



Manukau **Leisure**



GOING FOR GOLD



MANUKAU LEISURE SERVICES LIMITED

ANNUAL REPORT 30 JUNE 2009

A Manukau City Council Company

OF ANCE

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swimming pools

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childcare centres

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city

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EXCEEDED IN EXPECTATIONS

CHAIRMAN'S REPORT

It's the same for a company as it is for individuals: achieving your goals almost always depends on your vision and commitment. Two years ago when Manukau Leisure was founded we took up a challenge to build active communities and show real gains in financial performance and service delivery. In our first year we exceeded expectations. In this last reporting year it was tremendously rewarding to see the company raise the benchmark again. On essentially every performance measure, Manukau Leisure has again surpassed high targets.

Operational revenue exceeded expectation again, up 9% on last year's results. We made good gains from refocusing our management structure more closely on service delivery, and importantly, our community were happy. A study by the Centre for Tourism and Leisure Management at the University of South Australia confirmed a very high approval rating from our customers of 94.41% for service quality, up on an already high 92.15% the previous year.

As with any venture, a vital key to success is our team. They bring a lot to their roles. Last year their innovative thinking and commitment resulted in new programmes ranging from improved learning for children, novel sports activities for youth and phenomenal growth in fitness memberships and classes.

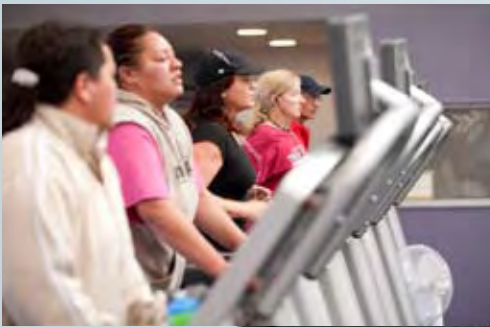
Additionally, we have been able to create efficiencies and new skills from our scale. With approximately 300 employees serving a city of 343,000 we have fitness, swimming, leisure, recreation and childcare services all under the one company roof. We have a uniquely flexible business model that we operate by. Led by an independent and commercially skilled Board, we can respond quickly to opportunities. We can manage resources effectively and build community partnerships more easily. Community Swim for example, which we run with the John Walker 'Find Your Field of Dreams' Foundation, last year nearly doubled to deliver free swim training to over 7,020 Year Three and Four students from local schools.

Our strategy will be to continue building on our strengths while managing our resources closely. As set out elsewhere in this report, along with other important efficiency gains, it was pleasing to record significant savings in power and water costs. Importantly, we are also entering a new era in Auckland governance with the move to one 'Super City'. The shape of this is still unknown, but we are in a strong position to take up whatever new opportunities and challenges it creates.

It has been a great year. We look forward to raising the benchmark again in the year ahead.

Dr Stuart Middleton

ING TION



Annual operational revenue was up

9%

STATE



REPORTING

CEO'S REPORT

In our last Annual Report we noted how 2008 had in many ways been a year of transition. We went from being a Council-run entity to a stand-alone organisation that now is the largest of its type in New Zealand. Even then we exceeded performance targets. In 2009 it has been really pleasing to move one step up again as the company has really hit its stride.

Overall attendance levels were 5% up on target across core services in pools, recreation, childcare, fitness and halls. Fitness visits jumped 15% and 12% more people visited our community halls. Perhaps we were helped by a great summer, but in March alone approximately 50,000 swimmers cooled off at the Moana-Nui-a-Kiwa pools in Mangere. And we looked after an average of 200 children per term in our out of school care (OSCAR) programmes.

It was also good to see independent confirmation of the gains delivered. The Clendon childcare centre, for example, won a Heart Foundation award for promoting healthy food choices. As mentioned by our Chairman, independent research by the University of South Australia again confirmed exceptionally high levels of customer satisfaction across all services.

We set firm goals at the beginning of the year, and it was very rewarding to see them exceeded or achieved. The number of people participating in our recreation programmes increased by 68,263 to total almost 321,000 and we continued to foster partnerships that enable us to deliver programmes with a specific, positive community outcome.

Behind these numbers is a committed team. I'm proud of the way our team has risen to the challenge of a busy and productive year. Significantly, independent customer surveys also noted the characteristics that make Manukau Leisure special, including the friendliness, experience and knowledge our people bring to their roles. These values are put into action every day. One example is the staff at Allan Brewster Recreation Centre in Papatoetoe who stepped in to organise a highly successful new competition after a customer lost third-party funding for their regular netball sessions.

Throughout the year we strived to deliver relevant programmes that addressed the specific needs of our diverse community. We delivered gymnastics, swimming and other programmes in Te Reo Maori. The Lloyd Elsmore Pools in Pakuranga introduced female-only swimming sessions for the local Muslim community. Pleasingly, many centres, particularly Manurewa Aquatic Centre, made good progress in improved access, staff knowledge and special customer service for people with disabilities. This is an important commitment and we will continue to work closely with Manukau City Council on further improvements to access for people living with disabilities.

We saw continuing gains in performance management and career development with all frontline staff benefiting from some form of training throughout the year. Our childcare facilities earned an increase in Ministry of Education funding thanks to increases in qualified staff. Equally pleasing were gains in already good staff retention rates, which saw actual turnover at 22%.

As noted elsewhere in this report, operational revenue was up 9%. At the end of this reporting year we were seeing some effect from the global recession but we are also developing new approaches to ensure we achieve financial gains. As a supplier of free swimming facilities we will always be big users of water. The use of ultraviolet light secondary disinfection units, coupled with improved water management, delivered a 24.5% reduction in water consumption at some aquatic centres. And a new virtual gas economiser at the Lloyd Elsmore Pools has already produced promising results that may see it rolled out at other pools.

The coming year will bring its own challenges, but it has been immensely satisfying to be ahead of target again in our second year. The gains could not have been made without the support of our Board and all our people, and my thanks go to them all. I have every confidence 2010 will see us shift up another gear again.

Brett Jude

A UNIQUE MODEL ON A UNIQUE SCALE

Manukau Leisure is the country's largest council-controlled organisation (CCO) and delivers an impressive portfolio of services comprising aquatics, fitness, recreational, community halls and childcare services. Our mission is to build active, vibrant communities. In doing this we have the advantage of a business model that enables us to operate on a wide scale while remaining highly responsive to commercial opportunities and community needs.

Formed in July 2007 by Manukau City Council, the Company has been able to show returns well ahead of expectation in just two short years. We have a commercially proven Board and streamlined management structure, and have posted year-on-year gains in financial performance with operational revenue up 9% in 2009.

Catering for around three and a half million visitors each year, the region we serve ranges from traditional rural communities to the country's largest manufacturing bases. By being able to do all of this under the "one roof" we have become recognised leaders in developing innovative programmes and matching resources effectively to need. We develop and run over 200 recreation programmes per year as well as fostering several highly innovative partnerships with external organisations to successfully meet community needs.

- 1: Howick Recreation Centre/Fitness/Childcare
- 2: Te Puru Fitness Centre
- 3: Lloyd Elsmore Park Leisure Centre/Fitness
- 4: Pakuranga Youth Centre
- 5: Otara Leisure Centre/Fitness/Norman Kirk Memorial Pools
- 6: Moana-Nui-a-Kiwa Leisure Centre/Fun Pools/Fitness
- 7: Papatoetoe Centennial Pools/Cardio Room
- 8: Allan Brewster Recreation Centre/Childcare/Fitness
- 9: Totara Park Pool
- 10: Nathan Homestead Childcare
- 11: Te Matariki Clendon Community Centre/Childcare
- 12: Manurewa Aquatic Centre/Fitness
- 13: Manurewa Recreation Centre
- 14: Buckland and Eastern Beaches War Memorial Hall
- 15: Nixon Park Community Hall
- 16: Fencible Lounge
- 17: Pakuranga Community Hall
- 18: East Tamaki Community Hall
- 19: Mangere Old School Hall
- 20: Mangere Central Community Hall
- 21: Mangere War Memorial Hall
- 22: Papatoetoe Town Hall
- 23: Wiri Community Hall
- 24: Weymouth Community Hall
- 25: Whitford Community Hall
- 26: Whitford War Memorial Hall Pavilion
- 27: Clevedon Community Hall
- 28: Clevedon District Centre
- 29: Beachlands Memorial Hall
- 30: Maraetai Community Hall
- 31: Kawakawa Bay Community Hall
- 32: Orere War Memorial Hall



Pools



Kauri Kids Childcare



Community Hall



Recreation



Community Gyms Fitness

468,165 people used our halls for weddings, church services, fundraising events and celebrations - up 12.5%

WORKING WITH THE COMMUNITY

Manukau Leisure has never lost sight of its reason for being. We've aligned ourselves with some of Manukau's best to ensure we continue to deliver bold, relevant, and customer focused programmes that deliver healthy and motivated communities.

Rugby league legend and Manukau Leisure brand ambassador, Ruben Wiki, says that helping to motivate and inspire the community is what it's all about. "We write a monthly column in the local paper that gets ordinary people to realise all the great ways to get out and get active, and I often go along to support local events," he says.

