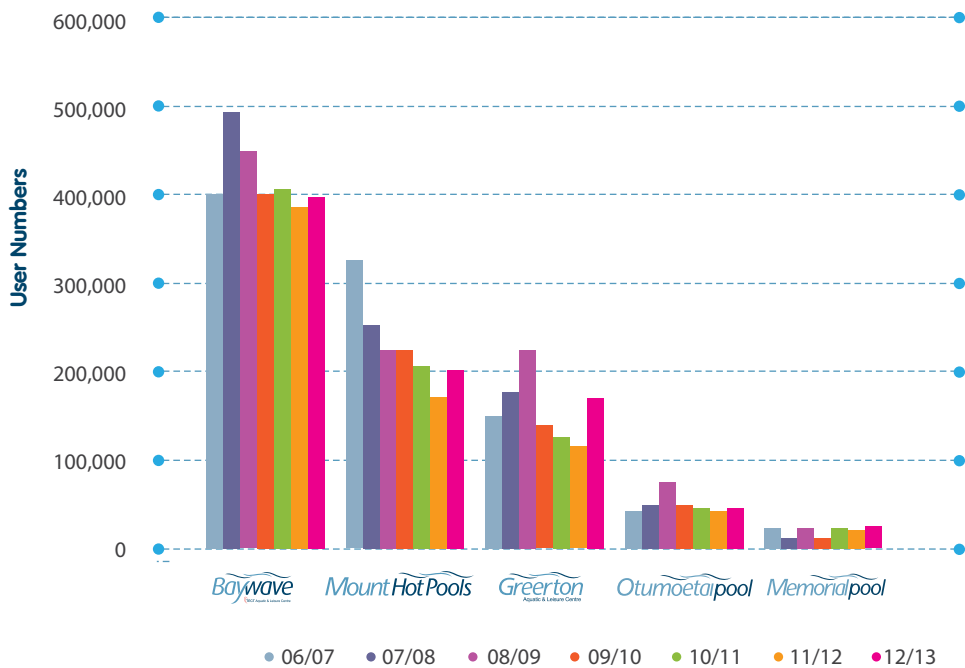


Shirley Baker
Chairperson

TCAL Network User Visits per Year



User Visit History by Facility



STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2013

| | Note | 2013 (\$000's) Actuals | 2013 (\$000's) Budgets | 2012 (\$000's) Actuals |
|---------------------------------------------------|------|------------------------------|------------------------------|------------------------------|
| Revenue | | | | |
| Operational Revenue | 2 | 4,885 | 5,488 | 4,752 |
| Grants | 3 | 4,365 | 2,141 | 4,574 |
| Other Revenue | 4 | 35 | 20 | 62 |
| Total | | 9,285 | 7,649 | 9,388 |
| Expenditure | | | | |
| Personnel Costs | 5 | 3,854 | 3,955 | 3,694 |
| Other Expenditure | 6 | 2,703 | 2,553 | 2,641 |
| Depreciation & Amortisation | 7 | 1,476 | 1,555 | 1,417 |
| Gain or Loss on Disposal | | 0 | 0 | 1,295 |
| Interest Paid | | 423 | 330 | 571 |
| Total | | 8,456 | 8,393 | 9,618 |
| Operational Surplus / (Deficit) | | 829 | (744) | (230) |
| Revaluation of Plant and Equipment | | 0 | 0 | (186) |
| Surplus / (Deficit) including revaluations | | 829 | (744) | (416) |
| Taxation Expense/(Benefit) | 8a | 416 | 0 | (65) |
| Net Surplus / (Deficit) for the Year | | 413 | (744) | (351) |
| Other Comprehensive Income | | | | |
| Gains /(Losses) on property revaluation | | 0 | 0 | 3,893 |
| Tax relating to other comprehensive income | | 0 | 0 | (1,081) |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | | 413 | (744) | 2,461 |

The Notes and Statement of Accounting Policies form part of these Financial Statements

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2013

| | Share Capital (\$000's) | Retained Earnings (\$000's) | Asset Revaluation Reserves (\$000's) | Schools in Pools Reserve (\$000's) | Total Equity (\$000's) |
|------------------------------------|-------------------------------|-----------------------------------|-----------------------------------------------|---------------------------------------------|---------------------------|
| Balance at 1 July 2011 | 18,861 | (5,331) | 2,227 | 60 | 15,817 |
| Net deficit for the year | 0 | (351) | 0 | 0 | (351) |
| Taxation on Equity | 0 | 0 | (1,081) | 0 | (1,081) |
| Building & Improvement Revaluation | 0 | 0 | 3,893 | 0 | 3,893 |
| Balance at 30 June 2012 | <u>18,861</u> | <u>(5,682)</u> | <u>5,039</u> | <u>60</u> | <u>18,278</u> |
| Changes in Equity for 2013 | | | | | |
| Net surplus for the year | 0 | 413 | 0 | 0 | 413 |
| Balance at 30 June 2013 | <u>18,861</u> | <u>(5,269)</u> | <u>5,039</u> | <u>60</u> | <u>18,691</u> |

The Notes and Statement of Accounting Policies form part of these Financial Statements

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2013

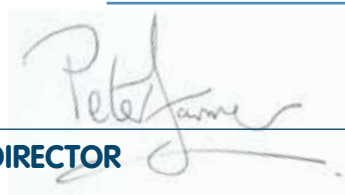
| | Note | 2013 (\$000's) Actuals | 2012 (\$000's) Actuals |
|--------------------------------------|------|------------------------------|------------------------------|
| Assets | | | |
| Current Assets | | | |
| Cash and Cash Equivalents | 9 | 63 | 106 |
| Stock on Hand | | 89 | 158 |
| Debtors and Other Receivables | 10 | 152 | 1,430 |
| Total Current Assets | | 304 | 1,694 |
| Non Current Assets | | | |
| Property, Plant and Equipment | | 30,344 | 30,056 |
| Intangible Assets – Software | | 201 | 56 |
| Total Non Current Assets | 24 | 30,545 | 30,112 |
| Total Assets | | 30,849 | 31,806 |
| Liabilities | | | |
| Current Liabilities | | | |
| Employee Entitlements | 14 | 382 | 334 |
| Trade and Other Payables | 15 | 596 | 606 |
| Tauranga City Council | 15 | 0 | 1,101 |
| Total Current Liabilities | | 978 | 2,041 |
| Non Current Borrowings | | | |
| Loan from Tauranga City Council | 17 | 6,860 | 7,583 |
| Deferred Tax | 8c | 4,320 | 3,904 |
| Total Non Current Liabilities | | 11,180 | 11,487 |
| Total Liabilities | | 12,158 | 13,528 |
| Net Assets | | 18,691 | 18,278 |
| Equity | | | |
| Share Capital | 18 | 18,861 | 18,861 |
| Retained Earnings | 19 | (5,269) | (5,682) |
| Revaluation Reserves | 20 | 5,039 | 5,039 |
| Reserve – Schools in Pools | 21 | 60 | 60 |
| Total Equity | | 18,691 | 18,278 |



