Notice of Meeting:

I hereby give notice that an ordinary meeting of the Council Controlled Organisations Subcommittee will be held on:

Date:	**Wednesday 21 October 2015**
Time:	**9.30am**
Meeting Room:	**Committee Room 1**
Venue:	**Municipal Building, Garden Place, Hamilton**

Richard Briggs
Chief Executive

Council Controlled Organisations Subcommittee
OPEN AGENDA

Membership

Chairperson	Cr G Mallett
Members	Her Worship the Mayor J Hardaker
	Cr A King
	Cr R Pascoe
	Cr P Yeung
Quorum:	**A majority of members (including vacancies)**
Meeting Frequency:	**6 monthly or as required**

Ian Loiterton
Committee Advisor

14 October 2015
Telephone: 07 838 6439
Ian.Loiterton@hcc.govt.nz
www.hamilton.govt.nz

Terms of Reference:

- To oversee and provide recommendations to the Finance Committee in regard to the Council's interests in its Council Controlled Organisations (CCOs), Council Organisations (COs) and subsidiaries.
- Develop and recommend a draft policy for the appointment and remuneration of directors of CCOs and COs to the Strategy and Policy Committee by 30 March 2014.
- Approve appointments to CCO and CO boards in accordance with the Appointment and Remuneration Policy for CCOs and COs.
- Provide clear directions to Council's CCO's and CO on Council's expectations.
- Consider and approve statements of intent as prepared by the board of each CCO and CO.
- Receive CCO and CO six monthly and annual reports.
- Consider any proposed major transactions of CCOs and COs and make recommendations to the Finance Committee in relation to those major transactions.

Special Notes:

- The sub-committee may request expert advice through the Chief Executive when necessary.
- CCOs & COs covered by this committee are: Local Authority Shared Services (LASS), Waikato Regional Airport Ltd (WRAL), SODA Inc Ltd, Waikato Innovation Park Ltd (& Innovation Waikato Ltd), Vibrant Hamilton, LGFA, NZ Local Government Insurance Corporation Ltd.

Power to act:

- Approve appointments to CCO and CO boards in accordance with a policy for the
- Appointment and Remuneration of Directors of CCOs and COs.
- Approve statements of intent for each CCO and CO.

Power to recommend:

- Make recommendations to the Finance Committee in relation to any proposed major transactions of CCOs and COs.
- The sub-committee must make recommendations to the Finance Committee and/or Council in respect to any proposal to establish a CCO or CO.
- The sub-committee may make recommendations to Finance Committee and/or Strategy and Policy Committee.

1 Apologies

2 Confirmation of Agenda

The Committee to confirm the agenda.

3 Declaration of Interest

Members are reminded of the need to be vigilant to stand aside from decision making when a conflict arises between their role as an elected representative and any private or other external interest they might have.

Hamilton City Council
Te kaunihera o Kirikiriroa

council report

Item 4

Committee:	Council Controlled Organisations Subcommittee	**Date:**	21 October 2015
Report Name:	Council Controlled Organisations (CCO) Subcommittee - Open Minutes - 22 April 2015	**Author:**	Ian Loiterton

Status	*Open*

Recommendation

That the Subcommittee confirm and adopt as a true and correct record the Open Minutes of the Council Controlled Organisations Subcommittee Meeting held 22 April 2015.

1. Attachments

2. Attachment 1 - Council Controlled Organisations (CCO) Subcommittee Meeting - Open Minutes - 22 April 2015

Hamilton City Council
Te kaunihera o Kirikiriroa

Council Controlled Organisations Subcommittee

OPEN MINUTES

Minutes of a Meeting of the Council Controlled Organisations Subcommittee held in Committee Room 1, Municipal Building, Garden Place, Hamilton on Wednesday 22 April 2015 at 9.30am.

PRESENT

Chairperson:	Cr G Mallett
Members:	Cr R Pascoe Cr P Yeung
In Attendance:	Chief Financial Officer, General Manager Events and Economic Development, Treasury Accountant and Accounting Unit Manager. Thomas Gibbons – Vibrant Hamilton Trust (Chair) Earl Rattray – Innovation Waikato Ltd (Acting Chair) Stuart Gordon – Innovation Waikato Ltd (Chief Executive Officer) George Clarke – Waikato Regional Airport Ltd (General Manager Commercial) Simon Hollinger – Waikato Regional Airport Ltd (General Manager Operations)
Committee Advisor:	Miss L Preiss.

1. Apologies

Resolved: (Crs Mallett/Yeung)

That the apologies from Her Worship the Mayor and Councillor King be received and accepted.

2. Confirmation of Agenda

Resolved: (Crs Mallett/Pascoe)

The Committee to confirm the Agenda.

3. Declarations of Interest

No members of the Committee declared a Conflict of Interest. However, Cr Pascoe requested that it be noted that he was a director of a company that was a tenant of WIPL.

4. Council Controlled Organisations (CCO) Subcommittee - Open Minutes - 14 October 2014

Page 8, bullet 7, paragraph 2 should have read: "The Subcommittee's preference would be…" as opposed to the original sentence of "Their preference would be…".

Page 8, bullet 8, paragraph 2 should have read: " The Trust had to live within the requirements of the Deed" as opposed to the original sentence of "The Trust had to live within the means of the Deed".

Resolved: (Crs Mallett/Yeung)

That the Subcommittee confirm and adopt as a true and correct record the Open Minutes of the Council Controlled Organisations Subcommittee Meeting held 14 October 2014 subject to the above noted amendments.

5. Council Controlled Organisations Subcommittee Action List - Open - 22 April 2015

Most matters in the Action List had been completed and were further addressed in the General Manager's Report.

Resolved: (Crs Mallett/Pascoe)

That the Report be received.

6. General Manager's Report

The General Manager Events and Economic Development spoke to the Report and highlighted the following:

- **Soda Inc:** HCC had surrendered its shares in Soda Inc and WINTEC had become the full owner. Only the press statement, to advise of the surrender of shares, remained to be completed and that had been drafted and was awaiting WINTEC's approval.
- **WRAL Airfares**: Page 17 of the Agenda set out a snapshot of same day airfare prices across the country. The snapshot aimed to compare flights on the same time of day over different locations. The concern was that Hamilton Airport was disadvantaged with higher fares compared to other domestic airports. Auckland though cheaper, was a completely different airport than Hamilton. When compared to other similar centers Hamilton was not disadvantaged. Essentially, analysis showed that prices for domestic flights were increasing all over the country and that booking early was the key.
- **Vibrant Hamilton Trust**: Vibrant Hamilton Trust had asked for ongoing guidance from HCC in relation to annual grant distributions. It was proposed that the External Funding Subcommittee be tasked to advise Vibrant Hamilton accordingly.

Resolved: (Crs Mallett/Yeung)

That:

a) the Report be received; and

b) the External Funding Subcommittee be tasked to determine and notify Council's advice to the Vibrant Hamilton Trust on its grant distribution each year.

7. Civic Assurance Draft Statement of Intent 31 December 2015

The Chair thanked the Treasury Accountant (David Leong) for his support to HCC during the last 15 years and wished him well for his future.

The Treasury Accountant took the Report as read and questions were responded to as follows:

- Civic Assurance (Civic) had been through legal challenges in relation to claims by underwriters (AIG and R+V) regarding the Canterbury earthquakes. One arbitration outcome was in favour of Civic, but many claims remained outstanding.
- Paragraph 16 on Page 30 of the Agenda showed that Civic owed $588million to claimants; it was a priority for the Board to settle these claims.
- HCC did not use Civic, but staff could join Civic's Kiwisaver products.
- No specifics in relation to profits for the upcoming year were provided by Civic; under the SOI specific financials were not required, but as a shareholder HCC could request them.

Resolved: (Crs Mallett/Pascoe)

That:

a) the Report be received; and

b) Council provides a written response Civic Assurance, advising the CCO Subcommittee approves the draft Statement of Intent with no amendments.

8. LASS Draft Statement of Intent 2015/16 & Half Year Report to December 2014

The Treasury Accountant took the Report as read and staff responded to questions as follows:

- The details on the Mayoral Forum Projects (Agenda - page 53) budgets would be obtained from the General Manager Performance. The Chair of the CCO Subcommittee to action this.
- Despite the fact that Local Authority Shared Service Ltd (LASS) was supposed to break even, on page 49 of the Agenda a deficit was budgeted for. This was explained by the fact that 'non cash' operating expenditures were also included on that table. When the 'cash' only incomes and expenditures were considered, a surplus budget resulted.
- As many assets were software, a concern was raised in relation to over-depreciation of assets. All depreciation was calculated subject to legislative requirements, but it was accepted that did not mean that it truly reflected when those assets actually wore out.
- Page 55 of the Agenda showed that the total capital funds remained positive.
- It was explained that the Waikato Regional Aerial Photography Services (WRAPS) were used by HCC as it provided high level, quality geographical photography. It was key for use in the specific locations of buildings for consents etc. and Google Earth and Real Estate companies also paid to use it.

Resolved: (Crs Pascoe/Yeung)

That:

a) the Report be received; and

b) Council provides a written response to LASS, advising the CCO Subcommittee approves the draft SOI with no amendments.

9. LGFA Draft Statement of Intent 2015/16 and Half Year Report for December 2014

The Treasury Accountant spoke to the Report and commented that the Local Government Funding Agency Ltd (LGFA) was governed well and has done better than expected. It was noted that in the last six months local authorities had increased their borrowing from LGFA by 22% which likely reflected LGFA's reduced base lending margins to Council borrowers. Staff responded to questions in relation to the following:

- HCC's total borrowings from LGFA represented 57% of all its external debt. Other HCC borrowings were from banks and other institutions and recent low interest rates at BNZ were capitalised on. All options for borrowing were looked at to get the best possible deals.
- Despite LGFA's reduced base lending margins there were some concerns about having all eggs in the same basket and that was why all options for borrowing were always considered.

Resolved: (Crs Mallett/Yeung)

That:

a) the Report be received; and

b) Council provides a written response to LGFA advising the CCO Subcommittee approves the draft SOI with no amendments.

Item 13 was taken at this time to accommodate the External Visitors for Item 10.

Item 4

Attachment 1

10. Consideration of the purposes of CCOs

The Treasury Accountant spoke to the Report and noted that Audit NZ required a review of the CCOs. Staff responded to questions in relation to the following:

- Page 191 of the Agenda set out the four purposes of CCOs under the Local Government Act 2002 (the LGA). The review assessed each CCO to establish why HCC initially invested in the CCO.
- HCC became part of most of its CCOs to achieve cost savings. Other CCOs were joined to encourage economic development opportunities, for example WIPL.
- All Councils must assess whether their CCOs were fit for purpose with regard to the LGA purposes (not necessarily all four). HCC concluded that all its CCOs fit some or all of the purposes as set out under the LGA as set out in the table on page 192 of the Agenda.

Resolved: (Crs Mallett/Yeung)

That the Report be received.

11. Vibrant Hamilton Trust - Draft Statement of Intent 2015/16 and Half Year Report for December 2014

Thomas Gibbons (Vibrant Hamilton Trust - Chair) attended the Meeting.

Mr Gibbons spoke to the Report and noted that it was a good year in relation to financial results. He also stated that the Vibrant Hamilton Trust (the VHT) made its first grants in the last year. The VHT focussed on bigger picture projects that benefitted Hamilton. It was good to support these projects and to see results.

Mr Gibbons noted that the VHT had to be prudent in relation to investments and when providing grants. Under the VHT Trust Deed they could only invest in projects that were recommended to the Trust Board by a strategic steering group within the community that is recognised for that purpose by HCC, or by HCC itself and accordingly it would be helpful to have a set process in place for guidance from Council.

The Chair of the Council Controlled Subcommittee advised that the External Funding Subcommittee had been delegated the responsibility to advise and guide the VHT. It was noted that the Council Controlled Organisation Subcommittee oversaw the performance of the VHT.

Questions were responded to as follows:

- The grants that had been given out by the VHT were in relation to Waiwhakareke Natural Heritage Park, the playground at the lake and the Tudor Gardens.
- Page 147 of the Agenda stated that the performance of the Portfolio Manager was satisfactory. This assessment was made through benchmarking the Portfolio Manager’s performance in relation to other Portfolio Managers, though a more formal process could be put in place. It was noted that VHT used only one Portfolio Manager and careful tracking and reviews of performance would be undertaken.
- The Trust Deed of the VHT was unclear on several points, including the number of members on the Board and the process followed when making grants. The VHT were asked to review the Trust Deed and advise Council where clarity was required.

Resolved: (Crs Mallett/Pascoe)

That:

a) the Report be received;

b) Council provides a written response to the Vibrant Hamilton Trust, advising the CCO Subcommittee approves the draft SOI with no amendments;

c) the VHT Trustees be requested to identify suitable candidates to fill the vacant Trustee position and to make a recommendation to CCO Subcommittee; and

d) the Trustee Deed be reviewed by the Trustees to ensure it meets the current purpose and objectives of the Trust and to allow the Trust to function in an efficient and cost effective manner.

The Meeting moved into Public Excluded at 10:40am to accommodate External Visitors for Items 12 and 13.

Item 4

Attachment 1

14. Resolution to Exclude the Public

Resolved: (Crs Pascoe/Yeung)

Section 48, Local Government Official Information and Meetings Act 1987

The following motion is submitted for consideration:

That the public be excluded from the following parts of the proceedings of this meeting, namely consideration of the public excluded agenda.

The general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution follows.

General subject of each matter to be considered	Reasons for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
C1. Council Controlled Organisations (CCO) Subcommittee - Public Excluded Minutes - 14 October 2014 C2. Council Controlled Organisations Subcommittee Action List - Public Excluded - 22 April 2015 C3. Council Ownership stake in Waikato Innovation Park and exit options C4. CCO Board Appointments	) Good reason to withhold) information exists under) Section 7 Local Government) Official Information and) Meetings Act 1987)	Section 48(1)(a)

This resolution is made in reliance on section 48(1)(a) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by Section 6 or Section 7 of that Act which would be prejudiced by the holding of the whole or relevant part of the proceedings of the meeting in public, as follows:

Item C1.	to prevent the disclosure or use of official information for improper gain or improper advantage	Section 7 (2) (j)
Item C2.	to prevent the disclosure or use of official information for improper gain or improper advantage	Section 7 (2) (j)
Item C3.	to enable Council to carry out negotiations	Section 7 (2) (i)
Item C4.	to protect the privacy of natural persons	Section 7 (2) (a)

The Meeting moved back into Open at 11.00am.

12. Innovation Waikato Ltd & Group - Draft Statement of Intent 2015/16 & Half Year Report to December 2014

Item 4

Earl Rattray (Innovation Waikato Ltd - Acting Chair) and Stuart Gordon (Innovation Waikato Ltd - Chief Executive Officer) attended the Meeting.

Earl Rattray stated that IWL had a clear purpose and appreciated the time with the Subcommittee to cement the process of engagement between IWL and HCC.

Stuart Gordon noted some key highlights including the investment secured from Callaghan Innovation and the new Tetra Pak Building coming in 2016, which would increase the number of tenants.

Staff responded to questions on the following:

- IWL's lease agreement with Tainui meant that IWL paid Tainui rural rental rates on unoccupied land and commercial rental rates on occupied land until such land was improved (i.e. built upon). Accordingly, when the new Tetra Building was built the rates would change to commercial rates. It was a good lease arrangement which encouraged growth.
- Page 164 of the Agenda set out IWL's key objectives for the upcoming years, which included another new building dependent upon securing appropriate tenants. IWL was at full occupancy and there was demand from tenants. No shareholders guarantees were needed.

Attachment 1

Resolved: (Crs Pascoe/Yeung)

That:

a) the Report be received; and

b) Council provides a written response to the Innovation Waikato Ltd and Group, advising that the CCO Subcommittee approves the draft SOI with no amendments.

The Meeting adjourned from 11:15am to 11:40am.

13. Waikato Regional Airport Ltd Draft Statement of Intent 2015/16 and Half Year Report for December 2014

George Clarke (Waikato Regional Airport Ltd - General Manager Commercial) and Simon Hollinger (Waikato Regional Airport Ltd - General Manager Operations) attended the Meeting.

George Clarke discussed the SOI and stated that they were taking a conservative approach on growth and passenger numbers. He noted that the loss of Air NZ's service from Hamilton to Auckland meant a decrease in passenger numbers, which they were unable to replace. They had forecasted maintenance issues, but there were some unexpected costs and he also noted they were impacted by interest rate swaps. They responded to questions on the following:

- WRAL aimed to be cash neutral, they were achieving that and this was being managed closely.
- There was room for growth in revenue in relation to increased training by CDC, however, that was up to CDC, whose numbers had been static over the last few years.
- When the end of the Hamilton to Auckland service was announced it was also stated that larger flights would be looked at between other centers. This was not budgeted for in the Report as it really meant that for example: with flights from Hamilton to Palmerston North – the twice daily smaller flights could become a larger once a day flight (potentially on a bigger plane). This may increase revenue depending on the situation and the number of seats filled.
- Despite increases in the economy there had not been an increase in passenger numbers. Domestic passenger numbers in New Zealand were not showing growth.

Resolved: (Crs Pascoe/Yeung)

That:

a) the Report be received; and

b) Council provides a written response to WRAL, advising that the CCO Subcommittee approves the draft SOI with no amendments.

The Meeting was declared closed at 12.00pm.

Hamilton City Council
Te kaunihera o Kirikiriroa

council report

Item 5

Committee:	Council Controlled Organisations Subcommittee	**Date:**	21 October 2015
Report Name:	Council Controlled Organisations Subcommittee Action List - Open - 21 October 2015	**Author:**	Ian Loiterton

Status	*Open*

Recommendation

That the Report be received.

1. Attachments

2. Attachment 1 - Council Controlled Organisations (CCO) – Open Action List - 21 October 2015

Council Controlled Organisations Subcommittee - Action List - Open

Meeting Date	Item #	Action for Monitoring	GM/Unit Responsible	Comment
14-Oct-14	8	**Vibrant Hamilton Trust Annual Report for the year ended 30 June 2014** HCC, through the CCO Subcommittee need to provide guidance to the Vibrant Hamilton Trust on priority areas with regards to grant distribution.	CCO Subcommittee Members and GM's	Completed
	12	**Waikato Regional Airport Ltd (WRAL) Annual Report for the year ended 30 June 2014** GM Events and Economic Development to write to the Waikato Regional Airport Ltd asking the Board to report back to the CCO Subcommittee on their investigations concerning the rising prices and the volume of domestic flights out of Regional Airports.	GM Events and Economic Development	Completed at 22 April 2015 meeting.
22-Apr-15	7	**Civic Assurance Draft Statement of Intent for the year ending 31 December 2015** Council to provide a written response to Civic Assurance, advising that the Draft SOI has been accepted with no amendments.	CFO	Completed
	8	**LASS draft statement of Intent 2015/2016 & Half Year Report for December 2014** Council to provide a written response to LASS, advising that the Draft SOI has been accepted with no amendments.	CFO	Completed
	9	**LGFA draft statement of Intent 2015/2016 & Half Year Report for December 2014** Council to provide a written response to LGFA, advising that the Draft SOI has been accepted with no amendments.	CFO	Completed
	11	**Vibrant Hamilton Trust - Draft Statement of Intent 2015/16 and half year report for Dec 2014** - Council to provide a written response to the Vibrant Hamilton Trust, advising that the Draft SOI has been accepted with no amendments; - the VHT Trustees be requested to identify suitable candidates to fill the vacant Trustee position and to make a recommendation to the CCO Subcommittee; and - the Trustee Deed be reviewed by the Trustees to ensure it meets the current purpose and objectives of the Trust and to allow the Trust to function in an efficient and cost effective manner.	CFO and GM Events and Economic Development	Completed In progress - Report back to CCO Subcommittee 21 October 2015 In progress - Report back to CCO Subcommittee 21 October 2015
	12	**Innovation Waikato Ltd & Group Draft Statement of Intent 2015/16 and Half year report to Dec 2014** Council to provide a written response to the Innovation Waikato Ltd and Group, advising that the Draft SOI has been accepted with no amendments.	CFO	Completed
	13	**Waikato Regional Airport Ltd Draft Statement of Intent 2015/16 and half year report for Dec 2014** Council to provide a written response to WRAL, advising that the Draft SOI has been accepted with no amendments.	CFO	Completed

Item 5

Attachment 1

Hamilton City Council
Te kaunihera o Kirikiriroa

council report

Committee:	Council Controlled Organisations Subcommittee	**Date:**	21 October 2015
Report Name:	Council Controlled Organisations - Letters of Expectation	**Author:**	Paul Conder

Report Status	*Open*
Strategy, Policy or Plan context	*2015-25 10-Year Plan (CCO Monitoring)*
Financial status	*There is not budget allocated*
Assessment of significance	*Having regard to the decision making provisions in the LGA 2002 and Councils Significance Policy, a decision in accordance with the recommendations is/is not considered to have a high degree of significance*

1. Purpose of the Report

2. In accordance with best practice, this report proposes introducing letters of expectation for the Council Controlled Organisations that Council influences.

3. Executive Summary

4. Best practice suggests that issuing Letters of Expectation to Council Controlled Organisations (CCO's) ahead of the development of the statement of intent assists CCOs to understand what Council may be expecting.

5. Council significantly influences or controls four CCOs and their subsidiaries - one of which is exempt from performance requirements.

6. Recommendations from Management

7. That:

   a) the report be received; and

   b) the draft Letters of Expectation be approved subject to amendments noted in the meeting.

8. Attachments

9. Attachment 1 - Letter of Expectation - Waikato Regional Airport Ltd

10. Attachment 2 - Letter of Expectation - Innovation Waikato Ltd

11. Attachment 3 - Letter of Expectation - Vibrant Hamilton Trust

12. Key Issues

Item 6

13. Council significantly influences or controls four CCOs and their subsidiaries.

14. One, Hamilton Property Ltd is exempt from the performance reporting requirements for CCOs as it is not trading (S7 LGA 2002).

Council Controlled Organisations	Holding	Subsidiaries
Waikato regional Airport Ltd (WRAL)	50%	• Hamilton and Waikato Tourism Limited • Titanium Park Ltd
Innovation Waikato Ltd (IWL)	100%	• Waikato Innovation Park Ltd • New Zealand Food Innovation (Waikato) ltd
Vibrant Hamilton Trust (VHT) (Significant influence due to ability to appoint trustees)	NIL	• NIL

15. Council has less influence over the two other CCOs – Local Authority shared Services Ltd (LASS) and New Zealand Local Government Funding Agency Ltd (LGFA).

16. It is proposed to work with other LASS members to develop a joint Letter of Expectation from next year.

17. The Shareholder Council already provides a Letter of Expectation to LGFA on behalf of the sector.

18. Attached are draft Letters of Expectation for WRAL, IWL and VHT.

19. The content of each Letter of Expectation is designed to influence, without creating unnecessary levels of bureaucracy, the development of the CCO's statement of Intent for the 2016/17 to 2018/19 financial years plus note other matters of interest to the CCO monitoring and reporting.

20. Included in each letter are expectations around:

- Major Transactions
- Health and Safety legislation
- Reporting of Group Risks
- Annual Reporting pack

21. Financial and Resourcing Implications

22. There are no financial and resourcing implications.

23. Risk

24. The process reduces the risk of CCOs operating without a clear understanding of Council's expectations.

Signatory

Authoriser	Paul Conder, Chief Financial Officer

DRAFT

21 October 2015

Mr John Spencer
Waikato Regional Airport limited
Hamilton Airport Road, RD2
HAMILTON 3282

Dear John

Waikato Regional Airport Limited and its subsidiaries Hamilton and Waikato Tourism Limited and Titanium Park Limited - 2016/17 Statement of Intent and Shareholder Expectations

This letter sets out, on behalf of Hamilton City Council, the expectations of Waikato Regional Airport Limited ("WRAL") for consideration in WRAL's business planning and the development of its 2016/17 Statement of Intent (SOI).

It is the expectation of Council that the company's intentions set out in its current (2015/16) SOI will continue in the 2016/17 SOI and in future.

As you are aware Council undertakes a review and analysis of all WRAL reports and accountability documents. In order to carry out an effective review we request that your draft 2016/17 SOI be provided as early as possible, and no later than 1 March 2016.

Annex One contains additional expectations that Council asks are acknowledged by WRAL in its 2016/17 SOI.

Council welcomes discussion on the content of this letter and WRAL's views on its priorities in drafting the 2016/17 SOI. As mentioned earlier we look forward to receiving the company's draft SOI before the statutory deadline of 1 March 2016, and will respond with feedback prior to 1 May 2016, in order that the company is in a position to deliver its final SOI by 30 June 2016.

We recognise the significant achievements of WRAL over the last year and since incorporation. We thank you for your diligence on behalf of Council and the company.

If you have any queries or comments, please don't hesitate to contact me.

Yours sincerely

Garry Mallett
Chairman
Council Controlled Organisations Subcommittee
Hamilton City Council

ANNEX ONE

2016/17 Expectations – Waikato Regional Airport Limited and it's Subsidiary

OBJECTIVES

Purpose: Section 59 of the Local Government Act sets out the principle objectives of a Council Controlled Organisation ("CCO"). Council set's out its own objectives, in accordance with s59 (1) (a), in the Hamilton Plan and this should be considered when developing the SOI.

Council also considers the following specific objectives apply for WRAL:

1. Maximise Council's economic return, including dividends, from its investment in WRAL through achieving commercial returns from land and assets, including those associated with Titanium Park.
2. Promote economic development and commercial success through
   a. Providing a necessary infrastructure for the region, enabling passenger and freight movements
   b. Attracting aviation and other related business to Waikato Regional Airport
3. Promote tourism and attract visitors for Hamilton and the wider Waikato

These contribute to the Hamilton Plan outcomes of Being the Third City Economy, Providing Outstanding Infrastructure, and Our Books Being Balanced.

GOVERNANCE

Local Government Act 2002 (LGA): Board members should be familiar with and understand the requirements imposed by the LGA on WRAL. These are additional to the requirements in other legislation such as the Companies Act. It is Council's expectation that these and other legislative requirements are complied with.

Major transactions: Board members should be aware of the major transaction thresholds that apply for the company and each subsidiary. These may be set out in the shareholder agreement or the constitution, rather than the Companies Act.

As a reminder of the process:

- Major transactions should be signalled via the Statement of Intent (SOI) and identified as such. Approval of an SOI is not approval of a major transaction by the shareholder.
- Council staff will engage with you to assist in preparing necessary reports for Council, or the appropriate sub-committee, to facilitate consideration by Elected Members.
- Adequate time should be allowed for Council's approval, once your board approves the transaction for presentation to the Shareholder, prior to signing contracts for the transaction.

As a minimum each Statement of Intent must clearly state the definition of a major transaction for the company and whether there are major transactions planned during the SOI period.

Appointment of Directors: To maintain the capability of the board over time, it is important that the best possible talent is available. It is important that WRAL works closely with Council to ensure that shareholders are given full opportunity to nominate board members on a timely basis.

INFORMATION TO BE PROVIDED TO SHAREHOLDERS

Council values a positive and open working relationship with WRAL. The provision of timely and responsive information when requests are made is essential to this.

Statement of Intent (SOI): The SOI should provide a clear understanding of the strategy and direction of WRAL. The SOI should also include information on the financial strategy and all the matters required by s64 and schedule 8 of the LGA.

Half and Full Year Reporting: Council expects to receive half year and full year reporting on a timely basis against the financial and non-financial performance targets in the SOI.

Annual Reporting Pack: Council plans, as part of its on-going improvement programme, to develop and introduce an annual reporting pack to assist with the group consolidation and audit. This will be required for the first time for the 2015/16 annual reporting cycle.

The change has become necessary as, while Council is a Tier 1 Public Benefit Entity (reporting against International Public Sector Accounting Standards); some Council Controlled Entities are required to use either New Zealand Equivalents of International Financial Reporting Standards or different tier Public Benefit reporting.

Council's Financial Controller will be in contact with your accounting staff ahead of the reporting cycle to confirm details.

Annual General Meeting: It would be helpful if the notice of the AGM and its agenda could be issued 1 month prior to the meeting.

Health and Safety at Work Act 2015 Implementation: Council take health and safety matters seriously. To ensure that Council and the group as a whole are adequately addressing health and safety risks, the draft statement of intent, or a separate letter, should outline how the WRAL board plans to implement the Health and Safety at Work Act 2016 ahead of 4 April 2016 and include a brief summary of the Board's due diligence process, how health and safety risks are identified and the process for mitigation.

Risk Management & Reporting: Council also needs to be aware, on a no surprises basis, of risks that may impact on Council or the group. The statement of intent should outline how WRAL manages significant and strategic risks and the process for mitigation.

Council values the half year and annual reporting provided by WRAL. A worthwhile addition to this can be achieved by regularly reporting on significant risks that may impact the Council and group and we ask that a risk section be included in future reports.

Council would like to take this opportunity to reinforce the importance of full and early disclosure of breaches of statutory or loan agreement requirements being made as soon as possible once they are known.

DRAFT

21 October 2015

Mr Earl Ratteray
Innovation Waikato Limited
Ruakura Lane
HAMILTON 3216

Dear Earl

Innovation Waikato Limited and its subsidiaries - 2016/17 Statement of Intent and Shareholder Expectations

This letter sets out, on behalf of Hamilton City Council, the expectations of Innovation Waikato Limited and it's subsidiaries ("IWL") for consideration in IWL's business planning and the development of its 2016/17 Statement of Intent (SOI).

It is the expectation of Council that the company's intentions set out in its current (2015/16) SOI will continue in the 2016/17 SOI and in future.

As you are aware Council undertakes a review and analysis of all IWL reports and accountability documents. In order to carry out an effective review we request that your draft 2016/17 SOI be provided as early as possible, and no later than 1 March 2016.

Annex One contains additional expectations that Council asks are acknowledged by IWL in its 2016/17 SOI.

Council welcomes discussion on the content of this letter and IWL's views on its priorities in drafting the 2016/17 SOI. As mentioned earlier we look forward to receiving the company's draft SOI before the statutory deadline of 1 March 2016, and will respond with feedback prior to 1 May 2016, in order that the company is in a position to deliver its final SOI by 30 June 2016.

We recognise the significant achievements of IWL over the last year and since incorporation. We thank you for your diligence on behalf of Council and the company.

If you have any queries or comments, please don't hesitate to contact me.

Yours sincerely

Garry Mallett
Chairman
Council Controlled Organisations Subcommittee
Hamilton City Council

ANNEX ONE

2016/17 Expectations – Innovation Waikato Limited and it's Subsidiaries

OBJECTIVES
Purpose: Section 59 of the Local Government Act sets out the principle objectives of a Council Controlled Organisation ("CCO"). Council set's out its own objectives, in accordance with s59 (1) (a), in the Hamilton Plan and this should be considered when developing the SOI.

Council also considers the following specific objectives apply for IWL:
1. Maximise Council's economic return, including dividends, from its investment in IWL through achieving commercial returns from land and assets, including those associated with Waikato Innovation Park Limited and New Zealand Food Innovation (Waikato) Limited.
2. Promote economic development and commercial success through Development and operation of an innovation park in Hamilton.

These contribute to the Hamilton Plan outcomes of Being the Third City Economy, Providing Outstanding Infrastructure, and Our Books Being Balanced.

GOVERNANCE
Local Government Act 2002 (LGA): Board members should be familiar with and understand the requirements imposed by the LGA on IWL. These are additional to the requirements in other legislation such as the Companies Act. It is Council's expectation that these and other legislative requirements are complied with.

Major transactions: Board members should be aware of the major transaction thresholds that apply for the company and each subsidiary. These may be set out in the shareholder agreement or the constitution, rather than the Companies Act.

As a reminder of the process:
- Major transactions should be signalled via the Statement of Intent (SOI) and identified as such. Approval of an SOI is not approval of a major transaction by the shareholder.
- Council staff will engage with you to assist in preparing necessary reports for Council, or the appropriate sub-committee, to facilitate consideration by Elected Members.
- Adequate time should be allowed for Council's approval, once your board approves the transaction for presentation to the Shareholder, prior to signing contracts for the transaction.

As a minimum each Statement of Intent must clearly state the definition of a major transaction for the company and whether there are major transactions planned during the SOI period.

Appointment of Directors: To maintain the capability of the board over time, it is important that the best possible talent is available. It is important that IWL works closely with Council to ensure that shareholders are given full opportunity to nominate board members on a timely basis.

INFORMATION TO BE PROVIDED TO SHAREHOLDERS
Council values a positive and open working relationship with IWL. The provision of timely and responsive information when requests are made is essential to this.

Statement of Intent (SOI): The SOI should provide a clear understanding of the strategy and direction of IWL. The SOI should also include information on the financial strategy and all the matters required by s64 and schedule 8 of the LGA.

Half and Full Year Reporting: Council expects to receive half year and full year reporting on a timely basis against the financial and non-financial performance targets in the SOI.

Annual Reporting Pack: Council plans, as part of its on-going improvement programme, to develop and introduce an annual reporting pack to assist with the group consolidation and audit. This will be required for the first time for the 2015/16 annual reporting cycle.

The change has become necessary as, while Council is a Tier 1 Public Benefit Entity (reporting against International Public Sector Accounting Standards); some Council Controlled Entities are required to use either New Zealand Equivalents of International Financial Reporting Standards or different tier Public Benefit reporting.

Council's Financial Controller will be in contact with your accounting staff ahead of the reporting cycle to confirm details.

Annual General Meeting: It would be helpful if the notice of the AGM and its agenda could be issued 1 month prior to the meeting.

Health and Safety at Work Act 2015 Implementation: Council take health and safety matters seriously. To ensure that Council and the group as a whole are adequately addressing health and safety risks, the draft statement of intent, or a separate letter, should outline how the IWL board plans to implement the Health and Safety at Work Act 2016 ahead of 4 April 2016 and include a brief summary of the Board's due diligence process, how health and safety risks are identified and the process for mitigation.

Risk Management & Reporting: Council also needs to be aware, on a no surprises basis, of risks that may impact on Council or the group. The statement of intent should outline how IWL manages significant and strategic risks and the process for mitigation.

Council values the half year and annual reporting provided by IWL. A worthwhile addition to this can be achieved by regularly reporting on significant risks that may impact the Council and group and we ask that a risk section be included in future reports.

Council would like to take this opportunity to reinforce the importance of full and early disclosure of breaches of statutory or loan agreement requirements being made as soon as possible once they are known.

DRAFT

21 October 2015

Mr Thomas Gibbons
Vibrant Hamilton Trust
C/- Hamilton City Council

Dear Thomas

Vibrant Hamilton Trust - 2016/17 Statement of Intent and Shareholder Expectations

This letter sets out, on behalf of Hamilton City Council, the expectations of Vibrant Hamilton Trust ("VHT") for consideration in VHT's planning and the development of its 2016/17 Statement of Intent (SOI).

It is the expectation of Council that the Trust's intentions set out in its current (2015/16) SOI will continue in the 2016/17 SOI and in future.

As you are aware Council undertakes a review and analysis of all VHT reports and accountability documents. In order to carry out an effective review we request that your draft 2016/17 SOI be provided as early as possible, and no later than 1 March 2016.

Annex One contains additional expectations that Council asks are acknowledged by VHT in its 2016/17 SOI.

Council welcomes discussion on the content of this letter and VHT's views on its priorities in drafting the 2016/17 SOI. As mentioned earlier we look forward to receiving the Trust's draft SOI before the statutory deadline of 1 March 2016, and will respond with feedback prior to 1 May 2016, in order that the Trust is in a position to deliver its final SOI by 30 June 2016.

We recognise the significant achievements of VHT over the last year and since incorporation. We thank you for your diligence on behalf of Council and the Trust.

If you have any queries or comments, please don't hesitate to contact me.

Yours sincerely

Garry Mallett
Chairman
Council Controlled Organisations Subcommittee
Hamilton City Council

ANNEX ONE

2016/17 Expectations – Innovation Waikato Limited and it's Subsidiaries

OBJECTIVES
Purpose: Section 59 of the Local Government Act sets out the principle objectives of a Council Controlled Organisation ("CCO"). Council set's out its own objectives, in accordance with s59 (1) (a), in the Hamilton Plan and this should be considered when developing the SOI.

Council also considers the following specific objectives apply for VHT:
1. Prudently maximise the returns from the funds entrusted.
2. Provide funding for projects that support Council's vision and strategic aspirations, in particular, sustainable, well planned projects for the well-being of people and the environment, now and in the future.

GOVERNANCE
Local Government Act 2002 (LGA): Trustees should be familiar with and understand the requirements imposed by the LGA on VHT. These are additional to the requirements in other legislation. It is Council's expectation that these and other legislative requirements are complied with.

Trust Deed Review: That a review of the Vibrant Hamilton Trust deed, currently under way, will be completed during the first half of the 2016/17 year, if not completed before 30 June 2016.

Appointment of Trustees: Once the review of the trust deed is completed that the Trust will work to appointing additional trustees to ensure a full complement.

INFORMATION TO BE PROVIDED TO COUNCIL
Council values a positive and open working relationship with VHT. The provision of timely and responsive information when requests are made is essential to this.

Statement of Intent (SOI): The SOI should provide a clear understanding of the strategy and direction of VHT. The SOI should also include information on the financial strategy and all the matters required by s64 and schedule 8 of the LGA.

Half and Full Year Reporting: Council expects to receive half year and full year reporting on a timely basis against the financial and non-financial performance targets in the SOI.

Annual Reporting Pack: Council plans, as part of its on-going improvement programme, to develop and introduce an annual reporting pack to assist with the group consolidation and audit. This will be required for the first time for the 2015/16 annual reporting cycle.

The change has become necessary as, while Council is a Tier 1 Public Benefit Entity (reporting against International Public Sector Accounting Standards); some Council Controlled Entities are required to use either New Zealand Equivalents of International Financial Reporting Standards or different tier Public Benefit reporting.

As Council provide the accounting services for the Trust this matter will be addressed internally and is for information only.

Risk Management & Reporting: Council also needs to be aware, on a no surprises basis, of risks that may impact on Council or the group. The statement of intent should outline how VHT manages significant and strategic risks and the process for mitigation.

Council values the half year and annual reporting provided by VHT. A worthwhile addition to this can be achieved by regularly reporting on significant risks that may impact the Council and group and we ask that a risk section be included in future reports.

Council would like to take this opportunity to reinforce the importance of full and early disclosure of breaches of statutory or loan agreement requirements being made as soon as possible once they are known.

Hamilton City Council
Te kaunihera o Kirikiriroa

council report

Committee:	Council Controlled Organisations Subcommittee	**Date:**	21 October 2015
Report Name:	Civic Assurance Half Year Report June 2015	**Author:**	Stephen Halliwell

Report Status	*Open*
Strategy, Policy or Plan context	*CCO – Statements of Intent*
Financial status	*There is not budget allocated*
Assessment of significance	*Having regard to the decision making provisions in the LGA 2002 and Councils Significance Policy, a decision in accordance with the recommendations is not considered to have a high degree of significance*

1. Purpose of the Report

2. To present the New Zealand Local Government Insurance Corporation Limited (trading as Civic Assurance) Half Year Report to 30 June 2015.

3. Executive Summary

Shareholding	Total Assets $(000)	Surplus $(000)	Dividend	KPI's	Audit Opinion
1.8%	$500,340	$202,000	0	Not reported	Not audited

4. Civic Assurance has recorded a profit for the six months to 30 June 2015 of $0.202m compared to $0.897m for the full year ended December 2014.

5. There are no matters that need further consideration with regard this investment.

6. Recommendation from Management

7. That the report be received

8. Attachments

9. Attachment 1 - Civic Assurance - Civic Half-Yearly Accounts - 2015-09-16

Signatory

Authoriser	Paul Conder, Chief Financial Officer

Civic Assurance
PROTECTING COMMUNITY ASSETS

2 8 SEP 2015

Mr Richard Briggs
Hamilton City Council
Private Bag 3010
HAMILTON 3240

16 Sep 2015

Dear Richard

Civic's Half-Yearly Accounts

Please find enclosed your copy of Civic's half-yearly accounts. I am pleased to report that Civic's (unaudited) result for the first half of 2015 was a profit after tax of $202,000. The (audited) profit for all of 2014 was a profit after tax of $897,200.