"I want to help show people that there are heaps of ways to get active and have fun here in Manukau. And that your health and whanau are important enough to stay fit and active for."

Ruben made a splash at Moana-Nui-a-Kiwa's annual Fun Day in March when he challenged local youth to a bombing competition at Mangere's outdoor pool. Although happy to admit he was out of practise having not 'bombed' since visiting the pools in Otara as a kid, Ruben says he's happy to get out and have a go - and encourage others to do the same.

Partnering with external organisations to meet community needs is nothing new, but Manukau Leisure is keeping on the front foot to make sure those partnerships evolve and new relationships are sought out and fostered. One example is Counties Manukau Basketball. A typical lease agreement has progressed into a tight partnership where we work together to channel young talent from the recreation centres' social basketball leagues into Counties Manukau Basketball skills programmes.

Sport Auckland's Green Prescription programme is one more thriving partnership, as is the John Walker 'Find Your Field of Dreams' Foundation who help make innovative programmes like Community Swim and AMP'd possible. The CM Active team from Counties Manukau Sport who work alongside our AMP'd crew in Manurewa parks is yet another.





PARTNERSHIPS

Manukau Leisure's brand ambassador Ruben Wiki

Over 167 participants joined our Sport Auckland's Green Prescription programme at Mangere

PUSHING YOUR OWN PERSONAL BOUNDARIES ALL OVER AGAIN

As you enter the gym, a man in his 40s belts out a sweaty thump, thump on a treadmill. With noticeably less huffing and puffing, Nora Patterson, aged 80, completes her reps on an “abductor”. It strengthens muscles and stretches legs and abdominals, she explains. The difference the gym is making to her life clearly shows. “I go to rest homes and I see a lot of people hardly able to stand. I never tell them my age now because it doesn’t seem fair,” she says.

Run three times a week at the Allan Brewster Recreation Centre at Papatoetoe for people over 65, the Never2Old classes Nora attends began in March 2008. Then they had just a dozen people. Now more than 70 are coming each week. Mary Cameron, 72, says part of its success is down to the staff who, “are just fantastic.” Having swapped from Tai Chi, she likes the variety of exercises. And the social side is important too.

Every session ends with a cardio dance and a cup of tea. By then everyone has worked through an individualised programme geared at easing daily demands like pushing trundlers or getting in the washing. Increasingly, hospitals and doctors are referring people who need to rebuild strength.

“When people come for the first time they walk in and think, ‘oh it’s a big gym’ and are a bit intimidated by all the weights,” says Juanita Warren, the Manukau Leisure fitness instructor who runs the programme. “But they gradually build up confidence and say, ‘I can do this.’”

Nora says more than just their fitness changes. “I watch people. They get a lot more life in their faces. They are smiling all the time,” she says. Then with a smile herself she gets back to the abductor that is helping keep her strong.



The Never2Old programme is being delivered in partnership with AUT and is just one of many specially designed fitness programmes we ran at our recreation centres and seven Community Gyms across the city last year. Many of our fitness centres are attached to recreation centres, offering easy access to swimming pools and childcare facilities. What's more, all our gyms accept green prescriptions and many offer rehabilitation, massage and physiotherapy.

Over 7,933 people attended our fitness centres and were helped by dedicated Manukau Leisure fitness staff to achieve their own personal goals last year. That's an astounding 364,998 visits.

We were very pleased to welcome Lucy Lloyd-Barker as our new group manager for fitness in 2009. Lucy brings over 18 years experience in setting up and running highly successful private and public fitness services.

Total fitness visits for the year were up 15%, purchases of fitness membership packages rose 12% and the numbers of people involved in group fitness classes rose 14%.

GETTING AMP'D

Every Wednesday Jamie Buchanan, 15, has something new to do after school. At 4.30 the nearby Randwick Park is buzzing with the sound of 60 young people playing basketball or touch when he arrives. Music pours from a portable sound system. The upbeat mood is infectious, but Jamie says that has all been only since AMP'd started here in April.

Before, says Jamie, young people here would often just hang out or get into trouble. Now he says, "You'd just feel bad if a new tag was on the fence, because you'd know it was not a good thing." Besides, now people have better things to do.

An offshoot from the partnership between Manukau Leisure and the John Walker 'Find Your Field of Dreams' Foundation, AMP'd is all about getting local youth active and encouraging positive, social behaviour. From Tuesday to Friday the AMP'd crew run sessions in four different parks in the wider Manurewa area. On Saturdays the young people help out with school fairs or on other community projects. Teina Rima, the AMP'd team leader, says they are aiming to make a contribution that will benefit the participants and community long term.

The programme has three aspects, Teina explains. Drop-in activities in parks serve to make a connection with local youth and

also to introduce talented players to sports clubs. Participants are fed through to a youth team-building programme run by Manukau on the Move that offers activities like kayaking, rock climbing, sailing and mountain biking. And, after that, for selected youths, there is the potential to enter into a youth leadership programme.

"What it is all about is reaching young people," Teina says. "Not just helping with providing something now, but also finding their potential as people and as leaders."

Already selected to attend a team building event, Jamie says: "It's been a really positive thing. Because you come here and there is something really good to do." He laughs and adds: "I think it would be even better if there were more days that they could come."





RECREATION

AMP'd is just one of over 200 indoor and outdoor recreation programmes that Manukau Leisure ran last year. While this example speaks of the wide range of activities designed specially for youth, our programmes helped people of all ages, ethnicities and backgrounds enjoy trying something new and get more active.

We run ten fully-equipped centres at Papatoetoe, Howick, Pakuranga, Manurewa, Mangere, Otara and Clendon. Our mobile recreation team, Manukau on the Move, runs numerous outdoor programmes such as sailing and kayaking trips for all abilities and ages. They also tailor adventure programmes for schools and groups.

Last year almost 321,000 people participated in Manukau Leisure recreation programmes. This was 68,263 up on the previous year. We also ran before and after school care programmes in seven recreation centres providing free pick up and drop off to nearby schools. Continued government support for another two years will allow us to continue to deliver out of school care (OSCAR) programmes to over 200 children per term.

Our recreation centres played a leading role in reflecting the city's diversity. In 2009 the Clendon centre held a Matariki event, and Otara delivered gymnastics classes in Te Reo Maori. The Manurewa Recreation Centre held its first Youth Expo, partnering with ten other agencies in connecting young people with information about opportunities available to them.

Pleasingly, many of our programmes were supported by local sports leaders. Renowned basketballer Dillon Boucher made welcome appearances at the Manurewa Recreation U12 basketball skills classes this year. Reflecting our close links with health agencies, over 167 participants joined our Sport Auckland Green Prescription programme at Mangere.

A SAFE PLACE FULL OF LIFE AND FUN

You can tell it's going to be a serious race. Scott, aged four-and-a-half, is making brm brm racing car noises on the start line. Next to him is Batman, whose cape rises in the air as the teacher yells "go". As they tear around the playground Scott stumbles and picks himself up. But by the end he has made up ground. The teacher and Scott exchange a big high five and an even bigger smile while Scott's mother, Sharon Rarity, claps.

The Howick Kauri Kids childcare centre might seem an easy choice for Sharon. Her family live nearby and use the gym in the adjoining recreation centre also run by Manukau Leisure. But what really made the difference, she says, "was just the way the place felt when I walked in. Whenever Scott has been here everybody has always been smiling and happy. You just know the children really are enjoying themselves here."

Sharon says she also sees real gains for Scott from a comprehensive new Kauri Kids Learning Programme that Manukau Leisure childcare centres have introduced over the last year. All around the walls pictures and posters attest to each child's progress on specific focus areas. Individual portfolios cover everything from music and movement to just how much they enjoy the other kids. As parents sign out, a display board shows what each child has been doing that day.

Sharon says: "These guys do a really great job. He's a happy kid and that's what I need to know. Happy when he's here, happy when I get him home."

Howick's team leader, Caroline Hovell, says their efforts are focused on achieving best practice. Now the children more often choose to settle and quietly focus on activities they have selected. Sharon has been delighted to see Scott learning the alphabet and counting. But that doesn't get in the way of also having fun.





Manukau Leisure operates four registered preschool childcare centres across the city. Our aim is to create a secure environment that is stimulating and exciting. We want to inspire children to learn about their world and embrace their culture while building friendships and social skills.

Last year we began rolling out our new Kauri Kids childcare programme, and it was met with very positive parent and teacher endorsements.

Our childcare centres at the Allan Brewster Recreation Centre, Howick Recreation Centre and Nathan Homestead in Manurewa were all extended or refurbished, and an increase in the number of qualified staff employed at our centres was recognised in increased additional Ministry of Education childcare funding.

We were very pleased to welcome Barbara Ludlow as our new Group Manager. Barbara brings over 20 years of top-level childcare experience, including leading the establishment of numerous new facilities and overseeing over 41 centres for a major private provider.

Clendon childcare was awarded the Heart Foundation's Healthy Heart Award for promotion and implementation of healthy food choices.

CHILD CARE

Ministry of Education funding for qualified staff has increased from 46% to 66%

RECOGNISED AS THE BEST



Kane Tapurau says the most satisfying part of his job is, “seeing people come into the facility with a goal - and being able to help them actually achieve it.”