DIRECTOR

August 26, 2013

Date



DIRECTOR

August 26, 2013

Date

The Notes and Statement of Accounting Policies form part of these Financial Statements

STATEMENT OF CASHFLOWS

FOR THE YEAR ENDED 30 JUNE 2013

| | Note | 2013 (\$000's) Actuals | 2012 (\$000's) Actuals |
|---------------------------------------------|------|------------------------------|------------------------------|
| Operating Activities | | | |
| Cash was Provided From: | | | |
| Cash received from customers | | 4,911 | 4,669 |
| Grants received | | 5,631 | 1,388 |
| Cash received from other sources | | 25 | 0 |
| | | <u>10,567</u> | <u>6,057</u> |
| Cash was Applied To: | | | |
| Payments to Employees | | 3,663 | 3,483 |
| Payments to Suppliers | | 2,611 | 2,931 |
| Interest Paid | | 423 | 570 |
| Goods and Services Tax (net) | | 179 | (178) |
| | | <u>6,876</u> | <u>6,806</u> |
| Net Cash from Operating Activities | 13 | <u>3,691</u> | <u>(749)</u> |
| Investing Activities | | | |
| Cash was Provided from | | | |
| Tauranga City Council Capital Grant | | 0 | 2,272 |
| Cash was Applied To: | | | |
| Purchase of Property, Plant and Equipment | | 1,910 | (2,821) |
| Net Cash from Investing | | <u>(1,910)</u> | <u>(549)</u> |
| Finance Activities | | | |
| Cash was Provided From: | | | |
| Tauranga City Council Loans | | 2,748 | 7,149 |
| Gain from Asset Sales | | 0 | 2 |
| | | <u>2,748</u> | <u>7,151</u> |
| Cash was Applied To: | | | |
| Repayment of Tauranga City Council Loans | | 4,572 | 1,794 |
| Repayment of TECT RPS | | 0 | 4,000 |
| | | <u>4,572</u> | <u>5,794</u> |
| Net Cash from Financing Activities | | <u>(1,824)</u> | <u>1,357</u> |
| Net Increase / Decrease in Cash Held | | (43) | 59 |
| Add Opening Cash | 9 | 106 | 47 |
| Closing Cash | 9 | <u>63</u> | <u>106</u> |

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.

The Notes and Statement of Accounting Policies form part of these Financial Statements

1. STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2013

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 2013. The financial statements were authorised for issue by Tauranga City Aquatics Limited Directors on 26 August 2013.

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.

| Non Infrastructural Assets | Useful Life (Years) | Depreciation Method | Depreciation Rate |
|-----------------------------------|--------------------------------|--------------------------------|------------------------------|
| Land | N/A | N/A | 0% |
| Buildings | 2-100 | SL | 1% to 50% |
| Improvements | 2-25 | SL | 4% to 50% |
| Computer Equipment | 4-5 | SL | 20% to 25% |
| Office Furniture / Equipment | 8-12 | SL | 6.7% to 33% |
| Other Plant & Equipment | 8-50 | SL | 2% to 12.5% |
| Vehicles | 5-7 | SL | 14.3% to 22% |

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, improvements, plant and equipment were valued at fair value as determined from market-based evidence by an independent valuer. The most recent valuations were undertaken on 1st July 2011 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.

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 three main phases:

- Phase one: Classification and measurement
- Phase two: Impairment Methodology and
- Phase three: Hedge Accounting.

Phase one on the classification and measurement of financial assets has been completed and has been published in the new financial instrument standard.

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 surplus/deficit. The new standard is required to be adopted for the year ended 30 June 2016. However, as a new Accounting Standards Framework will apply before this date, there is no certainty when an equivalent standard to NZ IFRS 9 will be applied by public benefit entities.

The Minister of Commerce has approved a new Accounting Standards Framework (incorporating a Tier Strategy) developed by the External Reporting Board (XRB).

Due to the change in the Accounting Standards Framework for public benefit entities, it is expected that all new NZ IFRS and amendments to existing NZ IFRS will not be applicable to public benefit entities. Therefore, the XRB has effectively frozen the financial reporting requirements for public benefit entities up until the new Accounting Standard Framework is effective. Accordingly, no disclosure had been made about new or amended NZ IFRS that exclude public benefit entities from their scope.

Notes To The Financial Statements

2. Operational Revenue

| | 2013 (\$000's) Actuals | 2013 (\$000's) Budget | 2012 (\$000's) Actuals |
|-------------------|------------------------------|-----------------------------|------------------------------|
| Operating Revenue | 4,885 | 5,488 | 4,752 |
| | <u>4,885</u> | <u>5,488</u> | <u>4,752</u> |

3. Grant Revenue

| | 2013 (\$000's) Actuals | 2013 (\$000's) Budget | 2012 (\$000's) Actuals |
|----------------------------|------------------------------|-----------------------------|------------------------------|
| Tauranga City Council | | | |
| - Operational | 972 | 919 | 733 |
| - Funding for depreciation | 3,393 | 1,222 | 0 |
| - Renewal | 0 | 0 | 3,539 |
| - Debt Retirement | 0 | 0 | 302 |
| | <u>4,365</u> | <u>2,141</u> | <u>4,574</u> |

4. Other Revenue

| | 2013 (\$000's) Actuals | 2013 (\$000's) Budget | 2012 (\$000's) Actuals |
|--------------------|------------------------------|-----------------------------|------------------------------|
| Dividends received | 16 | 11 | 16 |
| Lease Revenue | 10 | 0 | 16 |
| Sundry revenue | 9 | 9 | 30 |
| | 35 | 20 | 62 |

5. Personnel Costs

| | 2013 (\$000's) Actuals | 2013 (\$000's) Budget | 2012 (\$000's) Actuals |
|--------------------------------------------------------------|------------------------------|-----------------------------|------------------------------|
| Salaries and Wages | 3,702 | 3,786 | 3,533 |
| Defined contribution plan employer contributions (KiwiSaver) | 53 | 0 | 41 |
| Other personnel expense | 99 | 169 | 120 |
| Total Personnel Costs | 3,854 | 3,955 | 3,694 |