Yours sincerely

T. C. Sole

Tim Sole
Chief Executive
Email: tim.sole@civicassurance.co.nz

Civic Assurance,
116 Lambton Quay,
PO Box 5521, Wellington 6145,
http://www.civicassurance.co.nz
Tel: (04) 978 1250 Fax: (04) 978 1260

New Zealand Local Government Insurance Corporation Ltd

NZ Local Government Insurance Corporation Ltd (Trading as Civic Assurance)

STATEMENT OF COMPREHENSIVE INCOME (Unaudited)
FOR THE SIX MONTHS ENDED 30 JUNE 2015

	Note	Six Months				Full Year	
		2015	2014	2015	2014	2014	2014
		Group	Group	Parent	Parent	Group	Parent
REVENUE							
Underwriting Surplus/ (Deficit)		12	2,863	12	2,863	2,862	2,862
Administration Fees		1,449	1,286	1,449	1,286	2,669	2,669
Income from Investments		51	126	51	126	263	263
Property Income		359	384	359	384	1,159	1,159
Other Income		-	-	-	-	1	1
		1,871	4,658	1,871	4,658	6,954	6,954
EXPENDITURE							
Property Operating Expenses		227	201	227	201	375	375
Depreciation & Amortisation		36	64	36	64	112	112
Employee Remuneration		515	779	515	779	1,545	1,545
Other Expenses		813	2,138	814	2,138	3,787	3,786
		1,591	3,182	1,592	3,182	5,819	5,818
Plus Share of Profit of Associate		-	(15)	-	35	(36)	35
Less Taxation Expense/ (Credit)	5	78	423	78	423	202	202
NET SURPLUS/ (DEFICIT) AFTER TAXATION		202	1,038	201	1,088	897	969

STATEMENT OF MOVEMENTS IN EQUITY (Unaudited)
FOR THE SIX MONTHS ENDED 30 JUNE 2015

	Six Months				Full Year	
	2015	2014	2015	2014	2014	2014
	Group	Group	Parent	Parent	Group	Parent
Equity as at 1 January	13,251	12,354	13,318	12,349	12,354	12,349
Net Surplus After Taxation	202	1,038	201	1,088	897	969
Ordinary Shares issued during the year	-	-	-	-	-	-
EQUITY AS AT 30 JUNE	13,453	13,392	13,519	13,437	13,251	13,318

STATEMENT OF FINANCIAL POSITION (Unaudited)
AS AT 30 JUNE 2014

	2015	2014	2015	2014	2014	2014
	Group	Group	Parent	Parent	Group	Parent
EQUITY						
Capital	10,566	10,566	10,566	10,566	10,566	10,566
Retained Earnings	2,887	2,826	2,953	2,871	2,685	2,752
TOTAL EQUITY	13,453	13,392	13,519	13,437	13,251	13,318
Represented By:						
Current Assets						
Bank & Cash Equivalents	794	8,063	743	8,012	4,224	4,174
Receivables	328	1,393	328	1,394	1,160	1,160
Reinsurance Recoveries	488,188	579,400	488,188	579,400	506,977	506,977
TOTAL CURRENT ASSETS	489,310	588,856	489,259	588,806	512,361	512,311
Non-Current Assets						
Property, Plant & Equipment & Intangible Assets	248	223	248	223	217	217
Deferred Tax Asset	3,598	3,454	3,598	3,454	3,676	3,676
TOTAL NON CURRENT ASSETS	3,846	3,677	3,846	3,677	3,893	3,893
Investments						
NZ Government & Local Authority Stock, LG Online	3	127	-	102	104	101
Investment Property	7,181	6,625	7,181	6,625	7,055	7,055
TOTAL INVESTMENTS	7,184	6,752	7,181	6,727	7,159	7,156
TOTAL ASSETS	500,340	599,285	500,286	599,210	523,413	523,360
Current Liabilities						
Sundry Creditors & Accrued Charges	533	4,105	533	4,105	1,472	1,472
TOTAL CURRENT LIABILITIES	533	4,105	533	4,105	1,472	1,472
INSURANCE PROVISIONS	486,234	581,668	486,234	581,668	508,570	508,570
Non Current Liabilities	-	-	-	-	-	-
Subordinated Debt	120	120	-	-	120	-
TOTAL LIABILITIES	486,887	585,893	486,767	585,773	510,162	510,042
EXCESS OF ASSETS OVER LIABILITIES	13,453	13,392	13,519	13,437	13,251	13,318

The notes to the accounts on page 3 form part of and are to be read in conjunction with these Statements.

NZ Local Government Insurance Corporation Ltd (Trading as Civic Assurance)

STATEMENT OF CASH FLOWS (Unaudited)
FOR THE SIX MONTHS ENDED 30 JUNE 2015

		Six Months				FULL YEAR	
	Notes	2015 Group	2014 Group	2015 Parent	2014 Parent	2014 Group	2014 Parent
Cash Flows from Operating Activities							
Cash from operating activities:		16,390	14,030	16,390	14,030	19,846	19,846
Cash applied to operating activities:		19,736	14,375	19,737	14,376	26,123	26,123
Net Cash Outflow from Operating Activities	4	(3,346)	(345)	(3,347)	(346)	(6,277)	(6,277)
Cash Flows from Investing Activities							
Cash provided from investing activities:		100	65	100	65	50	50
Cash applied to investing activities:		184	2	184	2	46	46
Net Cash Inflow from Investing Activities		(84)	63	(84)	63	4	4
Net Decrease in Cash Held		(3,430)	(282)	(3,431)	(283)	(6,273)	(6,273)
Opening Cash Balance as at 1 January		4,224	8,345	4,174	8,295	14,618	14,568
Closing Cash Balance as at 30 June		794	8,063	743	8,012	8,345	8,295
Being:							
Bank & Cash Equivalents		794	8,063	743	8,012	4,224	4,174

The notes to the accounts on page 3 form part of and are to be read in conjunction with this statement.

NZ Local Government Insurance Corporation Ltd (Trading as Civic Assurance)

Notes to the Financial Statements

1 Accounting policies

The accounting policies applied in the preparation of the half year financial statements are consistent with those disclosed in the 2014 annual report except the investment property has not been revalued.

2 Basis of Preparation

These interim financial statements have been prepared in accordance with FRS-24 and should be read in conjunction with the Company's annual financial report for the year ended 31 December 2014. Disclosures in these interim financial statements are less extensive than those in the annual financial report.

3 Comparative figures.

The comparative figures are for the six months ended 30 June 2014 and the year ended 31 December 2014.

4 Reconciliation of net surplus after tax with cash flow from operating activity.

	Six Months				Full Year	
	2015 Group	2014 Group	2015 Parent	2014 Parent	2014 Group	2014 Parent
Reported Surplus After Taxation	202	1,038	201	1,088	897	969
Add/(less) non cash items						
Depreciation	36	64	36	64	137	137
Insurance Provisions	(22,336)	(8,578)	(22,336)	(8,578)	(239,372)	(239,372)
Deferred Tax Liability	78	423	78	423	(188)	(188)
Net change in fair value of property	-	-	-	-	165	165
Share of Profit of Associate	-	80	-	-	6	-
Unrealised net change in value of investments	-	2	-	2	4	4
	(22,222)	(8,008)	(22,222)	(8,088)	(239,248)	(239,254)
Add/(less) movements in other working capital items						
Accounts Receivable	19,582	8,297	19,582	8,297	231,774	231,774
Accounts Payable	(614)	(882)	(614)	(882)	1,825	1,825
Reinsurance Received in Advance	(326)	(730)	(326)	(730)	-	-
Maturing Local Authority Stock	-	-	-	-	-	-
Tax Refund Due	39	(1)	39	(1)	41	41
Maturing Civic Bonds	-	-	-	-	-	-
	18,681	6,684	18,681	6,684	233,640	233,640
Less Items Classified as investing activity	(7)	(60)	(7)	(30)	(49)	(49)
Less Items Classified as financing activity	-	-	-	-	-	-
Net Cash Outflow from Operating Activities	(3,346)	(345)	(3,347)	(346)	(4,760)	(4,694)

5 Income Tax

The income tax liability for June 2015 is nil as the Company has unused tax credits with which it will use to offset any income tax expense .

6 Contingent liabilities.

The contingent liabilities are:

i) 100,000 uncalled shares in the wholly owned subsidiary, Local Government Superannuation Trustee Limited

ii) 1,000 uncalled shares in the wholly owned subsidiary, Local Government Mutual Funds Trustee Limited

iii) 1,000 uncalled shares in the wholly owned subsidiary, Civic Assurance Limited

iv) A guarantee given by the Company to Local Government Mutual Funds Trustee Limited (LGMFTL) indemnifying (LGMFTL) for a period of 5 years from 30/6/97 for the total liability of the Riskpool scheme claims in that period was discharged in December 2012. No claims were received against the guarantee.

v) 100,000 uncalled shares in the wholly owned subsidiary, NZ Local Government Finance Corporation Limited (LGFC).

vi) 100 uncalled shares in the wholly owned subsidiary, SuperEasy Limited.

vii) 100 uncalled shares in the wholly owned subsidiary, Local Government Finance Corporation Limited.

7 Events occurring after reporting date

There have been no significant events since the reporting date that affect the results disclosed in the half year financial statements.

8 Financial Strength Rating

The Company's current AM Best Financial Strength Rating, dated 7 October 2014, is B+(Good), negative outlook" and Issuer Credit Rating is bbb+u (negative outlook). AM Best is a rating agency approved by the Reserve Bank of New Zealand.

An explanation about AM Best's Credit Ratings is available on AM Best's website at www.ambest.com.

9 Solvency

The Company's current Solvency Margin as set out in our most recent solvency return as at 30 June 2015 filed with the Reserve Bank of New Zealand was negative $485.452m.

3

Hamilton City Council
Te kaunihera o Kirikiriroa

council report

Committee: Council Controlled Organisations Subcommittee
Date: 21 October 2015

Report Name: Local Authority Shared Services Limited Annual Report 2014/15
Author: Stephen Halliwell

Report Status	*Open*
Strategy, Policy or Plan context	*CCO Statement of intent*
Financial status	*There is not budget allocated*
Assessment of significance	*Having regard to the decision making provisions in the LGA 2002 and Councils Significance Policy, a decision in accordance with the recommendations is not considered to have a high degree of significance*

1. Purpose of the Report

2. To present the Local Authority Shared Services Limited (LASS) Annual Report for the year ended 30 June 2015.

3. Executive Summary

Shareholding	Total Assets $(000)	Surplus / (Deficit) $(000)	Dividend	KPI's	Audit Opinion
16.02% 1 of 12 shareholders	$2,562	$(509)	0	18/18 achieved	unmodified

4. The company made a deficit of $509k for 2015, compared to a budgeted deficit of $536k and prior year deficit of $495k. The deficit is largely due to the amortisation of computer software of $419k, which is a non-cash item as signaled in the SOI. The company has positive cashflows. The performance measure, page 5 of the annual report, incorrectly reports the positive cashflow was not achieved. The positive cashflow of $694,000 includes revenue derived from shareholders to contribute to the costs of jointly initiated projects overseen by the Mayoral Forum (e.g. Waikato Spatial Plan) to be completed in 2015/16.

5. Council's Chief Executive is one of twelve directors; all are Chief Executive's of shareholder councils. Company records show Barry Harris resigned on 17 October 2014 and Richard Briggs was appointed 24 October 2014. The Directors' report to shareholders and performance measures are outlined on page 2 to 4 of the annual report.

6. Council benefits from the activities of the LASS, which includes shared valuation data services (SVDS), Waikato Regional Transportation Model (WRTM) and the Insurance Advisory Group. The attachment 2 provides further information on these initiatives.

7. Recommendation from Management

8. That the report be received.

9. Attachments

10. Attachment 1 - LASS Annual Report 30 June 2015

11. Attachment 2 - Waikato LASS - Collaboration in Action August 2015

Signatory

Authoriser	Paul Conder, Chief Financial Officer

Local Authority
Shared Services

value beyond boundaries™

Local Authority Shared Services Limited
Financial statements
for the year ended 30 June 2015

Contents

Annual Directors' Report to Shareholders

The Local Authority Shared Services Limited (LASS) was incorporated in December 2005. This tenth annual report covers the period 1 July 2014 to 30 June 2015.

Message from the Directors

During the past year, the Company has been particularly focused on demonstrating the value that LASS delivers to the shareholding councils by undertaking a review of the benefits that have been achieved by LASS since its inception, continuing to improve the efficiency and effectiveness of the existing shared services, initiating new projects and work streams, and facilitating the Waikato Mayoral Forum work streams. The Company has become far more active as an initiator of shared services in the region, and is also now working more collaboratively with BOP LASS, MW LASS and HB LASS.

In September 2014, the Company engaged the services of a new contract Chief Executive for a year, based on working two days per week. We believe that she is already providing new opportunities that will add value for shareholders and that she is continuing to develop the organisation. Her contract has recently been extended for a further two years. The Company also continues to contract the services of a part-time Company Secretary and a part-time Accountant.

The three major established operations under the LASS umbrella (the Shared Valuation Data Service (SVDS), the Waikato Regional Transportation Model (WRTM), and the Insurance Advisory Group) continue to deliver value. They are now considered to be mature services and leaders in their field nationally. The cost of operating SVDS has reduced significantly, for two reasons: renegotiating the contracts with suppliers and increasing sales and revenue. The full benefits of these renegotiations will only be realised in the 2015/16 financial year. A new Contract Manager was appointed during the latter part of the financial year, due to the resignation of the previous manager.

The WRTM is the only recognised strategic transport modelling resource in the Waikato Region, and is currently being updated to reflect the new census data from 2013. The external management contract for this service was recently renewed for a further two years, after which time the contract will be re-tendered. The operational contract expires in February 2016, prior to which it will be publicly re-tendered.

In 2014/15, through negotiation with the insurers, we achieved a 15% premium saving for the primary layer material damage insurance cover shared by all Councils, representing a saving of $265,000 to the participating councils. The approach of the group has been to reinvest some of these savings into improving the insurance cover and underlying information on which the insurance assumptions are based, which will help to minimise insurance costs in future. Some of the key benefits of this shared service have included seeing the relationship with our insurance broker move to a consultative advisor, the achievement of significant premium savings but with enhanced cover arrangements, and a focus on risk mitigation initiatives.

During the year the Company has continued to pursue opportunities for additional shared services. These have included initiating a number of new projects: developing a shared regional GIS data portal, developing and implementing an on-line service for building consents (with other services (e.g. dog registration) to be progressively added once the on-line platforms are in place), and initiating energy audits to investigate energy efficiency opportunities, which have the potential to enable LASS to secure funding in the order of $100,000 from the Energy Efficiency Conservation Authority. These projects are all expected to come to fruition during the 2015/16 financial year.

A significant new procurement project to establish a professional consultancy services panel was implemented for four of the shareholding councils. The discount range achieved is between 5% and 39% off the standard hourly rates charged for staff resources. Most of the discounts are in the 10 - 20% range off standard hourly rates. The 2014 annual spend on consultancy services across the four participating Councils was approximately $13 million per annum. Therefore, the overall annual savings achieved from these contracts is expected to be in the range between $650,000 and $5,070,000, with the likely savings to be in the order of $1,300,000 to $2,600,000, depending on which consultants are actually engaged.

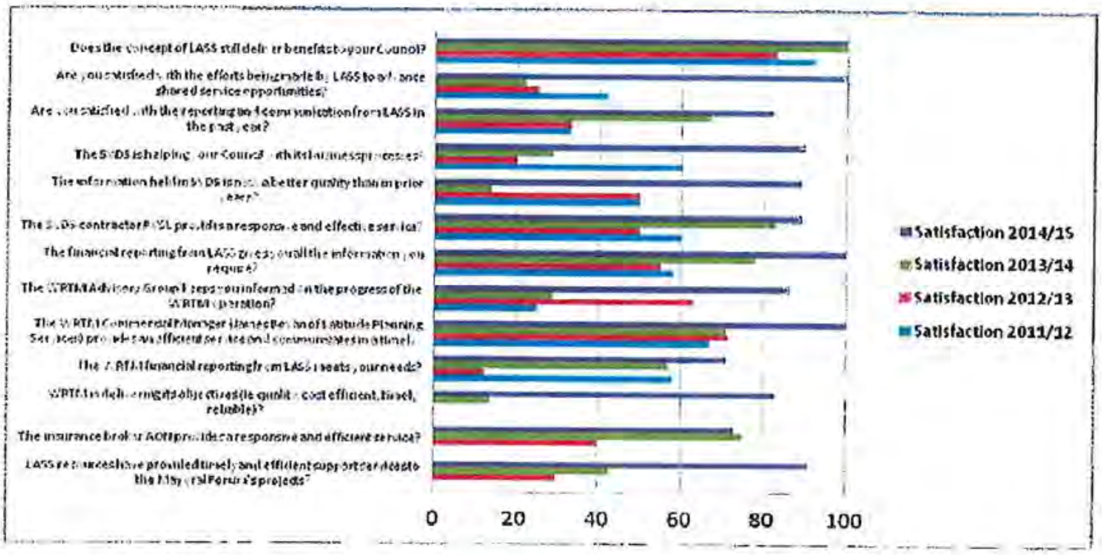
A new procurement project for testing water samples is currently in progress, and a range of further shared service opportunities are also being considered.

The Waikato Regional Aerial Photography Syndicate (WRAPS) became a LASS-managed project in December 2014. A LASS working party has been set up to consider the most appropriate technology to be used and the most efficient method for contracting the capture of both rural and urban imagery, which is undertaken every five years. The next contract is due to be let in 2016/17, and work is underway to develop the tender document.

During the year, LASS entered into a Memorandum of Understanding with LINZ to participate in the scanning of the historic aerial photos archive over the next four years. The total cost for the Waikato syndicate will be $287,000, which includes a LINZ subsidy of $56,000 due to the LASS councils working collaboratively.

The company continues to act as the legal entity to manage contracts arising from the work of the Waikato Mayoral Forum, as well as providing administrative support to the Forum.

Each year, LASS undertakes a survey of the shareholding councils to assess the level of satisfaction with LASS services. These surveys have been undertaken since 2007/08, and a summary of the results and trends is shown below.



Overall, the results show that the shareholding councils are very satisfied with the efforts being made by LASS to advance shared services projects across the region.

Governance

LASS has twelve Directors with each Director representing a shareholder Council. Each Director is currently a Chief Executive of a local authority. It is up to each shareholding Council to decide on their representative. In addition, the Board may appoint up to three professional directors to supplement the Directors' expertise. There are currently no independent Directors.

During the year, Barry Harris resigned as a Director, and the Board thanks him for his contribution. Richard Briggs joined the Board as his replacement in October 2014.

The Board looks forward to continuing to build on the LASS platform that has been established over the past 10 years, and will continue to consider new shared service opportunities that will help to achieve further benefits for shareholders.

The councils of the Waikato Region have put in place a Council Controlled Organisation (as defined in Part 5 of the Local Government Act 2002), to develop and deliver shared services, and to procure services which are available to be joined by any of the 12 shareholding councils that choose to do so. LASS can also provide a company structure for any Council that wishes to develop new services, under which they can develop and promote services to other local authorities and external parties.

As part of this strategic collaboration, LASS now provides support to the Waikato Mayoral Forum and to the working parties established by it.

Over the period that the company has been operating, a variety of benefits have been delivered in the form of:

- Improved levels and quality of service
- Co-ordinated approach to the provision of services
- Reductions in the cost of services
- Opportunity to develop new initiatives
- Opportunity for all councils, irrespective of location or size, to benefit from joint initiatives

- Leveraging procurement opportunities through economies of scale resulting from a single entity representing councils

The LASS Directors continue to seek new opportunities, either from internal investigations or from shareholder initiatives that are presented to it with a sound business case. New services will only be adopted where a business case shows that they provide some form of benefit to the shareholders. The benefits that may be gained include the development of intellectual property through new business services, protection of Council data, improved levels of service, efficiencies and/or reduced cost. All proposals are presented to the Board for approval prior to implementation.

Performance Measures

The following performance measures were incorporated into the Statement of Intent for the 2014/15 financial year.

Performance Measure	Actual Outcome
The Statement of Intent is informed by the annual survey and independent benefits review.	Achieved. A draft Statement of Intent (SOI) for 2015/16 was distributed to all shareholding councils for comment and feedback on 26 February 2015. The annual survey of shareholders was completed and presented to the Board at their meeting on 22 May. The draft benefits review was presented to the Board at their meeting on 22 May. The final SOI was adopted by the Board on 26 June 2015 and distributed to all shareholders on 29 June.
Costs Control: Administration expenditure shall not exceed that budgeted by more than 5% unless prior approval is obtained from the Directors.	Achieved, actual expenditure was $16,439 favourable to budget.
Cashflow: The company maintains an overall positive cashflow position.	Not achieved this year as cashflow was intentionally operated at a negative level in order to use up surpluses. The Company still maintains a safe cash position with the cash, cash equivalents and bank accounts balances at the end of June 2015 being $693,617.
Reporting: The Board will provide a written report on the business operations and financial position of the LASS on a six monthly basis.	Achieved. The 2013/14 Annual Report was sent to all shareholders on 22 September 2014. A 6-month report was sent to all shareholders on 26 February 2015
Statutory Adherence: There will be an annual report to directors that all statutory requirements of the LASS are being adhered to.	Achieved. All parties have confirmed that there were no legislative breaches during the year, and this will be reported to the LASS Board at their August meeting when the Annual Report is presented.
SVDS Availability: That SVDS is available to users at least 99% of normal working hours.	Achieved. SVDS was available to users 99.8% of normal working hours.
SVDS Sales Data Delivery: That at least 98%of agreed timelines are met for sale and property files that have been delivered to the FTP server for access to customers.	Achieved. 100% of agreed timelines were met.
SVDS Major Enhancement Development Hours: All Capital enhancement development work is supported by a business case approved by the Advisory Group.	Not applicable this year, as only minor work items of $5,000 or less have been undertaken as per the road map approved by the SVDS Advisory Group.
WRTM: That all required modelling reports are actioned within the required timeframe.	Achieved. All modelling services were delivered within the required timeframe, or time extensions were agreed with the model partner / 3rd party concerned.
WRTM: That the base model adheres to "Screenline Validation Standards" as set out in the NZTA Economic Evaluation Manual (EEM) as indicated by an external independent peer review.	Achieved. The WRTM is going through an update process to bring it up to the 2013 census base. The peer reviewer has reviewed all technical notes and has advised that the revised base model meets the EEM standards. This has been documented in the peer reviewer's report. The modelling services undertaken were all done using WRTM version 7, which was last peer reviewed in 2013. No changes have been made to the model since that time.
WRTM: That a full report on progress of the model be provided to the LASS Board twice each year.	Achieved. The WRTM Contract Manager reported to the LASS Board in September 2014, October 2014, December 2014 and May 2015.
Insurance: The key performance indicators from appendix 4 of the brokerage contract are met.	Achieved. The KPIs in the brokerage contract are as follows: 1. Failure to undertake Gap Analysis and Risk profiling for each of the Councils. Achieved. The Gap Analysis was completed.

	2. Not Achieving at least an overall saving of 15 % based on like for like coverage in non-property areas of the insurance profiles of LASS. Achieved. 3 .Failure to give appropriate strategic advice on programme structure and improve coverage for the Councils in LASS. Achieved. A number of discussions and amendments have been made to and around the programme since the appointment of Aon. An example would be the Infrastructure Insurance programme that has been put in place and the current work being done on the JLT/ Riskpool offering. 4. Failure to provide adequate and reasonable day to day service to the councils in the LASS group. Achieved. Most of the time, all Councils receive this level of service. Occasionally there are times when the response to queries may be slightly delayed. To address this, more resource has been applied to the Aon team handling the LASS account. Regular advice is provided on specific areas, e.g. Contract Terms and Conditions, policy responses to specific scenarios put forward, claims.
Joint Procurement: That any joint procurement projects deliver as per project approved objectives.	Achieved. A joint procurement initiative was completed as per the project's objectives for a Professional Services Panel for four of the shareholding councils.
Advice to the Waikato Mayoral Forum: In response to requests from shareholders, the Company will provide regular reports and updates to the Waikato Mayoral Forum regarding progress with shared service initiatives.	Achieved. Written and verbal update reports were provided to the Mayoral Forum at their meetings on 30 July, 15 September and 4 November 2014, 23 February, 20 April, and 15 June 2015.
Independent Benefit Review Plan update: The independent benefit review plan will be reviewed, updated and signed off by the LASS Board by 31 May of the year immediately preceding the year the plan relates to.	Achieved. As part of preparing the 2015/16 Statement of Intent, a new performance measure to assess the benefits being achieved by LASS was developed and included in the SOI's revised set of performance measures.
Independent Benefit Reviews: Those reviews timetabled in the plan for the current year be completed by the end of the year.	Achieved. The draft benefits review was presented to the Board at their meeting on 22 May. A copy of the final benefits report will be sent to shareholders with this Annual Report.

LASS Financial Position

Expenditure for the LASS has been assessed on the basis of the direct cost of management and the Directors' governance role.

The LASS administration costs for this period were $197,516 against a budget of $213,955.

The combined LASS, SVDS, WRTM, procurement and shared service investigations service costs are shown in the financial statements.

Directors

The Directors appointed for the period that this annual report covers were:

Director	Position	Director Appointed By
Gavin Ion(Chair)	Chief Executive Waikato District Council	Waikato District Council
Langley Cavers	Chief Executive Hauraki District Council	Hauraki District Council
Geoff Williams	Chief Executive Rotorua District Council	Rotorua District Council
Chris Ryan	CEO Waitomo District Council	Waitomo District Councils
Vaughn Payne	Chief Executive Waikato Regional Council	Waikato Regional Council
Barry Harris (resigned 17 October 2014)	Chief Executive Hamilton City Council	Hamilton City Council
Dave Clibbery	Chief Executive Otorohanga District Council	Otorohanga District Council
David Hammond	Chief Executive Thames-Coromandel District Council	Thames-Coromandel District Council
Don McLeod	Chief Executive Matamata-Piako District Council	Matamata-Piako District Council
Craig Hobbs	Chief Executive South Waikato District Council	South Waikato District Council
Rob Williams	Chief Executive Taupo District Council	Taupo District Council
Garry Dyet	Chief Executive Waipa District Council	Waipa District Council

Richard Briggs (Hamilton City Council) was appointed Director in October 2014.

For and on behalf of the Board.

Director
21 August 2015

Director
21 August 2015

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Auditors' Report
To the ratepayers of Local Authority Shared Services Limited

Independent Auditor's Report

To the readers of Local Authority Shared Services Limited's financial statements and performance information for the year ended 30 June 2015

The Auditor-General is the auditor of Local Authority Shared Services 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.

Opinion on the financial statements and the performance information

We have audited:

- the financial statements of the company on pages 12 to 28, that comprise the statement of financial position as at 30 June 2015, the statement of comprehensive revenue and expense, 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 5 to 6.

In our opinion:

- the financial statements of the company:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2015; and
    - its financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand and have been prepared in accordance with Public Benefit Entity International Public Sector Accounting Standards;
- the performance information of the company presents fairly, in all material respects, the company's achievements measured against the performance targets adopted for the year ended 30 June 2015.

Our audit was completed on 21 August 2015. 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.

Auditors' Report
To the ratepayers of Local Authority Shared Services Limited (continued)

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 the performance information 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 the performance information. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements and in the performance information. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and the performance information, 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 performance information 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 the disclosures in the financial statements and in the performance information; and
- the overall presentation of the financial statements and the performance information.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and the performance information.

We believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of the Board of Directors

The Board of Directors is responsible for the preparation and fair presentation of financial statements for the company that comply with generally accepted accounting practice in New Zealand. The Board of Directors is also responsible for preparation of the performance information for the company.

The Board of Directors' responsibilities arise from the Local Government Act 2002.

Auditors' Report
To the ratepayers of Local Authority Shared Services Limited (continued)

The Board of Directors is 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 the performance information, whether in printed or electronic form.

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and the performance information and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001.

Independence

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.

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

Directory

Company Number	1730380
Registered office	Waikato District Council 15 Galileo Street Ngaruawahia
Directors	CAVERS, Langley David CLIBBERY, Dave DYET, Garry WILLIAMS, Geoff HOBBS, Craig HAMMOND, David HARRIS, Barry (resigned October 2014) BRIGGS, Richard ION, Gavin John PAYNE, Vaughn MCLEOD, Don RYAN, Chris WILLIAMS, Rob
Bankers	Bank of New Zealand Hamilton Banking Centre Victoria Street Hamilton
Auditors	Audit New Zealand on behalf of the Auditor-General 17 Clifton Road Hamilton

Statement of comprehensive revenue and expense

For the year ended 30 June 2015

	Note	Actual 2015 $	Budget 2015 $	Actual 2014 $
Revenue				
SVDS Data Sales		191,426	125,964	123,166
Interest		16,612	800	14,159
Other revenue	4	1,903,335	1,165,237	1,875,218
Total revenue		2,111,373	1,292,001	2,012,543
Expenditure				
Personel Costs		-	11,856	7,715
Depreciation and amortisation expense	9	419,529	472,018	431,173
Other expenses	5	2,201,144	1,333,904	2,068,709
Total operating expenditure		2,620,673	1,817,778	2,507,597
Operating surplus/(deficit) before tax and share of equity accounted investments		(509,300)	(525,777)	(495,054)
Surplus/(deficit) before tax		(509,300)	(525,777)	(495,054)
Income tax expense	6	-	-	-
Surplus/(deficit) after tax		(509,300)	(525,777)	(495,054)
Total other comprehensive revenue and expense		-	-	-
Total comprehensive revenue and expense		(509,300)	(525,777)	(495,054)

Surplus is attributable to:

The accompanying notes form part of these financial statements
Explanations of major variances against budget are provided in note 18

Statement of changes in equity

For the year ended 30 June 2015

	Note	Actual 2015 $	Budget 2015 $	Actual 2014 $
Balance at 1 July		1,541,308	1,390,764	2,036,362
Total comprehensive revenue and expense previously reported		(509,300)	(525,777)	(495,054)
Balance at 30 June	11	1,032,008	864,987	1,541,308
Total comprehensive revenue and expense attributable to:				
Equity holders of Local Authority Shared Services Limited		1,032,008	864,987	1,541,308
Non-controlling interest		-	-	-
Total comprehensive revenue and expense		1,032,008	864,987	1,541,308

The accompanying notes form part of these financial statements
Explanations of major variances against budget are provided in note 18

Statement of Financial Position

As at 30 June 2015

	Note	Actual 2015 $	Budget 2015 $	Actual 2014 $
ASSETS				
Current assets				
Cash and cash equivalents	7	693,617	53,834	442,598
Exchange trade and other receivables	8	792,473	-	501,771
Non-exchange trade and other receivables	8	15,375	3,781	47,256
Prepayments		149,413	1,868	150,348
Total current assets		1,650,878	59,483	1,141,973
Non-current assets				
Intangible assets	9	911,001	892,136	1,321,089
Total non-current assets		911,001	892,136	1,321,089
Total assets		2,561,879	951,619	2,463,062
LIABILITIES				
Current liabilities				
Payables and deferred revenue	10	1,529,871	86,632	921,754
Total current liabilities		1,529,871	86,632	921,754
Non-current liabilities				
Total non-current liabilities		-	-	-
Total liabilities		1,529,871	86,632	921,754
Net assets		1,032,008	864,987	1,541,308
EQUITY				
Contributed equity	11	2,957,001	2,957,001	2,957,001
Retained earnings	11	(1,924,993)	(2,092,014)	(1,415,693)
		1,032,008	864,987	1,541,308
Total equity		1,032,008	864,987	1,541,308

These financial statements have been authorised for issue by the Board of Directors on 21 August 2015

Director
21 August 2015

S.J. Lo

Director
21 August 2015

The accompanying notes form part of these financial statements
Explanations of major variances against budget are provided in note 18

Cash flow statement

For the year ended 30 June 2015

	Note	Actual 2015 $	Budget 2015 $	Actual 2014 $
Cash flows from operating activities				
Interest Received		16,538	800	14,156
Receipts from other revenue		2,280,922	1,184,191	1,905,150
Payments to suppliers and employees		(2,101,635)	(1,329,850)	(1,964,577)
Income tax received / (paid)		5,330	(224)	(3,958)
Goods and services tax (net)		59,305	(3,173)	(9,406)
Net cash flow from operating activities		260,460	(148,256)	(58,635)
Cash flows from investing activities				
Purchase of intangible assets		(9,441)	(78,643)	(69,914)
Net cash flow from investing activities		(9,441)	(78,643)	(69,914)
Net (decrease)/increase in cash, cash equivalents, and bank overdrafts		251,019	(226,899)	(128,549)
Cash, cash equivalents, and bank overdrafts at the beginning of the year		442,598	280,733	571,147
Cash, cash equivalents, and bank overdrafts at the end of the year	7	693,617	53,834	442,598

The accompanying notes form part of these financial statements
Explanations of major variances against budget are provided in note 18

1 Statement of accounting policies for the year ended 30 June 2015

1.1 Reporting entity

Local Authority Shared Services Limited ("the Company") is a Company incorporated in New Zealand under the Companies Act 1993 and is domiciled in New Zealand. The Company is controlled by the councils listed on the directory page of these accounts. Local Authority Shared Services Ltd is a Council Controlled Organisation as defined under section 6 of the Local Government Act 2002, by virtue of each of the shareholding Council's right to appoint the Board of Directors.

The primary objective of the Company is to provide the Waikato region local authorities with a vehicle to develop shared services that demonstrate a benefit to the ratepayers and provide those services to local authorities.

The Company has designated itself as a public benefit entity (PBE) for financial reporting purposes.

The financial statements of the Company are for the year ended 30 June 2015. The financial statements were authorised for issue by the Board of Directors on the 21 August 2015.

2 Summary of significant accounting policies

2.1 Basis of preparation

The financial statements have been prepared on the going concern basis, and the accounting policies have been applied consistently throughout the period.

Statement of Compliance

The financial statements of the Company have been prepared in accordance with the requirements of the LGA, which include the requirement to comply with generally accepted accounting practice in New Zealand (NZ GAAP).

The financial statements have been prepared in accordance with Tier 2 PBE accounting standards.

LASS is eligible to report in accordance with the Tier 2 PBE accounting standards as it:

- is not publicly accountable;
- has expenses more than $2 million, but less than $30 million.

These financial statements comply with PBE standards.

These financial statements are the first financial statements presented in accordance with the new PBE accounting standards.

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

Measurement base

The financial statements have been prepared on a historical cost basis.

Presentation currency and rounding

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest dollar unless otherwise stated. The functional currency of the Company is New Zealand dollars.

Budget figures

The budget figures are those approved by the Board of Directors in the 2014/15 Statement of Intent. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted by the Company in preparing the financial statements.

2.2 Revenue

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services, excluding Goods and Services Tax, rebates and discounts and after eliminating sales within the Company. No provisions have been recorded as all revenue and trade receivables are expected to be received.

2 Summary of significant accounting policies (continued)

(i) Other revenue

User charges for the SVDS and WRTM asset are recognised when invoiced to the user, ie. councils. The recorded revenue is the net amount of the member charges payable for the transaction. Contributions to Waikato Mayoral Forum projects are recognised as revenue when the Company provides, or is able to provide, the service for which the contribution was charged. Otherwise, contributions are recognised as liabilities until such time as the Company provides, or is able to provide, the service.

2.3 Income tax

Income tax expense includes components relating to both current tax and deferred tax.

Current tax is the amount of income tax payable based on the taxable profit for the current year, plus any adjustments to income tax payable in respect of prior years. Current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted at the balance date.

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

Deferred tax is measured at the tax rates that are expected to apply when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at balance date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the entity expects to recover or settle the carrying amount of its assets and 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 difference arises from the initial recognition of goodwill or from the initial recognition of an asset or liability in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit.

Current and deferred tax is recognised against the surplus or deficit for the period, except to the extent that it relates to a business combination, or to transactions recognised in other comprehensive revenue and expense or directly in equity.

2.4 Goods and services tax

All items in the financial statements are stated exclusive of goods and services tax (GST), except for receivables and payables, which are presented on a GST-inclusive basis. Where GST is not recoverable as input tax, it is recognised as part of the related asset or expense.

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 the GST relating to investing and financing activities, is classified as an operating cash flow in the cash flow statement.

Commitments and contingencies are disclosed exclusive of GST.

2.5 Impairment of intangible assets

Intangible assets subsequently measured at cost that have an finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the assets carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an assets fair value less costs to sell and value in use.

If an asset's carrying amount exceeds its recoverable amount, the asset is regarded as impaired and the carrying amount is written-down to the recoverable amount. The total impairment loss is recognised in the surplus or deficit. The reversal of an impairment loss is recognised in the surplus or deficit.

2 Summary of significant accounting policies (continued)

Value in use for non-cash generating assets

Non-cash-generating assets are those assets that are not held with the primary objective of generating a commercial return.

For non-cash generating assets, value in use is determined using an approach based on either a depreciated replacement cost approach, restoration cost approach, or a service units approach. The most appropriate approach used to measure value in use depends on the nature of the impairment and availability of information.

2.6 Cash and cash equivalents

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.

2.7 Receivables

Receivables are recorded at their face value, less any provisions for impairment.

2.8 Intangible assets

(i) Software acquisition and development

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs that are directly associated with the development of software are recognised as an intangible asset.

Costs associated with maintaining computer software are recognised as an expense when incurred.

(ii) Amortisation

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

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

Computer Software	4 to 7 years	14 to 25%

2.9 Payables

Short-term creditors and other payables are recorded at their face value.

2.10 Other financial assets

Investments in bank deposits are initially measured at fair value plus transaction costs.

After initial recognition investments in bank deposits are measured at amortised cost using the effective interest method. Gains and losses when the asset is impaired or unrecognised are recognised in the income statement.

At each balance sheet date the Company assesses whether there is any objective evidence that an investment is impaired. Any impairment losses are recognised in the income statement.

2.11 Equity

Equity is the shareholders interest in LASS and is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into the following components:

Contributed capital
Contributed capital is the net asset and liability position at the time the Company was formed. The allocation of capital amongst shareholders is explained in note 11.

Accumulated funds

2 Summary of significant accounting policies (continued)

Accumulated funds is the Company's accumulated surplus or deficit since formation.

LASS's objectives, policies and processes for managing capital are explained in note 17

3 Critical accounting estimates and assumptions

In preparing the financial statements the Company has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations 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 amount of assets and liabilities within the next financial year have been included below.

Intangible asset useful lives and residual values

At each balance date the Company reviews the useful lives and residual values of its intangible assets. Assessing the appropriateness of useful life and residual value estimates of intangible assets requires the Company to consider a number of factors such as the 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 amortisation amount of an asset, therefore impacting on the amortisation expense recognised in the income statement, and carrying amount of the asset in balance sheet. The Company minimises the risk of this estimation uncertainty by reviewing that the asset technology is still relevant and there is no alternative options to recreate the asset at a lower price.

4 Other revenue

	Actual 2015 $	Actual 2014 $
Non-exchange revenue		
User Charges	636,558	672,169
Other	87,146	169,549
Total non-exchange revenue	723,704	841,718
Exchange revenue		
Other	3,390	38,428
Insurance Brokerage Fee	147,500	147,501
ValueFinancials Fee	36,894	44,006
GSB Membership Fee	18,000	18,000
Waikato Mayoral Forum Funding	895,567	535,866
ISSP Funding	-	99,999
Professional Services Panel Funding	-	79,300
Infometrics Fee Recovery	70,400	70,400
Debt Management Solutions Recovery	7,880	-
Total exchange revenue	1,179,631	1,033,500
Total other revenue	1,903,335	1,875,218

5 Other expenses

	Actual 2015 $	Actual 2014 $
Other fees to auditors	-	-
Audit fees for financial statement audit (current year)	15,145	14,806
Waikato Mayoral Forum Funding	895,567	535,866
Insurance Brokerage Fee	147,500	147,500
ValueFinancials Fee	36,894	44,006

5 Other expenses (continued)

	Actual 2015 $	Actual 2014 $
GSB Membership Fee	18,000	18,000
Infometrics Fee	70,400	70,400
Debt Management Solutions Fee	7,880	-
ISSP Expenses	947	87,532
Professional Services Panel Expenses	2,767	78,373
Other operating expenses	1,006,044	1,072,226
Total other expenses	2,201,144	2,068,709

6 Income tax

	Actual 2015 $	Actual 2014 $
Components of income tax expense:		
Current tax expense	-	-
Adjustments to current tax in prior years	-	-
Deferred tax expense	-	-
Tax expense	-	-
Relationship between tax expense and accounting profit:		
Net surplus (deficit) before tax	(509,300)	(495,054)
Tax at 28%	(142,604)	(138,615)
Plus (less) tax effect of:		
Non-deductible expenditure	-	67
Other timing adjustments	104,971	96,957
Non-taxable income	-	-
Prior year adjustment	-	629
Group loss offset	-	-
Deferred tax adjustment	(105,048)	40,962
Tax losses not recognised	142,681	-
Tax expense	-	-

Deferred tax asset (liability)	Intangible assets $	Other provisions $	Tax losses $	Total $
Balance at 1 July 2013	(443,841)	-	443,841	-
Charged to surplus or deficit	97,205	-	(97,205)	-
Charged to other comprehensive income	-	-	-	-
Balance at 30 June 2014	(346,636)	-	346,636	-
Balance at 1 July 2014	(346,636)	-	346,636	-
Charged to surplus or deficit	105,048	-	(105,048)	-
Charged to other comprehensive income	-	-	-	-
Balance at 30 June 2015	(241,588)	-	241,588	-

	2015 $	2014 $
Imputation credits available for use in subsequent reporting periods	6,693	-

A deferred tax asset has not been recognised in relation to tax losses of $2,105,776 ($2014 $1,596,206).

7 Cash and cash equivalents

	2015 $	2014 $
Cash at bank and in hand	649,221	399,250
Short term deposits maturing three months or less from date of acquisitions	44,396	43,348
Total cash and cash equivalents	693,617	442,598
Net Cash and Cash Equivalents and bank overdrafts for the purposes of the Statement of Cashflows	693,617	442,598

The carrying value of cash at bank and short-term deposits with maturities less than three months approximates their fair value.

8 Receivables

	2015 $	2014 $
Gross trade and other receivables	69,934	5,957
Related Party Receivables (note 14)	733,757	494,491
Accrued Interest on Short Term Deposits and Call Accounts	345	271
IRD - RWT Tax Paid	3,812	5,184
GST Refund Due	-	43,124
Total debtors and other receivables	807,848	549,027
Exchange		
Receivables from exchange transactions	792,473	501,771
Non-exchange		
Receivables from non-exchange transactions	15,375	47,256
Total debtors and other receivables	807,848	549,027

9 Intangible assets

	2015 $	2014 $
Computer Software		
Balance at 1 July	5,353,925	5,284,656
Additions	9,441	70,155
Disposals	-	(886)
Balance at 30 June	5,363,366	5,353,925
Accumulated amortisation and impairment losses		
Balance at 1 July	4,032,836	3,602,308
Amortisation expenses	(419,529)	431,173
Disposals	-	(645)
Impairment losses	-	-
Balance at 30 June	4,452,365	4,032,836
Carrying Amounts		
Balance at 1 July	1,321,089	1,682,348
Balance at 30 June	911,001	1,321,089

Significant intangible assets include the Shared Value Data Services (SVDS) computer software, and the Waikato Regional Transport Model (WRTM) computer software. The carrying amount of the SVDS asset as at 30 June 2015 is $347,501. The original build cost of the SVDS asset has now been fully amortised, and there is currently 3 years remaining enhancements in the useful life of the asset . The carrying amount of the WRTM asset as at 30 June 2015 is $546,870 and there is currently 1 year remaining in the useful life of the asset.

9 Intangible assets (continued)

The Board of Directors consider that there is no impairment of assets as at 30 June 2015. Accordingly no impairment adjustments are needed.