At the Manurewa Aquatic Centre, where Kane is the aquatics team leader, this means helping all sorts of people. But one man in particular stands out. He came in after a stroke, Kane says, for basic pool training when he could still barely walk. “And now he’s a gym member and I see him go running past here on the road!”

Helping others reach their goals may have also helped Kane reach his own. In 2009, Kane won Recreation New Zealand’s prestigious national Lifeguard of the Year Award. “I was over the moon,” he says. “They rang me at home and I was just so proud to hear I’d won. Then I was presented the award at the annual aquatics conference.”

In a career that began as a volunteer, Kane has worked his way up through numerous qualifications. “He is just someone who will put in whatever it takes to get the job done,” says Craig Rouse, the centre’s manager. “This award reflects that commitment, and also the value he gives to others in developing and delivering successful programmes.”

Kane says the centre is a place where “you’re given the chance to do your best.” Having started there when the centre opened in 2005, he has seen it grow. Now in its fifth year the Manurewa Aquatic Centre receives upwards of 465,000 visitors per year. More than anything else, Craig says, the formula for success is in the staff. “People know when you have got a great team. They see happy smiling faces, and they want to come back,” he says.

Kane agrees. “There’s an awesome sense of satisfaction you get when you feel you’re doing something worthwhile,” he says. He lives three minutes walk away, so he knows the community well. He also knows how much people value the pools.

AQUATICS

Kane Tapurau is just one of many outstanding members of Manukau Leisure's 51 strong aquatics team. Last year Peter Akich, who works alongside Kane and is a refugee from Sudan, qualified as a lifeguard despite having lost an arm in his country's war. Another colleague, Steve Wood from Lloyd Elsmore pools, has since been nominated for Lifeguard of the Year 2009. Uniquely, Manukau Leisure provides access to an extensive range of pool facilities totally free of charge to their users.

Manukau Leisure runs free pools that are open seven days a week at five aquatic facilities at Mangere, Otara, Pakuranga, Papatoetoe and Manurewa. We also run the outdoor pools in Totara Park over the summer months. Collectively, these pools are visited by over 1.8 million people each year. We provide special programmes in learning to swim, water safety, aquarobics, and lifeguard training, along with very popular Summer Fun Days and special programmes such as the Keep Your Whanau Afloat Week.

Last year the Community Swim programme, run in partnership with the John Walker 'Find Your Field of Dreams' Foundation, was expanded and delivered free professional swimming lessons to 54 schools and over 7,020 Year Three and Four school children.

Users of our aquatics facilities rated our service quality at 92.76%, up on an already high result of 91.99% recorded by the University of South Australia's independent survey last year.



PROVIDING A GREAT PLACE TO ENJOY

Who can say no to homemade marmalade? Or a bunny for that matter! At the Clevedon village craft market Lois Anderson remembers very clearly one man who certainly couldn't resist the latter. Humming and hahing, he looked at the six very cute rabbits huddled together at Lois's stall. "Eventually I said, 'How many do you want?' And he said 'I'll take the lot.'"

Today, Lois has eight-week-old black and white yob and cashmere bunnies up for sale along with her range of superb homemade jams and some pot plants. It might sound like an unlikely mix, but that sense of fun and opportunity is what these rural markets are all about.

Lois has been coming here for four years. Even more than the bargains and treasures, she says, the market is just something that people can enjoy. "We all look forward to it. You get to meet all sorts of people and it's a great way for all of us who live around here to get together," she says.

In fact, with Clevedon perhaps being a reminder of a simpler, rural New Zealand, it's a popular destination for visitors from all over Auckland. Visiting from nearby Papakura, Ella Comley watches her young children, Michael and Alexandra, timidly reach out to the bunnies. But then she wisely steers them away. Today, it seems, these bunnies will stay.

MARKET



COMMUNITY HALLS

The Clevedon hall is one of 19 halls in rural and urban areas that Manukau Leisure manages. These are available for hire at very reasonable fees and play a key role in bringing local communities together. The halls that Manukau Leisure manage are unique in that they range from purpose-built urban facilities to picturesque rural halls like the one at Clevedon.

Last year 468,165 people used our halls for weddings, church groups, fundraising events, and cultural and community celebrations. This amounted to a rise in halls usage of 12.5% from the 416,225 visitors of the previous year.

We successfully introduced a new centralised booking system to make it easier for community groups and others to plan and access the halls. Independent research confirmed an "overall satisfaction" customer approval rating of 89%.

The halls Manukau Leisure operates spread right across the city with locations in: Bucklands Beach (one hall); Clevedon, Whitford, Maraetai and Kawakawa Bay (8); Howick (2); Mangere (3); Manurewa, Wiri (2); Otara (1); Pakuranga (1) and Papatoetoe (1).

An independent survey by the University of South Australia confirmed an 89% customer approval rating and 90.5% service quality for halls

BOARD OF DIRECTORS

Dr Stuart Middleton (Chairman)

Dr Middleton has a strong knowledge of the Manukau community. He is director of external relations at Manukau Institute of Technology and until recently was chairman of the City of Manukau Education Trust (COMET) where he also served as a trustee for nine years. His governance experience includes a number of trusts in Manukau, including the Otara Economic Development Trust and Counties Manukau Sports Trust.

George Green

Mr Green is a Fellow of the New Zealand Institute of Chartered Accountants and an experienced director with extensive knowledge of corporate governance. He is

chairman of Sleepyhead Manufacturing Limited, Rapaura Vintners Limited, Morrison Low Holdings Limited and Pacific Hygiene Limited, and a director of Metrowater and Auckland Regional Transport Network Limited.

Richard Beddie

Mr Beddie is a successful businessman having owned and managed numerous fitness clubs for over 15 years. He is the chief executive of Fitness New Zealand and chairman of Skills Active as well as the International Confederation of Exercise Professionals (ICREPs). Mr Beddie also travels extensively speaking internationally on fitness and wellness trends.



Debbie Sorensen

Ms Sorensen understands the many Manukau communities. She is a director of Health Specialists Limited, an international consultancy focused on Pacific region development. Her background in the health sector spans nursing, management and policy. Positions held include chief advisor Pacific health to the Ministry of Health and general manager Pacific health to Counties Manukau District Health Board.

Susan Huria

Ms Huria is a director of AgResearch Limited and Watercare Services Limited, and runs her own management company Huria Anders. She was previously a director of Radio New Zealand, Ngai Tahu Development Corporation and Housing

New Zealand Corporation. Ms Huria is also an independent member of the Fonterra Governance Development Committee. Her background is in marketing and includes senior management roles at Auckland International Airport.

Graeme Osborne

An experienced director, Mr Osborne currently serves on the boards of New Zealand Visitor Information Network (Tourism New Zealand nominee), the Tourism Industry Association of New Zealand and the New Zealand Maori Arts and Crafts Institute. He is a director of Greater Auckland Netball Limited and is the CEO of Tourism Auckland. Mr Osborne's background has included chief executive positions with iconic tourist attractions here and overseas.



SENIOR MANAGEMENT

Brett Jude (CEO)

Having led Manukau Leisure through the transition from Council department to stand-alone business, Mr Jude is continuing to motivate the best from his people. Currently undertaking MBA studies, Mr Jude is a notable businessman and leader who has served a variety of positions within the company. He has the ability to empathise with Manukau's diverse cultures, and is actively involved with many industry-related organisations.

Caroline Newton (CFO)

The internationally experienced Ms Newton brings a wealth of financial and business knowledge to Manukau Leisure's senior team. She has successfully implemented internal processes to tighten asset and expenditure control across the business. After gaining her chartered accountant qualifications in London Ms Newton spent 10 years with Duracell Batteries in the UK rising through the ranks to European Financial Reporting Manager responsible for 13 countries.

Lucy Lloyd-Barker (Fitness Group Manager)

With over 18 years experience in the fitness industry, both here and overseas, Ms Lloyd-Barker is well versed on getting clubs to optimal performance. Previous positions held in New Zealand include Franchise Director for ladies only gym chain Configure Express, and setting up and operating the spa at Hotel du Vin.

Barbara Ludlow (Childcare Group Manager)

More than 20 year's experience in childcare means that Ms Ludlow is the ideal candidate to shape up Manukau Leisure's Kauri Kids centres. Ms Ludlow's vast experience includes employment with Kindercare Learning Centres where she sought out new opportunities and set up centres, and Forward Steps (prior to ABC purchase) where she held the position of Operations Manager responsible for over 41 childcare facilities.



Georgie Witehira (Western Group Manager)

Mrs Witehira's long history with Manukau Leisure and the local community puts her in prime position to oversee western area operations. She has worked in wet and dry facilities, served in various roles, and is involved with relevant industry organisations. Mrs Witehira applies her teaching and coaching experience on a daily basis to ensure the facilities under her guidance deliver real value to the various community groups that use them.

Michael Groom (Eastern Group Manager)

Having worked his way up through the ranks Mr Groom has an unsurpassed awareness of staff and customer needs. Throughout his 19 year tenure Mr Groom has managed aquatic centres, recreation facilities, the fitness portfolio, and now operations covering Manukau's eastern suburbs. He is qualified in Parks and Recreation Management and is valued for his analytical and practical approach to business.