6. Other Expenditure

| | 2011/12 (\$000's) Actuals | 2011/12 (\$000's) Budget | 2010/11 (\$000's) Actuals |
|------------------------------|---------------------------------|--------------------------------|---------------------------------|
| Audit - Annual Report | 28 | 30 | 27 |
| - Operations | 0 | 0 | 28 |
| Directors fees | 45 | 54 | 33 |
| Legal fees | 15 | 18 | 21 |
| Administration | 632 | 560 | 553 |
| Consultants - General | 166 | 52 | 200 |
| Operating costs | 1,463 | 1,478 | 1,411 |
| Finance administration costs | 52 | 19 | 27 |
| Maintenance | 302 | 342 | 341 |
| | 2,703 | 2,553 | 2,641 |

The company paid \$28,000 in financial audit fees during the year (2012: \$27,000)

7. Depreciation & Amortisation

| | 2013 (\$000's) Actuals | 2013 (\$000's) Budget | 2012 (\$000's) Actuals |
|--------------------------------|------------------------------|-----------------------------|------------------------------|
| Buildings and Improvements | 1,057 | 1,057 | 1,085 |
| Office Furniture and Equipment | 123 | 123 | 34 |
| Plant and Equipment | 266 | 343 | 266 |
| Vehicles | 6 | 8 | 8 |
| Software | 24 | 24 | 23 |
| | 1,476 | 1,555 | 1,416 |

8. Taxation

| | 2013 (\$000's) | 2012 (\$000's) | | |
|------------------------------------------------------------|-----------------------------------------------|----------------------------------|----------------------------|--------------------|
| a) Operational Surplus /(Deficit) before Taxation | 829 | (416) | | |
| Prima Facie Taxation at 28% (2012: 28%) | 232 | (116) | | |
| Non-deductible expenditure | 318 | 626 | | |
| Non Taxable income | (619) | (568) | | |
| Deferred Tax Adjustment | (70) | (7) | | |
| Loss forfeited on amalgamation | 555 | 0 | | |
| Taxation expense/(benefit) | 416 | (65) | | |
| Components of tax expense | | | | |
| Current Taxation | 0 | 0 | | |
| Deferred Taxation expense/(benefit) | 416 | (65) | | |
| | 416 | (65) | | |
| | 2013 (\$000's) | 2012 (\$000's) | | |
| b) Imputation Account | | | | |
| Imputation credits available for use in subsequent periods | 433 | 433 | | |
| c) Deferred Tax Liability | | | | |
| | Property, plant and equipment (\$000's) | Other Provisions (\$000's) | Tax losses (\$000's) | Total (\$000's) |
| Balance at 30 June 2011 | (4,333) | 56 | 1,389 | (2,888) |
| Charged to Surplus or Deficit | 102 | (3) | (34) | 65 |
| Charged to other Comprehensive Income | (1,081) | 0 | 0 | (1,081) |
| Balance at 30 June 2012 | (5,312) | 53 | 1,355 | (3,904) |
| Charged to Surplus or Deficit | 110 | 3 | (529) | (416) |
| Balance at 30 JUNE 2013 | (5,202) | 56 | 826 | (4,320) |

9. Cash and Cash Equivalents

| | 2013 (\$000's) | 2012 (\$000's) |
|-------------|-------------------|-------------------|
| Cash | 59 | 102 |
| Till Floats | 4 | 4 |
| | 63 | 106 |

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

| | 2013 (\$000's) | | 2013 (\$000's) | | 2012 (\$000's) | |
|-------------------------------------------|-------------------|------------|-------------------|--------------|-------------------|--------------|
| | Gross | Impairment | Net | Gross | Impairment | Net |
| Debtors and other Receivables | | | | | | |
| Not Past Due | 103 | 0 | 103 | 1,409 | 0 | 1,409 |
| Aged Receivables: 31-60 days | 45 | 0 | 45 | 6 | 0 | 6 |
| Aged Receivables: 61-90 days | 0 | 0 | 0 | 6 | 0 | 6 |
| Aged Receivables: greater than 90 days | 0 | 0 | 0 | 12 | (3) | 9 |
| GST Receivable | 4 | 0 | 4 | 0 | 0 | 0 |
| | <u>152</u> | <u>0</u> | <u>152</u> | <u>1,433</u> | <u>(3)</u> | <u>1,430</u> |

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

| | 2013 (\$000's) | 2012 (\$000's) |
|----------------------------------------------------------------------------------------------------------|-------------------|-------------------|
| Capital expenditure (property, plant and equipment) contracted for at balance date but not yet incurred. | | |
| RDT Pacific - Hot Pools refurbishment | 0 | 14 |
| Watts and Hughes Construction - Hot Pools refurbishment | 0 | 134 |
| Baywave office accommodation | 0 | 36 |
| Concept Fitness Systems – replacement gym equipment | 0 | 286 |
| Advance Fitness Distribution Ltd | 86 | 0 |
| Total Capital Commitments | <u>86</u> | <u>470</u> |

* The refurbishment works at the Mt Hot Pools were completed during the year. The replacement gym equipment has been installed. The replacement gym equipment is planned for the first quarter of 2013/14.

Operating Commitments

The Company leases equipment in the normal course of its business for a range of terms from 3 – 60 months. The future aggregate minimum lease payments payable under non-cancellable operating leases are as follows:

| | 2013 (\$000's) | 2012 (\$000's) |
|---------------------------------------------------|-------------------|-------------------|
| Operating Leases | | |
| Not later than one year | 303 | 36 |
| Later than one year and not later than five years | 401 | 101 |
| Later than five years | 0 | 0 |
| | <u>704</u> | <u>137</u> |

12. Contingencies

Contingent Liabilities

Tauranga City Aquatics Limited has no contingent liabilities. (2012: nil)