10 Payables and deferred revenue

	2015 $	2014 $
Current		
Trade payables and accrued expenses	489,381	331,021
Related party payables (note 14)	47,915	112,522
Deferred revenue	971,573	478,211
GST payable	21,002	-
Total creditors and other payables	1,529,871	921,754
Exchange		
Trade payables	492,202	402,112
Accrued expenses	45,094	41,431
Total creditors and other payables from exchange transactions	537,296	443,543
Non-exchange		
Deferred revenue	971,573	478,211
GST payable	21,002	-
Total creditors and other payables from non-exchange transactions	992,575	478,211
Total current creditors and other payables from exchange and non-exchange transactions	1,529,871	921,754

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

Councils were invoiced for their portion of contribution towards the Waikato Mayoral Forum projects in advance.

11 Reconciliation of equity

	2015 $	2014 $
Total equity		
Contributed equity	2,957,001	2,957,001
Opening retained earnings	(1,924,993)	(1,415,693)
Balance at 30 June 2015	1,032,008	1,541,308
(a) Contributed equity		
Shares on issue	3,413,569	3,413,569
Uncalled capital	(456,568)	(456,568)
Balance 30 June	2,957,001	2,957,001
Balance at 1 July	2,957,001	2,957,001
Shares Issued	-	-
Balance 30 June	2,957,001	2,957,001
Retained Surpluses		
Balance at 1 July	(1,415,693)	(920,639)
Surplus/(deficit) for the year	(509,300)	(495,054)
Balance 30 June	(1,924,993)	(1,415,693)

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11 Reconciliation of equity (continued)

The Company has issued 2,186,581 (2014 - 2,186,581) shares. The SVDS shares have been fully called and paid for at $1.00 per share. The WRTM shares have been fully called and paid for at $10.00 per share. The table below details the different types of shares and their value per share.

Shares are called when notice is given to shareholders by the Board of Directors.

Shareholder	Ordinary Shares	SVDS Shares	WRAPS Shares	WRTM Shares
Hamilton City Council	1	220,514	79,152	50,625
Hauraki District Council	1	40,215	2,864	-
Matamata Piako District Council	1	56,380	4,708	4,500
Otorohanga District Council	1	-	5,716	-
Rotorua Lakes Council	1	126,703	7,516	-
South Waikato District Council	1	42,571	4,916	-
Taupo District Council	1	-	21,652	4,500
Thames Coromandel District Council	1	108,015	6,476	2,250
Waikato District Council	1	106,674	9,376	11,250
Waikato Regional Council	1	803,500	287,872	50,625
Waipa District Council	1	78,748	3,780	11,250
Waitomo District Council	1	23,681	10,540	-
Total shares	12	1,607,001	444,568	135,000
Amount per share	1,000	1	1	10
Total value of shares	12,000	1,607,001	444,568	1,350,000
Uncalled amount	(12,000)	-	(444,568)	-
Total Value of Called Shares	-	1,607,001	-	1,350,000

General Rights of Ordinary, SVDS, and WRAPS Shares

The rights conferred by section 36(1) of the Companies Act 1993 on holders of shares in the Company are altered as set out below:

(a) For Ordinary, SVDS and WRAPS shares the holders are entitled to participate in certain services to be provided by the Company, in terms that reflect their investment.

(b) Service shares (SVDS and WRAPS) do not have any right to share in the distribution of the surplus assets of the Company except to the extent provided for in Schedule 1 of the Company's constitution or in accordance with the terms of issue of those shares pursuant to Clause 6 of the Company's constitution.

(c) Except as provided in section 177 of the Act and Clause 6.1 of the Company's constitution, no class of service shares shall have any voting rights.

General Rights of WRTM shares

The following rights and obligations are hereby conferred on each WRTM shareholder:

(a) A right to one vote prior to further WRTM service shares being issued.

(b) A right to one vote on the application of any surpluses arising from the WRTM service (after NZTA have been allocated 40 per cent [or a portion based on NZTA's proportion of the total cost at the time] of any surpluses.)

(c) The right to receive monetary benefits that the Company generates through the sale of outputs of the WRTM service in proportion to the apportionment of the development costs as at that time after 40 per cent (or a portion based on NZTA's proportion of the development cost at the time) of the monetary benefits have been allocated to NZTA.

(d) No right to share in the distribution of the surplus assets of the Company except to the extent provided for in (c) above.

(e) No right to share in dividends authorised by the Company except to the extent provided for in (c) above.

12 Commitments

	2015 $	2014 $
Non-cancellable operating leases as lessee		
Not later than one year	416,897	332,117
Later than one year but not later than five years	962,500	-
Total non-cancellable operating leases	1,379,397	332,117

13 Contingencies

As at 30 June 2015 the Company had no contingent liabilities or assets (2014 - $0)

14 Related party transactions

The Company is controlled by the councils listed on the directory page.

Transactions with key management personnel

Key management personnel include the Chief Executive and directors. Directors receive no remuneration. Expenditure paid to the Chief Executive was for the provision of Chief Executive services.

	2015 $	2014 $
Dial New Zealand Ltd - Acting LASS Chief Executive	33,075	53,460
Jowett Consulting - LASS Chief Executive	105,170	-
Poison Pawn Ltd - LASS Chief Executive	-	75,550
Total key management personnel compensation	138,245	129,010

Related party disclosures have been made for transactions with related parties that are within a normal supplier or client/recipient relationship on terms and conditions no more or less favourable than those that it is reasonable to expect the entity would have adopted if dealing with that individual or entity at arm's length in the same circumstances.

Related parties have been limited to the directors, shareholders and company related roles. The following transactions were carried out with related parties:

	Actual 2015 $	Actual 2014 $
Revenue		
Hamilton City Council	351,198	403,820
Hauraki District Council	82,319	69,719
Matamata Piako District Council	152,349	101,106
Otorohanga District Council	94,618	40,241
Rotorua Lakes Council	30,924	65,858
South Waikato District Council	94,351	67,915
Taupo District Council	72,256	107,569
Thames Coromandel District Council	108,469	122,173
Waikato District Council	279,380	224,648
Waikato Regional Council	487,660	578,686
Waipa District Council	474,455	186,501
Waitomo District Council	84,500	47,157
	2,312,477	2,015,392

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14 Related party transactions (continued)

Revenue is related to user charges, Mayoral Forum funding, joint procurement, and shared services investigation funding.

	Actual 2015 $	Actual 2014 $
Expenses		
Hamilton City Council	3,230	3,910
South Waikato District Council	6,126	3,975
Waipa District Council	132,673	45,805
Waikato District Council	4,421	-
Waikato Regional Council - Services Provided	61,848	48,261
	208,299	101,951

Expenses are related to services provided by the related parties.

The figures above exclude invoices of $1,302 from Waikato Regional Council, $61 from South Waikato District Council, and $3,178 from Hamilton City Council that relate to bills paid on behalf of LASS (2014 - $6,740).

	Actual 2015 $	Actual 2014 $
Balance Sheet		
Trade & Other Receivables		
Hamilton City Council	105,096	138,615
Hauraki District Council	25,538	10,126
Matamata Piako District Council	79,618	44,980
Otorohanga District Council	52,946	9,728
South Waikato District Council	22,872	2,046
Taupo District Council	42,163	10,859
Thames Coromandel District Council	21,654	32,709
Waikato District Council	98,885	11,470
Waikato Regional Council	137,818	208,383
Waipa District Council	112,295	23,535
Waitomo District Council	34,872	2,040
	733,757	494,491
Trade & Other Payables		
Hamilton City Council	-	4,497
Jowett Consulting - LASS Chief Executive	8,521	-
Rotorua Lakes Council	-	20,966
South Waikato District Council	70	7,045
Waikato District Council	920	5,875
Waikato Regional Council - Services provided	2,073	22,097
Waipa District Council	36,331	52,043
	47,915	112,522

15 Director and executive disclosures

No Directors fees were paid to directors during the year. Directors are not directly remunerated by Local Authority Shared Services. (2014 - $0)

16 Events occurring after the balance date

There have been no events after balance date.

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17 Financial instruments

The Company has policies to manage the risks associated with financial instruments. The Company is risk averse and seeks to minimise exposure from its treasury activities.

(a) Financial instrument categories

	2015 $	2014 $
FINANCIAL ASSETS		
Loans and receivables		
Cash and cash equivalents	693,617	442,598
Debtors and other receivables	807,848	549,027
Total loans and receivables	1,501,465	991,625
FINANCIAL LIABILITIES		
Financial liabilities at amortised cost		
Creditors and other payables	1,529,871	443,543
Total financial liabilities at amortised cost	1,529,871	443,543

(b) Market risk

The interest rates on the Company's investments would be disclosed in the notes, but at present there are none.

Fair value interest rate risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Company's exposure to fair value interest rate risk is limited to short-term bank deposits.

Cash flow interest rate risk

Cash flow interest rate risk is the risk that the cash flows from a financial instrument will fluctuate because of changes in market interest rates. Borrowings and investments issued at variable interest rates expose the Company to cashflow interest rate risk.

The Company currently has no variable interest rate debt or investments.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is not exposed to currency risk, as it does not enter into foreign currency transactions.

(c) Credit risk

Credit risk is the risk that a third party will default on its obligation to the Company, causing the Company to incur a loss.

Due to the timing of its cash inflows and outflows, the Company invests surplus cash with registered banks.

The Company has processes in place to review the credit quality of customers prior to the granting of credit.

The Company's maximum credit exposure for each class of financial instruments is represented by the total carrying amount of cash equivalents (note 7), investments (nil this year), and trade receivables (note 8). There is no collateral held as security against these financial instruments, including these instruments that are overdue or impaired.

The Company has no significant concentrations of credit risk, as it has a large number of credit customers and only invests funds with registered banks with specified credit ratings.

(d) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty raising funds to meet commitments as they fall due.

Prudent liquidity risk management implies maintaining sufficient cash and liquid assets, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Company aims to maintain flexibility in funding by keeping committed credit lines available.

17 Financial instruments (continued)

(d) Liquidity risk (continued)

In meeting its liquidity requirements, the Company maintains a target level of investments that must mature within specified timeframe's.

The maturity profiles of the Company's interest bearing investments and borrowings would be disclosed in the notes, if the Company had any.

18 Explanation of major variances against budget

Explanations for major variations from the Company's budget figures in the statement of intent to 30 June 2015 are as follows:

Statement of comprehensive revenue and expense

SVDS Data Sales are higher than budgeted due to a MoU with an additional organisation for the supply of valuation and sales data.

Interest received is higher due to a higher than budgeted cash surplus throughout the year, primarily related to revenue which was received in advance for the Waikato Mayoral Forum activities.

Other revenue is higher than budgeted primarily due to higher expenditure on Waikato Mayoral Forum projects being recognised as revenue, and transferred from deferred income.

Personnel costs are lower than budgeted due to no personnel being employed by LASS from February 2014. These services are now contracted out and are shown under LASS administration.

Depreciation is lower due to lower enhancements than budgeted, and to a change in the useful life of the SVDS asset.

Other Expenses are higher than budgeted due to expenditure being incurred primarily on the Spatial Plan and Roading Waikato Mayoral Forum projects, that was unquantifiable at the time of the budgeting process.

Statement of Changes in Equity

The items as noted above have meant that the Company has made a loss of $509,300 against a budgeted loss of $525,777.

Statement of Financial Position

Cash and cash equivalents are higher than budget due to additional funds being held for the payments of the Waikato Mayoral Forum projects which are paid as they are due.

Trade and other receivables are higher than budget due to the timing of invoicing for the final Mayoral Forum contributions for the year.

Trade and other payables are higher than budget due to the timing of payment costs due for Waikato Mayoral Forum projects, ValueFinancials, and also an unbudgeted prepayment invoice for the 2015/16 financial year.

Deferred income was unbudgeted due to the unknown contributions from Waikato Mayoral Forum projects that are still to be expensed.

Statement of Cash Flows

Both receipts from other revenue, and payments to suppliers are higher than budgeted due to unbudgeted costs for Waikato Mayoral Forum projects that were unquantifiable at the time the budget was set.

Purchase of Intangible Assets are lower than budget due to lower than expected SVDS enhancement expenditure.

19 Adjustments to the Comparative Year Financial Statements

The main adjustments to the 30 June 2014 comparative statement of financial position arising on the transition to the new PBE Tier 2 standards are explained below:

- Receivables - Receivables for the 2013/14 year have been reclassified to clarify exchange and non-exchange transactions as required under the new PBE accounting standards. These transactions are identified by the following definitions:

  Exchange transactions - transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services or use of assets) to another entity in exchange.

  Non-exchange transactions - where an entity receives value from another entity without giving approximately equal value in exchange.

- Deferred revenue - During the 2013/14 year LASS received contributions from councils towards Mayoral Forum projects, of which the balance at 30 June 2014 was $478,211. Under the new PBE accounting standards this deferred income has been removed as an individual line and reclassified as payables and deferred revenue under current liabilities.

WAIKATO LASS
Collaboration in action





August 2015

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3

BACKGROUND

In the early to mid-2000s, the relationships between the 12 local authorities within the Waikato region was fairly strong and one key thing on the agenda was to set up a structure under which they could share services.

In 2005, Local Authority Shared Services Limited (LASS) was created. LASS is jointly owned by:

- Hamilton City
- Hauraki District
- Matamata-Piako District
- Otorohanga District
- Rotorua District
- South Waikato District
- Taupō District
- Thames-Coromandel District
- Waikato District
- Waikato Regional Council
- Waipa District
- Waitomo District.

LASS provides a legal entity, representative of all the shareholding councils, which can enter into contracts and agreements with external suppliers and provide value by reducing costs. These contracts are available to be joined by any shareholder that so chooses. It also provides those councils that wish to develop new services with a company structure under which they can develop and promote services to other local authorities and to external parties.

Much of the work of LASS is undertaken by working parties or advisory groups made up of staff representatives from the shareholding councils who have expertise and interest in particular services.

Member councils pay a small annual levy, depending on their size. Services obtained are funded on a user pays basis – each council pays for and receives the financial benefit of its share of any particular service.

The LASS Board has twelve directors; each the chief executive of one of the local authorities representing the shareholding councils. The directors do not receive any fees or expenses for work undertaken on behalf of the LASS.

The Board publishes a Statement of Intent in June and holds an Annual General Meeting in November each year. The accounts are audited annually by Audit New Zealand, and the Annual Report is generally published in August.

+ Waikato Regional Council
+ NZ Transport Agency

ACHIEVEMENTS

Waikato Regional Transport Model (WRTM)

Participating Councils: Waikato Regional Council, Hamilton City, Waikato District, Waipa District, Taupō District, Matamata-Piako District, Thames-Coromandel District, and the NZ Transport Agency (NZTA).

The Project: The WRTM is the only recognised strategic, regional, transport modelling resource in the Waikato. It provides accurate information for council transport modelling and to other third parties (such as developers) for a charge, which generates a small amount of external revenue. Jointly funded by participating councils and the NZTA, the WRTM became fully operational in February 2010, at a cost of $2.3 million.

The Benefits: Since February 2010, the WRTM has improved strategic planning for over $3 billion of new land transport investment by:

- enabling interactive decision-making, balancing regional growth and transport planning
- assessing the traffic impacts of plan changes, structure plans and major resource consents
- assessing transport projects, including tolling, Benefit Cost Ratios and alternative options

Over the last five years, the WRTM has been used in over 60 projects that have supported:

- land transport investment in excess of $3 billion, including the Waikato Expressway Network Plan, Southern Links and Hamilton City's Wairere Drive project
- a range of strategic and statutory planning processes including Future Proof, the Waikato Regional Policy Statement, the Regional Land Transport Programme, Ruakura Inland Port Board of Enquiry process, district plans and plan changes.

The WRTM structure provides:

- A single recognised transport model and evidence base to inform decision-making.
- A collaborative technical and management framework enabling councils and the NZTA to identify, and jointly resolve, policy and investment issues.
- Efficiencies from joint procurement, operation and delivery of modelling advice for the whole Waikato region.

Shared Valuation Data Service (SVDS)

Participating Councils: Hamilton City, Hauraki District, Matamata-Piako District, Rotorua District, South Waikato District, Thames-Coromandel District, Waikato District, Waikato Regional Council, Waipa District, Waitomo District

The Project: SVDS is a real time, online, property database containing the District Valuation Rolls and associated registers of the participating councils. SVDS was the first LASS shared service, and "went live" in 2005.

The Benefits: SVDS enables greater competition in the delivery of valuation services to councils and provides more accurate and timely property valuation data. The operating costs of the SVDS are partially offset by selling access to the data, with a number of contracts worth about $200,000 per annum. Renegotiated SVDS service contracts have reduced the 2015/16 OPEX budget by $126,000 (an 18% saving).

Insurance

Participating Councils: Hamilton City, Hauraki District, Matamata-Piako District, Otorohanga District, South Waikato District, Thames-Coromandel District, Waikato District, Waikato Regional Council, Waipa District, Waitomo District

The Project: Leverages the region's collective insurance requirements to deliver economies of scale through reducing brokerage costs and reducing the exposure to market increases in premium costs, while enhancing cover arrangements and focusing on risk mitigation.

The Benefits: Significant premium savings with enhanced cover arrangements and a focus on risk mitigation. Brokerage fees reduced by over 35% ($80,000), to $147,500 per annum. Savings will total at least $400,000 over the five years of the contract.

Material Damage and Business Interruption insurance premiums reduced by 21.5% ($600,000) in 2012, when other councils were facing insurance increases. A further 14% saving was achieved in 2013/14, and another 15% in 2014/15 .

After a risk engineering assessment and loss modelling, most councils have now moved to commercial infrastructure insurance, considerably reducing excess levels and resulting in premium savings of $446,000.

Computer-generated Print, Mail house and E-Services (Dataprint)

Participating Councils: Hamilton City, Hauraki District, Waikato District, Waikato Regional Council, Waipa District, Waitomo District (Note: Matamata-Piako and Rotorua Districts also use Dataprint, but their contract is currently out sourced via a broker.)

The Project: Dataprint is a centralised one-stop-shop providing computer-generated print, mail house and e-service solutions. Their services are tailored to meet the needs of the individual councils, and currently include the redesign, printing and distribution of rates notices and penalty reminders, water rates notices, flyers and dog registrations.

The Benefits: In the first year of the contract, Waikato District estimates $10,000 in savings as well as business process efficiencies. It is currently reviewing its rates process, and is anticipates will provide further internal savings (in staff time). Other participating councils have yet to quantify their savings.

Postal and Courier Services (NZ Post)

Participating Councils: All

The Project: The LASS contract with NZ Post has been in place since 2003 and covers all mail services – postal and courier.

The Benefits: Estimated savings range between $8,000 and $13,000 per annum for each participating council. Process and contract negotiation savings have also been achieved as a result of the collaboration.

Professional Services Panel (PSP)

Participating Councils: Hamilton City, Waikato District, Waikato Regional Council, Waipa District

The Project: A panel of 37 consultants that offer discounted services to participating councils in the areas of Three Waters, flood hazard management, building services, urban design and planning.

The Benefits: The discount ranges between 5% and 39% off standard hourly rates, with most of the discounts between 10% and 20%. In 2014, the annual spend on consultancy services across the four participating councils was approximately $13 million. Therefore, the overall annual saving is between $650,000 and $5,070,000. If a saving of only 10% off market rates is used then, over the 5 years of the contract, savings will equate to $6,500,000.

The PSP provides more efficient engagement of consultants, and standardised contracts and processes.

Legal Services

Participating Councils: Open to all

The Project: A shared services agreement with Tompkins Wake (TW) for legal services. This is not a "one size fits all" discount. Each participating council must negotiate with TW regarding specific hourly rates.

The Benefits:

- Discounted rates.
- Joint procurement and shared fees for opinions.
- Development of an opinion database for each participating council.
- Hosting in-house lawyers and other staff for relevant seminars conducted by TW experts.
- Notifying councils of changes in law or policy affecting them.
- Making TW's library and databases available for research.
- Making staff available for on-site secondment at agreed rates, for agreed periods or projects, subject to availability.

Note: A procurement process to secure a Legal Services Panel, which will provide a choice of general and specialist legal services at preferential rates, is currently underway. This will replace the current arrangement with TW from 1 July 2016.

Accommodation Providers

Participating Councils: Hamilton City, Waipa District, Waikato Regional Council

The Project: This arrangement accesses accommodation for business travel using Orbit Corporate Travel's management and booking processes.

The Benefits:

- Savings of between 10-40% per night.
- Additional staff time savings using Orbit's online booking and reporting application.

Chemicals

Participating Councils: Hamilton City, South Waikato District, Waikato District, Waipa District

The Project: Water and wastewater treatment plants use bulk treatment chemicals to ensure regulatory compliance with the NZ Drinking Water Standards and resource consent conditions. The four participating councils undertook a competitive tender process to ensure security of supply and preferential customer status. Contracts have been entered into with four suppliers (Orica Chemnet, Holcim NZ, Redox and Chemiplas Australia Ltd) for a three year term, with two three-year rights of renewal. Councils use suppliers depending on the products they require.

The Benefits:

- Treatment operations during and following emergency events will be maintained.
- Cost savings of $107,650 (4.7%) per year – just under $1 million for the duration of the contract.

Energy Supply

Participating Councils: Open to all

The Project: Two syndicates have been formed amongst the 12 LASS councils to procure electricity and gas supplies:

1. Hamilton City, Waikato and Waipa districts and Waikato Regional Council (since early 2000). Due for retender in 2016.
2. Hauraki, Matamata-Piako and South Waikato districts (and Thames-Coromandel since 2015). Retendered in 2015.

The Benefits:

- The Hamilton syndicate achieved savings of $2.11 million over three years, and an additional 9% savings when the contract was extended a further two years.
- The Hamilton syndicate have joined the Ministry of Business, Innovation and Emplyment (MBIE) All of Government gas syndicated contract. Hamilton City will save $228,450 over four years as a result. Data is not available for the other councils.
- Both syndicates reduced their cost of tendering by combining to tender for electricity supply.
- All councils have the opportunity to join the Hamilton-based syndicate for the 2016 tendering process.
- In 2015 the Hauraki, Matamata-Piako, South Waikato and Thames-Coromandel syndicate achieved savings of 5-10% over their previous contract prices.

Financial Reporting – Value Financials

Participating Councils: Hamilton City, Hauraki District, Otorohanga District, Waikato District, Waikato Regional Council and LASS

The Project: Value Financials is a financial tool supplied by PricewaterhouseCoopers (PwC), which is used for completing end-of-year financial statements to meet statutory requirements. There is an annual licence fee, which includes 50 hours of support per annum to the participating councils and LASS.

The Benefits: Increased efficiency and ease of completing year-end financial reports.

GPS and Emergency Devices – Smartrak

Participating Councils: Hamilton City, Waikato District, Waikato Regional Council, Waipa District, Waitomo District

The Project: A comprehensive fleet management, GPS-tracking system, using advanced tracking devices, web-based mapping and visualisation, reporting tools, and pool car booking. It provides a system that locates, tracks and records real time information 24/7, and provides reports and recommendations on vehicle use.

The Benefits: Councils can effectively manage their fleets, including:

- monitoring and identifying potential health and safety risks of driver behaviour
- optimising fleet utilisation
- reducing fuel consumption
- improving labour efficiencies
- reducing operational costs.

The savings achieved depend on the number of units installed, and range from $36,000-$60,000 per council over the five-year term of the contract.

Infometrics – Online

Participating Councils: Hamilton City, Thames-Coromandel District, Waikato District, Waipa District

The Project: Infometrics provides on line economic profiles and data for understanding local economic performance in the areas of economy, employment, productivity, population, businesses, skills, exports and regional comparisons. An optional toolkit enables a more in-depth analysis of a district's regional economic indicators.

The Benefits: The savings gained from the use of a consortium approach has been a group discount of 20% with four in the consortium. The more councils in the consortium, the greater the discount (34% for up to 11 councils).

N3 and All of Government (AoG)

Participating Councils: All

The Project: Previously known as the Government Stores Board, N3 is a business-buying network with over 100 suppliers. Each council pays an annual fee and chooses which companies it wishes to purchase from, and to what extent.

Run by the Ministry of Business, Innovation and Employment (MBIE) Government Procurement Branch, AoG contracts establish a single supply agreement between the Crown and approved suppliers of selected goods and services commonly purchased across central and local government. Current AoG contracts of relevance to local government include electricity, energy management services, IT hardware, mobile voice and data services, office consumables, print devices, rental vehicles, reticulated gas, travel and vehicles.

The Benefits: In the year to December 2013, N3 reported savings of $742,000 for the participating councils.

AoG contracts have provided:

- cost savings
- productivity gains
- improved competition
- eliminated the need to tender for the range of goods and services for which AoG contracts are in place.

As at 30 June 2015, AoG reported that the LASS councils had achieved savings of $1,446,000 for a spend of $11.76 million (12.3% saving), across a range of services.

Waikato Regional Aerial Photography Service (WRAPS)

Participating Councils: All

The Project: WRAPS supplies colour, digital, orthorectified, aerial photography for the whole Waikato region, supplying all councils in the region. Discussions are currently underway with other parties to assess their willingness to join the syndicate. These include Land Information New Zealand (LINZ), the University of Waikato, the Ministry of Business, Innovation and Employment (MBIE) and Fonterra.

The Benefits: The availability of up-to-date aerial photographs across the Waikato region provides benefits to the councils, the general public and commercial businesses by:

- providing images that can be used for map backdrops (these images are a fundamental layer used for mapping)
- being able to use the five-yearly images to compare changes, such as coastal erosion or accretion, river paths, vegetation, city and town extents, and infrastructure such as roading
- being part of the national view of aerial images (aerial photos are available nationwide)
- delivering efficiencies in time and cost, by having LASS manage the tender and contract process collectively for the rural imagery, and providing an opportunity to negotiate a reduced, collective rate for urban photography.

In 2012, the WRAPS contract was $480,000, offset by $14,000 from two external partners. Significantly more external funding is expected for the next contract, reducing the cost to councils.

Waikato Historic Aerial Photos Archive

Participating Councils: All

The Project: The Land Information New Zealand (LINZ) Crown archive contains over 500,000 historic aerial photo negatives captured by surveys flown over New Zealand between 1936 and 2005. LASS has entered into a Memorandum of Understanding with LINZ to scan the archive over the next four years. The total cost for the Waikato syndicate will be $287,000, including a LINZ subsidy of $56,000.

The Benefits: In the Waikato, aerial photography is used each year to identify hazardous activities, to respond to approximately 300 public enquiries (at a cost of $60,000 per year in staff time) and to undertake approximately 150 contaminated land investigations. The images show land use changes across New Zealand and can be used to identify:

- illegal resource consent developments
- potentially contaminated sites
- areas where vegetation has changed, assisting with natural hazard information
- changes in land use (e.g. dairy and forestry land conversions or coal mining).

It is estimated that this new digital resource should save the private sector at least $75,000 per annum for image retrieval, as well as reducing council staff costs.

WHERE TO FROM HERE?

A number of new initiatives are currently being investigated under the LASS collaboration model.

Activity	What
Laboratory services	Analysis of water and wastewater samples at competitive rates.
Pipe procurement	Procurement of water, wastewater and stormwater pipes and fittings at competitive rates.
Legal Services Panel	A panel of legal firms, providing councils with a choice of general and specialist legal services at preferential rates.
Energy audits	Subsidised energy audits and the implementation of energy-saving initiatives – up to $100,000 could be available through the Energy Efficiency Conservation Authority (EECA) by entering into a Collaboration Agreement with them.
Asset valuations	Develop standard templates for collecting asset condition data, review current asset lives, and seek agreement to use common valuation data.
Health and Safety Working Party	Develop standard, best practice reporting measures for health and safety, and provide assurance that all councils are complying with the new legislation.

How else do we collaborate?

Collaboration with Bay of Plenty LASS (BOPLASS), Manawatu Wanganui LASS (MWLASS) and Hawkes Bay LASS (HBLASS)

The LASS CEO currently liaises with three other LASS companies operating in the North Island – BOPLASS, MWLASS, and HBLASS. The chief executives meet three times a year, to share information and ideas and to update each other on progress.

Most of our interaction is with BOPLASS, who are currently developing a significant project in which we are taking a particular interest – the Local Government Collaboration Portal. This is essentially a web presence, where local government can promote shared service initiatives and work collaboratively.

Mayoral Forum

The Waikato Mayoral Forum was established in 2012 and provides a venue for the Waikato Mayors to collectively discuss how to maximise the wellbeing of the regional community. The purpose of the forum is to:

- develop a vision for the Waikato
- act as a collective voice where appropriate
- engage with central Government, iwi and key stakeholders
- seek efficiencies in the provision of local government services.

Six workstreams have been established:

- planning
- roading
- economic development
- regulatory bylaws and policies
- water and wastewater
- governance.

The Waikato Plan

Local authorities in the Waikato hold combined assets of $11 billion and have combined annual operating revenues of over $800 million, mostly funded by ratepayers. Collaborative planning and governance is one way that local authorities can reduce costs to ratepayers and improve service delivery.

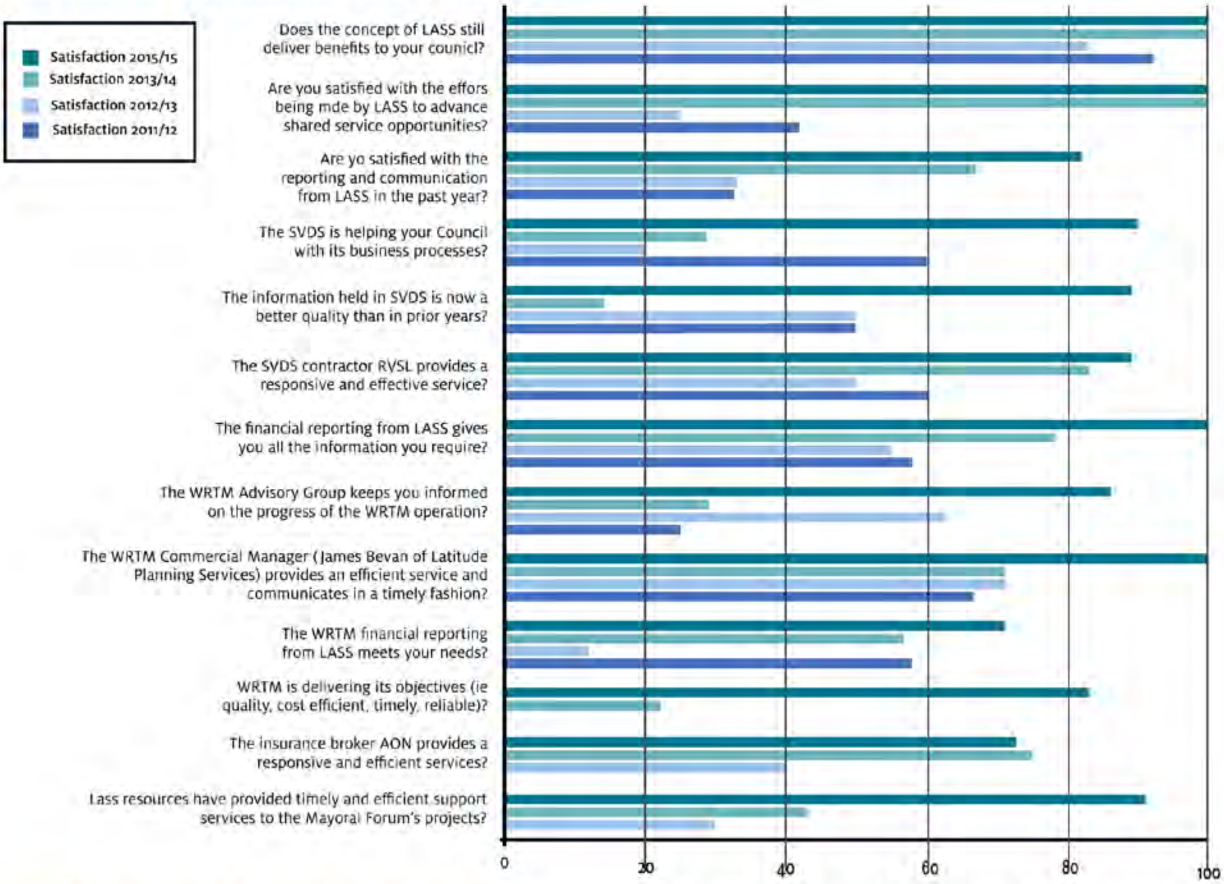
To build a collective voice, the Waikato Mayoral Forum is developing a "Waikato Plan", which will:

- set a strategic direction for the Waikato and its communities
- outline a high level development strategy that identifies settlement, infrastructure and service needs
- provide an evidential basis to support policy and investment decision making within the Waikato
- enable coherent and co-ordinated decision making by the local authorities, central Government and other parties to determine the future location and timing of critical infrastructure, services, and investment within the Waikato
- provide a basis for aligning the implementation plans, regulatory plans and funding programmes of local government and strategic partner agencies.

Implementation of the plan will provide a simpler regulatory framework, which will help our community, iwi and key stakeholders engage in business with confidence, reduce regulatory compliance hurdles and achieve positive environmental outcomes.

The plan is currently under development; it is anticipated that a draft will be available for public consultation by early 2017.

Shareholder Satisfaction Survey Results



Roading – Road Asset Technical Accord (RATA)

Roads in the Waikato make up around 11% of the national network, and their management and maintenance more than 11% of the national funds applied to operations and maintenance. The purpose of this workstream is to seek opportunities for greater collaboration in the roading sector within the Waikato region.

The objectives of RATA are to:

- reduce asset costs, while enhancing safety and ensuring a sound, resilient, local and regional network
- improve decision-making and investment
- assist the understanding, development and implementation of consistent road classifications
- utilise existing resources, and provide resilience to specialist staff
- achieve efficiencies.

RATA is supported by the NZ Transport Agency, who has contributed $250,000 in start-up funding, with a requirement to demonstrate savings to at least this value by June 2017.

The Waikato roading managers are now actively working together to identify savings and to improve strategic asset management and planning.

As at 30 June 2015, $180,000 in savings had been achieved, together with the development and implementation of a consistent data collection regime across the region, and a greater sharing of knowledge and expertise between roading staff. Benchmarking of outcomes across the region is also well underway.

Economic Development

The business led strategy, "Waikato Means Business", was published in February 2014. It will help to boost economic growth by building on areas of regional advantage and assisting the Waikato region to identify and take opportunities, and to more effectively manage risks.

The implementation plan, which is currently underway, identified seven actions:

- developing the Ruakura Hub inland port
- completing the Waikato Expressway
- creating a new Waikato Plan for the region
- undertaking a study of constraints on growth and future investment opportunities
- improving the supply of and demand for skilled labour
- reducing local government red tape for business
- creating a better Waikato marketing "story" to help facilitate growth.

Regulatory Bylaws and Policies

By working collaboratively to create Bylaws and Policies, we aim to achieve greater consistency, quality and efficiency in our regulatory roles.

The first project completed was the development of a "Significance and Engagement Policy" template, with embedded guidance material, which is now being used by all of the Waikato councils.

A second project is underway which will streamline councils' policy manuals by using a standard process for reviewing council policies. Terminology will be standardised and simplified, so that the policies are easy for the public to understand and are more consistent across the region.

A new project currently under investigation is to develop a Regional Infrastructure Technical Specification and guide. This would be a public document, available on each council's website, that would provide approved design and construction techniques which council staff, consultants, contractors and developers can use to design and construct public infrastructure.

Water and Wastewater

A preliminary review suggested that at least several million dollars a year could be saved by Waikato councils working together to deliver water and wastewater services. While business as usual was fine, the review concluded that there was potential for cost savings and a need to improve the resilience of water and wastewater services.

Over the past few months, an investigation has been underway into the benefits and challenges of a cooperative approach between Hamilton City, Waikato District and Waipa District councils. The final report and recommendations are currently being considered by the three councils.

Governance

The purpose of this work stream was to provide an opportunity for the region's Mayors to discuss options for future governance in the region, recognising that this conversation would be facilitated by the outcomes of the other work streams. It was also to identify the common ground and a common vision for the region.

However, over time, the goals of the Planning and Governance work streams came together and it made no sense for governance to operate in isolation. Therefore this work stream is currently in abeyance.

Item 8

Attachment 2

Local Authority Shared Services

value beyond boundaries

Hamilton City Council
Te kaunihera o Kirikiriroa

council report

Committee:	Council Controlled Organisations Subcommittee	**Date:**	21 October 2015
Report Name:	NZ Local Government Funding Agency - Annual Report 2015	**Author:**	Stephen Halliwell

Report Status	*Open*
Strategy, Policy or Plan context	*Statement of Intent*
Financial status	*There is not budget allocated*
Assessment of significance	*Having regard to the decision making provisions in the LGA 2002 and Councils Significance Policy, a decision in accordance with the recommendations is not considered to have a high degree of significance*

1. Purpose of the Report

2. To present the New Zealand Local Government Funding Agency Ltd (LGFA) Annual Report for the year ended 30 June 2015.

3. Executive Summary

Shareholding	Total Assets $(000)	Surplus / (Deficit) $(000)	Dividend	KPI's	Audit Opinion
8.29% 1 of 31 shareholders	$5,411,942	$9,204	Yes	11/13 achieved	unmodified

4. The purpose for ownership of this investment is to access debt funding.

5. Hamilton City is represented on the Shareholders Council by the Chief Financial Officer. During the 2014/15 year this has been Richard Briggs who was then replaced by Paul Conder. Paul has not yet had the opportunity to attend a meeting.

6. The company has reported growth in Local Government clients and its performance primary indicators outperform benchmarks. The company failed to meet two KPI's and these are not considered to be significant issues for Council's investment (2.6 and 2.7 n pages 17/18 of the annual report).

7. Net operating profit for the year ended 30 June 2015 was $9.2m (2014 $6.9m) compared to a forecast $7.3m.

8. A dividend of $1.608m has been declared – Hamilton City Council's share is approximately $133k.

Item 9

9. Recommendation from Management

10. That the report be received.

11. Attachments

12. Attachment 1 - LGFA Annual Report 2015

Signatory

Authoriser	Paul Conder, Chief Financial Officer

Item 9

Attachment 1

LGFA

NEW ZEALAND
LOCAL GOVERNMENT
FUNDING AGENCY

ANNUAL Report

30 JUNE 2015

CONTENTS

Cover and left: Len Lye Centre, New Plymouth. Dedicated to pioneering filmmaker and kinetic sculptor, Len Lye. New Plymouth District Council.

GOVERNANCE STRUCTURE

Shareholders, governance and management structure for the LGFA as at 30 June 2015.

LGFA Shareholders

Auckland Council
Bay of Plenty Regional Council
Christchurch City Council
Gisborne District Council
Greater Wellington Regional Council
Hamilton City Council
Hastings District Council
Hauraki District Council
Horowhenua District Council
Hutt City Council
Kapiti Coast District Council
Manawatu District Council
Marlborough District Council
Masterton District Council
New Plymouth District Council
Otorohanga District Council
Palmerston North City Council
Selwyn District Council
South Taranaki District Council
Tasman District Council
Taupo District Council
Tauranga City Council
Thames-Coromandel District Council
Waimakariri District Council
Waipa District Council
Wanganui District Council
Wellington City Council
Western Bay of Plenty District Council
Whakatane District Council
Whangarei District Council
New Zealand Government

LGFA Shareholders Council

Alan Adcock, Whangarei District Council Chairman
Paul Conder, Hamilton City Council
Mohan De Mel, Tauranga City Council
Mike Drummond, Tasman District Council
Douglas Marshall, Selwyn District Council
Matt Potton, Western Bay of Plenty District Council
Martin Read, Wellington City Council
Mat Taylor, Bay of Plenty Regional Council.
Mike Timmer, Greater Wellington Regional Council
Bryn Griffiths, New Zealand Government

LGFA Board

Craig Stobo, Independent Chairman
Paul Anderson, (Formerly Christchurch City Council)
John Avery, Independent
Philip Cory-Wright, Independent
Abigail Foote, Independent

LGFA Executive

Mark Butcher, Chief Executive
Neil Bain, Chief Financial Officer

Left: Kaiapoi Civic Centre, opened February 2015. Waimakariri District Council.

CHAIRMAN'S REPORT

Directors of the New Zealand Local Government Funding Agency (LGFA) are pleased to report a strong performance for the financial year to June 2015. During the last financial year we have overseen an increase in eligible council borrowers, total council borrowings and operating profits, while reducing the base margin for borrowers and providing a steady dividend for shareholders.

Continued investor support over the past year has resulted in a reduction in the interest rate margins over benchmark government bonds for the Agency's bonds, the issuance of $1.5 billion of bonds and enabled the issuance of new 2020 and 2027 maturities.

Our investor base continues to diversify as offshore investors have doubled their holdings of LGFA bonds in the past year to $1.4 billion and now represent over 28% of the Agency's investor register. Directors consider the growing support of non-resident investors to be critical to the continued success of the Agency's future borrowing programme, increasing the liquidity of our bonds and leading to further margin reduction.

The ongoing strong performance of the Agency reflects the support from the local authority sector. Lending to the sector over the year was $1.443 billion and our total nominal loans outstanding as at 30 June 2015 was $4.979 billion [$3.696 billion 2013-14]. We are pleased that we were able to support council borrowers by further reducing the base lending margin and extending the longest dated available borrowing tenor from nine years to twelve years.

It has been a busy year for LGFA with a number of milestones including:

- Introduction of bespoke lending to provide our council borrowers with the flexibility to select their preferred date for borrowing and date of loan drawdown. This has proven successful with ten transactions completed between March and June 2015.

- Reviewing our capital structure and governance structure to ensure both are keeping up with the significant growth in assets since establishment. The results were shared with shareholders during the year.
- Refinancing of the April 2015 LGFA bond maturity.
- Implementation of the new Treasury Management System on time and ahead of budget.
- Transitioning the front, middle and back office services previously undertaken by the NZ Debt Management Office (NZDMO) to LGFA.

The Agency's larger borrowing programme during the year resulted in net interest income of $13.87 million as at year-end [$10.22 million 2013-14]. Net operating profits for the year to 30 June 2015 rose to $9.2 million from $6.9 million in the previous financial year. The financial position has enabled an annual dividend of $1.6075 million for the 2014-15 year to be declared for our thirty local authority and Crown shareholders. The dividend is calculated as our cost of funds plus a margin of 200 basis point (bps).