Aimee McCallum (Marketing & Communications)

Ms McCallum's background includes specialist marketing and communication roles within a variety of industries including liquor, primary production, quality assurance and IT. Ms McCallum was most recently employed as the Brand Manager responsible for a large portfolio of successful beer brands at Independent Liquor and prior to that specialised in communications for state-owned service provider AsureQuality.

Karen Vernon (Human Resources)

An experienced and versatile HR expert, Ms Vernon has specialist skills in change management. These skills have been well utilised throughout her contract term with Manukau City Council during which she has worked full time within Manukau Leisure providing HR and employment law advice, business analysis, HR process implementation, performance management and career development.



STATEMENT OF PERFORMANCE INDICATORS

Economic

Objective	Performance Indicator	Performance 08/09	Comments						
Ensure that Manukau Leisure's financial targets are in line with Council's requirements.	The Annual Review is to conclude that:								
	<ol style="list-style-type: none"> 1. Manukau Leisure's actual financial performance is in line with targeted performance 2. Manukau Leisure's treasury management policies are appropriate and consistent with Council's investment, borrowing and funding policies 	<p>Profit before tax \$118k. Achieved after reducing budgeted contract revenue from shareholder by \$600k</p> <p>Interest earned from cash deposits - \$183k. Interest paid on loan with MCC - \$64k</p>	<p>Achieved</p> <p>Achieved Shareholder loan \$1.2m repaid in March 2009</p>						
Manukau Leisure remains financially sound	(a) Council's contract for service is maintained as follows for the next three years		Achieved						
	<table border="1"> <thead> <tr> <th>2008/09</th> <th>2009/10</th> <th>2010/11</th> </tr> </thead> <tbody> <tr> <td>\$12.58</td> <td>\$12.34</td> <td>\$12.66</td> </tr> </tbody> </table>	2008/09	2009/10	2010/11	\$12.58	\$12.34	\$12.66	\$11.98m paid to MLSL	Reduced by \$600k
	2008/09	2009/10	2010/11						
\$12.58	\$12.34	\$12.66							
(b) Operating cash interest cover for the next three years	<table border="1"> <thead> <tr> <th>2008/09</th> <th>2009/10</th> <th>2010/11</th> </tr> </thead> <tbody> <tr> <td>8.5</td> <td>8.6</td> <td>9.0</td> </tr> </tbody> </table>	2008/09	2009/10	2010/11	8.5	8.6	9.0	29 times	Achieved This ratio is no longer applicable as balance sheet carries no interest bearing debt at year end
2008/09	2009/10	2010/11							
8.5	8.6	9.0							
(c) Ratio of shareholders funds to total assets for the next three years	<table border="1"> <thead> <tr> <th>2008/09</th> <th>2009/10</th> <th>2010/11</th> </tr> </thead> <tbody> <tr> <td>36%</td> <td>36%</td> <td>36%</td> </tr> </tbody> </table>	2008/09	2009/10	2010/11	36%	36%	36%	32.6%	Not achieved Reflects reduced cash holding after repayment of shareholder loan
2008/09	2009/10	2010/11							
36%	36%	36%							
Maintain a robust and sustainable pricing policy	Undertake an annual review of the pricing policy in line with council's pricing guidelines	5% increase applied to all fees covered by MCC's pricing policy 7.5% increase to fitness membership fees	Achieved Pricing review completed						

Social and Cultural

Objective	Performance Indicator	Performance 08/09	Comments
Implement Council's policy on access to leisure activities	2.5% of new enrolments in activities or programmes	08/09 target - 259,000 08/09 actual - 320,949 27% increase in programme enrolments from last year (252,686)	Target achieved
Increase programme range and capacity	4% growth on current programme offering	Programme offering increased by 4.6%. Made up of nine new programmes and five new events	Target achieved
Deliver programmes/events that have a specific community good outcome	Five partnerships/programmes developed	Seven partnership programmes developed or extended <ul style="list-style-type: none"> • John Walker 'Find your Field of Dreams' Foundation resulted in two programmes: <ul style="list-style-type: none"> - Community Swim - Youth in Parks (AMP'd) • The Never2Old Programme has been extended • CM Active (Counties Manukau Sport) • Sport Auckland's Green Prescription • Aquatic fun days over the summer months • Manukau on the Move deliver outdoor education programmes for youth and school groups 	Target achieved
Develop partnerships with educational and health providers	Two (HEHA) intervention programmes	Two (HEHA) Intervention programmes delivered <ul style="list-style-type: none"> • Nutrition Eating Programme introduced to all Manukau Leisure childcare facilities • Partnership with Sport Auckland to deliver Green Prescription was developed further 	Achieved
Enhance relationship with Mana Whenua	At least two consultative forums held with Mana Whenua resulting in two annual programme outputs	One consultative forum held with Mana Whenua <ul style="list-style-type: none"> • Six gymnastics classes per week are delivered in Te Reo • Whanau Learn to Swim Programme • Te Matariki Celebrations were held at Manurewa and Otara • Manukau Leisure Services Treaty of Waitangi portfolio team with specific objectives to champion learning in Tikanga and Te Reo 	Not achieved

68,263 more people joined Manukau Leisure recreation programmes - almost 321,000 in total

STATEMENT OF PERFORMANCE INDICATORS

Customer Service

Objective	Performance Indicator	Performance 08/09	Comments
Maintain high customer quality ratings	Overall CERM quality rating is 90% or better	Overall CERM quality rating for is 90.76%	Target achieved
Maintain service capacity	Service quality is 92% or better	CERM service quality is 92.56%	Target achieved
Increase customer advocacy	42% or more of customer base 'strongly recommend' our services and 50% or more 'recommend' our service	Overall customer advocacy score was 74%	Target achieved

Environmental

Objective	Performance Indicator	Performance 08/09	Comments
Efficient water and energy consumption	Reduce water discharge rate by 5%	Water discharge reduction reduced by 24%	Target achieved
	Increase energy efficiency by 2%	Electricity usage increased 0.2%	Not achieved
		Gas usage decreased by 2.0%	Achieved

Relationship with Council

Objective	Performance Indicator	Performance 08/09	Comments
Ensure that Council is kept informed of all significant matters relating to Manukau Leisure and Council is advised on strategic issues relating to Manukau Leisure's investments and other assets including, but not limited to, ownership structures, capital structures and rates of return	<p>The Board is to prepare at least four reports for Council's Corporate Governance and/or Strategic Directions Committees (being the two quarterly reports, the half-yearly report and the annual report), and less formal reports for the Mayor and City Manager and/or Chief Financial Officer in each financial year and occasionally a seminar which is to be presented to Councillors, as and when requested by Council</p> <p>Major matters of urgency are to be reported to Council's Corporate Governance and/or Strategic Directions Committee and/or Chief Financial Officer within three business days</p> <p>The reporting and authorisation obligations in Manukau Leisure's Constitution are to be met</p>	<p>Four reports prepared for council on time</p> <p>Attended CCO review panel on three occasions</p> <p>No urgent matters to attend to</p> <p>Obligations met</p>	Achieved
Monitor performance of Manukau Leisure's investments and other assets	The Annual Review is to conclude that Council has no material concerns with Manukau Leisure's financial performance	No material concerns with Manukau Leisure's financial performance	Achieved
Ensure that Manukau Leisure's corporate governance procedures are appropriate, documented and reflect best practice.	<p>The Annual Review is to conclude that Manukau Leisure's corporate governance procedures are appropriate, documented and reflect best practice</p> <p>A draft Statement of Intent for Manukau Leisure is to be submitted for approval to Council by 1 March each year</p>	Submitted to council 3rd Feb 2009	Achieved



800 children benefit from out of school care

Corporate Directory

For the year ended 30 June 2009

In respect of the year ended 30 June 2009, the Directors of Manukau Leisure Services Limited submit the following report:

NATURE OF BUSINESS

Recreation Activities and Services

SHAREHOLDERS

Manukau City Council - 1,600,100 shares

DIRECTORS

Stuart Alan Middleton - Chairman

George William Green

Debra Mary Delores Sorensen

Graeme Osborne

Susan Mary Huria

Richard Graham Beddie

ACCOUNTANTS

CST Nexia Limited - Manukau City

AUDITORS

Audit New Zealand - Auckland

on behalf of Auditor General

BANKERS

Bank of New Zealand - Auckland

SOLICITORS

DLA Phillips Fox - Auckland

Statement of Responsibility

For the year ended 30 June 2009

The board and management of Manukau Leisure Services Limited accepts responsibility for the preparation of the annual financial statements and the judgements used in them.

The board and management of Manukau Leisure Services Limited accepts responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

In the opinion of the board and management of Manukau Leisure Services Limited, the annual financial statements for the year ended 30 June 2009, fairly reflect the financial position and operations of Manukau Leisure Services Limited, including statement of service performance.