13. Reconciliation of Net Surplus with Net Cashflows from Operations

| | 2013 (\$000's) | 2012 (\$000's) |
|---------------------------------------------------------------|-------------------|-------------------|
| Net Surplus / (Deficit) from Statement Financial Performance | 413 | (416) |
| Add/(Deduct) Non Cash Items | | |
| Asset revaluation | 0 | 186 |
| Depreciation + Loss on disposal | 1,476 | 2,712 |
| Add/(Deduct) Movements in Working Capital | | |
| Movement in Trade and other Receivables | 1,278 | (1,113) |
| Movement in Inventories | 69 | (82) |
| Movement in Employee Entitlements | 48 | 48 |
| Movement in Trade and other Payables | 166 | 10 |
| Movement in GST Payable | (175) | 178 |
| Movement in deferred tax asset | 416 | 0 |
| Add/Deduct Movements in classified as Investing and Financing | | |
| Capital Grant | 0 | (2,272) |
| Net Cash from Operating Activities | <u>3,691</u> | <u>(749)</u> |

14. Employee Entitlements

| | 2013 (\$000's) | 2012 (\$000's) |
|------------------------------------|-------------------|-------------------|
| Accrued pay | 149 | 140 |
| Annual leave | 197 | 184 |
| ACC Employer contribution | 5 | 10 |
| Payroll taxes | 31 | 0 |
| Total Employee Entitlements | <u>382</u> | <u>334</u> |

15. Trade And Other Payables

| | 2013 (\$000's) | 2012 (\$000's) |
|---------------------------------------|-------------------|-------------------|
| Trade and Other Payables | | |
| Income in Advance | 124 | 112 |
| Trade & Other Payables | 107 | 84 |
| Accrued Expenditure | 365 | 235 |
| GST Payable | 0 | 175 |
| TCC Loan Repayment | 0 | 1,101 |
| Total Trade and Other Payables | 596 | 1,707 |

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.

16. Related Party Transactions

| | 2013 (\$000's) | 2012 (\$000's) |
|-------------------------------------------------------------------------------------------------------------------------------------|-------------------|-------------------|
| Tauranga City Council (Shareholder of TCIL who wholly own Tauranga City Aquatics Limited) | | |
| Grants received (including accruals) | (4,365) | (4,574) |
| Loans received | (2,325) | (6,595) |
| Interest paid | 423 | 554 |
| Capital | 17 | 2 |
| Administration/rates services provided | 184 | 338 |
| Loans repaid | 4,571 | 1,794 |
| SGL (TCAL Director Mike King is a Director of the company. He resigned as a TCAL Director in the 2013 Financial Year) | | |
| Consultation regarding Hot Pools Redevelopment | 0 | 10 |
| SK Corp (TCAL Director Mike King is a Director of the company. He resigned as a TCAL Director in the 2013 Financial Year) | | |
| Merchandise consultation, website development, and staff training | 0 | 61 |
| Farmer Motor Group Ltd (TCAL Director Peter Farmer is a Director of the company) | | |
| Motor vehicle servicing costs – service contract in place for three years (gst inclusive) | 1,381 | 372 |

Transactions with Key Management Personnel

| | 2013 (\$000's) | 2012 (\$000's) |
|-------------------------------------------------|-------------------|-------------------|
| Salaries and other short term employee benefits | 490 | 499 |
| Post employment benefits | 0 | 10 |
| Other long term benefits | 0 | 0 |
| Termination benefits | 0 | 0 |
| Share-based payment | 0 | 0 |
| Total | 490 | 509 |

Key management personnel include the Chief Executive, Finance & Business Services Manager, Health Club Manager, Aquatics Manager and Programmes & Services Manager (resigned Oct 12).

17. Borrowings

| | 2013 (\$000's) | 2012 (\$000's) |
|-------------------------------------|-------------------|-------------------|
| Non-current Borrowings | | |
| Loan from Tauranga City Council | 6,860 | 7,583 |
| TECT Redeemable Preference Shares | 0 | 0 |
| Total Non-Current Borrowings | <u>6,860</u> | <u>7,583</u> |

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 2013 was 6.50% (2012: 6.75%), and is fixed annually. An increase of 1% pa would increase the deficit by \$65,840 (2012: \$75,830) and a decrease of 1% pa would reduce the deficit by \$65,840 (2012: \$75,860).

Security

The loan from TCC is unsecured.

18. Share Capital

| | 2013 (\$000's) | 2012 (\$000's) |
|----------------------------------------|-------------------|-------------------|
| a) Fully paid ordinary shares | | |
| Balance at beginning of financial year | 18,861 | 18,861 |
| Total Closing Share Capital | <u>18,861</u> | <u>18,861</u> |

- 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

| | 2013 (\$000's) | 2012 (\$000's) |
|-----------------------------------|-------------------|-------------------|
| Retained Earnings Opening Balance | (5,682) | (5,331) |
| Surplus / (Deficit) after Tax | 413 | (351) |
| Total Retained Earnings | <u>(5,269)</u> | <u>(5,682)</u> |

20. Reserve – Revaluations

| | 2013 (\$000's) | 2012 (\$000's) |
|----------------------------------------------|-------------------|-------------------|
| Revaluation reserve opening balance | 5,039 | 2,227 |
| Buildings & Improvements revaluation reserve | 0 | 3,893 |
| Taxation on revaluation movement | 0 | 1,081 |
| Total Revaluation Reserve | <u>5,039</u> | <u>5,039</u> |

21. Reserve – Schools In Pools

| | 2013 (\$000's) | 2012 (\$000's) |
|---------------------------------------|-------------------|-------------------|
| Opening Balance | 60 | 60 |
| Transfer from Retained Earnings | 0 | 0 |
| Total Schools in Pools Reserve | 60 | 60 |

i) The Schools in Pools Reserve was 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

On 1 July 2013 Tauranga City Aquatics Limited was amalgamated with Tauranga City Venues Limited to form Bay Leisure and Events Limited. This was undertaken via a short form amalgamation under S222 of the Companies Act. Tauranga City Venues Limited was the continuing company with a name change to Bay Leisure and Events Limited.

The effect of the amalgamation is that Tauranga City Aquatics Limited ceases to exist from 1 July 2013. The assets and liabilities of Tauranga City Aquatics Limited are transferred to Tauranga City Venues Limited (Bay Leisure and Events Limited) at their book value as they will continue to be used by the group. Because of the continuing use of the assets and liabilities in the group no adjustment has been made to their values and there has been no change to their classification on the balance sheet. The equity of Tauranga City Aquatics Limited is amalgamated with Tauranga City Venues Limited (Bay Leisure and Events Limited). Given that the shares of Tauranga City Aquatics are cancelled as of 1 July 2013 for no consideration, the value of remaining shares increase so there is no impact on the total equity value.

The amalgamation also included the transfer of staff and assets relating to the technical hire business of Tauranga City Council Venues and Events on 1 July 2013, at their written down value of \$248,350 (GST exclusive). A loan will be provided to Bay Leisure and Events Limited from Tauranga City Council to fund this purchase.