The Agency's work cannot be implemented without the support of our staff, fellow directors and the NZDMO, all of whose efforts should be acknowledged. I would like to also thank Mark Butcher, our Chief Executive, for his leadership of the organisation over the past year. Directors believe the Agency's future remains positive and look forward to working with all stakeholders in the year ahead.

Craig Stobo,
Chairman, LGFA Board

Below: Raumati South Beach Accessway. Kapiti Coast District Council.

Item 9

Attachment 1

STATEMENT OF SERVICE PERFORMANCE

The IZONE Southern Business Hub, Rolleston, home to more than 30 businesses. Selwyn District Council.

STATEMENT OF SERVICE PERFORMANCE

Performance Against Objectives and Performance Targets

1 Primary objective

LGFA operates with the **primary objective** of optimising the debt funding terms and conditions for participating local authorities. Among other things this includes:

1.1 Providing estimated savings in annual interest costs for all Participating Local Authorities of at least 30 basis points, based on the methodology set out in LGFA's Annual Report 2012-2013

LGFA measures the pricing performance of bond tenders against two key benchmarks:

- LGFA aims to reduce its margin over New Zealand Government bonds (NZGBs) in accordance with its Statement of Intent (SOI) performance target.
- LGFA also aims to minimise its margin over swap rates to provide cost effective funding to councils.

While we have yet to meet our primary objective of 30 bps of savings, we have achieved improvement in the pricing of our four benchmark bonds over the past twelve months and since they were first issued. These bonds are regarded as our benchmark bonds because they have large volumes outstanding, the most liquidity and greatest frequency of issuance.

Over the course of the twelve months ended 30 June 2015:

- LGFA margins to NZGB improved by 25 bps, 28 bps, 22 bps and 20 bps respectively for the December 2017, March 2019, May 2021 and April 2023 maturities.
- LGFA margins to swap improved by 8 bps, 12 bps, 18 bps and 24 bps respectively for the December 2017, March 2019, May 2021 and April 2023 maturities.

These secondary market pricing movements are summarised in the following tables:

Margins – 15 December 2017	As at 30 June 2014 (bps)	As at 30 June 2015 (bps)	Pricing movement
LGFA margin to NZ Government Bonds	61	36	(25)
NZGB margin to swap	(46)	(29)	17
LGFA margin to swap	15	7	(8)

Margins – 15 March 2019	As at 30 June 2014 (bps)	As at 30 June 2015 (bps)	Pricing movement
LGFA margin to NZ Government Bonds	72	44	(28)
NZGB margin to swap	(49)	(33)	16
LGFA margin to swap	23	11	(12)

Margins – 15 May 2021	As at 30 June 2014 (bps)	As at 30 June 2015 (bps)	Pricing movement
LGFA margin to NZ Government Bonds	80	58	(22)
NZGB margin to swap	(46)	(42)	4
LGFA margin to swap	34	16	(18)

STATEMENT OF SERVICE PERFORMANCE

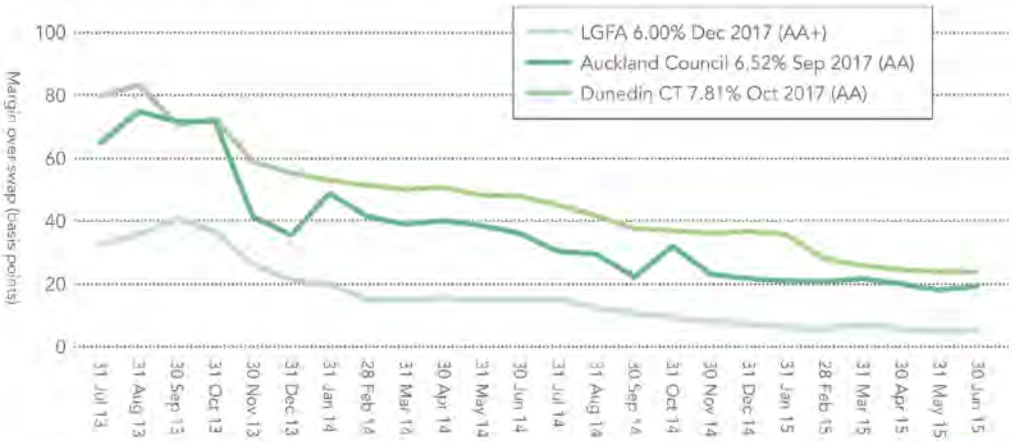
Margins – 15 April 2023	As at 30 June 2014 (bps)	As at 30 June 2015 (bps)	Pricing movement
LGFA margin to NZ Government Bonds	87	67	(20)
NZGB margin to swap	(43)	(47)	(4)
LGFA margin to swap	44	20	(24)

There was a substantial improvement in our margin to swap and NZGB over the financial year due to stronger credit market conditions and growing offshore investor interest in LGFA bonds. Margins on all LGFA issues to NZGB or swap are at, or near, historic lows.

In the past twelve months, our estimate of annual interest cost savings for AA rated councils have marginally reduced and remain below the 30 bps target for our two LGFA maturities that we have issued since 2012. This is because swap margins for our two benchmark councils (Auckland and Dunedin) also improved. These two councils have both been able to issue debt securities at favourable pricing following the series of successful LGFA tenders held over the past year and a general shortage of single name council debt. The positive credit market conditions have also seen a narrowing of credit spreads in general that mean the credit spreads of lesser rated borrowers will outperform the spreads of better rated borrowers.

From the charts below we estimate that as at 30 June 2015, LGFA was saving AA rated councils approximately 16 to 19 bps for a 2017 (two year) and 2019 (four year) maturity.

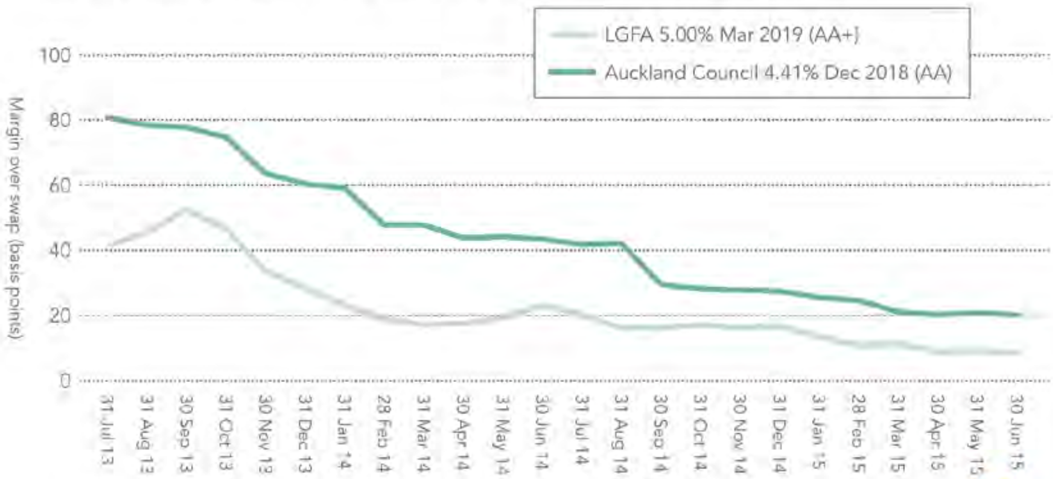
LGFA December 2017 secondary market credit margin over swap



Source: ANZ, BNZ, Westpac, Bloomberg and LGFA

STATEMENT OF SERVICE PERFORMANCE

LGFA December 2019 secondary market credit margin over swap



Source: ANZ, BNZ, Westpac, Bloomberg and LGFA

pwc

The basis for these estimates is set out in the following table:

Margins as at 30 June 2015	December 2017 maturity (bps)	March 2019 maturity (bps)
AA rated councils margin to swap*	22 to 25	27
Less: LGFA margin to swap	(7)	(11)
LGFA Gross Funding Advantage	15 to 18	16
Less: LGFA Base Margin	(9)	(9)
LGFA Net Funding Advantage	6 to 9	7
Add: 'LGFA Effect' **	10	10
Total saving for AA rated councils	**16 to 19**	**17**

* For the 2017 bond, the benchmark councils are Auckland (22 bps) and Dunedin (25 bps). For the 2019 bond, the benchmark is Auckland. Dunedin does not have a 2019 bond on issue.

** The 'LGFA effect' represents the estimated conservative reduction in AA rated councils' margin to swap as a result of LGFA operations. From May to June 2012, the margin to swap for AA rated councils' fell by 10 bps, with no corresponding move in swap spreads for other borrowers. This suggests that potential access to cost-effective LGFA funding has enabled these councils to reduce their borrowing margin by around 10 bps.

Given the LGFA focus on issuance of longer dated debt it is also relevant to consider the interest cost savings for a 7 year and 10 year maturity. We have used for comparative purposes two bonds issued by Dunedin and Auckland councils and the interest cost savings (23 bps to 25 bps) are greater for these longer dated borrowings than the 2017s and 2019s.

Margins as at 30 June 2015	Dunedin City Council Nov 2021 maturity (bps)	Auckland Council Mar 2025 maturity (bps)
AA rated council margin to swap	40	55
Less: LGFA margin to swap	(16)	(27)
LGFA Gross Funding Advantage	24	28
Less: LGFA Base Margin	(11)	(13)
LGFA Net Funding Advantage	13	15
Add: 'LGFA Effect'	10	10
Total saving for AA rated council	**23**	**25**

1.2 **Making longer-term borrowings available to participating local authorities**

Over the past twelve months, LGFA offered two maturity dates for borrowing in excess of eight years to participating councils:

- 15 April 2023 bond (eight years) and this maturity has comprised 44% of total issuance in the past twelve months and
- 15 April 2027 (eleven years) and since this maturity was first offered in March 2015 it has comprised 54% of our issuance.

Since the August 2014 tender, LGFA has also offered an April 2020 (five year) maturity.

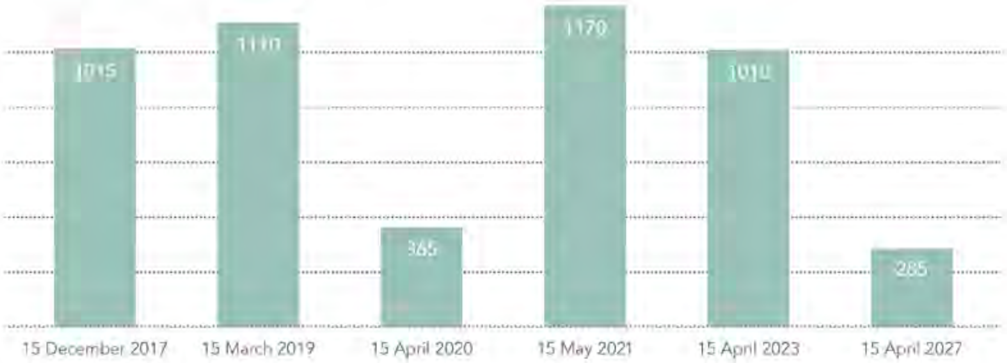
The following chart shows the average months to maturity for LGFA bonds issued at each tender, and the average months to maturity for all LGFA bonds outstanding at each tender. Over the past year the average maturity of LGFA bonds has lengthened by three months to 67 months (despite a natural 12-month shortening in time)

LGFA Bonds – Average total months to maturity

STATEMENT OF SERVICE PERFORMANCE

The following chart shows the total LGFA bond outstandings by maturity as at 30 June 2015:

LGFA bond outstandings ($ million)



Over the 2014-15 year LGFA issued $1.5 billion of debt with a weighted average maturity of 7.9 years.

LGFA Bond issuance by maturity 2014-15 ($ million)						
Dec 17	Mar 19	Apr 20	May 21	Apr 23	Apr 27	Total
55	40	365	100	655	285	1500

1.3 **Enhancing the certainty of access to debt markets for Participating Local Authorities, subject always to operating in accordance with sound business practice**

LGFA held eight tenders during the past year, with an average tender volume of $188 million. The volume offered at each tender ranged from $120 million to $285 million and all tenders were successful and fully subscribed. Total issuance during the financial year was $1.5 billion.

LGFA bond issuance by tender ($ million)

STATEMENT OF SERVICE PERFORMANCE

Over the twelve month period, total bids received across the eight tenders was $4.4 billion for the $1.5 billion of LGFA bonds offered resulting in a coverage ratio of 2.96 times. The LGFA cover ratio for each tender and the cumulative ratio for all tenders is shown in the following chart.

Tender cover ratio

While the coverage ratio for the past year is lower than the average coverage ratio of 3.36 times since LGFA first commenced issuing in February 2012, this is not surprising given the longer duration of LGFA bonds being tendered, the smaller tranche sizes being offered in the shorter dated LGFA maturities and recent tightening in spreads to both NZGB and swap. Furthermore, offshore investor demand for LGFA securities has been noted in the secondary market rather than at LGFA tenders.

While LGFA issues fixed coupon debt to investors, councils were provided the choice of either fixed or floating rate borrowing for their borrowing from LGFA.

Improved certainty of access for councils was achieved with the commencement of bespoke lending. LGFA first offered bespoke lending in February 2015 where council borrowers could select their preferred borrowing maturity date and their preferred date of borrowing drawdown. By June 2015 LGFA had undertaken ten bespoke lending transactions totalling $79 million.

2 Additional objectives

LGFA has a number of additional objectives which complement the primary objective. These additional objectives are to:

2.1 **Operate with a view to making a profit sufficient to pay a dividend in accordance with its stated Dividend Policy set out in section 6 of the Statement of Intent**

The LGFA's policy is to pay a dividend that provides an annual rate of return to shareholders equal to LGFA cost of funds plus 2% over the medium term.

Due to higher lending volumes and expenditure being contained close to budget, net operating profit for the year ended 30 June 2015 was $9.204 million (before dividend). On 23 September 2015, the directors of LGFA declared a dividend for the year to 30 June 2015 of $1,607,500 ($0.0643 per share). This is calculated on the LGFA cost of funds for the 2014-15 year of 4.43% plus the 2% margin.

STATEMENT OF SERVICE PERFORMANCE

2.2 **Provide at least 50% of aggregate long-term debt funding for Participating Local Authorities**

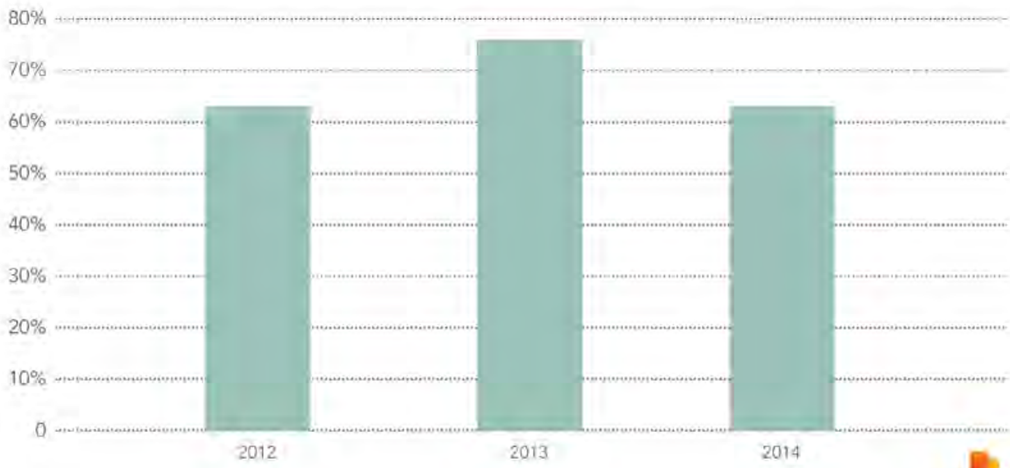
Councils have strongly supported LGFA and by 30 June 2015, 44 (out of 46) participating councils have borrowed from LGFA.

The strong council support for LGFA is demonstrated in the following chart which shows council participation in LGFA's issuance from February 2014.

Participating councils

The following chart shows LGFA's share of new local government debt issuance in the past three calendar years. Our share of new long-term borrowing by the sector including non-members of LGFA was estimated to be 63% for the twelve month period to December 2014. The reduction from our estimated 75% market share in the 2013 calendar year is due to Auckland Council issuing a greater proportion of its debt in the domestic market than in the prior year, and councils wanting to borrow into maturity dates that LGFA could not offer prior to bespoke lending being introduced. If we exclude Auckland Council external borrowing from the data, our estimated market share is 76% for 2014, 87% for 2013 and 86% for 2012.

LGFA Share of Local Government Debt Issuance (as at December 2014)



STATEMENT OF SERVICE PERFORMANCE

2.3 **Ensure its products and services are delivered at a cost that does not exceed the forecast for issuance and operating expenses set out in section 4 of the Statement of Intent**

Issuance and Operating Expenses for the twelve months to June 2015 were $4.67 million compared to a full year SOI forecast of $4.67 million.

Over the past year higher Approved Issuer Levy (AIL) payments, legal costs and additional travel expenses were incurred due to servicing the increased offshore investor interest in LGFA bonds. This was offset by a lower than forecast expenditure for the treasury system.

2.4 **Maintain LGFA's credit rating equal to the New Zealand Government sovereign rating where both entities are rated by the same Rating Agency**

On 20 October 2014, Standard & Poor's (S&P) affirmed LGFA's local currency credit rating at AA+ and foreign currency credit rating at AA. The outlook on both ratings is stable.

On 18 November 2014, Fitch affirmed LGFA's local currency credit rating at AA+ and foreign currency credit rating at AA. The outlook on both ratings was revised from stable to positive.

Both the S&P and Fitch ratings are the same as, and are capped by, New Zealand's Sovereign credit ratings. Fitch has defined LGFA as a dependent Public Sector Entity and our Fitch credit rating is now explicitly linked to the New Zealand government credit rating.

2.5 **Achieve the Financial Forecasts set out in section 4 of the Statement of Intent**

LGFA's financial results for key items set out in section 4 of the SOI for the year to 30 June 2015 are:

In $ million	30 June 2015 Actual	30 June 2015 SOI Forecast
Total Net Income (net of borrower notes)	13.87	11.97
Overheads	(4.67)	(4.67)
Net Profit	**9.20**	**7.30**

Due to the larger than forecast borrowing by councils from LGFA the Total Net Income and Net Profit was higher than forecast for the financial year.

2.6 **Meet or exceed the Performance Targets outlined in section 5**

	Current performance targets	Target	Result as at 30 June 2015	Outcome
1	Average cost of funds relative to NZGS	<0.50%	0.83%	No (i)
2	Average base on-lending margin above LGFA's cost of funds	<0.15%	0.13%	Yes
3	Annualised issuance and operating expenses	<$4.67 million	$4.67 million	Yes
4	Lending to participating councils	>$4,400 million	$4,979 million	Yes

(i) The average cost of funds of all issuance since February 2012 relative to NZGS has reduced by 1 bps from June 2014 to 0.83%. The margin contraction has occurred despite the disproportionate amount of longer dated LGFA bonds issued (and hence a wider margin) over the past twelve months. The historical average cost of funds calculation is also influenced by securities issued in 2012 at issuance margins in excess of 1.00% which have yet to mature.

STATEMENT OF SERVICE PERFORMANCE

A weighted average of LGFA margins to NZGS was 0.52% based on the secondary market levels as at 30 June 2015. The average margin for issuance in the 2014-15 year was 0.69%.

2.7 **Comply with its Treasury Policy, as approved by the Board**

LGFA was compliant with the Treasury Policy except for the period July 2014 to November 2014 when our two largest borrowing councils had borrowings in a single LGFA maturity that were greater than both $100 million and 25% of their total borrowing from LGFA.

These councils' borrowings were non-compliant with the Treasury Policy that stated "No more than the greater of NZD 100 million or 25% of a LG's borrowings from the LGFA will mature in any 12-month period".

This non-compliance was due to LGFA having, until April 2014, only four borrowing maturities available to councils. LGFA shareholders approved a change to the Foundation Policy in November 2014 to increase this limit to 33% of borrowings. Both councils are compliant as at 30 June 2015.

FINANCIAL STATEMENTS

Taupo water treatment plant, located on the Taupo lake front. Taupo District Council.

Item 9

Attachment 1

CONTENTS

DIRECTORS' DECLARATION

In the opinion of the directors of the New Zealand Local Government Funding Agency Limited, the financial statements and notes on pages 22 to 45:

- comply with New Zealand generally accepted accounting practice and give a true and fair view of the financial position of the Company as at 30 June 2015, and
- have been prepared using appropriate accounting policies, which have been consistently applied and supported by reasonable judgements and estimates.

The directors believe that proper accounting records have been kept which enables, with reasonable accuracy, the determination of the financial position of the Company and facilitates the compliance of the financial statements with the Financial Reporting Act 1993.

The directors consider that they have taken adequate steps to safeguard the assets of the Company, and to prevent and detect fraud and other irregularities. Internal control procedures are also considered to be sufficient to provide a reasonable assurance as to the integrity and reliability of the financial statements.

For and on behalf of the Board of Directors:

C. Stobo, Director	A. Foote, Director
23 September 2015	23 September 2015

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2015 in $000s

	Note	Year ended 2015	Year ended 2014
Interest income from			
Cash and cash equivalents		1,472	1,251
Loans to local government		201,352	122,201
Marketable securities		283	-
Deposits		3,467	1,248
Derivatives		16,207	24,415
Fair value hedge ineffectiveness	2(c)	-	-
Total interest income		**222,781**	**149,115**
Interest expense on			
Bonds		205,908	137,117
Borrower notes		3,000	1,779
Total interest expense		**208,908**	**138,896**
Net interest income		**13,873**	**10,219**
Operating expenses			
Issuance and on-lending expenses	3	2,526	1,464
Operating expenses	4	2,143	1,781
Total expenses		**4,669**	**3,245**
Net operating profit		**9,204**	**6,974**
Total comprehensive income for the year		**9,204**	**6,974**

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2015 in $000s

	Note	Share Capital	Retained earnings	Total equity
Equity as at 30 June 2013	9	**25,000**	**(1,611)**	**23,389**
Net operating profit		-	6,974	6,974
Total comprehensive income for the year		-	6,974	6,974
Transactions with owners:				
Dividend paid		-	(1,515)	(1,515)
Equity as at 30 June 2014	9	**25,000**	**3,848**	**28,848**
Net operating profit		-	9,204	9,204
Total comprehensive income for the year		-	9,204	9,204
Transactions with owners:				
Dividend paid	9	-	(1,765)	(1,765)
Equity as at 30 June 2015		**25,000**	**11,287**	**36,287**

These statements are to be read in conjunction with the notes to the financial statements

STATEMENT OF FINANCIAL POSITION

As at 30 June 2015 in $000s

	Note	2015	2014
Assets			
Financial assets			
Cash and cash equivalents		31,708	55,126
Trade and other receivables		38	40
Loans to local government	5	5,031,942	3,742,471
Marketable securities		5,345	-
Deposits		70,896	46,542
Derivatives in gain	2	270,503	73,779
Non-financial assets			
Prepayments		325	226
Other assets	11	1,081	2
Total assets		**5,411,838**	**3,918,187**
Equity			
Share capital		25,000	25,000
Retained earnings		11,287	3,848
Total equity		**36,287**	**28,848**
Liabilities			
Financial liabilities			
Trade and other payables		444	253
Accrued expenses		344	194
Bonds	6	5,274,319	3,825,301
Borrower notes	7	85,120	61,892
Derivatives in loss	2	15,324	1,699
Total liabilities		**5,375,551**	**3,889,339**
Total equity and liabilities		**5,411,838**	**3,918,187**

These statements are to be read in conjunction with the notes to the financial statements

STATEMENT OF CASH FLOWS

For the year ended 30 June 2015 in $000s

	Note	Year ended 2015	Year ended 2014
Cash flow from operating activities			
Cash applied to loans to local government		(1,284,042)	(1,223,789)
Interest paid on bonds issued		(231,648)	(159,066)
Interest paid on borrower notes		(292)	-
Interest received from cash and cash equivalents		1,472	1,252
Interest received from loans to local government		195,923	118,464
Interest received from marketable securities		464	-
Interest received on deposits		3,114	1,028
Net interest on derivatives		44,657	47,843
Payments to suppliers and employees		(4,426)	(3,346)
Net cash flow from operating activities		**(1,274,778)**	**(1,217,615)**
Cash flow from investing activities			
Maturity (Purchase) of marketable securities		(5,525)	-
Purchase of deposits		(24,000)	(22,000)
Purchase of plant and equipment and intangible assets		(1,081)	-
Net cash flow from investing activities		**(30,606)**	**(22,000)**
Cash flow from financing activities			
Dividend paid		(1,765)	(1,515)
Cash proceeds from borrower notes		20,520	19,440
Cash proceeds from bonds issued		1,296,179	1,260,763
Cash applied to derivatives		(32,968)	(25,879)
Net cash flow from financing activities		**1,281,966**	**1,252,809**
Net (Decrease) / Increase in Cash		**(23,418)**	**13,194**
Cash, Cash Equivalents and Bank overdraft at beginning of year		55,126	41,932
Cash, Cash Equivalents and Bank overdraft at end of year		**31,708**	**55,126**

These statements are to be read in conjunction with the notes to the financial statements

NOTES TO THE FINANCIAL STATEMENTS

1 Statement of accounting policies

a) Reporting Entity

The New Zealand Local Government Funding Agency Limited (LGFA) is a company registered under the Companies Act 1993 and is subject to the requirements of the Local Government Act 2002.

LGFA is controlled by participating local authorities and is a council-controlled organisation as defined under section 6 of the Local Government Act 2002. LGFA is a limited liability company incorporated and domiciled in New Zealand.

The primary objective of LGFA is to optimise the debt funding terms and conditions for participating local authorities.

The registered address of LGFA is Level 8, City Chambers, 142 Featherston Street, Wellington Central, Wellington 6011.

The financial statements are as at and for the year ended 30 June 2015.

These financial statements were authorised for issue by the Directors on 23 September 2015.

b) Statement of compliance

LGFA is an issuer in terms of the Financial Reporting Act 1993. The financial statements comply with the Financial Reporting Act 1993, in accordance with the transitional provisions under Section 55 of the Financial Reporting Act 2013 and Schedule 4 of the Financial Markets Conduct Act 2013.

LGFA is a profit orientated entity as defined under the New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS).

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). They comply with NZ IFRS and other applicable Financial Reporting Standards, as appropriate for Tier 1 for-profit entities. The financial statements also comply with International Financial Reporting Standards ("IFRS").

c) Basis of Preparation

Measurement base

The financial statements have been prepared on a historical cost basis modified by the revaluation of certain assets and liabilities.

The financial statements are prepared on an accrual basis.

Functional and presentation currency

The financial statements are presented in New Zealand dollars rounded to the nearest thousand, unless separately identified. The functional currency of LGFA is New Zealand dollars.

Foreign currency conversions

Transactions denominated in foreign currency are translated into New Zealand dollars using exchange rates applied on the trade date of the transaction.

Changes in accounting policies

There have been no changes in accounting policies.

NOTES TO THE FINANCIAL STATEMENTS

Early adoption standards and interpretations

The following accounting standard has been early adopted by LGFA.

NZ IFRS 9: Financial Instruments. The first two phases of this new standard were approved by the Accounting Standards Review Board in November 2009 and November 2010. These phases address the issues of classification and measurement of financial assets and financial liabilities.

Standards not yet adopted

LGFA does not consider any standards or interpretations in issue but not yet effective to have a significant impact on its financial statements. Those which may be relevant to LGFA are as follows:

- NZ IFRS 9: Financial Instruments (2014) – Effective for periods beginning on or after 1 January 2018. This standard aligns hedge accounting more closely with the risk management activities of the entity and adds requirements relating to the accounting for an entity's expected credit losses on its financial assets and commitments to extend credit.

d) Financial instruments

Financial assets

Financial assets, other than derivatives, are recognised initially at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest rate method.

Cash and cash equivalents include cash on hand; cash in transit, bank accounts and deposits with an original maturity of no more than three months.

Purchases and sales of all financial assets are accounted for at trade date.

At each balance date an assessment is made whether a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s), and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

Financial liabilities

Financial liabilities, other than derivatives, are recognised initially at fair value less transaction costs and subsequently measured at amortised cost using the effective interest rate method.

Derivatives

Derivative financial instruments are recognised both initially and subsequently at fair value. They are reported as either assets or liabilities depending on whether the derivative is in a net gain or net loss position respectively.

Fair value hedge

Where a derivative qualifies as a hedge of the exposure to changes in fair value of an asset or liability (fair value hedge) any gain or loss on the derivative is recognised in profit and loss together with any changes in the fair value of the hedged asset or liability.

The carrying amount of the hedged item is adjusted by the fair value gain or loss on the hedged item in respect of the risk being hedged. Effective parts of the hedge are recognised in the same area of profit and loss as the hedged item.

e) Other assets

Property, plant and equipment (PPE)

Items of property, plant and equipment are initially recorded at cost.

Depreciation is charged on a straight-line basis at rates calculated to allocate the cost or valuation of an item of property, plant and equipment, less any estimated residual value, over its remaining useful life.

NOTES TO THE FINANCIAL STATEMENTS

Intangible Assets

Intangible assets comprise acquired and internally developed computer software costs incurred for the implementation of the treasury management system. Capitalised computer software costs are amortised on a straight line basis over the estimated useful life of the software (3 to 7 years). Costs associated with maintaining computer software are recognised as expenses when incurred.

f) Other liabilities

Employee entitlements

Employee entitlements to salaries and wages, annual leave and other similar benefits are recognised in the profit and loss when they accrue to employees.

g) Revenue and expenses

Revenue

Interest income

Interest income is accrued using the effective interest rate method.

The effective interest rate exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this rate to the principal outstanding to determine interest income each period.

Expenses

Expenses are recognised in the period to which they relate.

Interest expense

Interest expense is accrued using the effective interest rate method.

The effective interest rate exactly discounts estimated future cash payments through the expected life of the financial liability to that liability's net carrying amount. The method applies this rate to the principal outstanding to determine interest expense each period.

Income tax

LGFA is exempt from income tax under Section 14 of the Local Government Borrowing Act 2011.

Goods and services tax

All items in the financial statements are presented exclusive of goods and service tax (GST), except for receivables and payables, which are presented on a GST-inclusive basis. Where GST is not recoverable as input tax, then it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the 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 the GST relating to investing and financing activities, is classified as a net operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

h) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

NOTES TO THE FINANCIAL STATEMENTS

i) Segment reporting

LGFA operates in one segment being funding of participating local authorities in New Zealand.

j) Judgements and estimations

The preparation of these financial statements requires judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. For example, the present value of large cash flows that are predicted to occur a long time into the future depends critically on judgements regarding future cash flows, including inflation assumptions and the risk free discount rate used to calculate present values. Refer note 2b for fair value determination for financial instruments.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Where these judgements significantly affect the amounts recognised in the financial statements they are described below and in the following notes.

2 Analysis of financial assets and financial liabilities

a) Categories of financial instruments

Financial instruments recognised in the Statement of Financial Position at fair value

Derivative financial instruments are the only instrument recognised in the Statement of Financial Position at fair value.

Derivative financial instruments are valued under fair value hierarchy level 2, determined according to the following hierarchy:

- Level 1 – Quoted market prices: Fair value based on quoted prices in active markets for identical assets or liabilities.
- Level 2 – Valuation techniques using observable market inputs: Fair value based on a valuation technique using other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
- Level 3 – Valuation techniques using significant non-observable market inputs: Fair value based on a valuation technique using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value of derivative financial instruments is determined using a discounted cash flow analysis. Interest rates represent the most significant assumption used in valuing derivative financial instruments. The interest rates used to discount estimated cash flows are based on the New Zealand dollar swap curves at the reporting date.

Financial instruments recognised in the Statement of Financial Position at amortised cost

Fair values of financial instruments not recognised in the Statement of Financial Position at fair value are determined for note disclosure as follows:

Cash and bank, trade & other receivables, trade & other payables

The carrying value of cash and bank, trade & other receivables, trade & other payables approximate their fair value as they are short-term instruments.

NOTES TO THE FINANCIAL STATEMENTS

Marketable securities and bonds

The fair value of bonds is determined using the quoted price for the instrument (Fair value hierarchy level 1).

Deposits

The fair value for deposits is determined using a discounted cash flow analysis. The interest rates used to discount the estimated cash flows are based on current market interest rates (Fair value hierarchy level 2).

Loans to local government

The fair value of loans to local government authorities is determined using a discounted cash flow analysis. The interest rates used to discount the estimated cash flows are based on LGFA bond yields at the reporting date plus an appropriate credit spread to reflect the counterparty's credit risk (Fair value hierarchy level 2).

Borrower notes

The fair value of borrower notes is determined using a discounted cash flow analysis. The interest rates used to discount the estimated cash flows are based on LGFA bond yields at the reporting date (Fair value hierarchy level 2).

Fair value of financial assets and financial liabilities

The fair value of financial assets and financial liabilities, together with the carrying amounts shown in the Statement of Financial Position, are as follows:

As at 30 June 2015 in $000s	Financial liabilities at amortised cost	Financial assets at amortised cost	Financial assets measured at fair value in accordance with NZIFRS 9	Fair value
Financial assets				
Cash and bank	-	31,708	-	31,708
Trade & other receivables	-	38	-	38
Loans to local government	-	5,031,942	-	5,163,921
Marketable securities		5,345		5,383
Deposits	-	70,896	-	70,986
Derivatives	-	-	270,503	270,503
		5,139,929	**270,503**	**5,542,539**
Financial liabilities				
Trade & other payables	444	-	-	444
Bonds	5,274,319	-	-	5,379,311
Borrower notes	85,120	-	-	85,776
Derivatives	-	-	15,324	15,324
	5,359,883	**-**	**15,324**	**5,480,855**

NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2014 in $000s	Financial liabilities at amortised cost	Financial assets at amortised cost	Financial assets measured at fair value in accordance with NZIFRS 9	Fair value
Financial assets				
Cash and bank	-	55,126	-	55,126
Trade & other receivables	-	40	-	40
Loans to local government	-	3,742,471	-	3,786,785
Marketable securities	-	-	-	-
Deposits	-	46,542	-	46,516
Derivatives	-	-	73,779	73,779
		3,844,180	**73,779**	**3,962,246**
Financial liabilities				
Trade & other payables	253	-	-	253
Bonds	3,825,301	-	-	3,853,808
Borrower notes	61,892	-	-	61,403
Derivatives		-	1,699	1,699
	3,887,446	**-**	**1,699**	**3,917,163**

b) Financial risk management

The Board of Directors has overall responsibility for carrying out the business of LGFA in accordance with risk management policies, including those relating to investing, lending, borrowing and treasury activities. The use of financial instruments exposes LGFA to a number of financial risks, the most significant being market risk, credit risk, and liquidity risk. The exposure and management of these risks is outlined below.

Market risk

Market risk is the risk that changes in market prices will affect LGFA's income or value of financial instruments. The most significant market risk which LGFA is exposed to is interest rate risk. LGFA has no significant exposure to foreign exchange risk.

Interest rate risk

Interest rate risk is the risk that future cash flows or the fair value of financial instruments will decrease because of a change in market interest rates. LGFA is exposed to interest rate risk through its interest-bearing financial assets and liabilities. Interest rate risk is managed by matching the interest rate repricing profile of its assets against the repricing profile of its liabilities. Where mismatches occur, interest rate swaps are used to economically convert the repricing profile of financial liabilities.

NOTES TO THE FINANCIAL STATEMENTS

The table below indicates the effective interest rate and the earliest period in which interest-bearing financial instruments reprice.

As at 30 June 2015 in $000s	Face value	Less than 6 months	6 months to 1 year	1 year to 2 years	2 years to 5 years	More than 5 years
Financial assets						
Cash and bank balances	31,708	31,708				
Loans to local government	4,978,500	4,037,000	-	-	439,500	502,000
Marketable securities	5,000	-	-	-	5,000	-
Deposits	70,000	70,000	-	-	-	-
Financial liabilities						
Bonds	(4,955,000)	-	-	-	(2,490,000)	(2,465,000)
Borrower notes	(79,656)	(64,592)	-	-	(7,032)	(8,032)
Derivatives	-	(4,015,700)	-	-	2,045,450	1,970,250
Total	**50,552**	**58,416**	**-**	**-**	**(7,082)**	**(782)**

As at 30 June 2014 in $000s	Face value	Less than 6 months	6 months to 1 year	1 year to 2 years	2 years to 5 years	More than 5 years
Financial assets						
Cash and bank balances	55,126	55,126	-	-	-	-
Loans to local government	3,696,000	2,805,500	28,000	-	432,500	430,000
Marketable securities	-	-	-	-	-	-
Deposits	46,000	46,000	-	-	-	-
Financial liabilities						
Bonds	(3,695,000)	-	(240,000)	-	(2,030,000)	(1,425,000)
Borrower notes	(59,136)	(44,888)	(448)	-	(6,920)	(6,880)
Derivatives	-	(2,812,700)	212,000	-	1,601,200	999,500
Total	**42,990**	**49,038**	**(448)**	**-**	**(3,220)**	**(2,380)**

Interest rate sensitivity

Changes in interest rates impact the fair value of fixed rate assets and liabilities, cash flows on floating rate assets and liabilities, and the fair value and cash flows of interest rate swaps. A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) profit or loss and equity by the amounts shown in the following table. This analysis assumes that all other variables remain constant.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2015 in $000s	2015 Profit and loss		2014 Profit and loss	
	100 bps increase	100 bps decrease	100 bps increase	100 bps decrease
Fair value sensitivity analysis				
Fixed rate assets	-	-	-	-
Fixed rate liabilities	188,425	(201,409)	(116,912)	123,459
Derivative financial instruments	(188,425)	201,409	116,912	(123,459)
	-	-	-	-
Cash flow sensitivity analysis				
Variable rate assets	40,370	(40,370)	28,055	(28,055)
Variable rate liabilities	(646)	646	(449)	449
Derivatives	(40,157)	40,157	(28,127)	28,127
	(433)	**433**	**(521)**	**521**

Credit risk

Credit risk is the risk of financial loss if a counterparty to a financial instrument fails to meet its contractual obligations. LGFA is exposed to credit risk through its lending and investing activities.

Credit risk associated with lending activities is managed by requiring local authorities that borrow from LGFA to meet specific credit lending criteria and to provide security against the borrowing. The LGFA's credit risk framework restricts credit exposures to specific counterparties.

Credit risk associated with investing activities, excluding on-lending, is managed by only investing with New Zealand Government Agencies or counterparties that meet a minimum credit rating of A (Standard & Poor's equivalent). The LGFA's credit risk framework limits concentrations of credit risk for any particular counterparty.

Exposure to credit risk

LGFA monitors the concentration of credit risk by the type of counterparty. The carrying value and maximum exposure to credit risk at the reporting date, before taking account of collateral or other credit enhancements, for significant counterparty types are shown in the table below.

NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2015 in $000s	NZ Government agencies	NZ local authorities	NZ registered banks	Other counter-parties	Total carrying value
Financial assets					
Cash and bank balances	31,078	-	630	-	31,708
Trade & other receivables	-	-	-	38	38
Loans to local government	-	5,031,942	-	-	5,031,942
Marketable securities	5,345	-	-	-	5,345
Deposits	-	-	70,896	-	70,896
Derivatives	270,503	-	-	-	270,503
	306,926	**5,031,942**	**71,526**	**38**	**5,410,432**

As at 30 June 2014 in $000s	NZ Government agencies	NZ local authorities	NZ registered banks	Other counter-parties	Total carrying value
Financial assets					
Cash and bank balances	54,566	-	560	-	55,126
Trade & other receivables	-	-	-	40	40
Loans to local government	-	3,742,471	-	-	3,742,471
Marketable securities	-	-	-	-	-
Deposits	-	-	46,542	-	46,542
Derivatives	73,779	-	-	-	73,779
	128,345	**3,742,471**	**47,102**	**40**	**3,917,959**

Collateral and credit enhancements

LGFA holds collateral against borrowings from local authorities in the form of debenture securities and guarantees.

Credit quality of financial assets

All financial assets are neither past due or impaired. The carrying value of the financial assets is expected to be recoverable.

Liquidity risk

Liquidity risk is the risk that LGFA will encounter difficulty in meeting the obligations of its financial liabilities. LGFA manages liquidity risk by holding cash and a portfolio of liquid assets to meet obligations when they fall due.

The New Zealand Debt Management Office (NZDMO) also provide a committed liquidity facility that LGFA can draw upon to meet any exceptional and temporary liquidity shortfall. As at 30 June 2015, the undrawn committed liquidity facility was $400 million (2014: $400 million).

NOTES TO THE FINANCIAL STATEMENTS

Contractual cash flows of financial instruments

The contractual cash flows associated with financial assets and liabilities are shown in the table below.

As at 30 June 2015 in $000s	On demand	Up to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total contract cash flows	Total carrying value
Financial assets							
Cash	31,708	-	-	-	-	31,708	31,708
Trade & other receivables	-	38	-	-	-	38	38
Loans to local government	-	48,627	160,884	3,148,926	2,859,955	6,218,392	5,031,942
Marketable securities	-	-	300	5,450	-	5,750	5,345
Deposits	-	40,813	30,855	-	-	71,668	70,896
Financial liabilities							
Trade & other payables	-	(444)	-	-	-	(444)	(444)
Bonds	-	(27,750)	(238,175)	(3,345,950)	(2,791,625)	(6,403,500)	(5,274,319)
Borrower notes	-	-	-	(47,647)	(55,358)	(103,005)	(85,120)
Derivatives	-	(18,294)	86,213	185,705	25,604	279,228	255,180
	31,708	**42,990**	**40,077**	**(53,516)**	**38,576**	**99,835**	**35,226**

As at 30 June 2014 in $000s	On demand	Up to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total contract cash flows	Total carrying value
Financial assets							
Cash	55,126	-	-	-	-	55,126	55,126
Trade & other receivables	-	40	-	-	-	40	40
Loans to local government	-	35,894	337,460	2,740,879	1,664,510	4,778,742	3,742,471
Marketable securities							
Deposits	-	36,730	10,221	-	-	46,950	46,542
Financial liabilities							
Trade & other payables	-	(253)	-	-	-	(253)	(253)
Bonds	-	(26,750)	(422,475)	(2,722,900)	(1,631,500)	(4,803,625)	(3,825,301)
Borrower notes	-	-	(3,384)	(41,497)	(32,640)	(77,521)	(61,892)
Derivatives		(7,045)	44,638	39,597	3,566	80,756	72,080
	55,126	**38,616**	**(33,540)**	**16,079**	**3,936**	**80,215**	**28,813**

NOTES TO THE FINANCIAL STATEMENTS

c) Hedge accounting

LGFA is exposed to interest rate risk from fixed rate borrowing and variable rate lending to Councils. LGFA manages this interest rate risk through the use of interest rate swaps. For hedge accounting purposes, LGFA has designated these swaps in fair value relationships to its fixed rate borrowing.