For and on behalf of the board:



Dr Stuart Middleton
Chairman
25 September 2009



George Green
Director
25 September 2009

STATEMENT OF FINANCIAL PERFORMANCE

For the year ended 30 June 2009 (\$NZD)			
	Note	FY 07/08	FY 08/09
Income			
Contract revenue		11,500,000	11,980,000
Sales revenue		6,485,786	6,713,973
Government funding		1,599,660	1,906,545
Finance revenue		281,016	183,309
Other revenue		98,031	449,097
Total income		19,964,493	21,232,924
Cost of goods sold	10	123,353	130,380
Gross profit		19,841,140	21,102,544
Expenditure			
Employee benefit expenses	3	8,691,687	9,850,397
Depreciation and amortisation	9	809,039	767,877
Other expenses	4	10,077,317	10,303,171
Finance costs	5	86,439	63,539
Total operating expenditure		19,664,482	20,984,984
Operating surplus before tax		176,658	117,560
Income tax expense	6	80,501	36,666
Surplus after tax		96,157	80,895

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 30 June 2009 (\$NZD)			
	Note	FY 07/08	FY 08/09
Assets			
Current assets			
Cash and cash equivalents	7	2,868,225	1,848,487
Trade and other receivables	8	364,840	305,088
Prepayments	8	247,776	303,682
Inventories	11	64,029	59,959
Total current assets		3,544,870	2,517,216
Non-current assets			
Property, plant and equipment	9	2,567,305	2,547,387
Deferred tax asset	6	209,657	386,784
Total non-current assets		2,776,963	2,934,171
Total assets		6,321,832	5,451,387
Liabilities			
Current liabilities			
Trade and other payables	12	2,165,776	2,376,721
Employee benefit liabilities	13	969,742	1,111,056
Tax payable	6	290,158	186,558
Total current liabilities		3,425,676	3,674,335
Non-current liabilities			
Borrowings	14	1,200,000	0
Total non-current liabilities		1,200,000	0
Total liabilities		4,625,676	3,677,335
Equity			
Share capital	15	1,600,000	1,600,000
Retained earnings	15	96,157	177,052
Total equity		1,696,157	1,777,052
Total liabilities and equity		6,321,832	5,454,387

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended 30 June 2009 (\$NZD)			
	Note	FY 07/08	FY 08/09
Cash flows from operating activities			
MCC contract revenue		11,500,000	11,980,000
Receipts from MSL customers		7,578,790	7,479,054
Ministry of Education		1,104,437	1,619,288
Interest received		254,465	209,861
Goods and services tax (net)		237,734	3,052
Payments to employees		(8,313,283)	(9,743,218)
Payments to suppliers		(5,016,004)	(5,629,133)
Payments to Manukau City Council		(4,980,575)	(4,585,025)
Interest paid		(86,439)	(63,539)
Income tax paid		0	0
Prior year subvention payment		0	(317,392)
Net cash from operating activities	16	2,279,125	952,948
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		-	20,762
Net business acquisition		(1,515,242)	-
Purchase of investment property			
Advances made from/(to) parent			0
Advances made from/(to) related companies			0
Purchase of property, plant and equipment		(695,658)	(793,448)
Net cash from investing activities		(2,210,900)	(772,686)
Cash flows from financing activities			
Proceeds from borrowings		1,200,000	0
Repayment of borrowings		0	(1,200,000)
Share capital issued		1,600,000	0
Net cash from financing activities		2,800,000	(1,200,000)
Net (decrease)/increase in cash, cash equivalents		2,868,225	(1,019,738)
Cash, cash equivalents at the beginning of the year		0	2,868,225
Cash, cash equivalents at the end of the year	7	2,868,225	1,848,487

The accompanying notes form part of these financial statements.

The GST (net) component has been presented on a net basis, as the gross amounts do not provide meaningful information for the financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2009 (\$NZD)			
	Note	FY 07/08	FY 08/09
Balance at 1 July 2008		-	1,696,157
Share capital issued	15	1,600,000	0
		<i>1,600,000</i>	<i>1,696,157</i>
Surplus for the year		96,157	80,895
Balance at 30 June 2009		1,696,157	1,777,052

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

For the year ended 30 June 2009

In respect of the year ended 30 June 2009, the Directors of Manukau Leisure Services Limited submit the following report:

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Notes to the Financial Statements

For the year ended 30 June 2009

1. Statement of accounting policies

A. Reporting entity and statutory base

Manukau Leisure Services Limited (MLSL) financial statements are for the year ended 30 June 2009. The financial statements are for MLSL as a separate legal entity. MLSL is a company registered under the Companies Act 1993.

MLSL is controlled by Manukau City Council and is a council controlled organisation as defined in section 6 of the Local Government Act 2002. The financial statements of MLSL have been prepared in accordance with the requirements of the Financial Reporting Act 1993, the Companies Act 1993, and the Local Government Act 2002.

The company is focussed on the planning, operation and management of the majority of Manukau City's leisure facilities services and programmes, and community halls. Its principal objective as a deliverer of recreation services is to promote healthy living and lifestyles through active participation in leisure. It does not undertake its trading activities for the purpose of making a profit. Accordingly, the Company has designated itself as a Public Benefit Entity for the purposes of New Zealand Equivalent to International Financial Reporting Standards (NZIFRS).

The financial statements were authorised for issue by the board of directors on the date they were signed.

Basis of preparation

B. Measurement base

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

C. Statement of compliance

The financial statements of the company have been prepared in accordance with the requirements of the Local Government Act 2002, which includes the requirements to comply with New Zealand generally accepted accounting practice (NZ GAAP).

These financial statements have been prepared in accordance with NZ GAAP. They comply with NZIFRS, and other applicable Financial Reporting Standards as appropriate for public benefit entities.

D. Functional and presentation currency

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

Standards, amendments, and interpretations issued but not yet effective that have not been early adopted, and are relevant to the Company include:

• NZ IAS 1 Presentation of Financial Statements (revised 2007) replaces NZ IAS 1 Presentation of Financial Statements (issued 2004) and is effective for reporting periods beginning on or after 1 January 2009. The revised standard requires information in financial statements to be aggregated on the basis of shared characteristics and introduces a statement of comprehensive income. The statement of comprehensive income will enable readers to analyse changes in equity resulting from non-owner changes separately from transactions with owners. The revised standard gives the Company the option of presenting items of income and expense and components of other comprehensive income either in a single statement of comprehensive income with subtotals, or in two separate statements (a separate income statement followed by a statement of comprehensive income). The Company intends to adopt this standard for the year ending 30 June 2010, and is yet to decide whether it will prepare a single statement of comprehensive income or a separate income statement followed by a statement of comprehensive income.

• NZ IAS 23 Borrowing Costs (revised 2007) replaces NZ IAS 23 Borrowing Costs (issued 2004) and is effective for reporting periods beginning on or after 1 January 2009. The revised standard requires all borrowing costs to be capitalised if they are directly attributable to the acquisition, construction, or production of a qualifying asset. In October 2008, the mandatory adoption of NZ IAS 23 (revised 2007) by public benefit entities was deferred pending the completion of the Financial Reporting Standard Board's research project into the application of NZ IAS 23 (revised 2007) by public benefit entities. The Company has elected to defer the adoption of the revised NZ IAS 23. Accordingly, all borrowing costs that are directly attributable to the acquisition, construction, or production of a qualifying asset continue to be recognised as an expense.

Significant accounting policies

The accounting policies that materially affect the measurement of financial performance, financial position and cash flows are set out below and have been applied consistently to all periods presented in these financial statements.

Revenue

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

Revenue from the rendering of services is recognised by reference to the stage of completion of the transaction at balance date, based on the actual service provided as a percentage of the total services to be provided.

Government grants

Government grants for specific and general purposes are recognised when eligibility to receive the grant has been established. Grants for programmes are recognised over the period in which the programme is run by reference to the dates of the programme. Where funds have been received but not earned at balance sheet date a revenue in advance is recognised.

Membership fees

Revenue from fitness membership fees is recognised over the period to which it relates. Where funds have been received but not earned at balance date a revenue in advance is recognised.

Rental revenue

Rental revenue is from hireage of community halls and space hireage within recreation and pool facilities. Revenue is recognised over the period to which it relates. Where funds have been received but not earned at balance date a revenue in advance is recognised.

Other revenue

Interest income is accrued on a time basis and is recognised using the effective interest method. Products held for sale are recognised when a product is sold to the customer. Sales are usually in cash or by credit card. The recorded revenue is the gross amount of the sale, including credit card fees payable for the transaction. Such fees are included in other expenses.

Advertising

Advertising costs are expensed when the related service has been rendered.

Borrowing costs

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

Property, plant and equipment

Property, plant and equipment are recorded at historical cost less accumulated depreciation and impairment losses. Historical cost is the value of consideration given to acquire the assets and the value of other directly attributable costs which have been incurred in bringing the assets to the location and condition necessary for their intended service.

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 its cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value when control over the asset is obtained.

Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are included in the statement of financial performance.

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 (except land which is not depreciated) at rates that will write off the cost of the assets to their estimated residual values over their useful lives. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

Aquatic equipment	16-20%
Fitness equipment	10-50%
Furniture and fittings	10-50%
Office equipment	25-50%
Motor vehicles	10-50%
Plant and equipment	10-50%

The residual value and useful life of an asset is reviewed and adjusted if applicable, at each financial year end.