Indoorspace assets remain in the ownership of Tauranga City Council with the management undertaken by Bay Leisure and Events Limited.

No other significant events, favourable or unfavourable, that impact the financial statements have occurred since balance date.



As at 30 June 2013

Tauranga City Aquatics Limited

| | 2012 Cost/Val& Reval (\$000s) | 2012 Acc Depn (\$000s) | 2012 Opening Book Value (\$000s) | 2012 New Assets (\$000s) | 2013 Assets Disposed (\$000,s) | 2013 Revaluation (\$000,s) | 2013 Cost Reval (\$000,s) | 2013 Current Depn (\$000,s) | 2013 Accum Depn (\$000,s) | 2013 Cost/Val (\$000s) |
|--------------------------------------------------|----------------------------------------|------------------------------|-------------------------------------------|--------------------------------|-----------------------------------------|----------------------------------|---------------------------------|--------------------------------------|------------------------------------|------------------------------|
| At Cost | | | | | | | | | | |
| Buildings & Improvements | 27,146 | (1,147) | 25,999 | 513 | 0 | 0 | 27,659 | (1,057) | (2,204) | 25,455 |
| Office equipment, furniture & computer equipment | 763 | (310) | 453 | 211 | 0 | 0 | 974 | (123) | (433) | 541 |
| Plant and Equipment | 3,671 | (207) | 3,464 | 426 | 0 | 0 | 4,097 | (266) | (473) | 3,624 |
| Vehicles | 57 | (28) | 29 | 0 | 0 | 0 | 57 | (6) | (34) | 23 |
| Software | 121 | (65) | 56 | 169 | 0 | 0 | 290 | (24) | (89) | 201 |
| | 31,758 | (1,757) | 30,001 | 1,319 | 0 | 0 | 33,077 | (1,476) | (3,233) | 29,844 |
| Work in Progress | 110 | 0 | 110 | 1,993 | 1,402 | 0 | 701 | 0 | 0 | 701 |
| | 31,868 | (1,757) | 30,111 | 3,312 | 1,402 | 0 | 33,778 | (1,476) | (3,233) | 30,545 |

Work in Progress additional work is shown within the New Assets column and any capitalised assets are shown in Assets Disposed column.

As at 30 June 2012

Tauranga City Aquatics Limited

| | 2011 Cost/Val& Reval (\$000s) | 2011 Acc Depn (\$000s) | 2011 Opening Book Value (\$000s) | 2012 New Assets (\$000s) | 2012 Assets Disposed (\$000,s) | 2012 Revaluation (\$000,s) | 2012 Cost Reval (\$000,s) | 2012 Current Depn (\$000,s) | 2012 Accum Depn (\$000s) | 2012 Cost/Val (\$000s) |
|--------------------------------------------------|----------------------------------------|------------------------------|-------------------------------------------|--------------------------------|-----------------------------------------|----------------------------------|---------------------------------|--------------------------------------|-----------------------------------|------------------------------|
| At Cost | | | | | | | | | | |
| Buildings & Improvements | 23,773 | (2,723) | 21,048 | 2,205 | 0 | 1,170 | 27,146 | (1,088) | (1,147) | 25,999 |
| Office equipment, furniture & computer equipment | 505 | (219) | 286 | 74 | 0 | 0 | 579 | (71) | (290) | 289 |
| Plant and Equipment | 4,092 | (671) | 3,421 | 619 | 0 | (857) | 3,854 | (227) | (227) | 3,627 |
| Vehicles | 55 | (19) | 36 | 1 | 0 | 0 | 57 | (8) | (28) | 29 |
| Software | 118 | (42) | 76 | 3 | 0 | 0 | 121 | (23) | (65) | 56 |
| | 28,543 | (3,674) | 24,867 | 2,902 | 0 | 313 | 31,757 | (1,417) | (1,757) | 30,000 |
| Work In Progress | 1,489 | 0 | 1,491 | 1,720 | 3,099 | 0 | 110 | 0 | 0 | 110 |
| | 30,032 | (3,674) | 26,358 | 4,622 | 3,099 | 313 | 31,867 | (1,417) | (1,757) | 30,110 |

25. Explanations of Major Variances Against Budget

Explanations for major variations from the Company's budget figures in the 2012–2013 Financial Statements are as follows:

Revenue

TCC grant funding for the year was more than planned for unbudgeted funding provided for new directors appointed as part of the merger into Bay Leisure and Events Ltd and an unbudgeted interest cost recovery.

TCC also made a one-off payment to transfer a depreciation reserve in order to reduce the loan advanced to the company.

User revenue achieved was lower than forecast with expected user numbers not being achieved, particularly in the health club. User numbers for the pools were also lower than forecast, in particular for the Hot Pools, with a hot, dry Summer that meant people stayed away from the facility during the busiest part of the holiday season. However TECT users were seen to be taking advantage of the discount available with growth in revenue above forecast. The event use of the pool has increased with revenue growth above forecast.

Operating expenditure

Total expenditure was within 1% of budget. Employee costs were lower than forecast, with lower ACC levies through an exemplary safety record. Some areas of the business had staff positions planned for that did not eventuate. Operating costs were 1% lower than planned. Administration costs increased with marketing spend, in particular promoting the health club and Hot Pools, which had completed a major works programme and some additional lease expenses associated with providing IT services. Consulting costs included an unbudgeted full company review required by Council. Repairs and maintenance expenditure was 12% less than planned with asset management plan execution showing worthwhile improvements and also reducing the risk of pool closure through unplanned plant and equipment failure. Debt servicing was greater than forecast with the cost of transaction processing increasing and insufficient plans for funding requirements during the year. Depreciation expense was lower than planned as several major projects did not eventuate.

There were no revaluations carried out during the year.

26. Financial Instruments

| | 2013 (\$000's) | 2012 (\$000's) |
|------------------------------------|-------------------|-------------------|
| Financial Assets | | |
| Cash and equivalents | 62 | 106 |
| Debtors and other receivables | 152 | 1,430 |
| Total loans and receivables | 214 | 1,536 |
| Financial Liabilities | | |
| Creditors and other payables | 978 | 940 |
| TCC Loan (Current) | 0 | 1,101 |
| TCC Loan | 6,860 | 7,583 |
| Total Financial Liabilities | <u>7,839</u> | <u>9,624</u> |

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.