The gain or loss on the hedging instrument and the hedged item attributable to the hedged risk for fair value hedge relationships is shown in the table below.

For the year ended 30 June 2015 in $000s	**2015** Gain/(loss)	2014 Gain/(loss)
Hedging instruments – interest rate swaps	178,578	(37,102)
Hedged item attributable to the hedged risk – fixed rate bonds	(178,578)	37,102
Ineffectiveness recognised in profit or loss from fair value hedges	-	-

The gains or losses on the hedging instrument (interest rate swaps) and the hedged item (bonds) are mapped to the same fair value account. For this reason, the Statement of Comprehensive Income will only report any ineffectiveness arising from the fair value hedge.

d) Offsetting

NZ IAS 32: Financial Instruments Presentation allows financial assets and liabilities to be offset only when there is a current legally enforceable right to set off the amounts and there is an intention either to settle on a net basis, or to realise the asset and settle the liability simultaneously. LGFA does not offset any amounts. The following table shows amounts subject to an enforceable master netting arrangement or similar agreement that are not offset in the statement of financial position:

As at 30 June 2015 in $000s	Derivative assets	Derivative liabilities
Gross amounts	270,503	15,324
Amounts offset	-	-
Carrying amounts	270,503	15,324
Amounts that don't qualify for offsetting		
Financial assets & liabilities	(15,324)	(15,324)
Collateral	-	-
Net amount	**255,179**	-

As at 30 June 2014 in $000s	Derivative assets	Derivative liabilities
Gross amounts	73,779	1,699
Amounts offset	-	-
Carrying amounts	73,779	1,699
Amounts that don't qualify for offsetting		
Financial assets & liabilities	(1,699)	(1,699)
Collateral	-	-
Net amount	**72,080**	-

NOTES TO THE FINANCIAL STATEMENTS

3 Issuance and on-lending expenses

For the year ended 30 June 2015 in $000s	2015	2014
NZDMO facility fee [1]	283	200
NZDMO processing fees	149	154
Rating agency fees	500	515
Legal fees for issuance [2]	203	90
Regulatory, registry, other fees	23	20
Trustee fees	101	110
Approved issuer levy [3]	1,192	375
Promotion/roadshow	11	-
Information Services [4]	64	-
	2,526	**1,464**

(1) The facility fee agreement with NZDMO provided for a contractual increase in cost from .05% pa to .10% pa at the end of LGFA's first three years of operation.

(2) The increase in legal fees is attributable to advice on the Financial Markets Conduct Act 2013 and Approved Issuer Levy.

(3) The increase in Approved Issuer Levy is attributable to increased holdings of LGFA bonds by offshore investors.

(4) Information services costs is attributable to the migration of outsourced services from NZDMO to LGFA. Previously this cost was incorporated within the NZDMO processing fee.

4 Operating expenses

For the year ended 30 June 2015 in $000s	2015	2014
Consultants	95	82
Directors' fees	257	283
Insurance	63	60
Legal fees	94	104
Other expenses [1]	532	270
Auditor's remuneration		
Statutory audit	80	80
Personnel	998	863
Recruitment	24	39
	2,143	**1,781**

(1) The increase in operating costs is attributable to treasury system selection, website development and costs associated with establishing new Wellington and Auckland premises.

5 Loans to local government

As at 30 June 2015 in $000s	Face value	Unamortised premium/ (discount)	Accrued interest	Total
Ashburton District Council	15,000	829	113	15,941
Auckland Council	1,725,000	16,818	11,396	1,753,214
Christchurch City Council	932,500	3,219	5,463	941,183
Far North District Council	10,000	-	55	10,055
Gisborne District Council	17,000	-	51	17,051
Greater Wellington Regional Council	155,000	-	741	155,741
Grey District Council	20,000	592	163	20,754
Hamilton City Council	225,000	-	771	225,771
Hastings District Council	50,000	-	204	50,204
Hauraki District Council	34,000	-	184	34,184
Horizons Regional Council	10,000	-	18	10,018
Horowhenua District Council	47,000	618	366	47,985
Hurunui District Council	12,000	-	67	12,067
Hutt City Council	49,000	281	401	49,682
Kapiti Coast District Council	130,000	-	480	130,480
Manawatu District Council	41,000	27	303	41,330
Marlborough District Council	28,000	(129)	175	28,046
Masterton District Council	40,000	-	194	40,194
Matamata Piako District Council	24,500	-	98	24,598
Nelson City Council	25,000	-	150	25,150
New Plymouth District Council	56,000	-	221	56,221
Opotiki District Council	3,500	49	25	3,574
Otorohanga District Council	9,000	235	73	9,308
Palmerston North City Council	77,000	-	376	77,376
Porirua City Council	20,000	-	140	20,140
Queenstown Lakes District Council	60,000	1,096	444	61,539
Rotorua District Council	55,000	599	573	56,172
Selwyn District Council	35,000	-	66	35,066
South Taranaki District Council	62,000	-	234	62,234
Tararua District Council	9,000	-	45	9,045
Tasman District Council	90,000	-	428	90,428
Taupo District Council	100,000	-	423	100,423
Tauranga City Council	215,000	525	1,062	216,587
Thames-Coromandel District Council	35,000	-	89	35,089
Timaru District Council	51,000	45	334	51,378
Upper Hutt City Council	18,000	-	72	18,072
Waikato District Council	50,000	-	215	50,215
Waimakariri District Council	55,000	324	409	55,733
Waipa District Council	13,000	-	22	13,022
Wanganui District Council	41,000	-	182	41,182
Wellington City Council	138,000	-	712	138,712
Western Bay of Plenty District Council	70,000	-	127	70,127
Whakatane District Council	28,000	-	101	28,101
Whangarei District Council	98,000	43	507	98,550
	4,978,500	**25,170**	**28,272**	**5,031,942**

NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2014 in $000s	Face value	Unamortised premium/ (discount)	Accrued interest	Total
Ashburton District Council	15,000	950	113	16,062
Auckland Council	1,175,000	20,816	6,610	1,202,426
Christchurch City Council	571,500	2,045	2,386	575,931
Far North District Council	10,000	-	53	10,053
Gisborne District Council	10,000	-	13	10,013
Greater Wellington Regional Council	125,000	-	475	125,475
Grey District Council	20,000	685	145	20,830
Hamilton City Council	230,000	-	880	230,880
Hastings District Council	45,000	-	184	45,184
Hauraki District Council	23,000	-	112	23,112
Horizons Regional Council	10,000	-	18	10,018
Horowhenua District Council	33,000	616	273	33,889
Hurunui District Council	8,000	-	19	8,019
Hutt City Council	26,000	350	267	26,617
Kapiti Coast District Council	115,000	-	314	115,314
Manawatu District Council	29,000	303	189	29,492
Marlborough District Council	14,000	(149)	157	14,007
Masterton District Council	35,000	-	110	35,110
Matamata Piako District Council	24,500	-	61	24,561
Nelson City Council	15,000	-	59	15,059
New Plymouth District Council	46,000	-	131	46,131
Opotiki District Council	-	-	-	-
Otorohanga District Council	9,000	297	73	9,370
Palmerston North City Council	62,000	-	256	62,256
Porirua City Council	-	-	-	-
Queenstown Lakes District Council	50,000	1,240	329	51,569
Rotorua District Council	55,000	760	573	56,333
Selwyn District Council	35,000	-	65	35,065
South Taranaki District Council	42,000	-	109	42,109
Tararua District Council	7,000	-	32	7,032
Tasman District Council	85,000	-	254	85,254
Taupo District Council	80,000	-	330	80,330
Tauranga District Council	220,000	654	1,008	221,662
Thames-Coromandel District Council	35,000	-	83	35,083
Timaru District Council	51,000	61	304	51,366
Upper Hutt City Council	11,000	-	28	11,028
Waikato District Council	35,000	-	78	35,078
Waimakariri District Council	25,000	374	200	25,574
Waipa District Council	13,000	-	22	13,022
Wanganui District Council	24,000	-	77	24,077
Wellington City Council	83,000	-	256	83,256
Western Bay of Plenty District Council	70,000	-	126	70,126
Whakatane District Council	28,000	-	85	28,085
Whangarei District Council	96,000	100	514	96,614
	3,696,000	**29,102**	**17,370**	**3,742,471**

6 Bonds issued

As at 30 June 2015 in $000s		Face value	Unamortised premium	Accrued interest	Fair value hedge adjustment	Total
15 December 2017	6% coupon	1,015,000	40,097	2,496		
15 March 2019	5% coupon	1,110,000	33,719	16,137		
15 April 2020	3% coupon	365,000	(21,839)	2,274		
15 May 2021	6% coupon	1,170,000	72,162	8,775		
15 April 2023	5.5% coupon	1,010,000	41,034	11,535		
15 April 2027	4.5% coupon	285,000	8,683	2,663		
Total		**4,955,000**	**173,856**	**43,880**	**101,583**	**5,274,319**

As at 30 June 2014 in $000s		Face value	Unamortised premium	Accrued interest	Fair value hedge adjustment	Total
15 April 2015	6% coupon	240,000	4,257	2,990		
15 December 2017	6% coupon	960,000	51,251	2,361		
15 March 2019	5% coupon	1,070,000	40,424	15,556		
15 May 2021	6% coupon	1,070,000	73,598	8,025		
15 April 2023	5.5% coupon	355,000	4,781	4,054		
Total		**3,695,000**	**174,311**	**32,986**	**(76,996)**	**3,825,301**

7 Borrower notes

Borrower notes are subordinated debt instruments (which are required to be held by each local authority that borrows from LGFA in an amount equal to 1.6% of the aggregate borrowings by that local authority).

LGFA may convert borrower notes into redeemable shares if it has made calls for all unpaid capital to be paid in full and the LGFA Board determines it is still at risk of imminent default.

NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2015 in $000s	Face value	Accrued interest	Total
Ashburton District Council	240	19	259
Auckland Council	27,600	1,999	29,599
Christchurch City Council	14,920	920	15,840
Far North District Council	160	12	172
Gisborne District Council	272	11	283
Greater Wellington Regional Council	2,480	153	2,633
Grey District Council	320	24	344
Hamilton City Council	3,600	311	3,911
Hastings District Council	800	58	858
Hauraki District Council	544	26	570
Horizons Regional Council	160	11	171
Horowhenua District Council	752	50	802
Hurunui District Council	192	7	199
Hutt City Council	784	40	824
Kapiti Coast District Council	2,080	161	2,241
Manawatu District Council	656	37	693
Marlborough District Council	448	19	467
Masterton District Council	640	51	691
Matamata Piako District Council	392	25	417
Nelson City Council	400	22	422
New Plymouth District Council	896	61	957
Opotiki District Council	56	1	57
Otorohanga District Council	144	14	158
Palmerston North City Council	1,232	63	1,295
Porirua City Council	320	11	331
Queenstown Lakes District Council	960	74	1,034
Rotorua District Council	880	77	957
Selwyn District Council	560	66	626
South Taranaki District Council	992	53	1,045
Tararua District Council	144	6	150
Tasman District Council	1,440	101	1,541
Taupo District Council	1,600	117	1,717
Tauranga City Council	3,440	259	3,699
Thames-Coromandel District Council	560	34	594
Timaru District Council	816	57	873
Upper Hutt City Council	288	11	299
Waikato District Council	800	49	849
Waimakariri District Council	880	30	910
Waipa District Council	208	15	223
Wanganui District Council	656	34	690
Wellington City Council	2,208	115	2,323
Western Bay of Plenty District Council	1,120	126	1,246
Whakatane District Council	448	30	478
Whangarei District Council	1,568	102	1,670
	79,656	**5,464**	**85,120**

NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2014 in $000s	Face value	Accrued interest	Total
Ashburton District Council	240	8	248
Auckland Council	18,800	1,054	19,854
Christchurch City Council	9,144	368	9,512
Far North District Council	160	6	166
Gisborne District Council	160	4	164
Greater Wellington Regional Council	2,000	99	2,099
Grey District Council	320	11	331
Hamilton City Council	3,680	204	3,884
Hastings District Council	720	28	748
Hauraki District Council	368	13	381
Horizons Regional Council	160	4	164
Horowhenua District Council	528	23	551
Hurunui District Council	128	1	129
Hutt City Council	416	16	432
Kapiti Coast District Council	1,840	82	1,922
Manawatu District Council	464	14	478
Marlborough District Council	224	6	230
Masterton District Council	560	27	587
Matamata Piako District Council	392	9	401
Nelson City Council	240	6	246
New Plymouth District Council	736	27	763
Opotiki District Council	-	-	-
Otorohanga District Council	144	7	151
Palmerston North City Council	992	29	1,021
Porirua City Council	-	-	-
Queenstown Lakes District Council	800	32	832
Rotorua District Council	880	36	916
Selwyn District Council	560	41	601
South Taranaki District Council	672	22	694
Tararua District Council	112	2	114
Tasman District Council	1,360	43	1,403
Taupo District Council	1,280	93	1,373
Tauranga City Council	3,520	143	3,663
Thames-Coromandel District Council	560	12	572
Timaru District Council	816	22	838
Upper Hutt City Council	176	2	178
Waikato District Council	560	22	582
Waimakariri District Council	400	5	405
Waipa District Council	208	6	214
Wanganui District Council	384	14	398
Wellington City Council	1,328	45	1,373
Western Bay of Plenty District Council	1,120	77	1,197
Whakatane District Council	448	12	460
Whangarei District Council	1,536	82	1,618
	59,136	**2,756**	**61,892**

NOTES TO THE FINANCIAL STATEMENTS

8 Reconciliation of net profit/(loss) to net cash flow from operating activities

For the year ended 30 June 2015 in $000s	2015	2014
Net profit/(loss) for the year	9,204	6,974
Cash applied to loans to local government	(1,284,042)	(1,223,789)
Non-cash adjustments		
Amortisation and depreciation	(185)	(733)
Working capital movements		
Net change in trade debtors and receivables	192	(157)
Net change in prepayments	(98)	12
Net change in accruals	151	78
Net cash flows from operating activities	**(1,274,778)**	**(1,217,615)**

9 Share capital

Share capital

As at 30 June 2015 LGFA had 45 million ordinary shares on issue, 20 million of which remain uncalled. All ordinary shares rank equally with one vote attached to each ordinary share. Ordinary shares have a face value of $1 per share.

Shareholder information

Registered holders of equity securities as at 30 June 2015.

NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2015 in $000s	2015		2014	
New Zealand Government	5,000,000	11.1%	5,000,000	11.1%
Auckland Council	3,731,960	8.3%	3,731,960	8.3%
Christchurch City Council	3,731,960	8.3%	3,731,960	8.3%
Hamilton City Council	3,731,960	8.3%	3,731,960	8.3%
Bay of Plenty Regional Council	3,731,958	8.3%	3,731,958	8.3%
Greater Wellington Regional Council	3,731,958	8.3%	3,731,958	8.3%
Tasman District Council	3,731,958	8.3%	3,731,958	8.3%
Tauranga City Council	3,731,958	8.3%	3,731,958	8.3%
Wellington City Council	3,731,958	8.3%	3,731,958	8.3%
Western Bay of Plenty District Council	3,731,958	8.3%	3,731,958	8.3%
Whangarei District Council	1,492,784	3.3%	1,492,784	3.3%
Hastings District Council	746,392	1.7%	746,392	1.7%
Marlborough District Council	400,000	0.9%	400,000	0.9%
Selwyn District Council	373,196	0.8%	373,196	0.8%
Gisborne District Council	200,000	0.4%	200,000	0.4%
Hauraki District Council	200,000	0.4%	200,000	0.4%
Horowhenua District Council	200,000	0.4%	200,000	0.4%
Hutt City Council	200,000	0.4%	200,000	0.4%
Kapiti Coast District Council	200,000	0.4%	200,000	0.4%
Manawatu District Council	200,000	0.4%	200,000	0.4%
Masterton District Council	200,000	0.4%	200,000	0.4%
New Plymouth District Council	200,000	0.4%	200,000	0.4%
Otorohanga District Council	200,000	0.4%	200,000	0.4%
Palmerston North City Council	200,000	0.4%	200,000	0.4%
South Taranaki District Council	200,000	0.4%	200,000	0.4%
Taupo District Council	200,000	0.4%	200,000	0.4%
Thames-Coromandel District Council	200,000	0.4%	200,000	0.4%
Waimakariri District Council	200,000	0.4%	200,000	0.4%
Waipa District Council	200,000	0.4%	200,000	0.4%
Wanganui District Council	200,000	0.4%	200,000	0.4%
Whakatane District Council	200,000	0.4%	200,000	0.4%
	45,000,000	**100%**	**45,000,000**	**100%**

NOTES TO THE FINANCIAL STATEMENTS

Capital management

LGFA's capital is equity, which comprises share capital and retained earnings. The objective of managing LGFA's equity is to ensure LGFA achieves its goals and objectives for which it has been established, whilst remaining a going concern.

Dividend

During the year LGFA paid a dividend of $1,765,000 ($0.0706) per paid up share. (2014: $1,515,000 ($0.0606 per paid up share)).

10 Operating leases

The future aggregate minimum lease payments to be made under non-cancellable operating leases are as follows:

As at 30 June 2015 in $000s	2015	2014
Less than one year	67	84
Between one and five years	133	282
Total non-cancellable operating leases	**200**	**366**

The non-cancellable operating lease expense relates to the leases of level 8, City Chambers, 142 Featherston Street, Wellington and level 12, West Plaza Tower, Cnr Albert & Customs Street, Auckland. For the year-ended 30 June 2015, total payments under the leases were $92,035.

11 Other assets

As at 30 June 2015 in $000s	2015	2014
Property, plant and equipment	46	2
Intangible Assets	1,035	–
Total Other Assets	**1,081**	**2**

The increase in property, plant and equipment is attributable to capitalised software and development costs for the treasury management system.

12 Capital commitments

As at 30 June 2015, there are no capital commitments.

13 Contingencies

There are no material contingent liabilities at balance date.

NOTES TO THE FINANCIAL STATEMENTS

14 Related parties

Identity of related parties

The Company is related to the local authorities set out in the Shareholder Information in note 9.

The Company operates under a Statement of Intent with the respective local authorities that requires the Company to provide debt to them at the lowest possible interest rates and to enhance their certainty of access to debt markets.

Shareholding local authorities, and non-shareholder local authorities who borrow more than $20 million, are required to enter into a guarantee when they join or participate in LGFA. The guarantee is in respect of the payment obligations of other guaranteeing local authorities to the LGFA (cross guarantee) and of the LGFA itself.

Related party transactions

LGFA was established for the purpose of raising funds from the market to lend to participating councils. The lending to individual councils is disclosed in note 5, and interest income recognised on this lending is shown in the Statement of Comprehensive Income.

The purchase of LGFA borrower notes by participating councils is disclosed in note 7, and the interest expense on these is shown in the Statement of Comprehensive Income.

Up until 30 June 2015, LGFA contracted the NZDMO, an operating unit of the Treasury, to provide outsourced treasury services for LGFA. Services included operational processing associated with debt issuance, lending to local authorities, accounting, settlement services, investments, hedging and measuring risk. Proccessing fees are disclosed in Note 3.

Transactions with key management personnel

Salaries $563,231 (2014: $559,331)

Fees paid to Directors are disclosed in operating overheads in Note 4.

15 Subsequent events

There have been no significant events after balance date that have affected the accuracy of these financial statements.

Subsequent to balance date, LGFA has issued $325 million in bonds through two tenders.

Subsequent to balance date, on 23 September 2015, the Directors of LGFA declared a dividend of $1,607,500 ($0.0643 per share).

INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF NEW ZEALAND LOCAL GOVERNMENT FUNDING AGENCY LIMITED'S FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION FOR THE YEAR ENDED 30 JUNE 2015

The Auditor-General is the auditor of New Zealand Local Government Funding Agency Limited (the company). The Auditor-General has appointed me, Graeme Edwards, using the staff and resources of KPMG, to carry out the audit of the financial statements and the performance information of the company on her behalf.

We have audited:

- the financial statements of the company on pages 22 to 45, that comprise the statement of financial position as at 30 June 2015, 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 10 to 18.

Opinion

Financial statements and performance information

In our opinion:

- the financial statements of the company:
- comply with generally accepted accounting practice in New Zealand and have been prepared in accordance with New Zealand equivalents to International Financial Reporting Standards;
- comply with International Financial Reporting Standards;
- give a true and fair view of the company's:
  - financial position as at 30 June 2015; and
  - financial performance and cash flows for the year ended on that date.
- the performance information of the company gives a true and fair view of the company's achievements measured against the performance targets adopted for the year ended 30 June 2015.

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 23 September 2015. 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 the performance information 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 the performance information. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

KPMG

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements and in the performance information. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and the performance information, 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 performance information 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 the disclosures in the financial statements and in the performance information; and
- the overall presentation of the financial statements and the performance information.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and the performance information. Also, we did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

In accordance with the Financial Reporting Act 1993, we report that we have obtained all the information and explanations we have required. We believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of the Board of Directors

The Board of Directors is responsible for the preparation and fair presentation of financial statements for the company that comply with generally accepted accounting practice in New Zealand. The Board of Directors is also responsible for the preparation of the performance information for the company.

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

The Board of Directors is 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 the performance information, whether in printed or electronic form.

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and the performance information and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001.

Independence

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.

Other than the audit, we have no relationship with or interests in the company.

G Edwards

Graeme Edwards
KPMG
On behalf of the Auditor-General
Wellington, New Zealand

BOARD OF DIRECTORS

Interests Register

Name of Director	Nature and extent of interest	
Craig Stobo (Chair)	**Director** Precinct Properties New Zealand Ltd OCG Consulting Ltd* Elevation Capital Management Ltd Saturn Portfolio Management Ltd Stobo Group Ltd AIG Insurance NZ Ltd Fliway Group Ltd	**General Disclosure** Chair, Establishment Board, Local Government Risk Agency
Paul Anderson	**Officer** CEO, NZSki Ltd Formerly Christchurch City Council	**Director** Ecocentral Ltd
John Avery	**Director** Spider Tracks Ltd Fund Managers Auckland Ltd Regional Facilities Auckland Ltd Strategic Pay Ltd Office Products Depot Strategic Pay, Trustee Service Ltd	**General disclosure** The New Zealand School of Dance (Trustee) Stinger Trust (Trustee)
Philip Cory-Wright	**Director** South Port New Zealand Ltd Matariki Forests Ltd	
Abigail Foote	**Director** BNZ Life Insurance Ltd Transpower New Zealand Ltd* Z Energy Ltd Diligent Corporation Livestock Improvement Corporation Ltd	**Other** Gambling Commissioner*

* Position held during the year, no longer current

Remuneration

Non-Executive Directors	2015 ($)
Craig Stobo (Chair)	$78,000
Paul Anderson	$44,200
John Avery	$44,200
Philip Cory-Wright	$44,200
Abigail Foote	$46,800
Total	$257,400

Staff Total remuneration	Staff Numbers 2015
$170,000 to $179,999	1
$240,000 to $249,999	1
$320,000 to $329,999	1
Total staff receiving $100,000 or more	3

Left to Right: John Avery, Philip Cory-Wright, Abigail Foote, Craig Stobo, Paul Anderson, Mark Butcher (Chief Executive)

DIRECTORY

Postal address

PO Box 5704
Lambton Quay
Wellington 6145

Street address

WELLINGTON

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Right: Recently completed upgrade to the Blenheim Sewage Treatment Plant. Commencement of excavation on the landward section of the outfall pipe. Marlborough District Council.

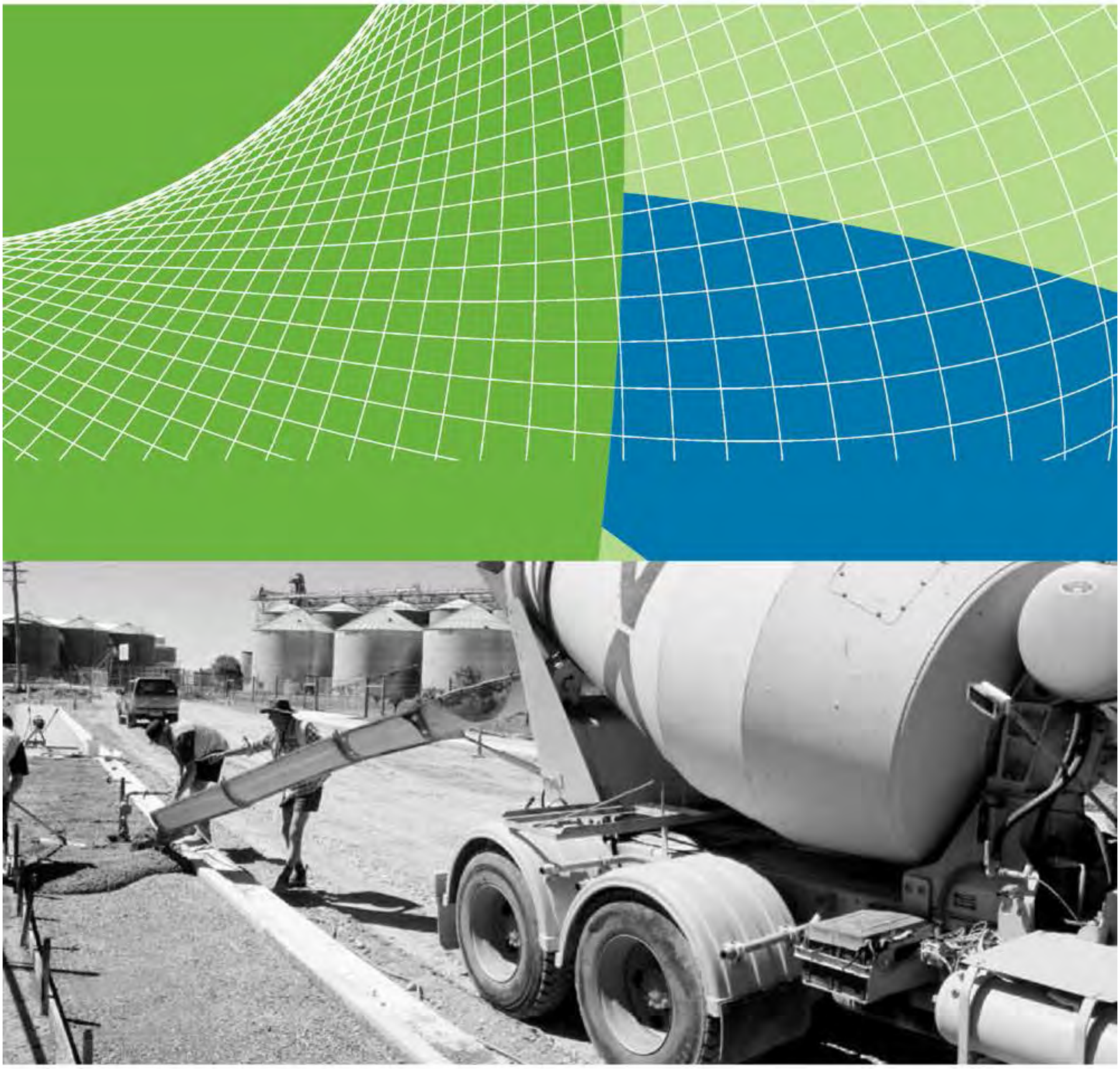
Back Cover: Elginshire Street extension to allow easier access to State Highway 1, improving the efficiency of traffic flow in the expanding Washdyke industrial area. Timaru District Council.

Item 9

Attachment 1

LGFA

NEW ZEALAND
LOCAL GOVERNMENT
FUNDING AGENCY



Hamilton City Council
Te kaunihera o Kirikiriroa

council report

Item 10

Committee:	Council Controlled Organisations Subcommittee	**Date:**	21 October 2015
Report Name:	Innovation Waikato Ltd - Annual Report 2015	**Author:**	Stephen Halliwell

Report Status	*Open*
Strategy, Policy or Plan context	*Statement of Intent*
Financial status	*There is not budget allocated*
Assessment of significance	*Having regard to the decision making provisions in the LGA 2002 and Councils Significance Policy, a decision in accordance with the recommendations is not considered to have a high degree of significance*

1. Purpose of the Report

2. To present the Innovation Waikato Limited (IWL) Group Annual Report for the year ended 30 June 2015. This includes the subsidiary Waikato Innovation Park Limited (WIPL) and WIPL's subsidiary, New Zealand Food Innovation (Waikato) Limited (NZFIW).

3. Executive Summary

Shareholding	Total Assets $(000)	Surplus / (Deficit) $(000)	Dividend	KPI's	Audit Opinion
100.0% As of Oct 2013	$39,976	$1,590	0	5/6 achieved	unmodified

4. IWL have provided full consolidated group accounts. Council continues to own 19.81% of WIPL even though it is 100% owner of the majority shareholder IWL. Previously the subcommittee has separately received WIPL accounts. This is no longer appropriate as the Council should expect its IWL directors as majority shareholder to govern Council's 100% interest in the subsidiary.
5. The total comprehensive income for IWL Group was a surplus of $1,590k for 2015, compared to the previous year's loss of $42k.
6. KPI's are reported on page 6 of the annual report. The non achievement of production days for the drier is not considered material to Council's investment.
7. The group entered into a major transaction to construct a building. This matter was retrospectively approved by shareholders.
8. Tony Steele, member of Council's Audit and Risk Committee is a Director of IWL and WIPL.

Item 10

9. NZFIW increased its total number of shares from 100 to 150 on 8 December 2014. Callaghan Innovation became a shareholder of 30% of NZFIW on that same day.

10. Recommendation from Management

11. That the report be received.

12. Attachments

13. Attachment 1 - IWL Annual Report 2015 (excluding Audit opinion)

14. Attachment 2 - IWL Annual Report Audit Opinion 2015

Signatory

Authoriser	Paul Conder, Chief Financial Officer

Item 10

Attachment 1

Waikato Innovation Park

FOODWAIKATO

INNOVATION WAIKATO LIMITED

Annual Report 2015

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For the Year Ended 30 June 2015

DIRECTORY
As at 30 June 2015

Nature of Business	The development and operation of an Innovation Park in Hamilton, New Zealand.
Address	Waikato Innovation Park Ruakura Lane Hamilton 3216
Registered Office	Waikato Innovation Park Ruakura Lane Hamilton 3216
Authorised Capital	1,247 Ordinary Shares
Directors	Christopher Martin Udale Andrew William West Anthony Victor Steele Earl Rattray
Shareholder	Hamilton City Council 1,247 Ordinary Shares
Auditors	Audit New Zealand on behalf of the Auditor-General PO Box 256 Hamilton 3240
Bankers	BNZ 354 Victoria Street Hamilton
Solicitors	Tompkins Wake 430 Victoria Street Hamilton
IRD Number	080-105-991

CHAIRMAN'S AND CHIEF EXECUTIVE'S ANNUAL REPORT

Major Milestone for the year include:

- Achievement of group profit after tax of $1,590,000
- Park tenancy occupancy rate of 99% for the year
- Agreement to Lease signed by Tetra Pak for a 3,500m2 Head Office and Technical Service Centre
- Design and Build Agreement signed with Hawkins Construction Ltd for the new Tetra Pak Head Office
- New Tetra Pak building construction commenced 1st April 2015
- Commenced a review of the Waikato Innovation Park Masterplan. This will form part of Hamilton City Council District Plan. This plan will also ensure future developments are aligned and coordinated and be part of the development package for the raising of equity for future development
- Capital injection of $3,000,000 for 30% of NZ Food Innovation (Waikato) Ltd (Food Waikato) by Callaghan Innovation to build nutritional ingredients mixing and blending plant
- Nutritional ingredients mixing and blending plant completed in March 2015
- Food Waikato undertook 213 days of manufacturing
- Five fresh milk customers for sheep and goat supply contracted with Food Waikato
- Agreement with Nu Mega of Australia to manufacture encapsulated Omega 3 and 6 powders
- $41m of grants issued by Callaghan Innovation for Research and Development for the Waikato and Bay of Plenty and $470,000 of grants for capability building from NZTE allocated to clients in the Waikato
- Twenty events hosted by the Business Growth team, including 7 seminars, 5 workshops and 8 open homes throughout the year

Earl Rattray
Chairman

Stuart Gordon
Chief Executive

Earl Rattray
Chairman

Stuart Gordon
Chief Executive

Financial Performance:

The year ending June 2015 produced an excellent financial performance for the Innovation Waikato Limited group. Group Revenue increased by 53% from last year's $5,209,000 to $7,969,000 this year. Group Total Comprehensive Income for the year was $1,590,000 compared to a $42,000 loss last year. The Comprehensive Income included $1,186,000 from revaluation of investment property and $404,000 from trading profits. More importantly Net Cash Flow from operating activities increased 185% from last year's $585,000 to $1,671,000 this year. As part of the Group, Food Waikato revenue grew 45% from $2,533,000 last year to $3,668,000 this year. Food Waikato's Total Comprehensive Income was a net loss of $49,000 compared to last year's loss of $485,000. Food Waikato's net cash surplus from operating activities was $129,000.

The Groups Total Assets increased by $9,558,000, the major components being $1,186,000 from revaluation of investment properties, $5,671,000 spent on Food Waikato's nutritional blending mixing plant and buildings, $2,859,000 on work in progress for the new Tetra Pak building plus $734,000 increase in current assets less $827,000 depreciation charge.

The groups equity increased by $4,589,000 during the year. The major contribution of $3,000,000 came from the issue of new shares in Food Waikato to Callaghan Innovation. Other contributions came from the revaluation of investment properties of $1,186,000 and $404,000 from trading profit.

Board of Directors:

The Board of Directors wish to acknowledge the contribution from Michael Spaans who stood down from the Board and as Chairman to undertake his duties as a Director of Fonterra. We thank Michael for his strong leadership through periods of uncertainty to the present position of financial and strategic strength. Earl Rattray was appointed by the Board of Directors in May 2015 to the position of Chairman. Earl is supported by a strong experienced Board of Martin Udale, Tony Steele and Andy West. Helen Cross joined the team in June 2015.

Given the unique role Food Waikato is performing as part of the New Zealand Food Innovation Network and the issue of shares to Callaghan Innovation three Directors with specialist skills were appointed to the Food Waikato Board. We welcome Richard Perry (CFO Callaghan Innovation), Barry Harris and Peter Hobman to the Food Waikato board.

The Board of Directors review operating and financial reports monthly and met 7 times formally during the year, while individual Board members attended to several represenative, planning and reporting duties. The Board has signed a best practice set of policies and monitors those policies and the company risk register to ensure compliance.

The Board takes seriously it's obligation to ensure public safety and a safe working environment. A strategic review of workplace hazards has been undertaken and health and safety monitoring is a priority for the Board.

Strategic Direction :

The Waikato Innovation Park has identified its core purpose and key objectives that recognise the strategic intent of the business:

Core Purpose

To promote research, development, commercialisation and marketing by new and existing entities or individuals of new products, processes, technologies and or quality improvements. To actively promote economic development by supporting the growth of business that contributes to New Zealand's export economy.

The focus of the Park is on innovation and technology-led businesses that enhance New Zealand's competitive advantage and alignment with the region's economic export development strategy, particularly in areas such as:

- Agriculture
- Agribusiness
- Food Processing
- Value add to food products from primary production
- Horticulture
- Environmental sustainability
- Enabling Information and Communication Technology

Waikato Innovation Park has continued to contribute to the Waikato economic growth strategy, in collaboration with other regional agencies, NZTE and Callaghan Innovation. Our focus has been to specialise in funding grants, incubation, clustering, business attraction and business to business collaboration.

The Board of Waikato Innovation Park through it's Statement of Intent for the 2016 year has set out clear aspirations to grow the park. In the next year it will, after consultation with its parent Hamilton City Council, seek private equity to achieve these ambitions.

Statement of Intent objectives for year ending 2015:

The Key Objectives set out in the Statement of Intent and the performances against those goals were:

1. Full product formulation capability built in NZFIW through a combination of private and government funding.
   - The Plant was completed in April 2015 after an equity injection from Callaghan Innovation.

2. 246 production days budgeted on the spray dryer.
   - Food Waikato achieved 213 manufacturing days. The main contributor in missing this target was the fact that the nutritional mixing plant was completed two months later than budgeted.

3. Additional private equity successfully attracted to build a new building.
   - With the injection of capital and the successful signing of an Agreement to Lease with Tetra Pak the Bank of New Zealand agreed to fund the new building through debt. The new building construction commenced in April 2015.

4. Financial Goals:
   Group EBITDA budget - $2,035,000.
   Achieved - $3,586,000 (excluding interest received)
   Group Cash from operating activities budget - $1,020,000
   Achieved -$1,671,000
   Group Profit after tax budget - $171,000
   Achieved - $1,590,000

Management:

Waikato Innovation Park Team had an excellent year and the Board thanks them for their dedication and achievements. Led by the Chief Executive, Stuart Gordon, the team can be proud of the 2015 year's achievements which means the Group is now well placed strategically for the future.

Waikato Innovation Park

FOODWAIKATO

ANNUAL REPORT

For the Year Ended 30 June 2015

Approval and issue of consolidated financial statements

On this date the Directors approve and issue the annual report including the attached consolidated financial statements for Innovation Waikato Limited for the year ended 30 June 2015.

Reporting concessions

The shareholders of Innovation Waikato Limited have unanimously agreed to take advantage of the reporting concessions available to them under section 211(3) of the Companies Act 1993 whereby the annual report need not comply with any of paragraphs (a) and (e)- (j) of section 211(1), namely not to disclose information otherwise required concerning the activities of the Directors, employees, auditors, if any, and donations.

Auditor

An auditor has been appointed.

For and on behalf of the Board

Director 30.9.15 Date

Director 30.09.15 Date

STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended 30 June 2015

		Group $000		Company $000	
	NOTE	2015	2014 (restated)*	2015	2014
Revenue					
Operating revenue	4	6,595	5,022	-	-
Other income	5	179	179	-	-
Other gains	9	1,186	-	-	-
Share of profit from associate	16	9	8	-	-
Total Revenue		**7,969**	**5,209**	-	-
Expenses					
Operating expenses		(2,348)	(1,892)	-	-
Personnel costs	6	(1,788)	(1,496)	-	-
Depreciation	19	(827)	(778)	-	-
Audit fees		(46)	(38)	-	-
Directors fees	7	(178)	(133)	-	-
Bad and doubtful debts		(6)	(20)	-	-
Other losses	9	(17)	(27)	-	-
Total operating expenses		**(5,210)**	**(4,384)**	-	-
Finance income	8	13	-	-	-
Finance costs	8	(1,005)	(980)	-	-
Net finance costs	8	**(992)**	**(980)**	-	-
Profit/(loss) before tax		**1,767**	**(155)**	-	-
Less: Income tax	10	(177)	(167)	-	-
Profit/(loss) for the year		**1,590**	**(322)**	-	-
Other comprehensive income					
Gain/(loss) on property revaluation		-	389	-	-
Income tax on other comprehensive income	10	-	(109)	-	-
Total Other Comprehensive Income		-	**280**	-	-
Total comprehensive income for the year		**1,590**	**(42)**	-	-
Total profit/(loss) attributable to:					
Innovation Waikato Limited		1,267	(258)	-	-
Non-controlling interest		323	(64)	-	-
Total comprehensive income attributable to:					
Innovation Waikato Limited		1,267	(34)	-	-
Non-controlling interest		323	(8)	-	-

** The comparatives have been restated due to the changes in accounting policies in Note 2 (e)*
The Accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the Year Ended 30 June 2015

Group	NOTE	$000 Share Capital	$000 Revaluation reserve	$000 Retained earnings	$000 Non-controlling interest	$000 Total equity
Balance as at 1 July 2013 (as previously reported)		2,400	2,473	3,811	287	8,971
Adjustments for conversion to IFRS RDR	2e	-	(692)	129	(171)	(734)
Adjustment for prior period error	2e	-	-	1,450	390	1,840
Balance at as 1 July 2013 (restated)		**2,400**	**1,781**	**5,390**	**506**	**10,077**
Total comprehensive income						
Profit for the year (restated)		-	-	(258)	(64)	(322)
Other comprehensive income for the year (restated)		-	225	-	55	280
Total comprehensive income for the year		-	**225**	**(258)**	**(8)**	**(42)**
Balance as at 30 June 2014 (restated)		**2,400**	**2,006**	**5,132**	**498**	**10,035**
Balance as at 1 July 2014		**2,400**	**2,006**	**5,132**	**498**	**10,035**
Total comprehensive income						
Profit for the year		-	-	1,267	323	1,590
Other comprehensive income for the year		-	-	-	-	-
Total comprehensive income for the year		-	-	**1,267**	**323**	**1,590**
Transactions with owners of the company		-	-		-	-
Non-controlling interest from issue of NZFIW shares		-	-	1,685	1,315	3,000
Balance as at 30 June 2015		**2,400**	**2,006**	**8,084**	**2,136**	**14,625**

Company	NOTE	$000 Share Capital	$000 Revaluation reserve	$000 Retained earnings	$000 Total equity
Balance at as 1 July 2013		2,400	-	5,215	**7,615**
Total comprehensive income					
Profit for the year		-	-	-	-
Other comprehensive income for the year		-	-	-	-
Total comprehensive income for the year		-	-	-	-
Balance as at 30 June 2014		**2,400**	-	**5,215**	**7,615**
Balance as at 1 July 2014		**2,400**	-	**5,215**	**7,615**
Total comprehensive income					
Profit for the year		-	-	-	-
Other comprehensive income for the year		-	-	-	-
Total comprehensive income for the year		-	-	-	-
Balance as at 30 June 2015		**2,400**	-	**5,215**	**7,615**

The Accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

		Group $000		Company $000	
	NOTE	2015	2014 (restated)*	2015	2014
ASSETS					
Non-current assets					
Investment in associates	16	20	11	-	-
Investment in subsidiaries	17	-	-	9,776	9,776
Work in progress	20	3,552	768	-	-
Property, plant and equipment	19	19,488	14,656	-	-
Investment property	18	15,700	14,500	-	-
Total non-current assets		**38,760**	**29,935**	**9,776**	**9,776**
Current assets					
Cash and cash equivalents	12	168	19	-	-
Trade and other receivables	13	907	373	-	2
Prepayments		141	83	-	-
Accrued income		-	8	-	-
Total current assets		**1,216**	**483**	-	**2**
Total assets		**39,976**	**30,418**	**9,776**	**9,778**
EQUITY AND LIABILITIES					
Equity					
Share capital	11	2,400	2,400	2,400	2,400
Asset revaluation reserve	11	2,006	2,006	-	-
Retained earnings		8,084	5,132	5,215	5,215
Total equity attributable to the Company		12,489	9,538	7,615	7,615
Non-controlling interest	11	2,136	498	-	-
Total equity		**14,625**	**10,036**	**7,615**	**7,615**
Non-current liabilities					
Deferred tax liability	10	1,053	1,011	-	-
Deferred income	21	3,769	3,436	-	-
Term loans	22	9,483	6,377	-	-
Other loans	23	300	-	-	-
Provisions	24	171	-	-	-
Total non-current liabilities		**14,776**	**10,824**	-	-

** The comparatives have been restated due to the changes in accounting policies in Note 2 (e)*
The Accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 30 June 2015 (Continued)

		Group $000		Company $000	
	NOTE	2015	2014 (restated)*	2015	2014
Current liabilities					
Cash and cash equivalents	12	209	28	-	-
Payables and accruals	14	4,111	812	-	-
Term loans	22	6,255	8,051	-	-
Other loans	23	-	667	-	-
Related parties	15	-	-	2,161	2,163
Total current liabilities		**10,575**	**9,558**	**2,161**	**2,163**
Total liabilities		**25,351**	**20,382**	**2,161**	**2,163**
Total equity and liabilities		**39,976**	**30,418**	**9,776**	**9,778**

** The comparatives have been restated due to the changes in accounting policies in Note 2 (e)*

The Accompanying notes form part of these financial statements.