Financial instruments

MLSL classifies its financial assets into the following categories: fair value through profit or loss, held-to maturity investments, loans and receivables and fair value through equity. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance date, which are included in non-current assets. These assets primarily comprise cash, cash receivables, trade and receivables. After initial recognition they are measured at amortised cost using the effective interest method less impairment. Gains and losses when the asset is impaired or derecognised are recognised in the statement of financial performance.

Impairment of assets

At each balance sheet date MLSL 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 statement of financial performance.

Assets with a finite useful life are reviewed for indicators of impairment at each balance sheet date, impairment whenever events or changes in economic circumstances indicate that the carrying amount of such assets 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.

Where the future economic benefits of an asset are not primarily dependent on an ability to generate cash inflows, value in use is determined as the depreciated replacement cost of the asset.

If an asset's carrying amount exceeds its recoverable amount, the asset is impaired and the carrying amount is written down to the recoverable amount. The total impairment losses are recognised in the statement of financial performance.

Goods and services tax (GST)

The statement of financial performance has been prepared so that all components are stated exclusive of GST. All items in the statement of financial position are stated net of GST with the exception of receivables and payables which include GST as invoiced. Where GST is not recoverable as an input tax then it is recognised as part of the related asset or expense.

The GST (net) component of operating activities in the statement of cash flows 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.

Commitments and contingencies are disclosed exclusive of GST.

Operating leases

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

Employee benefits

(a) Short-term benefits

Employee benefits that MLSL 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.

MLSL recognises a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

(b) Long-term benefits

Employee benefits that MLSL expects to be settled after 12 months of balance date are measured at nominal values based on accrued entitlements at current rates of pay. These represent long service leave.

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 as a current liability in the statement of financial position.

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 be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the effective interest method. The carrying amount of an impaired receivable is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of financial performance. When the receivable is uncollectible, it is written off against the allowance account. Overdue receivables that have been renegotiated are reclassified as current (i.e. not past due).

Creditors and other payables

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

Provisions

Manukau Leisure Services Limited recognises a provision for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that expenditures will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Inventories

Inventories held for distribution that are not supplied on a commercial basis are measured at the lower of cost and current replacement cost. The cost of the inventory is determined using the first-in first-out method.

Cash flow statement

Cash means cash balances on hand, held in bank accounts, demand deposits and other highly liquid investments in which the company invests as part of its day to day cash management.

- Operating activities include cash received from all income sources of the company and records the cash payments made for the supply of goods and services.
- Investing activities are those activities relating to the acquisition and disposal of property, plant and equipment and investments.
- Financing activities are those activities which result in changes in the size and composition of the capital structure of the company. This includes both equity and debt not falling within the definition of cash.

Income tax

Income tax expenses in relation to the surplus or deficit 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.

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.

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

Borrowings

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

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 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 financial performance, and carrying amount of the asset in the statement of financial position. 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.

2. Financial instruments

The company is a party to financial instrument arrangements as part of its everyday operations. These include instruments such as bank balances, receivables and payables.

Financial instrument categories (\$NZD)

	FY 07/08	FY 08/09
Financial asset		
Loans and receivables		
Cash and cash equivalent	2,868,225	1,848,487
Debtors and other receivables	612,616	608,770
Total loans and receivables	3,480,841	2,457,257
Financial liabilities		
Financial liabilities at amortised cost		
Creditors and other payables	2,165,776	2,376,721
Borrowings	1,200,000	0
Total financial liabilities at amortised cost	3,365,776	2,376,721

At balance date no financial instruments were considered to fit into the financial instrument categories of fair value through profit or loss, held-to maturity investments or fair value through equity.

Financial instrument risks

MLSL is risk adverse and seeks to minimise its exposure to financial instrument risk.

Credit risk

Credit risk is the risk that a third party will default on its obligations to MLSL, causing the company to incur a loss. The company has no significant concentrations of credit risk. No collateral or security is held or given to support financial instruments. Cash and cash equivalents are held as cash or with the BNZ in short term deposits.

Liquidity risk

Liquidity Risk is the risk that MLSL will encounter difficulty raising liquid funds to meet commitments as they fall due. The company has invested some of its cash in short term deposits to ensure sufficient funds are available to meet its known obligations.

Maturity analysis of financial liabilities and assets

The table below analyses MLSL liabilities and assets into relevant maturity groupings based on the remaining period at balance date to the contractual maturity date. Future interest payments on floating rate debt is based on the floating rate on the instrument and balance date. The amounts disclosed are contractual undiscounted cash flows.

Maturity analysis of financial liabilities and assets (\$NZD)						
	Carrying amount	Contractual cashflows	Less than one year	1-2 years	2-5 years	More than 5 years
Financial assets						
Cash and cash equivalents	1,848,487	1,848,487	1,848,487	-	-	-
Debtors and other receivables	608,770	608,770	608,770	-	-	-
Total	2,457,257	2,457,257	2,457,257	0	0	0
Financial liabilities at amortised cost						
Creditors and other payables	2,376,721	2,376,721	2,376,721			
Borrowings	-	-	-	-	-	-
Total	2,376,721	2,376,721	2,376,721	0	0	0

Sensitivity analysis

The company both borrows money and holds surplus funds in short term deposit accounts so is affected by changes in interest rates. The table below illustrates the potential profit and loss impact for a range of potential market movements, with all other variables held constant, based on MLSL financial exposures as at balance date.

Interest rate risk	-200bsp	-100bsp	+100bsp	+200bsp
Financial assets				
Cash and cash equivalents	(40,000)	(20,000)	20,000	40,000
Financial liabilities				
Borrowings	0	0	0	0
Total	(40,000)	(20,000)	20,000	40,000

Cash flow interest rate risk

The company has no exposure to currency risk, as all financial instruments are in New Zealand dollars.

Currency risk

The Company has no exposure to currency risk, as all financial instruments are in New Zealand dollars.

3. Employee benefit expenses (\$NZD)		
	FY 07/08	FY 08/09
Salaries and wages	8,257,671	9,717,632
Employer superannuation contributions	89,747	69,422
Increase in employee benefit liabilities	344,269	63,343
Total employee benefit expenses	8,691,687	9,850,397

Employee superannuation contributions are a defined contribution plan which includes Kiwisaver and ASB Superannuation Master Trust Fund.

4. Other expenses (\$NZD)			
	Note	FY 07/08	FY 08/09
Auditors remuneration - Audit NZ		25,600	27,100
ACC Partnership Programme	19	86,720	134,272
Directors' fees	20	139,770	145,000
Bad debts and provisions	8	6,423	30,589
Impairment of receivables	8	25,170	(25,170)
Lease and hireage Manukau City Council		2,973,317	2,943,830
Lease and hireage other		19,456	25,615
Electricity		781,700	699,097
Gas		619,310	642,006
Cleaning		432,145	483,214
Website development expenses		0	27,950
Services acquired from Manukau City Council		1,970,839	2,169,397
Other operating expenses		2,996,868	3,000,270
Total other expenses		10,077,317	10,303,170

5. Finance costs (\$NZD)		
	FY 07/08	FY 08/09
Interest on Manukau City Council loan	86,439	63,539
Total finance costs	86,439	63,539

6. Tax (\$NZD)		
	FY 07/08	FY 08/09
Current tax expense	290,158	186,558
Prior period adjustment to current tax	0	24,758
Deferred tax expense	(209,657)	(177,127)
Deferred tax on change in tax rate	0	2,477
Income tax expense	80,501	36,666
Relationship between tax expense and accounting profit		
Profit before tax	176,658	117,561
Tax at 30% (2008: 33%)	58,296	35,267
Non deductible expenditure - permanent	1,239	(1,078)
Non-deductible expenditure - deferred	20,966	0
Deferred tax on change in tax rate	0	2,477
Tax expense	80,501	36,666

No tax has been paid during the year, accordingly no imputation credits are available at the year end.

Deferred tax assets/(liabilities)	Property plant and equipment	Employee entitlements	Other provisions	Total
<i>Balance at 1 July 2007</i>	-	-	-	-
Charged to statement of financial performance	32,966	153,060	23,631	209,657
<i>Balance as at 1 July 2008</i>	32,966	153,060	23,631	209,657
Charged to profit and loss	70,698	68,673	15,998	155,369
Prior year adj to tax payable	24,758	0	0	24,758
<i>Balance as at 30 June 2009</i>	128,422	221,733	39,629	389,784

7. Cash and cash equivalents (\$NZD)

	FY 07/08	FY 08/09
Cash and bank overdrafts include the following for the purposes of the cash flow statement:		
Cash at bank and in hand	368,225	1,848,487
Short term deposits maturing three months or less	2,500,000	(0)
<i>Total cash and cash equivalents</i>	2,868,225	1,848,487

The carrying value of cash at bank and short term deposits with maturity dates of three months or less approximates their fair value.

8. Trade and other receivables and prepayments (\$NZD)

	FY 07/08	FY 08/09
Other receivables	129,567	96,631
Related party receivables	32,676	0
Accrued income	227,767	208,458
Trade and other receivables	390,010	305,088
Prepayments	247,776	303,682
<i>Total</i>	637,787	608,770
Less provision for impairment of receivables	0	0
<i>Total net of provision</i>	637,787	608,770

Fair value

Debtors and receivables are non-interest bearing and receipt is normally on 30-day terms, therefore the carrying value of debtors and other receivable approximates their fair value.