Chief Executive Remuneration

| Total Remuneration paid or payable | 2013 | 2012 |
|-------------------------------------------|-------------|-------------|
| 170,000-179,999 | 1 | 1 |

Directors during the year and directors fees paid and accrued were as follows:

| Director | Start Date | End Date | Director fees | Travel and Accommodation | Director fees | Travel and Accommodation |
|-----------------|-------------------|------------------|----------------------|---------------------------------|----------------------|---------------------------------|
| | | | 2013 | 2013 | 2012 | 2012 |
| | | | \$ | \$ | \$ | \$ |
| Warren Banks | 01 Apr 2008 | 28 Sep 2012 | 0 | 0 | 3,500 | 0 |
| Mike King * | 22 Mar 2005 | 28 Sep 2012 | 0 | 0 | 2,000 | 1,664 |
| Shirley Baker | 01 May 2010 | Still a Director | 26,750 | 0 | 17,500 | 0 |
| David Stewart | 17 Feb 2012 | 31 Mar 2013 | 0 | 0 | 0 | 0 |
| Wayne Moultrie | 17 Feb 2012 | 31 Mar 2013 | 0 | 0 | 0 | 0 |
| Larry Baldock | 17 Feb 2012 | 31 Mar 2013 | 0 | 0 | 0 | 0 |
| Peter Farmer | 01 Apr 2013 | Still a Director | 6,875 | 0 | 0 | 0 |
| Murray Gutry | 01 Apr 2013 | Still a Director | 3,750 | 0 | 0 | 0 |
| John Loughlin | 01 Apr 2013 | Still a Director | 3,750 | 0 | 0 | 0 |
| Keith Tempest | 01 Apr 2013 | Still a Director | 3,750 | 0 | 0 | 0 |
| Graeme Elvin | 01 Apr 2013 | Still a Director | 0 | 0 | 0 | 0 |

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.



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 2013.

Principal Objectives

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

ECONOMIC

| Objective | Performance Indicators | Achievement | | | | | | | | | | | | |
|------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|------------------|------------------|---------|-------|-------|-------------|-------|-------|-------------------------------|-----|-------|
| Ensure that TCAL financial targets are in line with Council's requirements. | The annual review to ensure: TCAL's actual financial performance is in line with targeted performance. | <table border="1"> <thead> <tr> <th></th> <th>Actual (\$000's)</th> <th>Target (\$000's)</th> </tr> </thead> <tbody> <tr> <td>Revenue</td> <td>9,285</td> <td>7,649</td> </tr> <tr> <td>Expenditure</td> <td>8,456</td> <td>8,393</td> </tr> <tr> <td>Surplus/ (deficit before tax)</td> <td>829</td> <td>(744)</td> </tr> </tbody> </table> | | Actual (\$000's) | Target (\$000's) | Revenue | 9,285 | 7,649 | Expenditure | 8,456 | 8,393 | Surplus/ (deficit before tax) | 829 | (744) |
| | | Actual (\$000's) | Target (\$000's) | | | | | | | | | | | |
| Revenue | 9,285 | 7,649 | | | | | | | | | | | | |
| Expenditure | 8,456 | 8,393 | | | | | | | | | | | | |
| Surplus/ (deficit before tax) | 829 | (744) | | | | | | | | | | | | |
| TCAL remains financially sound. | TCAL completes approved capital programme each year. | The majority of the capital works programme was completed, with the exception of two major projects deferred to future years relating to the development of Baywave aquatic facilities. The Hot Pools project was completed and both Baywave and Greerton pools underwent a comprehensive facelift and maintenance. | | | | | | | | | | | | |
| | <p>Council's funding to deliver the aquatic and leisure service is agreed for the next three years at:</p> <p>12/13 - 1,955,306 13/14 - 2,131,779 14/15 - 2,193,620</p> <p>This excludes additional funding of approximately \$186,000 which is subject to the outcome of Council's decision to vest Otumoetai.</p> | The company operates sound and robust financial and operating procedures. Performance is monitored against an annual plan and actions are taken to ensure revenues are maximized and costs controlled as far as possible. The company achieved an operating surplus for the year ended 30 June 2013. | | | | | | | | | | | | |
| | Ratio of shareholders funds to total assets will exceed 50%. | Shareholders funds are 62% of total assets. | | | | | | | | | | | | |

Increase internal productivity.

Improvement in average staff retention target through good employment practices, recruitment, training and remuneration system.

We have only completed one year of data from 1 July 2012-31st June 2013. The annual turnover of permanent staff for this period was 34.6%. During the 12 month period there was a downward trend with the highest spike being 5.4% in September 2012. Average turnover per month at end of the 12 month period was 2.9%.

Annual leave balance no higher than 20 days per employee.

Total staff as at 30/06 = 136. Number of staff with AL over 20 days = 5.

Staff performance reviews undertaken three times per annum.

Of the 86 staff who were here for the full 12 months, 60% received all three reviews.

Average three main centres key working indicators to better or equal national median results: (Centre for Tourism & Leisure Management: - CERM)

* See table below

MYOB Time and Attendance system monitored to ensure no salary creep and accurate time records.

MYOB time and attendance reports are monitored daily for invalid times not complying with rosters. Hours to pay are checked to roster and signed off by the relevant manager at each fortnightly pay.

Maintain a robust and sustainable pricing policy.

Undertake annual review of pricing policy in line with Council's objectives and in comparison to local market providers and/or other metro councils.

All pool entry pricing is based on the CPI increases as advised by Council.

*

| | Industry median Indoor Pools (Aust) | Baywave Aquatic Centre | Industry median Indoor Pools (Aust) | Mount Hot Pools | Industry median Indoor Pools (Aust) | Greerton Aquatic Centre |
|--------------------------------------------|-------------------------------------|------------------------|-------------------------------------|-----------------|-------------------------------------|-------------------------|
| Labour cost to total receipts | 71% | 39% | 98% | 41% | 71% | 67% |
| Total visits per annum | 401,839 | 398,343 | 60,964 | 164,975 | 401,839 | 116,739 |
| Programme range and opportunities per week | No longer reported on. | | | | | |
| Energy cost / m ² | \$50 | \$55.82 | \$20 | \$24.60 | \$50 | \$43 |
| Water cost / m ² | \$6.80 | \$8.97 | \$8.84 | \$4.94 | \$6.80 | \$5.56 |