Director
30 September 2015

Director
30 September 2015

STATEMENT OF CASH FLOWS

For the Year Ended 30 June 2015

	NOTE	Group $000 2015	Group $000 2014	Company $000 2015	Company $000 2014
Cash flow from operating activities					
Receipts from customers		7,013	4,981	-	-
Payments to suppliers and employees		(4,272)	(3,456)	-	-
Interest received		13	-	-	-
Interest paid		(1,007)	(966)	-	-
Tax payments		(4)	-	-	-
GST (net)		(72)	26	-	-
Net cash from operating activities	27	**1,671**	**585**	-	-
Cash flow from investing activities					
Purchase of property, plant and equipment		(5,246)	(94)	-	-
Purchase of investment property		(14)	(28)	-	-
Purchase of assets under construction		(559)	(93)	-	-
Loans to related parties		-	-	-	-
Net cash from/(used in) investing activities		**(5,819)**	**(215)**	-	-
Cash flow from financing activities					
Proceeds from issue of shares	11	3,000	-	-	-
Proceeds from borrowing		9,532	-	-	-
Repayment of borrowings		(8,416)	(48)	-	-
Net cash from/(used in) financing activities		**4,116**	**(48)**	-	-
Net increase/(decrease) in cash and cash equivalents		(32)	322	-	-
Cash and cash equivalents at 1 July		(9)	(331)	-	-
Cash and cash equivalents at 30 June	12	**(41)**	**(9)**	-	-

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 Accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2015

1. REPORTING ENTITY

Innovation Waikato Limited (the 'Company') is a company registered under the Companies Act 1993, and a Council-Controlled Organisation under the Local Government Act 2002 with effect from the 9th October 2013. The Company's parent and ultimate parent entity is Hamilton City Council.

The Group consists of Innovation Waikato Limited and its subsidiaries Waikato Innovation Park Limited ('WIPL') and New Zealand Food Innovation (Waikato) Limited ('NZFIW').

The financial statements of Innovation Waikato Limited are for the year ended 30 June 2015. The financial statements were authorised for issue by the Board of Directors on the 30th September 2015. The owners or others do not have the power to amend the financial statements after issue.

2. BASIS OF PREPARATION

a. Statement of Compliance

The financial statements for the Group have been prepared in accordance with the requirements of the Companies Act 1993, the Financial Reporting Act 1993 and the Local Government Act 2002.

The financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand ("NZ GAAP"). They comply with New Zealand equivalents to International Financial Reporting Standards - Reduced Disclosure Regime ("NZ IFRS RDR"), and other applicable Financial Reporting Standards, as appropriate for profit oriented entities. The Group qualifies for NZ IFRS (RDR) as it does not have public accountability and it is not a large for-profit public sector entity. The Company has elected to apply NZ IFRS (RDR) and has applied disclosure concessions. The Group has early adopted the Reduced Disclosure regime framework for the financial year ended 30 June 2015 (see 2e below).

b. Basis of Measurement

The financial statements have been prepared on an historical cost basis except for investment property and property, plant and equipment which are measured to fair value.

c. Functional and Presentational Currency

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

d. Use of Estimates and Judgements

The preparation of the financial statements in conformity with NZ IFRS RDR requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.
Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

Note 18: Determination of fair value of property, plant and equipment

Note 19: Classification and fair value of investment property

Note 20: Recognition of deferred income

Note 23: Recognition of provision

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2015

e. Change in Accounting Policies

Application of the Reduced Disclosure Regime

The Group has early adopted the Reduced Disclosure Regime applicable for Tier 2 entities. This has resulted in an increase in disclosure requirements, preparation of a cashflow statement and accounting for deferred tax in line with NZ IAS 12. The changes to the comparatives have had the following effect:

As at 1 July 2013 retained earnings increased by $129,000, revaluation reserve decreased by $863,000 and a deferred tax liability was recognised of $734,000.

For the year ending 30 June 2014, a tax expense was recorded of $167,000 in the Statement of Comprehensive Income, revaluation reserve decreased by $109,000 and the deferred tax liability increased by $276,000.

Revenue - Government Grants

The Group has changed it's revenue accounting policy for Government Grants. The new policy states that Government Grants relating to investment property be recognised as revenue with no deferred income once all conditions under the grant are met. The changes to the comparatives have had the following effect:

Deferred income has been reduced by $1,840,000 and retained earnings increased by $1,840,000 as at 1 July 2013.

Other income and profit/(loss) for the year have been reduced by $40,000 for the year to 30 June 2014.

3. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been applied consistently to all periods presented in these financial statements, including the changes noted at 2e.

a. Basis of Consolidation

The consolidated financial statements are prepared adding together like items of assets, liabilities, equity, income and expenses on a line-by-line basis. All significant intragroup balances, transactions, income and expenses are eliminated on consolidation.

Subsidiaries

Subsidiaries are those entities that are controlled by the Company. Subsidiaries are consolidated from the date control is transferred to the Group. They are de-consolidated from the date that control ceases. All significant intercompany accounts and transactions are eliminated on consolidation. Control exists when the Company has power over the entity, exposure or rights to variable returns from its involvement with the entity, and the ability to use its power over the entity to offset the amount of the entity's returns.

The interest of minority shareholders is stated at the minority's proportion of the fair values of the identifiable assets and liabilities recognised on acquisition together with the minority interest's share of post acquisition surpluses.

Associates

An associate is an investee, not being a subsidiary or joint venture arrangement, over which the group has the capacity to exercise significant influence through participation in the financial and operating policy decisions of the investee.

Associates are recognised using the equity method which recognises the Group's share of the associate's net surplus or deficit in the profit or loss and its share of other comprehensive income. The Group Associate is:

• New Zealand Food Innovation Network Ltd. This company is 25% owned by New Zealand Food Innovation (Waikato) Limited.

Non controlling interest

The interests of the parent and the NCI in the subsidiaries are adjusted to reflect the relative change in their interests in the subsidiaries equity. Any difference between the amount by which the NCI is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owner of the parent.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2015

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Investment in subsidiaries

Investments in the subsidiaries are recorded at cost less the amount of estimated value of impairment in the parent company's financial statements.

b. Revenue

Revenue comprises the amounts received and receivable for goods and services supplied to customers in the ordinary course of business.

Grants received are recognised in the Statement of Comprehensive Income when the requirements under the grant agreement have been met. Any grants for which the requirements under the grant agreement have not been completed are carried as liabilities until all the conditions have been fulfilled.

Government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the Statement of Financial Position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Other government grants are recognised as revenue over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Government grants relating to investment property are recognised as revenue with no deferred income once all conditions under the grant are met.

Rental income is recognised on a straight line basis over the life of the lease in profit or loss. Interest income is accounted for on an accrual basis.

c. Foreign Currency Translation

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the date of the transactions.

d. Finance Costs

Finance costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other finance costs (which is comprised of interest) are recognised in profit or loss in the period in which they are incurred and is accrued on a time basis using the effective interest method.

e. Trade and Other Receivables

Trade and other receivables are stated initially at fair value then at estimated realisable value after providing against debts where collection is doubtful. Bad debts are written off during the period in which they are identified. Trade and Other Receivables are classed as 'Loans and Receivables' financial assets (Note 25).

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2015

f. Assets under Construction

Assets under construction are valued at cost.

g. Investment Property

Properties leased to third parties under operating leases are classified as investment property unless the property is held to meet service delivery options, rather than to earn rentals or for capital appreciation.

Investment property is recognised at fair value as determined by an independent valuer.

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

Investment property is not depreciated.

h. Property, Plant & Equipment

Property, plant & equipment is recognised at fair value less subsequent depreciation. Computer and office equipment are recognised at cost price less depreciation and impairment losses.

Depreciation is calculated on a diminishing value or straight line basis to allocate the assets cost or revalued amounts over their estimated useful lives, as follows:

Property	25 years straight line
Plant & Equipment	20 years straight line; 13.8% diminishing value
Computer & Office Equipment	20 years straight line; 17.8% - 39.8% diminishing value

The assets' residual values, depreciation method and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Revaluation

Property, plant & equipment are revalued with sufficient regularity to ensure that their carrying amount does not differ materially from fair value and at least every three years.

The carrying values of revalued assets are assessed annually to ensure that they do not differ materially from fair value. If there is evidence supporting a material difference during a off-cycle year then the asset classes are revalued.

Property, plant and equipment revaluation movements are accounted for on a class-of-asset basis.

The net revaluation results are credited or debited to other comprehensive income and are accumulated to an asset revaluation reserve in equity for that class of asset. Where this would result in a debit balance in the asset revaluation reserve, this balance is not recognised in other comprehensive income but is recognised in the profit or loss. Any subsequent increase on revaluation that reverses a previous decrease in value recognised in the profit or loss will be recognised first in the profit or loss up to the amount previously expensed, and then recognised in other comprehensive income.

i. Leased Assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and are not recognised in the Group's statement of financial position.

j. Trade and Other Payables

Trade and other payables are stated at cost.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2015

k. Goods and Services Taxation (GST)

All items in the financial statements are stated exclusive of GST, except for receivables and payables, which are stated on a GST inclusive basis. Where GST is not recoverable as input tax then it is recognised as part of the related asset or expense.

The net amount of GST receivable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the balance sheet.

l. Income Tax

Income tax expense includes components relating to both current tax and deferred tax.

Current tax is the amount of income tax payable based on the taxable profit for the current year, and any adjustments to income tax payable in respect of prior years. Current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted at balance date.

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

Deferred tax is measured at tax rates that are expected to apply when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at balance date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the entity expects to recover or settle the carrying amount of its assets and 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 difference arises from the initial recognition of goodwill or from the initial recognition of an asset or liability in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit.

Current and deferred tax is recognised against the profit or loss for the period, except to the extent that it relates to a business combination, or to transactions recognised in other comprehensive income or directly in equity.

m. Short-term Employee Benefits

Short-term (settled within 12 months) Employee benefit obligations are measured in an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

n. Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2015

o. Impairment

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

Recoverable amount is the higher of the fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2015

4. REVENUE	Group $000 2015	Group $000 2014	Company $000 2015	Company $000 2014
Revenue from sale of goods	458	-	-	-
Revenue from the rendering of services	6,137	5,022	-	-
Total operating revenue	**6,595**	**5,022**	-	-

5. OTHER INCOME	Group $000 2015	Group $000 2014	Company $000 2015	Company $000 2014
Deferred Grant income	179	179	-	-
Total other income	**179**	**179**	-	-

6. PERSONNEL COSTS	Group $000 2015	Group $000 2014	Company $000 2015	Company $000 2014
Salaries and wages	1,758	1,473	-	-
Defined contribution plan	30	23	-	-
Total personnel costs	**1,788**	**1,496**	-	-

7. DIRECTORS FEES	Group $000 2015	Group $000 2014	Company $000 2015	Company $000 2014
Directors fees	178	133	-	-
Total directors fees	**178**	**133**	-	-

Directors fees increased in 2015 due to additional independent board members being appointed on the New Zealand Food Innovation (Waikato) Limited board.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2015

8. FINANCE COSTS	Group $000 2015	Group $000 2014	Company $000 2015	Company $000 2014
Finance income				
Interest income of short-term bank deposit	13	-	-	-
Total finance income	**13**	**-**	**-**	**-**
Finance costs				
Bank fees	(17)	(37)	-	-
Interest on finance lease liabilities	(15)	(6)	-	-
Interest on bank overdraft	(6)	(39)	-	-
Interest on bank borrowings	(967)	(898)	-	-
Total finance costs	**(1,005)**	**(980)**	**-**	**-**
Net finance costs	**(992)**	**(980)**	**-**	**-**

9. OTHER GAINS AND LOSSES	Group $000 2015	Group $000 2014	Company $000 2015	Company $000 2014
Other gains				
Gain on changes in fair value of investment property	1,186	-	-	-
Total other gains	**1,186**	**-**	**-**	**-**
Other losses				
Foreign exchange (gain)/loss	(1)	-	-	-
Loss on disposal of fixed assets	(16)	-	-	-
Loss on changes in fair value of investment property	-	(27)	-	-
Total other losses	**(17)**	**(27)**	**-**	**-**

10. INCOME TAX	Group $000 2015	Group $000 2014	Company $000 2015	Company $000 2014
Current tax	136	-	-	-
Deferred tax	41	167	-	-
Total tax expense recognised in the current year	**177**	**167**	**-**	**-**

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2015

The income tax expense for the year can be reconciled to the accounting profit as follows:	Group $000		Company $000	
	2015	2014	2015	2014
Profit before tax	1,767	(155)	-	-
Income tax expense at 28%	495	(43)	-	-
Effect of income that is exempt from tax	(2)	(2)	-	-
Effect of expenses that are not deductible in determining taxable profit	(316)	11	-	-
Effect of other adjustments to profit	-	(4)	-	-
Effect of unused tax losses forfeited on change in shareholding	-	205	-	-
Effect of tax losses	-	-	-	-
Income tax expense recognised in profit or loss	**177**	**167**	-	-

	Group $000		Company $000	
Current tax assets and liabilities	2015	2014	2015	2014
Income tax payable	136	116	-	-
Benefit of tax loss transferred from NZFIW	-	(116)	-	-
	136	-	-	-

Deferred tax balances

Group ($000)	Opening Balance	Recognised in profit or loss	Recognised in other comprehensive income	Closing balance
Deferred tax assets/(liabilities) in relation to:				
Property, plant and equipment	(1,929)	50	-	(1,879)
Provisions	41	(15)	-	26
Investment property	(107)	(46)	-	(153)
Deferred income	962	(50)	-	912
Tax losses	21	15	-	36
Finances leases	(5)	2	-	(3)
Doubtful debts	6	2	-	8
Balance as at 30 June 2015	**(1,011)**	**(42)**	-	**(1,053)**

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2015

Group ($000)	Opening Balance	Recognised in profit or loss	Recognised in other comprehensive income	Closing balance
Deferred tax assets/(liabilities) in relation to:				
Property, plant and equipment	(1,888)	68	(109)	(1,929)
Provisions	18	23	-	41
Investment property	(56)	(51)	-	(107)
Deferred income	1,012	(50)	-	962
Tax losses	184	(163)	-	21
Finances leases	(5)	-	-	(5)
Doubtful debts	-	6	-	6
Balance as at 30 June 2014	**(735)**	**(167)**	**(109)**	**(1,011)**

11. EQUITY	Group $000 2015	Group $000 2014	Company $000 2015	Company $000 2014
Share capital				
Ordinary shares (1,247 shares)				
Balance of shares 1 July	2,403	2,403	2,401	2,401
less uncalled shares	(3)	(3)	(1)	(1)
Issued and called shares 30 June	**2,400**	**2,400**	**2,400**	**2,400**

All ordinary shares carry equal dividend and voting rights and share equally in any surplus on winding up. The shares have no par value.

Revaluation reserve

This reserve relates to the revaluation of Property, Plant and Equipment.

Non-controlling interest (NCI)

Non-controlling interest relates to Hamilton City Council's 19.8% ownership in Waikato Innovation Park Limited and Callaghan Innovation 30% ownership in New Zealand Food Innovation (Waikato) Ltd.
On the 1st of December, 2014, Callaghan Innovation purchased a 30% ownership interest in New Zealand Food Innovation (Waikato) Limited for $3 million. The carrying value of the net assets at the time of purchase was $969,333, and therefore the NCI created was $1,290,800. The difference between the NCI created of $1,290,800 and the $3 million invested was $1,709,200 which is recorded directly as a gain in retained earnings.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2015

12. CASH AND CASH EQUIVALENTS	Group $000 2015	Group $000 2014	Company $000 2015	Company $000 2014
BNZ Bank account 96	(69)	19	-	-
BNZ Bank oncall accounts	168	-	-	-
BNZ Bank account 75	(140)	(28)	-	-
Total cash and cash equivalents	**(41)**	**(9)**	-	-
Current assets	168	19	-	-
Current liabilities	(209)	(28)	-	-
Total cash and cash equivalents	**(41)**	**(9)**	-	-

The group has an overdraft facility with BNZ with a limit of $550,000. Interest is charged at 8.05%.

13. TRADE AND OTHER RECEIVABLES	Group $000 2015	Group $000 2014	Company $000 2015	Company $000 2014
Gross trade and other receivables	933	393	-	2
Provision for doubtful debts	(26)	(20)	-	-
Total trade and other receivables	**907**	**373**	-	**2**

14. PAYABLES AND ACCRUALS	Group $000 2015	Group $000 2014	Company $000 2015	Company $000 2014
Accounts payable	3,146	215	-	-
Accruals	519	499	-	-
Income tax payable	132	-	-	-
Other payables	314	98	-	-
Total payables and accruals	**4,111**	**812**	-	-

15. RELATED PARTIES	Group $000 2015	Group $000 2014	Company $000 2015	Company $000 2014
Waikato Innovation Park Limited	-	-	2,161	2,163
Total related parties	-	-	**2,161**	**2,163**

Parent Entity:

Waikato Innovation Park Limited is owned by Innovation Waikato Limited (80.2%) and Hamilton City Council (19.8%).

The related parties amount relates to day-to-day expenses paid by Waikato Innovation Park Limited on behalf of Innovation Waikato Limited.

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NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2015

	Group $000		Company $000	
16. INVESTMENT IN ASSOCIATES	**2015**	**2014**	**2015**	**2014**
New Zealand Food Innovation Network Ltd				
Interest held by the group	25%	25%	-	-
Opening balance	11	3	-	-
Share of revenue and expenses	9	8	-	-
Balance at 30 June	20	11	-	-
Total investment in associates	**20**	**11**	-	-

The Company has no contingencies or commitments in relation to its involvement in New Zealand Food Innovation Network Ltd. New Zealand Food Innovation Network Ltd is a company incorporated in New Zealand.

	Group $000		Company $000	
17. INVESTMENT IN SUBSIDIARIES	**2015**	**2014**	**2015**	**2014**
Shares at cost				
Waikato Innovation Park Limited	-	-	9,776	9,776
Total investment in subsidiaries	-	-	**9,776**	**9,776**

	Group $000		Company $000	
18. INVESTMENT PROPERTY	**2015**	**2014**	**2015**	**2014**
Balance at 1 July	14,500	14,500	-	-
Additions/(disposals)	14	27	-	-
Fair value gain/(loss) on valuation	1,186	(27)	-	-
Balance at 30 June	**15,700**	**14,500**	-	-

Total investment property held under operating leases was $15,700,000 (2014: $14,500,000)

The Company's investment properties are valued annually at fair value effective 30 June. All investment properties were valued based on open market evidence. The valuation is based on the current market value of the "Lessee's Interest" "As Is" (subject to short term leases). The valuations were performed by Wayne Gerbich, an ANZIV SPINZ Registered Valuer at SGHU Valuations Limited, registered valuers and property consultants. SGHU Valuations Limited are experienced valuers with extensive knowledge in the types of investment property owned by the Company.

Innovation Waikato Limited received $2,000,000 in funding during the 2004 year from central government under a Regional Development Initiative. Under the terms of this grant, Innovation Waikato Limited is prohibited from selling the Core Facilities building without government consent. This restriction is in place for a period of 20 years. This restriction has passed to Waikato Innovation Park Ltd on sale of buildings to Waikato Innovation Park Limited.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2015

19. PROPERTY, PLANT AND EQUIPMENT

Group ($000)	Property	Plant & Equipment	Office & Computer	Total
As at 30 June 2014				
Cost or valuation	2,926	13,175	94	16,195
Accumulated depreciation	(316)	(1,183)	(40)	(1,539)
Net book amount	**2,610**	**11,992**	**54**	**14,656**
For the year ended 30 June 2015				
Opening net book amount	2,610	11,992	54	14,656
Additions	1,082	4,575	14	5,671
Disposals	-	(10)	(2)	(12)
Depreciation charge	(121)	(693)	(13)	(827)
Closing net book amount	**3,571**	**15,864**	**53**	**19,488**
As at 30 June 2015				
Cost or valuation	4,008	17,737	104	21,849
Accumulated depreciation	(437)	(1,873)	(51)	(2,361)
Net book amount	**3,571**	**15,864**	**53**	**19,488**

A revaluation was not completed in 2015 due to the fair value of property, plant and equipment not differing materially from its carrying amount. Property, plant & equipment was revalued by North Langley & Associates Ltd, an independent registered valuer on 30 June 2014. (2014: $389,000)

There was no impairment in 2015 (2014: NIL). No borrowing costs were capitalised during the year. (2014: NIL)

The group's property, plant and equipment is noted as security against the bank loans.

	Group $000		Company $000	
20. WORK IN PROGRESS	**2015**	**2014**	**2015**	**2014**
Piazza concept plan	110	110	-	-
Infrastructure for new park	565	565	-	-
Park concept plan	18	17	-	-
Building C	2,859	-	-	-
Wet-side of spray dryer	-	76	-	-
Total assets under construction	**3,552**	**768**	-	-

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2015

	Group $000		Company $000	
21. DEFERRED INCOME	2015	2014	2015	2014
Original Grant	3,794	3,794	-	-
less Deferred income recognised prior years	(358)	(179)	-	-
	3,436	**3,615**	-	-
Opening balance	3,436	3,615	-	-
Less deferred income recognised	(179)	(179)	-	-
Total deferred grant	**3,257**	**3,436**	-	-
Revenue received in advance	512	-	-	-
Total deferred income	**3,769**	**3,436**	-	-

Deferred income relates to a Government Grant provided to develop the Spray Dryer Facility (part of property, plant and equipment). The Deferred income is written off over 20 and 25 years respectively for the Spray Dryer Facility being the estimated useful life of the assets.

	Group $000		Company $000	
22. TERM LOANS	2015	2014	2015	2014
BNZ 67378152-01 loan	6,200	6,200	-	-
BNZ CCAF 513168 loan	-	3,000	-	-
BNZ 67378152-02 loan	-	5,000	-	-
BNZ 67378152-03 loan	177	228	-	-
BNZ 92346126-01 loan	8,000	-	-	-
BNZ 92346126-02 loan	1,361	-	-	-
Total term loans	**15,738**	**14,428**	-	-
Total current portion	6,255	8,051	-	-
Total non current portion	9,483	6,377	-	-
Total term loans	**15,738**	**14,428**	-	-

Term loans are secured by a mortgage over the property at Ruakura Road, Hamilton certificate of title No. 135745.

	2015		2014	
	Interest Rate	*Maturity Date*	*Interest Rate*	*Maturity Date*
BNZ 67378152-01 loan	6.40%	April 2016	6.72%	April 2016
BNZ 67378152-03 loan	6.92%	June 2018	7.10%	June 2018
BNZ 92346126-01 loan	6.40%	June 2019	-	-
BNZ 92346126-02 loan	5.88%	June 2019	-	-

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2015

23. OTHER LOANS	Group $000 2015	Group $000 2014	Company $000 2015	Company $000 2014
Dairy Goat Co-operative loan	-	108	-	-
Dairy Goat Co-operative Equipment loan	-	259	-	-
Technopak - Equipment loan	300	300	-	-
Total other loans	**300**	**667**	-	-
Total current portion	-	667	-	-
Total non current portion	300	-	-	-
Total other loans	**300**	**667**	-	-

Dairy Goat Co-operative loan and Dairy Goat Co-operative Equipment loan were fully repaid during the year

Technopak Ltd has supplied packing equipment to NZFIW with payment required in July 2016. In the meantime no interest is payable on the balance owing. During this period Technopak will have access to the equipment to show potential clients and NZFIW will be responsible for all maintenance.

24. PROVISIONS	Group $000 2015	Group $000 2014	Company $000 2015	Company $000 2014
Nu Mega Limited	171	-	-	-
Total provisions	**171**	-	-	-

NZFIW entered into a contract with Nu Mega Limited for use of the factory for five years and to loan NZFIW $604,373 for equipment in the wet-side of the factory. If the contract is not renewed on 1st September 2019, one third of the loan is repayable on that date. NZFIW has created a provision (discounted to present value) for one third of the loan.

25. COMMITMENTS

The following amounts have been committed to by the group but are not recorded in either the Statement of Comprehensive Income or the Statement of Financial Position.

	Group $000 2014	Group $000 2013	Company $000 2014	Company $000 2013
Non-cancellable operating lease commitments				
No later than one year	25	25	-	-
Later than one year and not later than five years	75	83	-	-
Later than five years	134	151	-	-
	234	**259**	-	-

A significant proportion of the total non-cancellable operating lease amounts relates to the lease of land at Ruakura Road. The lease represents the first 25 years of a 4 x 25 year lease entered into in June 2003.

Total lease expense for 2015 was $35,826 (2014: $18,317).

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2015

26. FINANCIAL INSTRUMENTS	Group $000 2015	Group $000 2014	Company $000 2015	Company $000 2014
Loans and receivables				
Cash and cash equivalents	168	19	-	-
Trade and other receivables	907	373	-	2
Total loans and receivables	**1,075**	**392**	**-**	**2**
Financial liabilities at amortised cost				
Cash and cash equivalents	209	28	-	-
Payables and accruals	4,111	812	-	-
Term Loans	15,738	14,428	-	-
Other loans	300	667	-	-
Provisions	171	-	-	-
Related parties	-	-	2,161	2,163
Total financial liabilities at amortised cost	**20,529**	**15,935**	**2,161**	**2,163**

There are no financial instruments classified as available for sale or fair value through profit or loss.

27. RECONCILIATION OF PROFIT/(LOSS) FOR THE YEAR TO NET CASH	Group $000 2015	Group $000 2014	Company $000 2015	Company $000 2014
Profit/(loss) for the year	**1,590**	**(322)**	**-**	**-**
Add/(less) non-cash items				
Depreciation and amortisation	827	778	-	-
Fair value loss/(gain) on investment property	(1,186)	28	-	-
Loss on disposal of fixed assets	16	-	-	-
Income tax expense recognised in profit or loss	177	167	-	-
Share of associates (surplus)/deficit	(9)	(8)	-	-
Deferred income	(179)	(179)	-	-
Total non-cash items	**(354)**	**786**	**-**	**-**
Add/(less) movements in working capital				
Trade debtors and other receivables	(528)	(40)	-	-
Prepayments	(59)	6	-	-
Trade creditors and other payables	512	155	-	-
Revenue received in advance	510	-	-	-
Total movement in working capital	**435**	**121**	**-**	**-**
Net cash flow from operating activities	**1,671**	**585**	**-**	**-**

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2015

28. RELATED PARTY TRANSACTIONS

The following transactions were carried out with related parties on normal commercial terms during the year:

Shareholders

Waikato Innovation Park Limited pays rates to the Hamilton City Council.

Waikato Innovation Park Limited paid $124,674 (2014: $103,660) to Hamilton City Council for rates, trade waste and water rates; there is a balance of $971 outstanding at 30 June 2015 (2014: $424).

Subsidiaries and associates

Waikato Innovation Park Limited

100% of New Zealand Food Innovation (Waikato) Limited (NZFIW) shares are held by Waikato Innovation Park Limited

Waikato Innovation Park Limited has provided unlimited inter-company guarantees to New Zealand Food Innovation (Waikato) Limited.

New Zealand Food Innovation (Waikato) Limited paid expenses of $385,294 (2014: $818,819) to Waikato Innovation Park Limited for corporate management services. The amount outstanding at balance date was $7,255 (2014: $1,002,742).

New Zealand Food Innovation (Waikato) Limited

Waikato Innovation Park Limited tax liability in relation to 2014 was eliminated by losses of $413,549 transferred from NZFIW by loss offset.

New Zealand Food Innovation Network Ltd

NZFIW made sales of $60,000 (2014: $54,849) to New Zealand Food Innovation Network Ltd for Business Development Management services. The amount outstanding at balance date was $11,021 (2014: $5,271).

Other

Earl Ratray is a Director of Quantec Ltd, a private company which rents office space from Waikato Innovation Park Limited. During the year Waikato Innovation Park Limited charged Quantec Ltd $30,900 for rent and operating expenses; a balance of $428 was outstanding at 30 June 2015.

Andrew West is the Chairman of Herd Homes Ltd, a private company which rents office space from Waikato Innovation Park Limited. During the year Waikato Innovation Park Limited charged Herd Homes Ltd $14,487 (2014: $13,879) for rent and operating expenses; a balance of $20 was owning to Herd Homes Ltd at 30 June 2014 (2014: $493).

Michael Spaans was a Director of Waikato Innovation Park Limited (resigned 1 June 2015) and is a shareholder of Livestock Improvement Corporate (LIC). During the year LIC was charged $700 (2014: NIL)

Waikato Innovation Park Limited has paid Directors fees of $23,500 to Essentia Consulting Group Limited for the services of Martin Udale (2014: $32,608).

Peter Maxwell, an employee of Waikato Innovation Park Limited is a Trustee of Greenfields Network Incorporated, Innovation Waikato Limited is a member of Greenfields Network Incorporated.

Key Management Personnel Disclosure

Key Management personnel compensation	2015: $792,718	2014: $675,427

29. CONTINGENCIES

No contingencies have been identified at balance date (2014: NIL).

30. COMMITMENTS

As at 30 June 2015 Waikato Innovation Park Limited has capital commitments of $5,642,542 on various contracts for the completion of Building C (2014: NIL).

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2015

31. PERFORMANCE TARGETS AND RESULTS

The Group prepares an annual Statement of Corporate Intent (based on the Group's management report), which is approved by the Shareholder and incorporates financial and performance measures for the ensuing year.

A comparison of the Group's actual results for the year (excluding abnormal items) with those forecasted is given below:

Performance targets and actual results to 30 June 2015 (Group)	**Actual $000**	Statement of Corporate Intent $000
Earnings before interest, taxation and depreciation	3,599	2,035
Cash from operating activities	1,671	1,020
Net profit	1,590	171
Shareholders' fund (including deferred income)/Tangible assets	45%	52%

Budget and actual results to 30 June 2015 (Group)	**Actual $000**	Statement of Corporate Intent $000
EBITDA Property	2,280	1,023
EBITDA Economic development	24	24
EBITDA NZFIW	1,295	987
Group EBITDA	**3,599**	**2,034**
Depreciation	827	1,112
Interest	1,005	1,102
Total other overheads	**1,832**	**2,214**
Net profit before tax	**1,767**	**(180)**
Income tax	177	-
Profit from sale of shares	-	350
Net Profit after tax	**1,590**	**170**

The EBITDA and net profit improvement was due to the revaluation of buildings and higher than budgeted performance in New Zealand Food Innovation (Waikato) Limited. Favourable interest rates also improved net profit. Cash from operating activates improved due to prepayment of contracts by customers and improved profitability of New Zealand Food Innovation (Waikato) Limited. The shareholders' fund ratio was lower than expected due to a higher working capital requirement and higher capital spend on the wet side upgrade project funded from the Bank.

The EBITDA Company: Property variance is due to the revaluation of investment property of $1,186,000. The EBITDA NZFIW variance is due to prices exceeding budget and cost efficiency. Interest rates were lower than budgeted and income tax was due to higher profit and was not budgeted for.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2015

PERFORMANCE TARGETS AND RESULTS (Continued)

Budget and actual results to 30 June 2015 (Group)	Actual $000	Statement of Corporate Intent $000
Current assets		
Cash and cash equivalents	168	-
Receivables (Includes prepayments and accrued income)	1,048	783
Total current assets	**1,216**	**783**
Non-current assets		
Buildings and plant	38,687	33,320
Plant and equipment	53	320
Total tangible assets	38,740	33,640
Intangible assets	-	3
Investment in assocaite	20	-
Total non-current assets	**38,760**	**33,643**
Total assets	**39,976**	**34,426**
Current liabilities		
Short term bank loans	6,464	117
Payables and accruals	4,111	632
Total current liabilities	**10,575**	**749**
Term liabilities		
Bank loans	9,783	16,147
Deferred income	3,769	1,766
Provisions	171	-
Deferred tax liability	1,053	-
Total term liabilities	**14,776**	**17,913**
Total liabilities	**25,351**	**18,662**
Equity		
Issued and paid up capital	2,400	5,050
Issue of shares	3,000	-
Building revaluation reserve (Closing balance)	2,006	6,514
Retained earnings (Opening balance)	5,132	4,030
Non-controlling interest (Opening balance)	498	-
Profit for current year	1,590	171
Total equity	**14,625**	**15,765**
Total equity and liabilities	**39,976**	**34,427**

The variances in the Statement of Financial Position are due to the new Building C progress ahead of budget, the reclassification of bank loans due to the expiration of a loan term within the next 12 months, the Building C work in progress accounts payable and the Government Grant for New Zealand Food (Waikato) Limited which remained as a liability rather than being transferred to Equity as per the budget.

gm

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Independent Auditor's Report

To the readers of
Innovation Waikato Limited Group's
financial statements and performance information
for the year ended 30 June 2015

The Auditor-General is the auditor of Innovation Waikato Limited and its other controlled entities. The Auditor-General has appointed me, Leon Pieterse, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and the performance information of the group, consisting of Innovation Waikato Limited and its subsidiaries and other controlled entities (collectively referred to as "the Group"), on her behalf.

Opinion on the financial statements and the performance information

We have audited:

- the financial statements of the Group on pages 8 to 29, that comprise the statement of financial position as at 30 June 2015, 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 Group on pages 30 to 31.

In our opinion:

- the financial statements of the Group:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2015; and
    - its financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand and have been prepared in accordance with New Zealand equivalents to International Financial Reporting Standards with reduced disclosure requirements; and

- the performance information of the Group presents fairly, in all material respects, the Group's achievements measured against the performance targets adopted for the year ended 30 June 2015.

Our audit was completed on 30 September 2015. 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 the performance information 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 the performance information. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements and in the performance information. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and the performance information, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the Group's financial statements and performance information 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 Group's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Board of Directors;
- the adequacy of the disclosures in the financial statements and in the performance information; and
- the overall presentation of the financial statements and the performance information.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and the performance information. Also, we did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

We believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of the Board of Directors

The Board of Directors is responsible for the preparation and fair presentation of financial statements for the Group that comply with generally accepted accounting practice in New Zealand and New Zealand equivalents to international Financial reporting standards-Reduced Disclosure Regime. The Board of Directors is also responsible for preparation of the performance information for the Group.

The Board of Directors' responsibilities arise from the Local Government Act 2002.

The Board of Directors is 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 the performance information, whether in printed or electronic form.

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and the performance information and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001.

Independence

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.

Other than the audit, we have no relationship with or interests in the Group.

Leon Pieterse
Audit New Zealand
On behalf of the Auditor-General
Hamilton, New Zealand

Hamilton City Council
Te kaunihera o Kirikiriroa

council report

Committee: Council Controlled Organisations Subcommittee

Date: 21 October 2015

Report Name: Waikato Regional Airport Ltd - Annual Report 2015

Author: Stephen Halliwell

Report Status	*Open*
Strategy, Policy or Plan context	*Statement of Intent*
Financial status	*There is not budget allocated*
Assessment of significance	*Having regard to the decision making provisions in the LGA 2002 and Councils Significance Policy, a decision in accordance with the recommendations is not considered to have a high degree of significance*

1. Purpose of the Report

2. To present the Waikato Regional Airport Ltd (WRAL) Annual Report for the year ended 30 June 2015.

3. Executive Summary

Shareholding	Total Assets $(000)	Surplus / (Deficit) $(000)	Dividend	KPI's	Audit Opinion
50.0% 1 of 5 shareholders	$78,543	$169	0	10/10 achieved	unmodified

4. WRAL recorded a surplus of $169k up from the deficit of $232k reported in 2014. This surplus exceeds the budgeted surplus of $111k.
5. The accounts have been prepared as group accounts without separate parent company accounts. A summary of the parent company performance is disclosed on page 4 of the annual report.
6. The Chairman and General Manager reports provide a summary of the WRAL Group highlights for 2014/15. Refer pages 3 -7 of the annual report.
7. The KPI's are shown in note 30 (page 35 of the annual report).
8. Attention is drawn to Note 13 on page 28 of the annual report, which as reported in Council's Annual Report discloses that uncalled capital has been repurchased, as resolved by shareholders.
9. The company held an AGM attended by Councillor Gary Mallet and the Chief Executive Richard Briggs.