Impairment

As at 30 June 2009, all overdue receivables have been assessed for impairment and appropriate provision applied, as detailed below:

	FY 07/08			FY 08/09		
	Gross	Impairment	Net	Gross	Impairment	Net
Not past due	114,730	0	114,730	44,325	0	44,325
Past due 31-60 days	4,722	0	4,722	17,210	0	17,210
Past due 61-90 days and over	42,791	25,170	17,621	35,095	0	35,095
<i>Total</i>	162,243	25,170	137,073	96,630	0	96,630

Movements in the provision for impairment of receivables is as follows (\$NZD):		
	FY 07/08	FY 08/09
<i>Opening balance</i>	-	25,171
Additional provisions made during the year	31,594	5,418
Receivables written off during period	(6,423)	(30,589)
<i>Closing balance</i>	25,171	0

9. Property, plant and equipment (\$NZD)								
	Aquatic equipment	Cardio	Plant and equipment	Recreation equipment	Office equipment	Strength equipment	Motor vehicles	Total
Cost								
<i>Balance at 1 July 2007</i>								
Additions	69,950	745,007	1,917,690	0	46,801	365,191	233,479	3,378,118
Disposals	0	0	(320)	0	0	(1,459)	0	(1,779)
<i>Balance at 30 June 2008</i>	69,950	745,007	1,917,370	0	46,801	363,732	233,479	3,376,339
<i>Balance at 1 July 2008</i>	69,950	745,007	1,917,370	0	46,801	363,732	233,479	3,376,339
Additions	24,662	55,357	595,292	14,693	15,409	21,906	130,068	857,347
Disposals	(1,085)	(27,100)	(80,245)	0	(2,023)	(19,700)	(16,000)	(146,153)
<i>Balance at 30 June 2009</i>	93,527	773,264	2,432,377	14,693	60,187	365,938	347,547	4,087,533
Accumulated depreciation and impairment losses								
<i>Balance at 1 July 2007</i>	0	0	0	0	0	0	0	0
Depreciation expenses	5,751	195,802	501,250	0	2,695	58,396	45,140	809,034
Impairment losses	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0	0
<i>Balance at 30 June 2008</i>	5,751	195,802	501,250	0	2,695	58,396	45,140	809,034
<i>Balance at 1 July 2008</i>	5,751	195,802	501,250	0	2,695	58,396	45,140	809,034
Depreciation expenses	16,236	177,089	449,682	461	11,461	59,823	53,125	767,877
Impairment losses	0	0	0	0	0	0	0	0
Disposals	0	(8,246)	(15,854)	0	(169)	(5,832)	(6,664)	(36,765)
<i>Balance at 30 June 2009</i>	21,987	364,645	935,078	461	13,987	112,387	91,601	1,504,146
Carrying Amounts								
At 1 July 2007	0	0	0	0	0	0	0	0
At 30 June and 1 July 2008	64,199	549,205	1,416,120	0	44,106	305,336	188,339	2,567,305
At 30 June 2009	71,540	408,619	1,497,299	14,232	46,200	253,551	255,946	2,547,387

There are no restrictions over the title of the company's property, plant and equipment, nor is any property, plant and equipment pledged as security for liabilities.

10. Cost of goods sold (\$NZD)

	FY 07/08	FY 08/09
Balance at 1 July 2008	-	11,325
Acquired as part of business	14,328	-
Acquired during year	120,350	135,123
Less assets held for sale	(11,325)	(16,068)
Total cost of goods sold	100,704	130,380

11. Inventories (\$NZD)

	FY 07/08	FY 08/09
Chemical stock	37,604	31,541
Fitness packs stock	15,100	12,350
Merchandising stock	11,325	16,068
Total inventories	64,029	59,959

12. Trade and other payables (\$NZD)

	FY 07/08	FY 08/09
Trade payables	513,459	381,894
Deposits and bonds	9,775	9,399
Accrued expenses	380,205	261,468
GST Payable	118,607	78,745
Amounts due to related parties (Note 23)		
Manukau City Council	593,191	881,005
Revenue in advance	550,541	764,211
Total trade and other payables	2,165,776	2,376,721

Trade and other payables are non-interest bearing and are normally settled on 30-day terms, therefore the carrying value of trade and other payables approximates their fair value. Revenue in advance were the membership fees and hall hireage that have been charged by 30 June 2009 for the next financial year.

13. Employee benefits liabilities (\$NZD)

	FY 07/08	FY 08/09
Accrued pay	257,926	350,861
Annual leave	695,699	755,715
Long service leave	4,923	3,327
Superannuation	11,193	1,153
Total employee benefit liabilities	969,742	1,111,056
Comprising:		
Current	969,742	1,111,056
Non-current	-	-
Total	969,742	1,111,056

14. Borrowings (\$NZD)		
	FY 07/08	FY 08/09
Non-current		
Manukau City Council		
Loan 1	500,000	-
Loan 2	500,000	-
Loan 3	200,000	-
Total non-current borrowings	1,200,000	0

These loans were repaid in March 2009 in full.

15. Equity (\$NZD)		
	FY 07/08	FY 08/09
Share capital		
As at 1 July 2008	-	1,600,000
Share capital issued on 3 July 2007	1,600,000	0
As at June 30 2009	1,600,000	1,600,000
Retained earnings		
As at 1 July 2008	-	96,157
Surplus for the year	96,157	80,895
As at 30 June 2009	1,696,157	1,777,052

Share issue details and rights - ordinary shares

As at 30 June 2009 there were 1,600,000 fully paid \$1 shares and 100 issued but uncalled shares . All ordinary shares rank equally with one vote attached to each share. Entitlement to share in dividend or distribution is restricted to the proportion of the issue price actually paid at the time of the distribution.

16. Reconciliation of net surplus after tax to net cash flow from operating activities (\$NZD)		
	FY 07/08	FY 08/09
Surplus after tax	96,157	80,895
Add/(less) non-cash items:		
Depreciation and amortisation	809,039	767,877
Total non-cash items	809,039	767,877
Add/(less) items classified as investing		
Losses on disposal of property, plant and equipment	1,780	60,931
Total classified as investing activities	1,780	60,931
Add/(less) movement in working capital items		
Receivables and prepayments	(556,280)	3,847
Inventories and assets held for sale	(24,810)	4,070
Tax payable	80,501	(280,726)
Payables and accruals	1,528,469	174,740
Employee entitlements	344,270	141,314
Net working capital movement	1,372,150	43,245
Net cash from operating activities	2,279,125	952,948

17. Operating leases

Operating leases as lessee

MLSL leases its property, plant and equipment in the normal course of its business. The majority of these leases have a non-cancellable term of 12 months from Manukau City Council, with 12 months remaining as at balance date. The future aggregate minimum lease payments to be collected under non-cancellable operating leases are as follows:

Related party operating leases (\$NZD)		
Non-cancellable operating leases as lessee	FY 07/08	FY 08/09
Not later than one year	2,998,393	3,046,068
Later than one year and not later than five years	298,667	33,732
Later than five years	128,333	0
Total non-cancellable operating leases	3,425,393	3,079,800

Third party operating leases (\$NZD)		
Non-cancellable operating leases as lessee (\$NZD)	FY 07/08	FY 08/09
Not later than one year	0	74,990
Later than one year and not later than five years	0	387,340
Later than five years	0	94,160
Total non-cancellable operating leases	0	556,400

There are no restrictions placed on the Company by any of its leasing arrangements.

18. Service agreement commitments

MLSL entered into contractual agreement with Manukau City Council for the provision of various back office operational services. The majority of these agreements had terms of 36 months, with 24 months remaining as at balance date. The future aggregate service payments to be made under these agreements are as follows:

Service agreement commitments (\$NZD)	FY 07/08	FY 08/09
Not later than one year	1,959,865	1,602,178
Later than one year and not later than five years	1,959,865	0
Total service agreement commitment	3,919,730	1,602,178

19. Contingencies (\$NZD)

ACC Partnership Programme

MLSL belongs to the ACC Partnership Programme at the secondary level whereby the company accepts the management of workplace injuries through rehabilitation, case management, injury prevention and work safety management practices. Under the ACC Partnership Programme, the Company is effectively providing accident insurance to employees. The value of this liability represents the expected future payments in relation to accidents and illnesses occurring up to the Statement of Financial Position date for which the Company has responsibility under the terms of the Partnership Programme.

The Company considers its liability for claims reported prior to balance date by assuming that the future experience for each current claim is consistent with historical claim information since the commencement of the programme. The liability for injuries or illnesses that have occurred up to balance date, but not yet reported or not enough reported, has been determined by reference to historical information of the time it takes to report injury or illness as experienced by the company and its parent.

Where the Company identifies specific cases or has the expectation based on historical records that there will be an ongoing expense it will recognise this future liability as the present value of the future expected payments for which the company has responsibility. At balance date no such provision was considered to be required. MLSL does not have any other contingent liabilities at 30 June 2009.