| Objective | Performance Indicators | Achievements |
|--------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Maintain programme range and capacity. | Maintain current programme offering and enrolments / memberships during a period of increased competition. | <p>Bayswim July 2012 Baywave 683 registered Greerton 284 registered 967</p> <p>Bayswim June 2013 Baywave 860 registered Greerton 405 registered 1,265</p> |
| | Where marketing budgets approved, 1% growth on current programme offering and capacity. | <p>Total visits 2011/12 53,835 Bayswim</p> <p>Total visits 2012/13 54,324 Bayswim</p> <p>Increase of 0.91%</p> <p>Include term lessons, HIP lessons, private lessons and birthday parties from combined Baywave and Greerton numbers.</p> |
| | Develop specialist programmes targeting key user groups or at risk groups in the community, eg increase of Maori enrolled in a learn to swim programme, undertake group adult learn to swim programmes, investigate the need for specialist swimming programmes for Asian / Indian adults, Muslim females. These to be in accordance with Councils objectives under cultural wellbeing where these exist. | <p>Targeted communities exercise specialist appointed June 2013. Currently developing relationships with various groups (senior and disability) and creating program templates. Aim to have two user groups moving through this program Q1.</p> <p>Trial of women's only night planned for November 2013.</p> |
| Deliver programmes / events that a have a specific community good outcome. | Develop Schools in Pools (SIP) programme and increase two schools pa participating in a learn to swim or water safety initiative offered by TCAL. | <p>Total SIP user numbers for 2011/12 = 15,132</p> <p>Total SIP user numbers for 2012/13 = 19,514</p> |
| Develop partnerships with educational and health providers or regional / local agencies / businesses. | Develop two new partnerships with community or business groups. | <p>Clubfit currently working with Bay Polytechnic School of Applied Science and Te Wananga o Aoteroa Student Group.</p> <p>Aquatics currently working with the DHB in increasing the use of Greerton for hydrotherapy, specifically for children.</p> |
| Ensure policies in place that encourage accessibility. | <p>Disability policy in place.</p> <p>Introduction of policies for minority or special needs groups in accordance with Council policies where these exist.</p> | <p>TCAL continue to offer a special needs access programme. TCAL are also working with the Halberg Trust and 'Barrier Free' undertaking audits and assessments to improve accessibility at all TCAL facilities.</p> |

| Objective | Performance Indicators | Achievements |
|--------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Efficient water and energy consumption. | <p>Reduce water discharge by 25% through policies on water discharge and improved chemical treatment or processes (UV plant), subject to TCC approval of capital investment in Ten Year Plan.</p> <p>Reduce chlorine use by 10% through implementation of alternative treatment methods (UV plant), subject to TCC approval of capital investment in Ten Year Plan.</p> <p>Increase energy efficiency on average 5-10% through proactive implementation of business improvements especially in the plant rooms.</p> | <p>Current water meters have been in for 12 – 18 months. Base numbers now set to measure against going forward in 13/14 year. Second UV unit being installed 2013/14 in leisure pool at Baywave.</p> <p>12/13 reduction in chlorine use 2.3%. Currently investigating on site generation at all sites to reduce chemical costs further.</p> <p>In the calendar year to December 2012, reduction of KW/h consumption 3.2%. Staged LED lighting installed is expected to see a further reduction in 13/14. Currently investigating feasibility of solar panels at Baywave.</p> |
| Sustainable business practice approach. | <p>Strategies: Monitor facility use of resources including energy and water through collection of data.</p> <p>Provide customer recycling facilities and develop an understanding of waste to landfill, so improvements can be targeted in the future.</p> <p>Performance targets: Build baseline data for water, energy and waste this year, so improvement targets can be considered in the future where required.</p> | <p>Monthly energy use audits undertaken, documenting KW/h use and cost.</p> <p>Recycling underway at Baywave and Hot Pools. Greerton, Otumoetai and Memorial will be underway by 31 December 2013.</p> <p>Water and energy complete. To be monitored from 2013/14.</p> |
| Operate in accordance with legislative requirements and regulations and in accordance with Pool Safe. | <p>Zero breaches of key regulation targets.</p> <p>Audit compliance with Pool Safe.</p> | <p>Poolsafe 100% compliant at all sites.</p> <p>Building warrant of fitness (BWOFF) 100% compliant at all sites.</p> <p>92% of all free available chlorine pool water test samples within recommended range (minimum standard 80%).</p> |
| Health and safety environment for staff and customers. | <p>Continually improve the health and safety environment for staff and customers:</p> <p>Measured by a reduction in the level of the number of serious incidents investigated by the Department of Labour (DOL). Zero prosecutions by DOL. Alignment with TCC processes in health management, monitoring and improvement.</p> | <p>The number of incidents investigated by the DOL are very low.</p> <p>DOL reportable incidents include: 2012 = 1 x slippery concrete at the HP + 1 x cut foot at Greerton. 2013 = 1 x slip off a flutterboard. Zero prosecutions by DOL.</p> |
| | <p>Six monthly review and annual audit by TCC health and safety staff on processes in place in TCAL.</p> | <p>Annual audit by TCC health and safety staff undertaken with no issues raised.</p> |