Item 11

10. Recommendation from Management

11. That the report be received.

12. Attachments

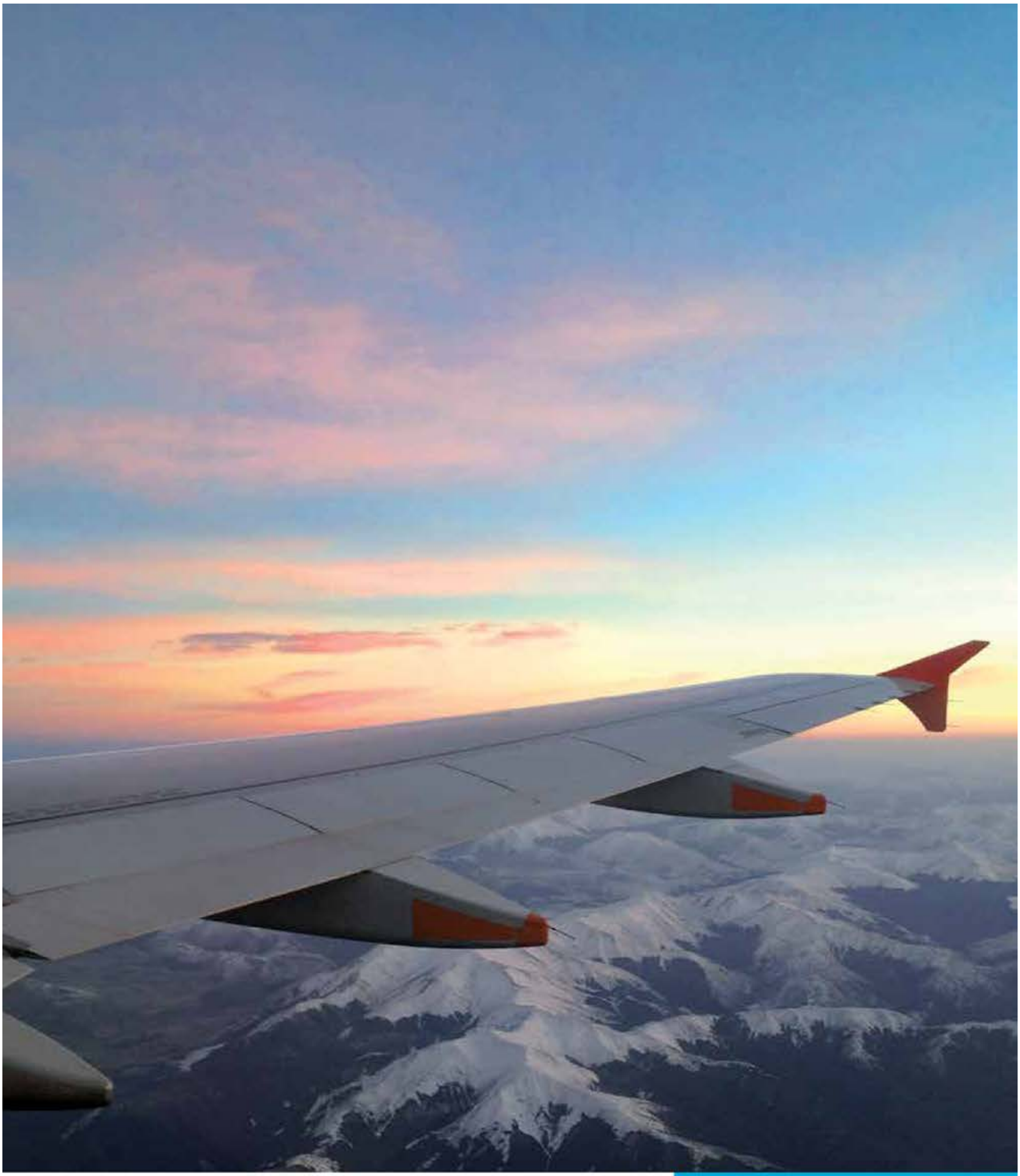
13. Attachment 1 - WRAL Annual Report 2015

Signatory

Authoriser	Paul Conder, Chief Financial Officer

Item 11

Attachment 1



Hamilton Airport

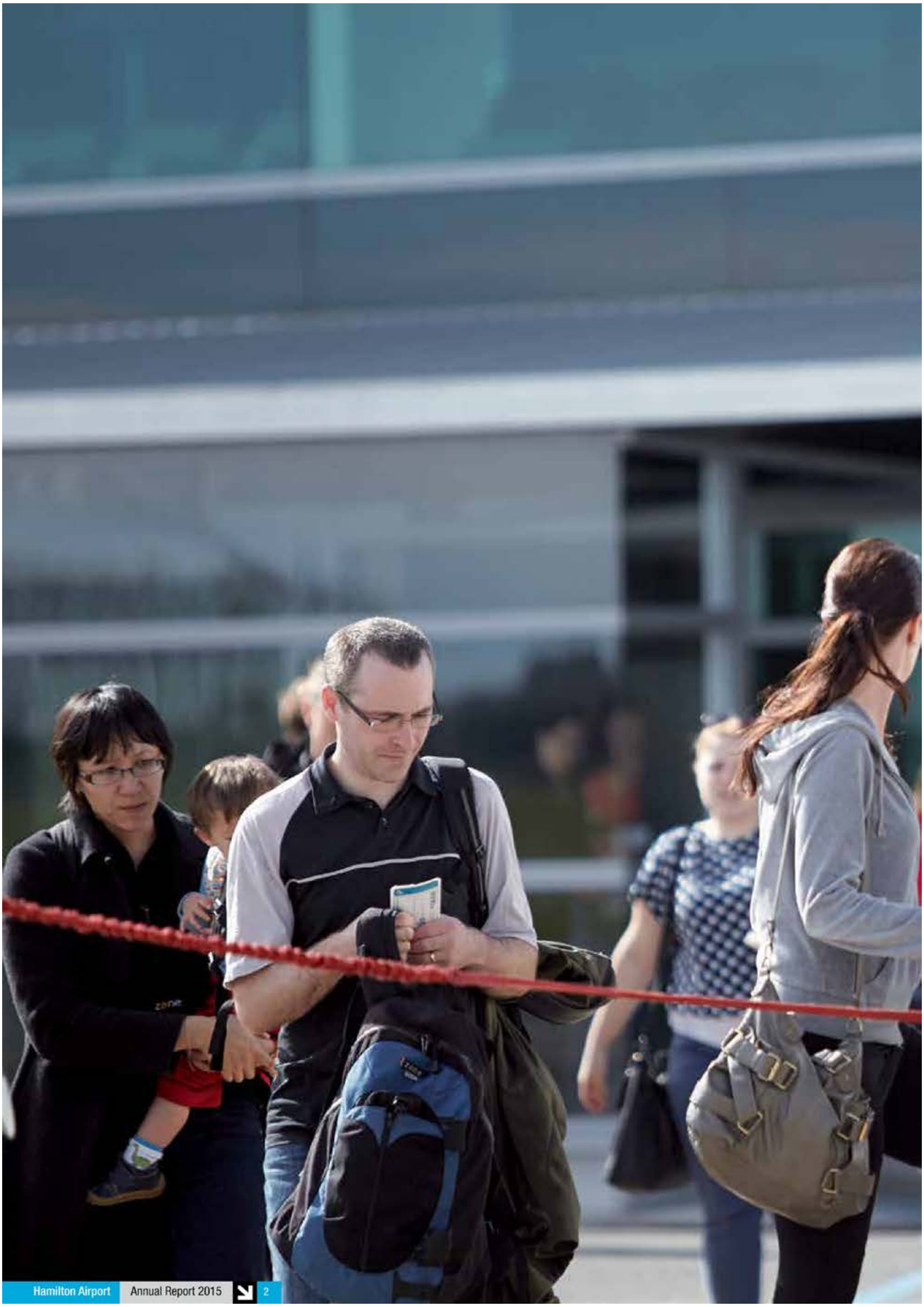
Annual Report 2015

CONTENTS

2015 RESULTS AT A GLANCE

KEY FACTS

- Operating Surplus after Tax of $169,000 ; up $401,000 on 2014
- Operating Revenue (excluding land sales) up $283,000 (4.3%)
- Land sale net income $841,000 ($221,000 in 2014)
- EBITDA of $3,294,000; up $1,081,000 on 2014
- $2,225,000 positive operating net cash flow
- $1.97m debt repayment ($0.58m for the Airport; $1.39m for Titanium Park Limited)
- 291,000 passengers; up 2,000 on 2014
- 127,000 aircraft movements; down 4.5% (weather impact on pilot training)


Hamilton Airport
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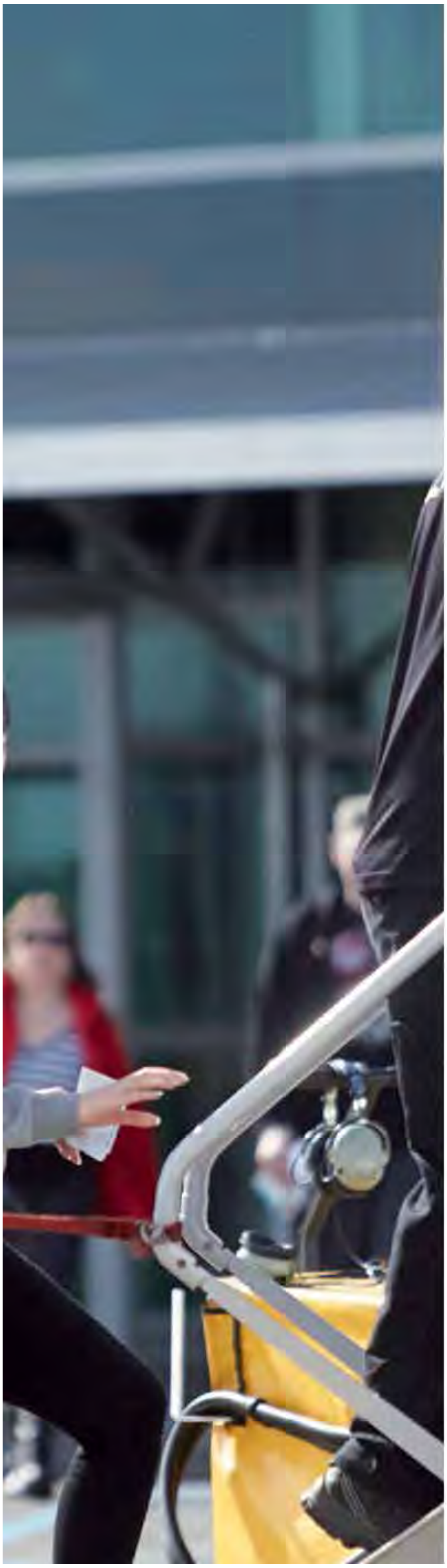


CHAIRMAN'S AND GENERAL MANAGERS' ANNUAL REPORT - 2015

In early 2014, the Board and Management of Waikato Regional Airport Limited (WRAL) completed a comprehensive review of the company's strategic direction, resulting in a revised business plan and Statement of Corporate Intent. During 2015, the company has focused on continued improvement in operating efficiencies, careful cost management and partnering with Air New Zealand to improve passenger numbers through the airport. It is therefore pleasing to report a much improved financial result for the WRAL Group for the year with an Operating Surplus after Taxation of $169,000.

The Board has placed a major focus on health and safety practices and procedures throughout the airport precinct. The 2015 year has seen zero lost time injuries with only two minor accidents occurring.

The Board has also been actively involved with its joint venture partner throughout the year in a comprehensive review of the future of Titanium Park.

FINANCIAL PERFORMANCE

WRAL Group

The 2015 financial result for the consolidated WRAL Group is a significant improvement on the prior year. Operating Surplus before Taxation for the Group of $289,000 exceeds 2014 by $541,000 with the result supported by increased aeronautical revenue, operating cost reductions and a further and final payment on a Titanium Park land sale. The result also takes account of an unfavourable movement for the year in the interest rate swaps valuation of $202,000 which has arisen due to the continuation in the fall in interest rates. Operating revenue of $6.85m has risen 4.3% over last year while total expenses of $7.3m (including depreciation but excluding the interest rate swaps loss) are in line with last year.

Net Cash Flow for the Group from Operating and Investment Activities was $2,225,000. Last year, the expenditure on the runway overlay of $3.1m resulted in negative Cash Flow after investments of $1,975,000.

$1.97m of debt repayment was made in 2015 ($0.58m by the Parent Company and $1.39m by Titanium Park). The Total Debt to Equity ratio improved from 26:74 in 2014 to 24:76 this year.

WRAL Group	2015 ($000)	2014 ($000)	Variance ($000)
Operating and Other Revenue	7,400	6,820	580
Direct Expenses	(4,106)	(4,607)	501
EBITDA	**3,294**	**2,213**	**1,081**
Depreciation	(2,101)	(2,012)	(89)
Finance Costs	(712)	(623)	(89)
Disposal of Assets	10	(31)	41
Operating Surplus (Deficit) before Taxation and before Interest Rate Swaps gains (losses)	**490**	**(453)**	**944**
Interest Rate Swaps gains (losses)	(202)	201	403
Operating Surplus (Deficit) before Taxation	**289**	**(252)**	**(541)**
Net Cash Flow from Operating & Investment Activities	**2,225**	**(1,975)**	**4,200**

AIRPORT COMPANY (PARENT) (excluding Titanium Park transactions)	2015 ($000)	2014 ($000)	Variance ($000)
Operating and Other Revenue	5,561	5,250	311
Direct Expenses	(3,095)	(3,326)	231
EBITDA	**2,466**	**1,924**	**542**
Depreciation	(2,089)	(2,001)	(88)
Finance Costs	(674)	(610)	(64)
Disposal of Assets	10	(30)	40
Operating Surplus (Deficit) before Taxation and before Interest Rate Swaps gains (losses)	**(287)**	**(717)**	**430**
Interest Rate Swaps gains (losses)	(202)	201	(403)
Operating Surplus (Deficit) before Taxation	**(489)**	**(516)**	**27**
Net Cash Flow from Operating & Investment Activities	**752**	**2,736**	**3,488**

WRAL Parent

An objective for the 2015 year has been to ensure that the airport company (parent) can sustain itself cash-wise and to improve on the operating performance of 2014. As can be seen in the following table, EBITDA has increased by 28% while Operating Surplus (Deficit) before Taxation and Interest Rate Swaps Valuation has improved by $430,000. Car park and aeronautical revenue increased by $366,000 while direct operating expenses fell $231,000 or 7%. Higher finance costs reflected a full year of the term debt facility used to fund the runway overlay project completed in March 2014.

Despite the $202,000 unfavourable impact of the interest rate swaps this year (compared to a favourable movement of $201,000 last year), the parent company result excluding all Titanium Park transactions improved by $27,000.

AIRLINE ACTIVITIES AND PASSENGER NUMBERS

Harmonious relationships between airports and airlines are critical to the success of both parties and the Air New Zealand – Hamilton Airport relationship at the operational, marketing and strategic level is exceptionally positive.

Together, the businesses have focussed on opportunities to increase passenger numbers, improve the customer experience at the airport and existing route marketing initiatives.

In March, the airport was chosen as one of a few regional ports to gain Nightrider flights with Air New Zealand selecting the Hamilton – Wellington route for $29 one-way flights during April and May. This initiative was highly successful with all flights fully booked, providing economical travel to nearly 2,300 passengers.

Following a review with airport Management, Air New Zealand has made a commitment to construct a new and much enlarged passenger lounge for its Koru Club members. At over twice the size of the current lounge, construction of the new facility is due to commence in early October and subject to a works programme, it is planned to be completed by the end of December.

In late 2014, Air New Zealand announced its decision to withdraw the 19-seater Beech aircraft from its fleet and services at some smaller regional airports have already ceased. The impact of this decision on Hamilton Airport will be a gradual decline in services from May 2015 on the Hamilton – Auckland route, with the final flight being made in early February 2016. This route has been traditionally patronised by nearly 25,000 travellers per annum, connecting to either international or other domestic flights. The Hamilton – Palmerston North route will also be impacted in August 2016 with the two current Beech daily flights, being replaced by one 50-seater Q300 flight.

The withdrawal of the Beech fleet will however have a positive impact on Hamilton's two key routes, namely Wellington and Christchurch. Capacity will increase with more 68-seater ATR aircraft scheduled to be used due to the Q300 aircraft operating on other routes within New Zealand, traditionally serviced by the Beech aircraft.

Despite the reduction in the number of flights to Auckland in recent months, total passengers through the airport in the 2014-15 year were 291,400, an increase of 2,000 over the prior year. Encouragingly, the final quarter of the year has seen an average 8% increase over the same period in 2014 in passenger numbers.

With the recent withdrawal of Air New Zealand services from some regional centres, a number of smaller airlines have stepped in to provide air connections for these communities. Kiwi Regional Airlines has announced its intention to cover a route network which includes the airports of Dunedin, Queenstown, Nelson and Hamilton. Kiwi Regional Airlines' intention is to commence flights later this year between Hamilton and Nelson.

The recent announcement by Jetstar New Zealand to enter the regional market with a fleet of Q300 aircraft has resulted in eight airports including Hamilton being approached by Jetstar to submit proposals. With ticket sales planned from September and the first flights in December, Jetstar's decision on its regional network is expected in August. Hamilton Airport is well placed to accommodate multiple airlines, with sufficient facilities for check-in, passenger processing and aircraft boarding gates and apron slots.

AIRPORT OPERATIONS

Last year saw the most significant investment in infrastructure at the airport for many years, being the runway overlay project at $3.1m. Capital works in the 2015 year have focussed on a number of airside operational projects.

- Low intensity approach lights have been installed at the northern end of the main runway. These lights help enhance the operational capability for aircraft to identify the runway in poor lighting or marginal weather conditions.
- New and improved airfield signage has been installed to assist aircraft during ground movement operations.
- Additional passenger safety control barriers have been installed on the terminal apron to assist with passenger movements to and from the aircraft.

Hamilton Airport remains New Zealand's second busiest Civil Aviation Part 139 certificated airport in terms of aircraft movements, primarily due to the volume of pilot training flights by CTC Aviation Training. Total movements for the 2014/15 financial year were 126,717 or an average of 347 flight movements every day.

TITANIUM PARK

The Manager of the Titanium Park Joint Venture has continued to work with a range of potential clients who have shown interest in Titanium Park as a venue for their businesses. The decision process for a number of these parties has been very protracted as they consider the various options available to them in Hamilton and surrounding areas. Unfortunately no land sales have been made at the business park during the 2015 financial year. However plans have now been approved for the construction on land sold last year, of a building on Central Precinct, near the airport terminal.

Considerable time has been spent this year by the Joint Venture with the New Zealand Transport Agency relating to future roading changes affecting Titanium Park, and in particular the Southern Links project. Agreement has been reached on the construction of a roundabout on the intersection of State Highway 3 and Airport Road. This project will commence in late 2015 and will not only eliminate the current safety issues associated with this intersection but it will provide certainty on the access into the Western Precinct of the Park.

HEALTH & SAFETY

The health and safety of travellers, employees, contractors and airport tenants is of utmost importance to the airport's management and directors. Regular safety committee meetings and operational reviews are conducted with assistance from an independent safety consultant. Focussed H & S awareness by our employees has seen a near clean accident record, with no work time lost hours during the 2015 year.

HAMILTON & WAIKATO TOURISM

Hamilton & Waikato Tourism (HWT) has just completed its fourth successful year as the Regional Tourism Organisation, supported by seven of the Waikato region's Territorial Authorities and the region's tourism operators. HWT continued to work in close partnership with tourism operators who this year contributed $415,000 towards marketing and promotional activities. This resulted in a combined investment from the local authorities and tourism industry of $1.25m.

A key focus for 2014/15 has been the development of a ten-year Visitor Strategy for the industry and region. The strategy aims to grow visitor expenditure from $1b to $1.35b per annum by 2025 through an increased investment in destination marketing and the expansion of HWT's activities to include destination management. To enable the strategy to be implemented, HWT sought an increase in funding from its local government partners through their respective Long Term Plans. This was successfully achieved with all seven councils agreeing to increase their partnership investment by 50%.

The digital promotion of the region is becoming increasingly important given the global trend to online research and transacting. Given that www.hamiltonwaikato.com had been in place since the establishment of HWT, a full redevelopment of the site was commenced in 2014/15, to include a new content management system and improved functionality.

Key highlights for HWT for the year include:

- Investment of $415,000 in HWT's activities by the region's tourism industry
- Development of a 10 year Visitor Strategy for the region aiming to grow the sector
- Additional investment of $405,000 secured for 2015-16 onwards from partner councils
- Hosting 137 international and 14 domestic media outlets
- Hosting over 346 international travel trade personnel
- 'Explore Central North Island' collective hosted TRENZ in Rotorua with over 300 international buyers attending
- Supported Hamilton City Council with two major events; Cricket World Cup and FIFA Men's U20 World Cup

The New Zealand tourism sector has experienced strong growth with increased visitation, guest nights and expenditure from both international and domestic visitors. This has also been reflected in the Hamilton and Waikato region.

International Marketing

The region continues to see positive growth in international expenditure and guest nights. HWT once again participated in a $1.6m "Tour the North" campaign in Australia in conjunction with other upper North Island regions and Tourism New Zealand. HWT continued its partnership with the Explore Central North Island (ECNI) collective of regions (8). This year ECNI jointly hosted TRENZ in Rotorua in May. The trade show was a tremendous success with over 300 international buyers in attendance.

Domestic Marketing

Growth in domestic visitor nights in the region has continued, however visitor expenditure remains below the national trend. HWT continued its domestic campaign activity throughout the year including two Explore Your Own Backyard campaigns and a Short Escapes campaign focused on walking and cycling and key events happening in the city and region. At the start of the year the region hosted both the Cricket World Cup and FIFA Men's U20 World Cup. HWT was heavily involved in supporting these tournaments alongside Hamilton City Council.

Convention Bureau

This year the Convention Bureau's focus of activity has been hosting famils (mega and local), clients, and exhibiting at various trade shows. Towards the end of the year there has been a noticeable increase in enquiries and proposals submitted. The Hamilton and Waikato region remains stable at 9% of the New Zealand market share of total delegate days, being third equal in New Zealand with Christchurch.

Partnership with Hamilton Airport

HWT has continued its close relationship with the Hamilton Airport management team, supporting presentations and regular discussions with Air New Zealand on marketing activities and supporting general strategic matters where appropriate.

Financial Performance for the year ended 30 June 2015

While retaining core funding of $810,000 from partner Councils, HWT also received $415,000 from the tourism industry, the latter exceeding the budgeted target of $300,000. Income areas that contributed strongly were Australian and Domestic campaign activity and Convention Bureau partnership.

The 2014/15 year-end result was a $25,000 pre-tax deficit (budget of $22,500 deficit). This deficit was funded from cash reserves, and the small tax loss will be carried forward.

Hamilton & Waikato Tourism Board

In May 2015, Robert Weir was appointed to the HWT Board and in August, we farewelled Anna Bounds. Anna has been a director since the formation of Hamilton & Waikato Tourism and has brought professionalism, diligence and values to the boardroom and the organisation. We thank her for the contribution that she has made to the business.

COMMUNITY ENGAGEMENT

The airport provides a number of community services, particularly those aimed at supporting children. These include sponsorship of disabled children to attend Christmas functions, school class visits and tours of the airport and its operations, and support for the Child Flight Charitable Trust. This organisation provides special needs children with the opportunity to experience the excitement of flight and the airport makes all its facilities available to the children, families and aircraft operators. The airport had much pleasure in hosting and providing the Child Flight Trust with the opportunity to use airport facilities on two successful occasions this year.

The Community Liaison Group has continued to meet quarterly under the committed and experienced independent chairmanship of Graeme Opie. With representation from various aviation-related organisations based at the airport, along with local residents and district council personnel, the Group has been focussed more recently on issues relating to aircraft air noise. The airport maintains a structured Noise Management Plan, being a district planning requirement. A component of the plan requires community consultation and a number of the clauses in the Plan are currently being reviewed by the Group with assistance from Waipa District Council.

CONCLUSION

On behalf of the Board and Management team, we thank our shareholders and employees for their continued support. Like many regional airports, Hamilton has many challenges to confront and recently, a number of opportunities to pursue. Success comes from the dedication to the business by its staff and shareholders.

John Spencer   G. Clark   S. Hollinger

JOHN SPENCER Chairman	**GEORGE CLARK** General Manager Commercial	**SIMON HOLLINGER** General Manager Operations


HAMILTON
AIR NEW ZEALAND
link
ZK-EAJ

INDEX TO THE FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

For the Year Ended 30 June 2015

	NOTE	2015 $000	2014 $000
REVENUE			
Operating revenue	14	6,855	6,572
Other gains	15	16	200
Land sales – Titanium Park		841	221
Finance income		54	29
Total Revenue		**7,765**	**7,022**
EXPENSES			
Operating expenses		2,524	2,697
Employee benefit expenses		1,763	1,754
Bad debts written off		1	1
Depreciation and amortisation	18	2,101	2,012
Directors' fees	28	173	151
Finance costs		712	623
Other losses	15	202	36
Total Expenses		**7,476**	**7,274**
OPERATING SURPLUS/(DEFICIT) BEFORE TAXATION		**289**	**(252)**
Taxation	19	120	(20)
OPERATING SURPLUS/(DEFICIT) AFTER TAXATION		**169**	**(232)**
Gain/(loss) on property revaluation		0	0
Total Other Comprehensive Revenue and Expense		**0**	**0**
TOTAL COMPREHENSIVE REVENUE AND EXPENSE		**169**	**(232)**

Total comprehensive revenue and expense attributable to		
Equity holders of the parent	169	(232)

The attached Statement of Accounting Policies and Notes form part of, and are to be read in conjunction with the Financial Statements.

STATEMENT OF CHANGES IN EQUITY

For the Year Ended 30 June 2015

	NOTE	2015 $000	2014 $000
Balance at 1 July		**59,500**	**59,732**
Total comprehensive revenue and expense		169	(232)
BALANCE AT 30 JUNE		**59,669**	**59,500**

Total comprehensive revenue and expense attributable to			
Equity holders of the parent		169	(232)

The attached Statement of Accounting Policies and Notes form part of, and are to be read in conjunction with the Financial Statements.

BALANCE SHEET

As at 30 June 2015

	NOTE	2015 $000	2014 $000
EQUITY			
Share capital	11	14,860	14,860
Asset revaluation reserve	11	28,677	28,677
Retained earnings	11	16,132	15,963
Total Equity		**59,669**	**59,500**
Represented by:			
CURRENT ASSETS			
Cash and cash equivalents	6	514	262
Trade and other receivables	3	506	637
Prepayments		18	117
Inventories		97	105
Term deposits	7	287	160
Development property	8	11,512	11,926
		12,934	**13,207**
CURRENT LIABILITIES			
Term liabilities – current portion	10	83	1,473
Derivative financial instruments	23	611	409
Payables and accruals	2	1,221	1,289
Income tax payable		355	124
Employee entitlements	22	173	174
Income in advance		221	225
		2,664	**3,694**
WORKING CAPITAL SURPLUS		**10,270**	**9,513**
NON CURRENT ASSETS			
Property, plant and equipment	9	61,761	63,392
Investment property	25	3,730	3,720
Other financial assets	24	25	26
Intangible assets	26	-	7
Other assets	21	93	101
		65,609	**67,246**

BALANCE SHEET continued

As at 30 June 2015

	NOTE	2015 $000	2014 $000
NON CURRENT LIABILITIES			
Term loans	10	9,539	10,122
Deferred taxation	20	6,671	7,137
		16,210	**17,259**
NET ASSETS		**59,669**	**59,500**

The attached Statement of Accounting Policies and Notes form part of, and are to be read in conjunction with the Financial Statements.

Director
25 August 2015

Director
25 August 2015

STATEMENT OF CASH FLOWS

For the Year Ended 30 June 2015

	NOTE	2015 $000	2014 $000
CASH FLOW FROM OPERATING ACTIVITIES			
Operating revenue		7,802	6,700
Interest received		54	29
Payments to suppliers and employees		(4,457)	(4,624)
Income taxes refunded (paid)		(355)	(221)
GST (net)		63	11
Interest paid		(712)	(628)
Costs of development property		414	370
Net cash from operating activities	**17**	**2,809**	**1,637**
CASH FLOW FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		0	59
Purchase of property, plant and equipment		(457)	(3,671)
Funds placed on deposit		(127)	-
Net cash from investing activities		**(584)**	**(3,612)**
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from borrowings		-	1,835
Repayment of borrowings		(1,973)	(500)
Net cash from financing activities		(1,973)	1,335
Net increase in cash and cash equivalents		**252**	**(640)**
Cash and cash equivalents at the beginning of the year		262	902
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**6**	**514**	**262**

The attached Statement of Accounting Policies and Notes form part of, and are to be read in conjunction with the Financial Statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2015

1. STATEMENT OF ACCOUNTING POLICIES

Reporting Entity

The Waikato Regional Airport Limited Group has designated itself as a public benefit entity (PBE) for financial reporting purposes. The financial statements of Waikato Regional Airport Limited are for the year ended 30 June 2015. The financial statements were authorised for issue by the Board of Directors on 25 August 2015.

Basis for Preparation

The Company and Group have prepared the Consolidated financial statements in accordance with the Companies Act 1993, the Local Government Act 2002, the Airport Authorities Act 1966 and the Financial Reporting Act 2013.

These financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). They comply with Public Benefit Entity Standards Reduced Disclosure Regime (PBE Standards RDR) and authoritative notices that are applicable to entities that apply PBE Standards.

The entity is eligible and has elected to report in accordance with Tier 2 PBE Standards RDR on the basis that the entity has no public accountability and is not large as defined in XRB A1.

These financial statements are the first financial statements presented in accordance with the new PBE accounting standards. The material changes arising on transition to the new PBE accounting standards are as follows: **PBE IPSAS 1: Presentation of Financial Statements**

There are minor differences between PBE IPSAS 1 and the equivalent NZ IFRS standard. These differences have an effect on disclosure only. The main changes in disclosure resulting from the application of PBE IPSAS 1 are the following:

<u>Revenue from exchange and non-exchange transactions:</u>

In the financial statements of the previous financial year, revenue was presented as a single total in note 16 Operating Revenue. However, PBE IPSAS 1 requires revenue from non-exchange transactions and revenue from exchange transactions to be presented separately. This requirement affected the presentation of both current and comparative receivables figures.

<u>Presentation of Audit fees and Income tax payable</u>

Audit fees are not presented on a separate line and are grouped together with Operating expenses. Income tax payable is presented on a separate line in the Consolidated Balance Sheet.

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

The financial statements have been prepared on a historical cost basis, modified by the revaluation of land and buildings, infrastructure assets, investment property, and financial instruments (including derivative instruments).

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars ($000). The functional currency of Waikato Regional Airport Limited and its subsidiaries is New Zealand dollars.

Subsidiary and Consolidation

The purchase method is used to prepare the consolidated financial statements, which involves adding together like item of assets, liabilities, equity, income and expenses on a line-by-line basis. All significant intragroup balances, transactions, income and expenses are eliminated on consolidation. TPL is a participant in Titanium Park Joint Venture and TPL's interest in the Joint Venture is accounted for using the line by line (proportionate) method of consolidation.

The Company's investment in its subsidiaries is carried at cost in the parent entity financial statements.

Specific Accounting Policies

The following particular accounting policies, which materially affect the measurement of financial results and financial position, have been applied:

a. Trade and Other Receivables

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

A provision for impairment of receivables is established when there is objective evidence that the Company will not

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2015

be able to collect all amounts due according to the original terms of the receivables.

b. 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.

Bank overdrafts are shown within borrowings in current liabilities in the consolidated balance sheet.

c. Inventories

Stock on hand has been valued at the lower of cost and net realisable value on a weighted average cost basis, after due allowance for damaged and obsolete stock. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

d. Property, Plant and Equipment

Property, plant and equipment consists of:

- Operational Assets - These include land, buildings, security fences, furniture and fittings, computer equipment, motor vehicles and plant and equipment.
- Infrastructure Assets – These include runways, aprons and taxiways, other paved areas and underground-reticulated systems.

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

Classification

The ten classifications of property, plant and equipment are: freehold land, freehold buildings, runways, aprons and taxiways, other paved areas, motor vehicles, plant and equipment, computer equipment, furniture and fittings, fencing and underground reticulated systems.

Additions

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

In most instances, an item of property, plant and equipment is recognised at 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 surplus/loss.

Subsequent Costs

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

Depreciation

Depreciation is provided on a straight line basis on all property, plant and equipment at rates that will write off the cost of the assets over their estimated useful lives.

The estimated useful lives of the major classes of assets are:

Buildings	5 - 59 years
Runways, Aprons and Taxiways	5 - 74 years
Other Paved Areas	9 - 14 years
Motor Vehicles	5 - 15 years
Furniture and Fittings	3 - 50 years
Plant and Equipment	2 - 50 years
Computer Equipment	2 - 6 years
Fencing	10 - 47 years
Reticulated Systems	4 - 74 years

The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year-end. A valuation of runways, aprons & taxiways, other paved areas, and reticulated systems was undertaken on 30 June 2011 and the useful lives of those assets were adjusted at that time to reflect the valuation undertaken on those assets.

Revaluation

Those asset classes that are revalued are valued on a five-yearly valuation cycle on the basis described below. All other assets are carried at depreciated historical cost. The carrying

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2015

values of revalued items are reviewed at each balance date to ensure that those values are not materially different to fair value.

Operational Land and Buildings

At fair value determined from market-based evidence. All valuations are undertaken or reviewed by an independent registered valuer and are usually carried out on a five-yearly cycle.

Infrastructure Assets

At fair value determined on a depreciated replacement cost basis by an independent registered valuer and are usually carried out on a five-yearly cycle.

e. Intangible Assets

Software Acquisition

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 maintaining computer software are recognised as an expense when incurred.

Costs associated with the development and maintenance of the Company's website are recognised as an expense when incurred.

Amortisation

Computer software licences are amortised on a straight-line basis over their estimated useful life of 3 years. Amortisation begins when the asset is available for use and ceases at the date that the asset is disposed of. The amortisation charge for each period is recognised in the surplus/loss.

f. Taxation

Income tax expense in relation to the surplus or loss for the period comprises current tax and deferred tax.

Current tax is the amount of income tax payable based on the taxable profit for the current year, plus any adjustments to income tax payable in respect of prior years. Current tax is calculated using rates that have been enacted or substantively enacted by balance date.

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

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised 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 calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, using tax rates that have been enacted or substantively enacted by balance date.

Current tax and deferred tax is charged or credited to the statement of comprehensive revenue and expense, except when it relates to items charged or credited directly to equity, in which case the tax is dealt with in equity.

g. Goods and Services Tax

All items in the financial statements are stated exclusive of GST, except for receivables and payables, which are stated on a GST inclusive basis. Where GST is not recoverable as input tax then it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the balance sheet.

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

h. Investments

Investments in bank deposits are initially measured at fair value plus transaction costs.

After initial recognition, investments in bank deposits are measured at amortised cost using the effective interest method less any provision for impairment.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2015

i. **Employee Entitlements**

Short-term benefits

Employee benefits that the Company expects to be settled within 12 months of balance date are measured at nominal values based on accrued entitlements at current rates of pay.

These include salaries and wages accrued up to balance date, annual leave earned to, but not yet taken at balance date, and sick leave.

The Company recognises a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

j. **Statement of Cash Flows**

Operating activities include cash received from all income sources of the Company and record the cash payments made for the supply of goods and services.

Investing activities are those activities relating to the acquisition and disposal of non-current assets.

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

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.

k. **Operating Leases**

Operating lease payments, where the lessors effectively retain substantially all of the risks and benefits of ownerships of the leased items, are recognised in the determination of the operating surplus in equal instalments over the lease term.

l. **Revenue**

Revenue is measured at the fair value of consideration received.

Revenue from non-exchange transactions

Council funding

Hamilton and Waikato Tourism Limited receives council funding and it is recognised as revenue when it becomes receivable unless there is an obligation to return the funds if conditions of the grant are not met. If there is such an obligation, the funding is initially recorded as income received in advance and recognised as revenue when conditions of the funding are satisfied.

Revenue from exchange transactions

Operating Revenue

Operating revenue is recognised when earned.

Interest Income

Interest income is recognised using the effective interest method

Rental Income

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

m. **Borrowing Costs**

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use are completed.

n. **Financial assets**

The Company classifies its financial assets into the following four categories:

- Financial assets at fair value through profit or loss
- Held to maturity investments
- Loans and receivables
- Financial assets at fair value through other comprehensive revenue and expense

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2015

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

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

The fair value of financial instruments that are not traded in an active market are determined using valuation techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long term debt instruments held. Other techniques, such as estimated discounted cash-flows, are used to determine fair value for the remaining financial instruments.

- **Financial assets at fair value through profit or loss**

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

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

  Financial assets in this category include interest rate swaps.

- **Held to maturity**

  Held to maturity investments are non-derivatives financial assets with fixed or determinable payments and fixed maturities that the Company has the positive intention and ability to hold to maturity.

- **Loans and receivables**

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

  After initial recognition they are measured at amortised cost using the effective interest method. Gains and losses when the asset is impaired or derecognised are recognised in the surplus/loss. Loans and receivables are classified as "trade and other receivables" in the balance sheet.

o. Impairment of financial assets

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

p. Accounting for derivative financial instruments

The Company uses derivative financial instruments to manage exposure to interest rate risks arising from financial activities.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value at each balance date.

The gain or loss from re-measuring derivatives at fair value is recognised in the surplus/loss.

The Company is party to financial instruments with off balance sheet risk to meet financing needs. These financial instruments include a bank overdraft facility and interest rate swap agreements. The Company enters into interest rate swap agreements to reduce the impact of changes in interest rates on its borrowings. Any difference to be paid is accrued as interest rates change, and is recognised as a component of interest expense over the life of the agreement.

Revenues and expenses in relation to all financial instruments are recognised in the surplus/loss and are shown in the balance sheet at their estimated fair value.

q. Investment property

Properties leased to third parties under operating leases are classified as investment property unless the property is held to meet service delivery objectives, rather than to earn

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2015

rentals or for capital appreciation.

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

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

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

r. Impairment of non-financial assets

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

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

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

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

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

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

For assets not carried at a revalued amount the reversal of an impairment loss is recognised in the surplus/loss.

s. Non Current assets held for sale

An asset is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than continuing use. On classification as 'Held for Sale', non-current assets and disposal groups are recognised at the lower of carrying amount and fair value less costs to sell. Impairment losses on initial classification as 'Held for Sale' are included in the surplus/loss.

t. Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days.

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

u. Borrowings

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

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

v. Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

w. Critical accounting estimates and assumptions

In preparing these financial statements the Company 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 on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2015

of assets and liabilities within the next financial year are discussed below:

Property, plant and equipment useful lives and residual values

At each balance date the Company reviews the useful lives and residual values of its property, plant and equipment. Assessing the appropriateness of useful life and residual value estimates of property, plant and equipment requires the Company 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 revenue and expense, and carrying amount of the asset in the balance sheet. The Company minimises the risk of this estimation uncertainty by:

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

The Company has not made significant changes to past assumptions concerning useful lives and residual values. The carrying amounts of property, plant and equipment are disclosed in note 9.

x. Development property

Development property is stated at the lower of cost and net realisable value. Development property comprises land, infrastructure and other costs incurred that are directly related to the development activity. Net realisable value is the discounted value of forecast sales less estimated costs of completion and the estimated selling expenses. Development property is not depreciated.

Changes in Accounting Policies

There have been no changes to accounting policies during the year.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2015

2. PAYABLES AND ACCRUALS

	2015 $000	2014 $000
Accounts payable	519	725
Accruals	702	564
Total Payables and Accruals	**1,221**	**1,289**

3. TRADE AND OTHER RECEIVABLES

	2015 $000	2014 $000
Gross trade and other receivables	506	637
Total Trade and Other Receivables	**506**	**637**

The carrying amount of receivables that are past due date, but not impaired, whose terms have been renegotiated is nil (2014: nil).

At balance date, all overdue receivables have been assessed for impairment and no provisions are required. As at 30 June 2015, the Company has identified no debtors that are insolvent.

4. COMMITMENTS

	2015 $000	2014 $000
Lease commitments		
Share generator & cable	8	24
Office equipment	5	8
	13	32

	2015 $000	2014 $000
Operating lease commitments as lessee		
Less than 12 months	12	20
Between 1 and 5 years	1	12
Greater than 5 years	-	-
Total Operating Lease Commitments	**13**	**32**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2015

5. CONTINGENT LIABILITIES

The Group has no contingent liabilities (2014: nil).

6. CASH AND CASH EQUIVALENTS

	2015 $000	2014 $000
Cash on hand	7	7
Cash at bank	507	255
Total Cash and Cash Equivalents	**514**	**262**

7. TERM DEPOSITS

	2015 $000	2014 $000
Term deposits	287	160
Total Term Deposits	**287**	**160**

The balance is invested with BNZ and has a maturity date of 7 September 2015. Interest is earned at a rate of 3.85% per annum and is paid on maturity.

8. DEVELOPMENT PROPERTY

	2015 $000	2014 $000
Development property	11,512	11,926
Total Development Property	**11,512**	**11,926**

Titanium Park Limited has leased 18.82 hectares of land from Waikato Regional Airport Limited for a lease term of 99 years or 50 years. The land has been used as an equity contribution to Titanium Park Joint Venture. The leasehold land has been accounted for as a purchase of property on the basis that this treatment reflects the economic substance of the transaction.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2015

9. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Vehicles	Runways, aprons and taxiways	Other paved areas	Plant and equipment	Computer equipment	Furniture and fittings	Fencing	Reticulated systems	Total
2015 $000											
Cost											
Opening balance	22,817	19,886	1,214	19,884	2,302	1,644	251	1,279	563	1,216	71,056
Additions	-	-	36	135	196	59	8	8	3	21	**466**
Disposals	-	-	(35)	-	-	(44)	(24)	(41)	-	-	(144)
Closing balance	**22,817**	**19,886**	**1,215**	**20,019**	**2,498**	**1,659**	**235**	**1,246**	**566**	**1,237**	**71,378**
Accumulated depreciation											
Opening balance	-	1,650	495	2,498	560	1,143	184	907	137	90	7,664
Depreciation	-	571	89	960	188	99	35	84	32	36	2,094
Disposals	-	-	(35)	-	-	(44)	(22)	(40)	-	-	(141)
Closing balance	**-**	**2,221**	**549**	**3,458**	**748**	**1,198**	**197**	**951**	**169**	**126**	**9,617**
Carrying amounts											
At 30 June 2014	22,817	18,236	719	17,386	1,742	501	67	372	426	1,126	**63,392**
At 30 June 2015	**22,817**	**17,665**	**666**	**16,561**	**1,750**	**461**	**38**	**295**	**397**	**1,111**	**61,761**

The total amount of property, plant and equipment in a construction / development phase is $1,528,526 (2014:$ 1,180,400)

	Land	Buildings	Vehicles	Runways, aprons and taxiways	Other paved areas	Plant and equipment	Computer equipment	Furniture and fittings	Fencing	Reticulated systems	Total
2014 $000											
Cost											
Opening balance	22,807	19,861	1,235	16,387	2,302	1,410	215	1,278	562	1,175	67,232
Closing balance	**22,817**	**19,886**	**1,214**	**19,884**	**2,302**	**1,644**	**251**	**1,279**	**563**	**1,216**	**71,056**
Accumulated depreciation											
Opening balance	-	1,080	408	1,633	372	1,047	151	821	105	54	5,671
Closing balance	**-**	**1,650**	**495**	**2,498**	**560**	**1,143**	**185**	**907**	**137**	**90**	**7,664**
Carrying amounts											
At 30 June 2013	22,807	18,781	827	14,754	1,930	363	64	457	457	1,121	**61,561**
At 30 June 2014	**22,817**	**18,236**	**719**	**17,386**	**1,742**	**501**	**67**	**372**	**426**	**1,126**	**63,392**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2015

VALUATION

ASSET CLASS	VALUATION APPROACH	VALUER	FAIR VALUE $000
Land	Fair market, highest and best use basis determined from prevailing market-based evidence and conditions	Quotable Value Limited	$22,733
Building and Security Fencing	Fair market or, where appropriate, depreciated replacement cost	Quotable Value Limited	$18,703
Runways, Taxiways, Aprons and Other Paved Areas	Optimised depreciated replacement cost	Beca Valuations Ltd	$16,935
Reticulated Systems	Optimised depreciated replacement cost	Beca Valuations Ltd	$1,020

The effective date of building and security fencing, runways, taxiways, aprons and other paved areas and reticulated systems valuations (excluding land) is 30 June 2011.

All land was revalued with an effective date of 30 June 2013 ($22,732,500).

Due to minor assets not being revalued, there is a difference between the fair value disclosed for each asset class and the carrying amount.

Neither valuer has an interest or relationship with any party that would impair its objectivity or independence.

10. TERM LIABILITIES

BNZ Bank Loan Facilities

At 30 June 2015 the Company had the following facilities with the BNZ Bank:

i. An overdraft facility of $500,000 repayable on demand. The interest rate on this facility is the BNZ Bank's market connect overdraft base rate plus a margin.

ii. A Customised Average Rate Loan (CARL) of up to $9,500,000 that matures on 17 October 2017. The amount outstanding on this facility at 30 June 2015 was $8,200,000 (2014:$8,700,000).

iii. A second Customised Average Rate Loan (CARL) of $1,600,000 that matures on 1 February 2018. The amount outstanding on this facility at 30 June 2015 was $1,422,400 (2014:$1,501,100).

iv. An interest rate swap facility which allows the Company to manage the interest rate risk relating to the CARL.

These facilities are secured by a charge over uncalled capital, except for the $1.6m CARL facility which is secured over buildings at Boyd Road, Hamilton.