20. Related party transactions

Manukau City Council is the ultimate parent of the MLSL. All members of the Manukau City Council are considered to be related parties of MLSL. The following transactions were carried out with related parties:

Sale and purchase of MLSL business unit (\$NZD)	FY 07/08	FY 08/09
Interest bearing loan from Manukau City Council	1,200,000	0
Assets acquired from Manukau City Council	4,062,780	0
Interest paid to Manukau City Council	86,439	63,539
Lease and rents paid to Manukau City Council	2,973,317	2,943,830
Services purchased from Manukau City Council	1,970,839	2,169,397
Accounts payables to Manukau City Council	593,191	881,005
Service provided to Manukau City Council	11,500,000	12,081,546
Accounts receivable from Manukau City Council	32,676	0
Shares held by Manukau City Council	1,600,000	1,600,000
Te Puru Charitable Trust		
Services purchased from Te Puru Charitable Trust	10,587	11,721
Watercare Services Limited		
Water services received from Watercare Services Limited	797,748	469,173
TMPL (Flat Bush) Limited		
Subvention payment to TMPL following loss offset from TMPL of \$644,402	0	317,391
Skills Active Aotearoa		
Richard Beddie is Board Chairman of Skills Active Aotearoa Ltd. MLSL pays Skills Active for training services	7,428	12,349
Fitness New Zealand		
Richard Beddie is a Director of MLSL and CEO of Fitness NZ. MLSL pays Fitness NZ for membership services	2,715	5,430
Morrison Low Holdings Limited		
George Green is a Director of MLSL and Chairman of Morrison Low Holdings. MLSL procures consulting services from Morrison Low Holdings	22,816	23,189
Key management personnel		
No other directors or senior management personnel have entered into related party transactions with MLSL		
Key management personnel compensation		
Salaries and other short-term employee benefits	623,461	825,624
Termination benefits		101,482
<i>Total key management personnel compensation</i>	<i>623,461</i>	<i>927,106</i>

Key management personnel includes all Directors, the Chief Executive and other eight senior management personnel

Directors fees (\$NZD)

	FY 07/08		FY 08/09		Total
	Fees actual	Expenses actual	Fees actual	Expenses actual	
Stuart Alan Middleton - Chairman	30,000	0	40,000	-	40,000
George William Green	25,000	0	20,000	569	20,569
Richard Graham Beddie	24,398	4,398	20,000	(642)	19,358
Susan Mary Huria	20,372	372	20,000	1,306	21,306
Graeme Osborne	20,000	0	20,000	-	20,000
Debra Mary Delores Sorensen	15,000	0	25,000	-	25,000
<i>Total service agreement commitment</i>	<i>134,770</i>	<i>4,770</i>	<i>145,000</i>	<i>1,234</i>	<i>146,234</i>

Employees remuneration range		
During the year the following number of employees received remuneration of at least \$100,000.		
Total remuneration and other benefits	Number of employees FY 07/08	Number of employees FY 08/09
\$100,000-110,000	1	2
\$110,000-120,000	-	1
\$130,000-140,000	-	1
\$160,000-170,000	1	-
\$220,000-230,000	-	1

21. Events after the balance sheet date

There were no significant events after balance date.

22. Capital management

The MLSL capital is its equity, which comprise share capital, retained earnings and reserves. Equity is represented by net assets.

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

23. Local government reorganisation

The Local Government (Tamaki Makaurau Reorganisation) Act 2009 has been passed which will require the dissolution of the existing local authorities in the Auckland region including Manukau City Council, the shareholder of this company. The dissolution will come into effect on 31 October 2010 at which time the functions, duties, powers and assets of Manukau City Council will become the functions, duties, powers and assets of the single unitary authority that will be responsible for governing the whole region from 1 November 2010. A transition agency has been established to manage the transition of assets, staff and to develop an organisational structure to effectively manage the regions local government requirements.

It is unclear at this stage what impact this change in shareholder and the governance structure of the shareholder will have on MLSL.

Going concern basis

On 31 October 2010 the Local Government (Tamaki Makaurau Reorganisation) Act 2009 ["Reorganisation Act"] dissolves Manukau City Council (the parent) and transfers its functions, duties, and powers to the Auckland Council, which is yet to be established. As a consequence of the dissolution of the local authority, the group structure of Manukau City Council in its current form will also cease to exist. The Reorganisation Act provides that

- all property belonging to Manukau City Council will vest in the Auckland Council;
- all money payable to or by Manukau City Council will become payable to or by the Auckland Council;
- all rights, liabilities, contracts, entitlements, and engagements of Manukau City Council become the rights, liabilities, contracts, entitlements, and engagements of the Auckland Council;
- the Transition Agency will develop a change management plan that includes protocols and processes for managing the transition of
 - assets from existing local government organisations to the Auckland Council structure;
 - staff from existing local government organisations to the Auckland Council structure, having regard to the existing employment agreements applying to the staff

Decisions are yet to be made on the Auckland Council's structure and operations including how MLSL will be vested and integrated into that organisational structure. Nevertheless, MLSL expects the services it currently delivers to continue to be delivered by the organisational structure put in place by the Auckland Council, and therefore the assets and liabilities of MLSL will be relevant to the Auckland Council. For that reason, the financial statements have been prepared on a going concern basis.

Auditor's Report

For the year ended 30 June 2009

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

TO THE READERS OF MANUKAU LEISURE SERVICES LIMITED'S FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION FOR THE YEAR ENDED 30 JUNE 2009

The Auditor-General is the auditor of Manukau Leisure Services Limited (the company). The Auditor General has appointed me, F Caetano, 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 his behalf, for the year ended 30 June 2009.

Unqualified Opinion

In our opinion:

The financial statements of the company on pages 32 to 51:

- comply with generally accepted accounting practice in New Zealand;
- give a true and fair view of:
 - the company's financial position as at 30 June 2009; and
 - the results of its operations and cash flows for the year ended on that date.
- The performance information of the company on pages 26 to 28 gives a true and fair view of the achievements measured against the performance targets adopted for the year ended 30 June 2009.
- Based on our examination the company kept proper accounting records.

The audit was completed on 25 September 2009, and is the date at which our opinion is expressed.

The basis of our opinion, which refers to the new local government structure for the Auckland region, is explained below. We also outline the responsibilities of the Board of Directors and the Auditor, and explain our independence.

Basis of Opinion

We carried out the audit in accordance with the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards.

We planned and performed the audit to obtain all the information and explanations we considered necessary

in order to obtain reasonable assurance that the financial statements and performance information did not have material misstatements, whether caused by fraud or error.

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

The audit involved performing procedures to test the information presented in the financial statements and performance information. We assessed the results of those procedures in forming our opinion.

Audit Procedures Generally Include:

- determining whether significant financial and management controls are working and can be relied on to produce complete and accurate data;
- verifying samples of transactions and account balances;
- performing analyses to identify anomalies in the reported data;
- reviewing significant estimates and judgements made by the Board of Directors;
- confirming year-end balances;
- determining whether accounting policies are appropriate and consistently applied; and
- determining whether all required disclosures are adequate.

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

We evaluated the overall adequacy of the presentation of information in the financial statements and performance information. We obtained all the information and explanations we required to support our opinion above.

The financial statements refer to the new local government structure for the Auckland region

In forming our opinion, we considered the disclosures in note 23 on page 53 about the Government establishing a new local government structure for the Auckland region.

The Local Government (Tamaki Makaurau Reorganisation) Act 2009 will establish a single unitary authority (the Auckland Council) that will be responsible for governing the entire Auckland region from 1 November 2010.

Decisions are yet to be made on the Auckland Council's structure and operations, including how the company will be vested and integrated. We consider the disclosures to be appropriate to the company's circumstances.

Responsibilities of the Board of Directors and the Auditor

The Board of Directors is responsible for preparing the financial statements in accordance with generally accepted accounting practice in New Zealand. The financial statements must give a true and fair view of the financial position of the company as at 30 June 2009 and the results of its operations and cash flows for the year ended on that date. The Board of Directors is also responsible for preparing performance information that gives a true and fair view of service performance achievements for the year ended 30 June 2009. The Board of Directors' responsibilities arise from the Financial Reporting Act 1993 and the Local Government Act 2002.

We are responsible for expressing an independent opinion on the financial statements and performance information and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001 and section 69 of the Local Government Act 2002.

Independence

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

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



F Caetano
Audit New Zealand
On behalf of the Auditor-General
Auckland, New Zealand

Matters Relating to the Electronic Presentation of the Audited Financial statements and Performance Information

This audit report relates to the financial statements and performance information of Manukau Leisure Services Limited for the year ended 30 June 2009 included on the Manukau Leisure Services website. Manukau Leisure Services' Board of Directors is responsible for the maintenance and integrity of the Manukau Leisure Services website. We have not been engaged to report on the integrity of the Manukau Leisure Services website. We accept no responsibility for any changes that may have occurred to the financial statements and performance information since they were initially presented on the website.

The audit report refers only to the financial statements and performance information named above. It does not provide an opinion on any other information which may have been hyperlinked to or from the financial statements and performance information. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and performance information and the related audit report dated 25 September 2009 to confirm the information included in the audited financial statements and performance information presented on this website.

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



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