| Objective | Performance Indicators | Achievements | | | | | | | | | | | | | | | |
|---------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|------|------|-----------|-------|-------|---------------------|-------|-------|----------|-------|-------|--|--------------|--------------|
| Continually improve health and safety environment for staff and visitors. | <p>Measured by a reduction in the level of the number of serious incidents investigated by the Department of Labour from 11/12 levels.</p> <p>Alignment with TCC process on H&S management, monitoring and improvement.</p> <p>Review / audit by TCC health and safety staff on processes in place in TCAL.</p> | Refer results of previous objective. | | | | | | | | | | | | | | | |
| Minimise unplanned facility closures and facility outages impacting on customer use. | <p>Full facility closures only to planned outages annually.</p> <p>No more than 100 hours outages on average each month.</p> | Average monthly outage is 79 hours for the year (excluding faecal closures). | | | | | | | | | | | | | | | |
| Maintain high customer quality ratings. | Overall CERM quality rating is on average 75% or better. | <table border="1"> <thead> <tr> <th></th> <th>2012</th> <th>2013</th> </tr> </thead> <tbody> <tr> <td>Baywave</td> <td>81.4%</td> <td>82.8%</td> </tr> <tr> <td>Hot Pools</td> <td>87.1%</td> <td>87.1%</td> </tr> <tr> <td>Greerton</td> <td>81.4%</td> <td>82.8%</td> </tr> <tr> <td></td> <td>83.3%</td> <td>84.2%</td> </tr> </tbody> </table> | | 2012 | 2013 | Baywave | 81.4% | 82.8% | Hot Pools | 87.1% | 87.1% | Greerton | 81.4% | 82.8% | | 83.3% | 84.2% |
| | 2012 | 2013 | | | | | | | | | | | | | | | |
| Baywave | 81.4% | 82.8% | | | | | | | | | | | | | | | |
| Hot Pools | 87.1% | 87.1% | | | | | | | | | | | | | | | |
| Greerton | 81.4% | 82.8% | | | | | | | | | | | | | | | |
| | 83.3% | 84.2% | | | | | | | | | | | | | | | |
| Increase customer advocacy (over three centres included in CERM). | <p>Average of 40% of customer base very likely to recommend our service.</p> <p>25% likely to recommend our service.</p> | <p>CERM measurements changed this year to be either recommend the centre or say positive things about the centre.</p> <table border="1"> <thead> <tr> <th></th> <th>2012</th> <th>2013</th> </tr> </thead> <tbody> <tr> <td>Recommend</td> <td>88.3%</td> <td>87.0%</td> </tr> <tr> <td>Say Positive Things</td> <td>87.0%</td> <td>87.0%</td> </tr> </tbody> </table> | | 2012 | 2013 | Recommend | 88.3% | 87.0% | Say Positive Things | 87.0% | 87.0% | | | | | | |
| | 2012 | 2013 | | | | | | | | | | | | | | | |
| Recommend | 88.3% | 87.0% | | | | | | | | | | | | | | | |
| Say Positive Things | 87.0% | 87.0% | | | | | | | | | | | | | | | |
| Maintain relationships with key high user groups and customers. | <p>Quarterly high user group forums.</p> <p>Annual forums with customers at key facilities.</p> | <p>Three 'coffee catch ups' held with the 'Friends of Hot Pools' group. Positive feedback received from attendees. Meetings to continue in 13/14.</p> <p>At the High User Group (HUG) forum in May 2013, HUGs determined that they did not want to meet quarterly. However, we have an "open door" policy to ensure that communication lines remain open. Good relationships are in place with high user groups, and informal catch ups are frequently had with user groups on poolside.</p> | | | | | | | | | | | | | | | |

Objective

Performance Indicators

Achievements

Ensure Council is kept informed of all significant matters relating to TCAL and Council is advised of all strategic issues relating to TCAL.

TCAL to formally report to Council two times per annum on financial and SOI targets / results. The six monthly financial report is to be presented in the format set out in the attached (attachment A).

TCAL formally reported to Council on two occasions, along with additional reporting for the merger project.

Post TCAL board meeting, TCAL is to provide to the shareholder a financial report including:

Due to the review of CCOs and TCAL and the changes in directorships of both TCAL and its shareholder TCIL no reporting was provided to TCIL.

- A commentary on the year to date performance of the company.

- A copy of the company's management report showing YTD actuals against YTD budget and against total budget.

- A further commentary on any "red flag" issues or emerging trends, including unfavourable year end financial variances under a principle of "no surprises for the shareholder".

TCAL to host informal briefings with Council two times per annum.

Not progressed as three of TCAL directors were also Councillors.

Informal reporting to Council's CEO / CFO / Mayor two times per annum.

Previous TCC CEO was also a director on TCAL. Following this informal meetings held with TCC acting CEO and TCAL chair and CEO.

Presentation to Councillors on CERM results annually.

Not actioned as three Directors on TCAL were also Councillors.

Presentation to Councillors as and when required.

Attended when requested.

Ensure that TCAL's corporate governance procedures / policies are appropriate, documented and reflect best practice.

Independent audit by Audit NZ to report on procedures and policies as part of annual financial audit.

Draft Statement of Intent for TCAL to be submitted to Council by 1 March each year

Completed.

Compliance, where appropriate, with key Council policies such as procurement, sensitive expenditure, related party transactions, commercial activities.

Compliance 100%.

| Objective | Performance Indicators | Achievements |
|-------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Asset management plan. | <p>On an annual basis, provide to Council evidence of:</p> <ul style="list-style-type: none"> • Assets register; • An asset condition assessment; • Maintenance on assets; • Up to date valuation of assets. <p>Provide as part of the Tauranga City Council Annual Plan and Long Term Plan processes:</p> <ul style="list-style-type: none"> • A ten year renewals and capital improvements programme (including budget) which is based on levels of service, expected use life and condition of assets. • An annual forecast for renewals and associated budget. | <p>Asset condition assessments undertaken on all key plant and building assets, including replacement values and expected remaining life.</p> <p>All maintenance and condition information will be updated in software programs by 30 October 2013.</p> <p>Completed in Council timeframes.</p> <p>Completed.</p> |



Independent Auditor's Report

To the readers of Tauranga City Aquatics Limited's financial statements and performance information for the year ended 30 June 2013

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 7 to 29, that comprise the statement of financial position as at 30 June 2013, 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 statement of service performance of the company on pages 31 to 37.

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

Reason for our qualified opinion

Prior to being recorded, control over cash receipts of \$3,637,944 (2012 \$3,119,941) from swimming pool, gym, café and merchandise takings, which are included within the total operational revenue of \$4,885,000 (2012 \$4,752,000), 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 7 to 29:

- 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 2013; 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 31 to 37:

- 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 2013.

Emphasis of matter – the financial statements are appropriately prepared on a disestablishment basis

Without modifying our opinion, we draw your attention to the note 23 disclosure on page 25 about the financial statements being prepared on a disestablishment basis because the company was amalgamated from 1 July 2013 and its assets and liabilities transferred to Bay Leisure and Events Limited. We consider the disestablishment basis of preparation of the financial statements and the related disclosures to be appropriate to the company's circumstances.

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 26 August 2013. 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 statement of service performance are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence readers' overall understanding of the financial statements and statement of service performance. 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 statement of service performance. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and statement of service performance whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the company's financial statements and statement of service performance 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 statement of service performance. 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 is also responsible for the publication of the financial statements and statement of service performance, whether in printed or electronic form.

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 and this assignment, we have no relationship with or interests in the company.

A handwritten signature in blue ink, appearing to read 'Susan', with a stylized flourish at the end.

Clarence Susan
Audit New Zealand
On behalf of the Auditor General
Tauranga, New Zealand





TAURANGA CITY AQUATICS LIMITED

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*Supporting Community
Swimming & Wellness*

Greerton
Aquatic & Leisure Centre

Baywave
TECT Aquatic & Leisure Centre



CLUBfit

Mount Hot Pools

Memorialpool

Otumoetaipool