During the year Titanium Park Joint Venture fully repaid a loan with the BNZ Bank (2014:$2.789m).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2015

11. EQUITY

	2015		2014	
	No. 000s	$000	No. 000s	$000
Ordinary shares issued				
Balance of shares as at 1 July	4,974	24,460	4,974	24,460
Less uncalled capital	939	9,600	939	9,600
Issued and called shares at 30 June	**4,035**	**14,860**	**4,035**	**14,860**
Less called but unpaid	0	0	0	0
Issued paid shares at 30 June	4,035	14,860	4,035	14,860

As at 30 June 2015 the Parent Company had 939,334 shares of uncalled capital at $9,599,993 provided by shareholders as security for existing and future borrowings associated with airport developments. As at 30 June 2015 Titanium Park Limited had 100 shares of uncalled capital at $100 and Hamilton & Waikato Tourism Limited had 1,000 shares of uncalled capital at $1,000.

All ordinary shares carry equal voting rights and the right to share in any surplus on winding up. None of the shares carry fixed dividend rights.

The shareholding of Waikato Regional Airport Limited as at 30 June 2015 is as follows:

Shareholder	No. of Shares	Percentage
Hamilton City Council	2,486,752	50.0 %
Waipa District Council	777,110	15.6 %
Matamata-Piako District Council	777,110	15.6 %
Waikato District Council	777,110	15.6 %
Otorohanga District Council	155,422	3.1 %
	4,973,504	**100.0 %**

Asset Revaluation Reserve	2015 $000	2014 $000
As at 1 July	28,677	28,677
Revaluation gain/(loss)	0	0
Deferred tax on movement	0	0
As at 30 June	**28,677**	**28,677**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2015

Asset Revaluation Reserve consists of:	2015 $000	2014 $000
Land	14,428	14,428
Buildings	2,885	2,885
Fencing	352	352
Reticulated systems	700	700
Runway, apron & taxiways	9,463	9,463
Other paved areas	849	849
As at 30 June	**28,677**	**28,677**

Retained Earnings	2015 $000	2014 $000
As at 1 July	15,963	16,195
Surplus/(loss) for the year	169	(232)
As at 30 June	**16,132**	**15,963**

12. RELATED PARTY TRANSACTIONS

The following transactions were carried out with related parties on normal commercial terms during the year.

Shareholders

During the financial year the group received payments from the following shareholders:

- Hamilton City Council, a total of $392,483 (excl GST) for regional tourism funding under a service level agreement and regional campaigns (2014: $396,024).
- Waipa District Council, a total of $100,000 (excl GST) for regional tourism funding under a service level agreement (2014: $100,000).
- Waikato District Council, a total of $100,000 (excl GST) for regional tourism funding under a service level agreement (2014: $100,000).
- Matamata-Piako District Council, a total of $100,000 (excl GST) for regional tourism funding under a service level agreement (2014: $100,000).
- Otorohanga District Council, a total of $40,000 (excl GST) for regional tourism funding under a service level agreement (2014: $40,000).

Subsidiaries and Joint Venture

Hamilton & Waikato Tourism Limited a wholly owned subsidiary of the Company, made the following transactions with the Company during the year:

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2015

Related Party	Nature of transactions	Relationship with company	2015 $000 Transaction	2015 $000 Outstanding balance as at 30/06/15	2014 $000 Transaction	2014 $000 Outstanding balance as at 30/06/14
Hamilton & Waikato Tourism Limited	Contribution to marketing	Subsidiary	11	0	7	0
Hamilton & Waikato Tourism Limited	Receipt of insurance contribution	Subsidiary	0	0	(3)	0
Hamilton & Waikato Tourism Limited	Provision of services under a service level agreement	Subsidiary	40	0	40	0
Hamilton & Waikato Tourism Limited	Receipt of services under a service level agreement	Subsidiary	(49)	(9)	(49)	0
			2	**(9)**	**(5)**	**0**

Key Management Personnel Compensation	2015 $000	2014 $000
Salaries and other short-term employee benefits	688	665
Total Key Management Personnel Compensation	**688**	**665**

Key management personnel comprises directors and the Group's management team.

There were no other material related party transactions during the year other than those already disclosed in the notes to these financial statements.

13. EVENTS OCCURRING AFTER BALANCE DATE

Subsequently to 30 June 2015 Waikato Regional Airport Limited has repurchased all 939,334 shares of uncalled capital disclosed in note 11 from the shareholders. The uncalled capital security, disclosed in note 10, has been restructured and replaced with security interest in all present and after acquired property of Waikato Regional Airport Limited.

14. OPERATING REVENUE

	2015 $000	2014 $000
Exchange Revenue		
Car park	1,473	1,395
Landing charges and departure charges	2,189	1,910
Rentals and concessions	1,612	1,626
Shop trading & other	367	406
Non-exchange revenue		
Other	1,214	1,235
Total Operating Revenue	**6,855**	**6,572**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2015

15. OTHER GAINS / (LOSSES)

Other gains	2015 $000	2014 $000
Gain on fair value adjustment – interest rate swaps (note 23)	-	200
Gain on disposal of PPE	6	-
Gain on changes in fair value of investment property (note 25)	10	-
Total Other Gains	**16**	**200**

Other losses	2015 $000	2014 $000
Loss on changes in fair value of investment property (note 25)	-	30
Loss on sale of property, plant and equipment	-	6
Loss on fair value adjustment – interest rate swaps (note 23)	202	-
Total Other Losses	**202**	**36**

16. FINANCIAL INSTRUMENTS

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The financial risks relate to the following financial instruments: trade receivables, cash and cash equivalents, trade and other payables and borrowings.

Risk management is carried out by the Company's Board of Directors. The Board identifies and evaluates financial risks and provides written principles for overall risk management, as well as written policies covering specific areas, such as interest-rate risk, credit risk, and investing excess liquidity.

Interest Rate Swap

The Company enters into derivative financial instruments only for managing interest rate risk.

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.

The Company currently has an agreement with BNZ Bank Limited to manage its loan facility of $9.5m. The interest rate swap contracts the Company has are as follows:

FACE VALUE	COST OF FUNDS	START DATE	MATURITY DATE
$9,000,000	5.8%	26 March 2014	26 March 2017
$6,000,000	5.8%	27 March 2017	25 March 2018
$3,000,000	5.8%	26 March 2018	26 March 2019

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2015

	2015 $000	2014 $000
Financial Assets at Fair Value through Statement of Comprehensive Revenue and Expense	(611)	(409)
Financial Assets at Fair Value through Other Comprehensive Revenue and Expense	25	26
Loans and Receivables	1,129	1,059
Financial Liabilities Measured at Amortised Cost	10,661	13,008

17. RECONCILIATION OF NET SURPLUS/(DEFICIT) AFTER TAX TO NET CASH FROM OPERATING ACTIVITIES

	2015 $000	2014 $000
Surplus/(deficit) after tax Add/(deduct) non cash items	169	(232)
Depreciation & amortisation	2,101	2,017
Deferred taxation	(466)	(278)
(Gains)/losses in fair value of investment property	(10)	30
Net interest rate swap (gains)/losses	202	(201)
Add/(deduct) items classified as investing or financing activities		
(Gains)/losses on disposal of property, plant & equipment	(6)	6
Add/(deduct) movements in working capital		
Trade & other receivables	106	(70)
Prepayments	99	10
Payables & accruals	(104)	(33)
Employee entitlements	(1)	(2)
Income in advance	(5)	(31)
Goods and services taxation	63	11
Inventories	8	3
Development property	414	370
Other assets allocation	8	-
Income tax payable	231	37
Net Cash from Operating Activities	**2,809**	**1,637**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2015

18. DEPRECIATION & AMORTISATION OF ASSETS BY CLASS

	2015 $000	2014 $000
Buildings	571	570
Vehicles	89	87
Runways, apron & taxiways	960	865
Other paved areas	188	188
Plant & equipment	99	96
Computer equipment	35	34
Furniture & fittings	84	85
Fencing	32	32
Reticulated systems	36	36
	2,094	**1,993**
Intangible assets – computer software	7	19
Total Depreciation & Amortisation of Assets	**2,101**	**2,012**

19. INCOME TAXATION

	2015 $000	2014 $000
Current year	544	237
Prior period adjustment	36	28
Movement in temporary differences	(460)	(285)
	120	**(20)**

Reconciliation of Effective Tax Rate	%	2015 $000	%	2014 $000
Surplus for the period excluding income tax		289		(250)
Prima facie income tax based on domestic tax rate	28.0%	81	28.0%	(70)
Effect of non-deductible expenses	8.17%	24	(9.3%)	23
Effect of tax exempt income	0.0%	0	0.0%	0
Prior period adjustment	12.36%	36	(10.7%)	27
Effect of tax rate change from 30% to 28%	(6.96%)	(20)	0.0%	0
Capital gain on sale	0.0%	0	0.0%	0
	41.57%	**120**	**8.0%**	**(20)**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2015

20. DEFERRED TAX LIABILITIES

Recognised deferred tax liabilities

Deferred tax liabilities are attributable to the following:

$000	Property plant and equipment	Financial assets	Employee entitlements	Other	Total
Balance as at 30 June 2013	**7,716**	**(171)**	**(30)**	**(100)**	**7,415**
Charged to profit and loss	(356)	56	7	16	(277)
Tax loss recognised	0	0	0	(1)	(1)
Charged to equity	0	0	0	0	0
Balance as at 30 June 2014	**7,360**	**(115)**	**(23)**	**(85)**	**7,137**
Charged to profit and loss	(401)	(56)	0	(3)	(460)
Tax loss recognised	0	0	0	(6)	(6)
Charged to equity	0	0	0	0	0
Balance as at 30 June 2015	**6,959**	**(171)**	**(23)**	**(94)**	**6,671**

21. OTHER ASSETS

	2015 $000	2014 $000
CTC apron costs (amortise over lease period)	93	101
Total Other Assets	**93**	**101**

Operating Lease Incentive

During the year ended 30 June 2005 the Company leased land to CTC Aviation Training (NZ) Limited for the purpose of establishing a flight training school. As an incentive to attract CTC to enter the lease, the Company agreed to pay 50% of the costs of constructing an apron.

As this payment is considered to be an operating lease incentive, the cost to the Company has been separately identified and will be amortised over the period of the 20 year lease as a reduction in lease income.

22. EMPLOYEE ENTITLEMENTS

	2015 $000	2014 $000
Annual leave	85	82
Accrued salary and wages	88	92
Total Employee Benefit Liabilities	**173**	**174**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2015

23. DERIVATIVE FINANCIAL INSTRUMENTS

The carrying values of derivative financial instruments in place at year end was the net interest accrued at balance date. Fair value for all derivative financial instruments is provided by independent valuation.

	2015 $000	2014 $000
Fair value of interest rate swaps – 1 July	(409)	(609)
Gain/(Loss) during year	(202)	200
Fair Value of Interest Rate Swaps	**(611)**	**(409)**

24. OTHER FINANCIAL ASSETS

	2015 $000	2014 $000
Shares – Paper Plus	25	25
Shares – Ballance Agri-Nutrients	-	1
Total Other Financial Assets	**25**	**26**

There were no impairment provisions for other financial assets.

25. INVESTMENT PROPERTY

The Company has identified three classifications of land as strategically important holdings as they relate directly to the aviation operations and related activities, or are considered in the airport's long term strategy of facilitating future growth in the aeronautical capability of the airport.

The Company's criteria for identifying property as of strategic importance is:

- Land areas on which runways, taxiways, aprons, terminal and apron servicing areas as currently placed or anticipated in the Airport Master Plan.
- Land areas abutting the land areas described above.
- Other land that is reserved for aviation related activities.

Land that does not meet the criteria above or that is not property available for sale is classified as investment property.

The Company's investment properties are valued annually at fair value effective 30 June. All investment properties were valued on open market evidence and conditions that prevailed as at 30 June 2015. The valuation was performed by Mairi MacDonald, Registered Valuer, ANZIV, SPINZ, an independent valuer from Quotable Value Limited. Quotable Value Limited is an experienced valuer with extensive market knowledge in the types of investment properties owned by the Company.

	2015 $000	2014 $000
Opening balance	3,720	3,750
Transfer from property, plant & equipment	-	-
Fair value gain/(loss) on valuation	10	(30)
Closing Balance	**3,730**	**3,720**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2015

26. INTANGIBLE ASSETS

	2015 $000	2014 $000
Acquired Assets		
Balance at 1 July	107	107
Additions	-	-
Disposals	-	-
Balance at 30 June	**107**	**107**
Accumulated Amortisation & Impairment Losses		
Balance at 1 July	100	82
Amortisation expense	7	18
Disposal	-	-
Balance at 30 June	**107**	**100**
Carrying Amounts		
Balance at 1 July	7	25
Balance at 30 June	-	**7**

27. ASSET IMPAIRMENT

There has been no impairment of assets recognised in 2015 (2014: nil).

28. DIRECTORS' FEES

	2015 $000	2014 $000
Waikato Regional Airport Limited – Board of Directors	104	109
Hamilton & Waikato Tourism Limited – Board of Directors	33	37
Titanium Park Limited	36	5
Total Directors' Fees	**173**	**151**

The Board of Titanium Park Joint Venture has an independent Chairman. Fees paid to the independent Chairman are $10,812 for the year. The Group's one half share of those fees is $5,406 (2014: $5,466).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2015

29. DONATIONS

During the year the Company made donations to charities totaling $895 (2014: $274).

30. PERFORMANCE TARGETS AND RESULTS

The Company prepares an annual Statement of Corporate Intent, which is approved by Shareholders and incorporates financial and performance measures for the ensuing year.

A comparison of the Company's actual results for the year (excluding abnormal items) with those forecasted is given below.

Performance targets and results to 30 June 2015 (Group)	Actual	Target Statement of Corporate Intent
Net surplus / (deficit) after tax (total comprehensive revenue and expense)	$169,000	$111,000
Net profit/(loss) after tax to average shareholder funds	0.28%	0.0%
Net profit/(loss) after tax to total assets	0.22%	0.0%
Percentage of non-landing charges revenue	81.03%	64.4%
Earnings before interest, taxation and depreciation	$3,294,000	$2,880,000
Net cash flow (operating and investing)	$2,225,000	-$375,000
Total liabilities/shareholders' funds: debt/equity ratio	24:76	26:74
Interest cover (parent only and calculated on the basis of interest from TPL and revaluations being excluded)	3.38	2.91

Earnings before interest, taxation and depreciation ("EBITDA" - which excludes fair value adjustments of interest rate swaps and investment property) of $3,294,000 compares to a target of $2,880,000. The difference of $414,000 results from the following:

Higher gross margin on Titanium Park land sales	235,000
Lower operating expenses	237,000
Other miscellaneous	-58,000
EBITDA variance	**414,000**

The favourable interest cover result was achieved through the interest expense being $59k lower than target.

To achieve the Airport Certification Standards as required by the Civil Aviation Authority.	No audits were undertaken by the Civil Aviation Authority of New Zealand (CAA) during the year and the airport continues to meet the Airport Certification Standards.
Collect, document and act (where viable) on customer feedback forms to continuously monitor and improve the customer experience. Maintain a database to ensure recurring negative feedback is promptly acted upon.	Customer feedback cards are positioned in the terminal. From 1 July 2014 to 30 June 2015 there were 32 customer feedback cards collected and documented. All items are considered by the management team and addressed where appropriate. Personal complaints are responded to.

STATUTORY INFORMATION

For the Year Ended 30 June 2015

Dividend

The Directors recommend that no dividend be declared.

Directors

At the Company's Annual General Meeting held 2 October 2014, and in accordance with the Company's constitution:-

Mrs M Devlin retired by rotation and was re-appointed.

Mr J Spencer retired by rotation and was re-appointed.

Auditor

As required by Clause 23 of the Company's Constitution, the Auditor-General is responsible for the Company's audit. This function is contracted to Audit New Zealand.

Directors' Interests

The following directors have made a general disclosure of interest with respect to any transaction or proposed transaction that may be entered into with other entities on the basis of him being a director, partner, trustee or officer of those entities.

DIRECTOR	ENTITY	INTEREST
A Cotton	Anamallai Tea Estates & Ropeway Company Limited	Director
	Australasian Investor Relations Association Pty Limited	Director
	External Reporting Board	Member
	Merlin Consulting Limited	Director
	Riverbend Dairy Farms Limited	Director
C da Silva	Certus Group Limited	Director
	Columbus Financial Services Limited	Director
	Consumer Finance Limited	Director
	Consumer Insurance Services Limited	Director
	Da Silva Advisory Limited	Director
	Equipment Finance Limited	Director
	Fisher & Paykel Financial Services Limited	Director
	Fisher & Paykel Finance Holdings Limited	Director
	Fisher & Paykel Finance Limited	Chairman
	Gardon Limited	Director
	IT Partners Group Limited	Director
	IT Partners Limited	Director
	Jarvis Trading Limited	Director
	Lightwire Limited	Director
	MCC Properties Limited	Director
	Meteorological Service of New Zealand Limited	Director
	Milk Management Company Limited	Director
	Retail Financial Services Limited	Director
	Titanium Park Limited	Director
	Trelise Cooper Group Limited	Director
	Trelise Cooper Properties Limited	Director
	Waikato Regional Airport Limited	Director
J Spencer	Derby Street Limited	Director
	Kiwirail Holdings Limited	Chairman
	Mitre 10 (New Zealand) Limited	Director
	Mitre 10 Holdings Limited	Director
	Mitre 10 Imports Limited	Director
	Mitre 10 Retail Limited	Director
	Raukawa Iwi Development Limited	Chairman
	Taupo Mega Limited	Director
	Te Awamutu Mega Limited	Director
	Tertiary Education Commission	Chairman
	Wellington Mega Limited	Director
M Devlin	City Care Limited	Director
	Harrison Grierson Consultants Limited	Chairman
	Harrison Grierson Holdings Limited	Director
	Institute of Directors Professional Committee	Member
	Institute of Directors New Zealand Incorporated	Chartered Fellow
	National Council Representative Institute of Directors New Zealand Incorporated	Member
	National Infrastructure Advisory Board	Member
	Waikato District Council Audit & Risk Committee	Chairman
	Waikato Institute of Directors	Chairman
	Waikato Plan Joint Committee	Chairman
	Waikato University Risk Management Committee	Member
	WEL Networks Limited	Chairman
	Meteorological Services of New Zealand Limited	Director

STATUTORY INFORMATION

For the Year Ended 30 June 2015

Use of Company Information

No notices were received from Directors requesting use of Company information received in their capacity as Directors that would not have been otherwise available to them.

Share Dealing

No Director holds shares in the Company nor acquired or disposed of any interest in shares in the Company during the year.

Directors' Remuneration

Remuneration paid to the Company's Directors during the year was as follows:

	2015 $000
J Spencer	35
M Devlin	38
A Cotton	23
C da Silva	38
Graeme Osborne	10
Anna Bounds	7
Simon Douglas	7
Donald Scarlet	7
Robert Weir	2
John Whitehead	5

No other remuneration or benefits have been paid or given to the Company's directors.

Insurance

The Company arranged Directors' and Officers' liability insurance with Vero Liability Insurance Limited at a cost of $4,700 (excl GST) for the 12 month period to 31 March 2015. From 1 April 2015 to 30 June 2015, Directors' and Officers' liability insurance is with Vero Liability Insurance Limited at a cost of $1,172 (excl GST).

Remuneration of Employees

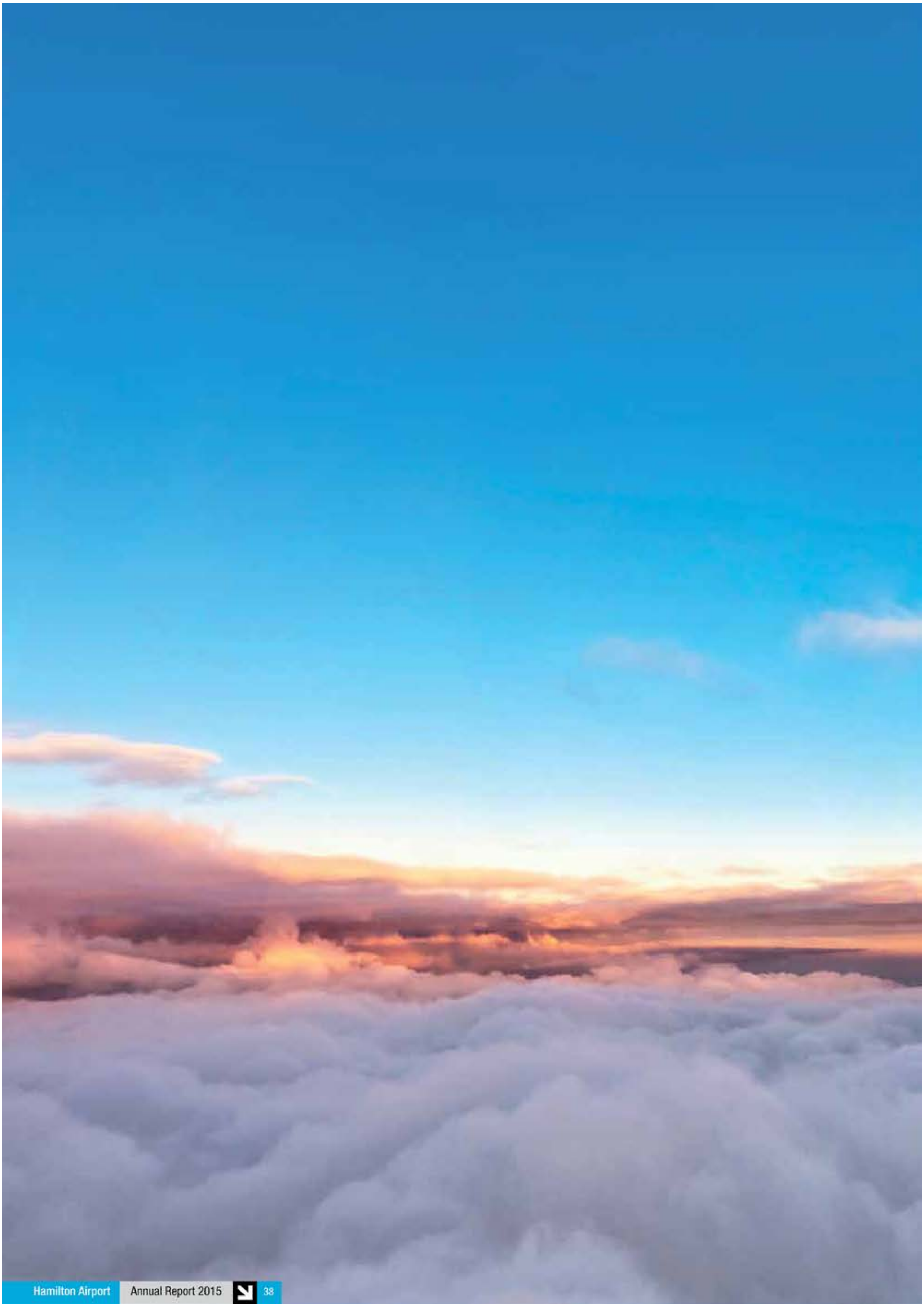
Grouped below, in accordance with section 211(1)(g) of the Companies Act 1993, are the number of employees of the Group who received remuneration and other benefits in their capacity as employees, totalling $100,000 or more, during the year.

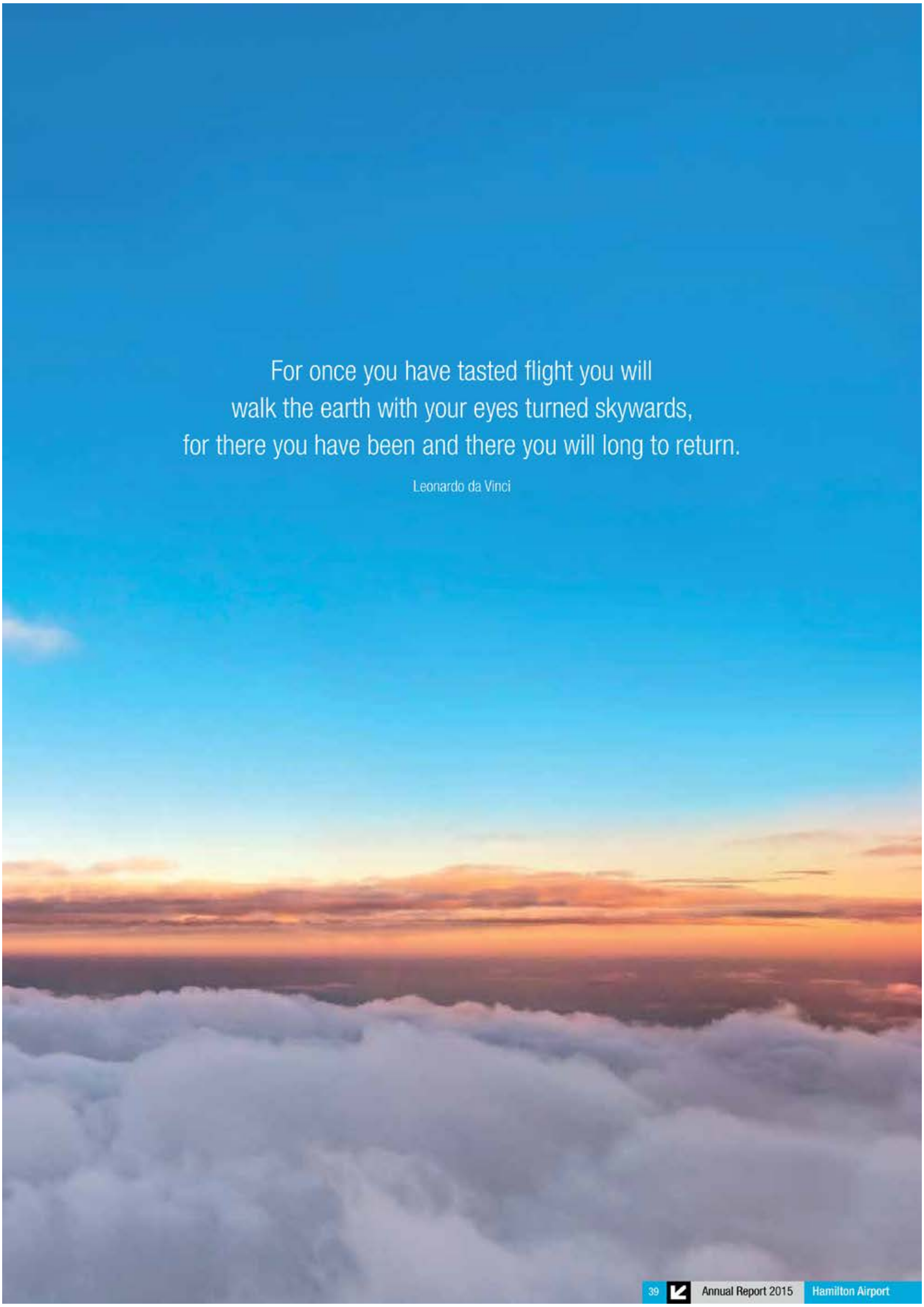
Amount of Remuneration	Employees
$170,000 - $179,999	2
$150,000 - $159,999	1
$100,000 - $109,999	1

Remuneration includes salary, performance bonuses and motor vehicle allowances received in their capacity as employees.

Item 11

Attachment 1




For once you have tasted flight you will
walk the earth with your eyes turned skywards,
for there you have been and there you will long to return.
Leonardo da Vinci

AUDIT REPORT

For the Year Ended 30 June 2015

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Independent Auditor's Report

**To the readers of
Waikato Regional Airport Limited group's
financial statements and performance information
for the year ended 30 June 2015**

The Auditor-General is the auditor of Waikato Regional Airport Limited and its New Zealand domiciled subsidiaries. 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 the performance information of the group, consisting of Waikato Regional Airport Limited and its subsidiaries and other controlled entities (collectively referred to as "the Group"), on her behalf.

Opinion on the financial statements and the performance information

We have audited:

- the financial statements of the Group on pages 10 to 35, that comprise the balance sheet as at 30 June 2015, 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 Group on pages 35.

In our opinion:

- the financial statements of the Group:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2015;
    - its financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand and have been prepared in accordance with Public Benefit Entities Standards Reduced Disclosure Regime (PBE Standards RDR); and
- the performance information of the Group presents fairly, in all material respects, the Group's achievements measured against the performance targets adopted for the year ended on 30 June 2015.

Our audit was completed on 25 August 2015. 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.

AUDIT REPORT

For the Year Ended 30 June 2015

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 the performance information 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 the performance information. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements and in the performance information. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and the performance information, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the Group's financial statements and performance information 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 Group's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Board of Directors;
- the adequacy of the disclosures in the financial statements and in the performance information; and
- the overall presentation of the financial statements and the performance information.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and the performance information. Also, we did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

We believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of the Board of Directors

The Board of Directors is responsible for the preparation and fair presentation of financial statements for the Group that comply with generally accepted accounting practice in New Zealand. The Board of Directors is also responsible for preparation of the performance information for the Group.

AUDIT REPORT

For the Year Ended 30 June 2015

The Board of Directors is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements and the 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 the performance information, whether in printed or electronic form.

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and the performance information and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001.

Independence

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.

Other than the audit, we have no relationship with or interests in the Group.

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

FIVE YEAR REVIEW

For the Year Ended 30 June 2015

	2015 $000's	2014 $000's	2013 $000's	2012 $000's	2011 $000's
Revenue	7,765	7,022	7,225	7,984	7,087
Increase/-Decrease	11%	-3%	-10%	13%	7%
Expenditure	7,476	7,274	7,475	7,514	7,044
Increase/-Decrease	3%	-3%	0%	7%	-15%
Operating Surplus before Abnormal Item and Taxation[1]	273	(245)	(245)	345	(253)
Increase/-Decrease	211%	-0%	-171%	236%	84%
Operating Surplus before Tax Item	**289**	**(252)**	**(250)**	**470**	**43**
PERFORMANCE INDICATORS					
Operating Surplus (after abnormal item and taxation) to Average Shareholder's Equity	0.28%	-0.41%	-0.41%	0.43%	-0.32%
Percentage of Non-Landing Charges Revenue to Total Revenue	81%	82%	81%	82%	82%
Total Equity	59,669	59,500	59,732	59,162	58,784
Total Liabilities	18,874	20,937	19,967	19,074	19,417
Total Assets	78,543	80,437	79,699	78,235	78,201
Net Asset Backing per Share	$14.79	$14.75	$14.80	$14.67	$14.57
Shareholders' Equity Ratio	76%	74%	75%	76%	75%
Passengers					
- Domestic	291,385	289,416	294,512	315,662	315,972
- International	0	0	11,384	38,406	45,877
- Total	291,385	289,416	305,896	354,068	361,849

[1] Abnormal item includes gains/losses on sale of property, plant and equipment.

CORPORATE DIRECTORY

For the Year Ended 30 June 2015

Board of Directors	John Spencer
	Carlos da Silva
	Annabel Cotton
	Margaret Devlin
General Manager - Commercial	George Clark
General Manager - Operations	Simon Hollinger
Hamilton & Waikato Tourism CEO	Kiri Goulter
Marketing Manager	Rebecca Evans
Registered Office	Hamilton Airport Terminal Building
	Hamilton Airport
	Airport Road, R D 2
	Hamilton 3282
Telephone	07 848 9027
Facsimile	07 843 3627
E-mail	wral@hamiltonairport.co.nz
Web Site	www.hamiltonairport.co.nz
Bankers	Bank of New Zealand
Solicitors	Tompkins Wake, Hamilton
Auditors	Audit New Zealand, Hamilton on behalf of the Controller and Auditor-General

Hamilton Airport

Hamilton City Council
Te kaunihera o Kirikiriroa

council report

Item 12

Committee:	Council Controlled Organisations Subcommittee	**Date:**	21 October 2015
Report Name:	Vibrant Hamilton Trust - Annual Report 2015	**Author:**	Stephen Halliwell

Report Status	*Open*
Strategy, Policy or Plan context	*Trust Deed*
Financial status	*There is not budget allocated*
Assessment of significance	*Having regard to the decision making provisions in the LGA 2002 and Councils Significance Policy, a decision in accordance with the recommendations is not considered to have a high degree of significance*

1. Purpose of the Report

2. To update the Subcommittee on the Vibrant Hamilton Trust (VHT) Annual Report for the year ended 30 June 2014 and on outstanding action items.

3. Executive Summary

4. Audit New Zealand have not been able to complete their audit of the Vibrant Hamilton Trust Annual Report for 2014/15.

5. They have advised that due to changes in Auditing Standards that they must now wait until they receive the audited financial statements for Gareth Morgan Investments, due late October. Audit New Zealand further advised the notes to the accounts will need to disclose this fact and if this is done the audit opinion is expected to be an unmodified opinion.

6. The following action items relating to the Vibrant Hamilton Trust are updated as follows:

Item	Update
The VHT Trustees be requested to identify suitable candidates to fill the vacant Trustee position and to make a recommendation to the CCO Subcommittee.	The trustees have deferred this decision pending the review of the trust deed.
Tthe Trust Deed be reviewed by the Trustees to ensure it meets the current purpose and objectives of the Trust and to allow the Trust to function in an efficient and cost effective manner.	The trust deed review is underway and the Trust expects to report to Council prior to the end of the year.

Item 12

7. Recommendation from Management

8. That the report be received.

9. Attachments

10. There are no attachments for this report.

Signatory

Authoriser	Paul Conder, Chief Financial Officer

Hamilton City Council
Te kaunihera o Kirikiriroa

council report

Committee:	Council Controlled Organisations Subcommittee	**Date:**	21 October 2015
Report Name:	Hamilton Properties Ltd	**Author:**	Stephen Halliwell

Report Status	*Open*
Strategy, Policy or Plan context	*n/a*
Financial status	*There is not budget allocated*
Assessment of significance	*Having regard to the decision making provisions in the LGA 2002 and Councils Significance Policy, a decision in accordance with the recommendations is not considered to have a high degree of significance*

1. Purpose of the Report

2. To update the subcommittee on Hamilton Properties Ltd.

3. Executive Summary

4. Hamilton Properties Ltd (HPL)is a non-trading company 100% owned by Council for tax losses that may be able to be accessed should Council have taxable income. There are currently no foreseeable opportunities to access these losses.
5. HPL has one director Richard Briggs.
6. HPL has had no transactions since it stopped trading on 30 September 1998. It last prepared an annual report in June 2009 (see attachment 1).
7. HPL has exemptions for filing tax returns, must file annually to the Companies Office an annual return and declaration of non-activity and is exempt from CCO requirements of the local government act until 10 May 2016.
8. Council will need to consider and resolve to continue the CCO exemption by May 2016 (and every three years thereafter).

9. Recommendation from Management

10. That the report be received.

11. Attachments

12. Attachment 1 - HPL Annual Report 30 June 2009

Signatory

Authoriser	Paul Conder, Chief Financial Officer

Hamilton Properties Limited

ANNUAL REPORT

For the Year Ended
30 June 2009

Hamilton Properties Limited
Annual Report
For the year ended 30 June 2009

State of affairs
The company has not been active during the financial year to 30 June 2009 and is retained only for its tax losses.

Financial statements
The financial statements required by section 211(1)(b) Companies Act 1993 together with the audit report thereon required by section 16(1) Financial Reporting Act 1993 and Local Government Act 2002.

Directory

Directors
R M Simcock
M G Redman
D L Walter
M T Bracken

No Directors fees were payable in the 2008/2009 year.

Registered Office
Municipal Offices
Hamilton City Council
Garden Place
HAMILTON

Auditors
Audit New Zealand
on behalf of the Auditor-General

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Hamilton Properties Limited
Statement of Management Responsibility
For the year ended 30 June 2009

The Board of Directors of Hamilton Properties Limited accepts responsibility for the preparation of the financial statements in accordance with generally accepted accounting practice in New Zealand.

The Board considers that the financial statements have been prepared using appropriate accounting policies, which have been consistently applied and adequately disclosed and supported by reasonable judgements and estimates, and that all relevant financial reporting and accounting standards have been followed.

The Board accepts responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of the company's financial reporting.

In the opinion of the Board, the financial statements fairly reflect the financial position of the company as at 30 June 2009, and the results of its operations and cash flows of for the year ended on that date.

R M Simcock (Director) — 25 September 2009

M G Redman (Director) — 25 September 2009

Hamilton Properties Limited
Statement of Financial Performance
For the year ended 30 June 2009

	Note	2009 $	2008 $
Revenue		-	-
Expense		-	-
Surplus/(deficit) before tax	1	-	-
Income tax expense	4	-	-
Surplus/(deficit) after tax		-	-

Hamilton Properties Limited
Statement of Changes in Equity
For the year ended 30 June 2009

	Note	2009 $	2008 $
Equity at 1 July		1,000	1,000
Surplus/(deficit) for the year		-	-
Total recognised revenues & expenses for the year		-	-
Distribution to Hamilton City Council		-	-
Equity at 30 June	2	1,000	1,000

The accompanying statement of accounting policies and notes to the financial statements form part of, and should be read in conjunction with these financial statements.

Hamilton Properties Limited
Statement of Financial Position
As at 30 June 2009

	Note	2009 $	2008 $
Current Assets			
Trade and other receivable	3	1,000	1,000
Taxation receivable		-	-
Total Assets		1,000	1,000
Equity	2	1,000	1,000

For and on behalf of the Board:

R M Simcock (Director) 25 September 2009

M G Redman (Director) 25 September 2009

Hamilton Properties Limited
Statement of Cash Flows
For the year ended 30 June 2009

	2009 $	2008 $
Cash flows from operating activities	-	-
Cash flows from investing activities	-	-
Cash flows from financing activities	-	-
Net increase/(decrease) in cash and cash equivalents	-	-
Cash and cash equivalents at beginning of the year	-	-
Cash and cash equivalents at end of the year	Nil	Nil

The accompanying statement of accounting policies and notes to the financial statements form part of, and should be read in conjunction with these financial statements.

Hamilton Properties Limited
Statement of Accounting Policies
For the year ended 30 June 2009

Reporting entity
The entity reporting is Hamilton Properties Limited, a council controlled organisation of the Hamilton City Council, and is incorporated under the Companies Act 1993.

Basis of preparation
The financial statements of Hamilton Properties Limited have been prepared with the requirements of the Local Government Act 2002: Part 5, which includes the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP). They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), and other applicable Financial Reporting Standards, as appropriate to public benefit entities.

The financial statements have been prepared on a historical basis, and presented in New Zealand dollars.

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

Differential Reporting
The company is a qualifying entity for differential reporting purposes. The grounds on which the company qualifies are that it:

- is not publicly accountable within the meaning of the *Framework for Differential Reporting*; and
- is not large as the company had less than 20 employees, total assets less than $2.5 million in value and total revenue less than $5 million for the year.

The financial statements have been prepared so as to take advantage of all available differential reporting concessions with the exception of the presentation of a Statement of Cash Flows, required by the Local Government Act 2002.

Trade and other receivables
Trade and other receivables are initially measured at fair value less any provision for impairment.

Income Tax
The company adopts the Comprehensive Liability method of tax-effect accounting. Future income tax benefits are not brought to account unless realisation of the asset is virtually certain.

Hamilton Properties Limited
Statement of Accounting Policies *Cont'd*
For the year ended 30 June 2009

Equity
Equity represents the difference between the value of the company's assets and liabilities.

Goods and service tax (GST)
All items in the financial statements are stated exclusive of GST.

Hamilton Properties Limited
Notes to the Financial Statements
For the year ended 30 June 2009

1 Trading

The company did not trade during the year ended 30 June 2009 and consequently there are no transactions, transfers, provisions or other matters to be recorded or disclosed in the financial statements in accordance with generally accepted accounting practice except for minor accounts receivable and tax settlements.

2 Equity

	2009	2008
Share capital		
1,000 fully paid shares of $1 par value on issue	1,000	1,000
Retained earnings	-	-
	$1,000	$1,000

All rights to vote, alter the constitution, appoint and remove directors, approve amalgamations and major transactions, participate in distributions and share equally in the surplus assets attach to all of the shares on issue.

3 Trade and other receivables

	2009	2008
Hamilton City Council (inter-company balance)	1,000	1,000
	1,000	1,000

There is no provision for impairment for trade and other receivables.

4 Income tax

	2009	2008
Surplus/(Deficit) before tax	-	-
Prima facie taxation @ 33%	-	-
Plus(Less) tax effect of;		
Timing differences not recognised	-	-
Permanent differences		
Tax losses not recognised	-	-
Tax expense	Nil	Nil

Unrecognised tax losses of $ 479,709 (2008: $479,709) tax effect $143,913 (2008: $143,913), are available to carry forward.

5 Related Party Transactions

The company is a council controlled organisation owned by the Hamilton City Council. Now that the company is no longer trading Council will pay audit fees, and any other costs incurred by the company.

Hamilton Properties Limited
Notes to the Financial Statements
For the year ended 30 June 2009

6 Contingencies

There are no contingent liabilities or contingent assets as at 30 June 2009 (2008 nil).

7 Events after the balance date

There were no significant events after balance date.

8 Statement of Intent — Performance Targets

For the year ending 30 June 2009 the directors did not propose to use any of the tax losses brought forward but suggested that if any business opportunities arose within the Hamilton City Council Group that consideration would be given to owning or operating these through Hamilton Properties Limited.
The performance targets have been met. No tax losses have been used and no activities are operating through or owned by Hamilton Properties Limited.

Resolution to Exclude the Public

Section 48, Local Government Official Information and Meetings Act 1987

The following motion is submitted for consideration:

That the public be excluded from the following parts of the proceedings of this meeting, namely consideration of the public excluded agenda.

The general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution follows.

General subject of each matter to be considered	Reasons for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
C1. Council Controlled Organisations (CCO) Subcommittee - Public Excluded Minutes - 22 April 2015 C2. Council Controlled Organisations Subcommittee Action List - Public Excluded - 21 October 2015 C3. Waikato Innovation Park - Council ownership and exit options	) Good reason to withhold) information exists under) Section 7 Local Government) Official Information and) Meetings Act 1987)	Section 48(1)(a)

This resolution is made in reliance on section 48(1)(a) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by Section 6 or Section 7 of that Act which would be prejudiced by the holding of the whole or relevant part of the proceedings of the meeting in public, as follows:

Item C1.	to prevent the disclosure or use of official information for improper gain or improper advantage	Section 7 (2) (j)
Item C2.	to prevent the disclosure or use of official information for improper gain or improper advantage	Section 7 (2) (j)
Item C3.	to enable Council to carry out negotiations	Section 7 (2) (i)