

SOUTHERN MIDLANDS COUNCIL



COMPLETE SET OF FINANCIAL STATEMENTS

2011/2012 FINANCIAL YEAR

Prepared in pursuance of the provisions of the Local Government Act 1993 (as amended), the Statements of Accounting Concepts and applicable Accounting Standards, including the accrual basis of accounting.



STATEMENT OF COMPREHENSIVE INCOME
For the Year Ended 30 June 2012

SOUTHERN MIDLANDS COUNCIL

COMPLETE SET OF FINANCIAL STATEMENTS

For the reporting period ended 30/06/2012

I, Timothy Francis Kirkwood, certify that in my opinion: -

1. the financial report set out on pages **1 to 47** fairly represents:
 - (a) the financial position of the council;
 - (b) the results of the council's operations; and
 - (c) the cash flow of the council.

2. the financial report has been prepared in accordance with the requirements of the Local Government Act 1993 (as amended), and Australian Accounting Standards, including Australian Interpretations.

T F Kirkwood
General Manager

Dated at Oatlands this 7th day of August 2012.

The above statement should be read in conjunction with the accompanying notes.

STATEMENT OF COMPREHENSIVE INCOME
For the Year Ended 30 June 2012

	Notes	2012 Budget \$'000	2012 Actual \$'000	2011 Actual \$'000
Continuing Operations				
Income				
General rates		3,795	3,811	3,617
User fees	3	1,041	783	711
Interest	4	250	361	352
Government subsidies		30	20	20
Contract Income		0	745	516
Other		9	31	43
		<u>5,125</u>	<u>5,751</u>	<u>5,259</u>
Grants - Operating	5	2,852	3,879	3,035
Total income	2 (a)	<u>7,977</u>	<u>9,630</u>	<u>8,294</u>
Expenses				
Employee benefits	6	3,340	3,377	2,908
Materials and contracts	7	2,807	3,091	2,652
Depreciation and amortisation	8	3,049	3,114	3,185
Finance costs	9	56	64	69
Contributions		158	158	153
Other	10	52	433	178
		<u>9,462</u>	<u>10,237</u>	<u>9,145</u>
Total expenses	2 (a)	<u>9,462</u>	<u>10,237</u>	<u>9,145</u>
Surplus (deficit) from continuing operations		<u>(1,485)</u>	<u>(607)</u>	<u>(851)</u>
Grants – Capital	5	451	519	1,784
Donations		3	1	4
Net gain/(loss) on disposal of non-current assets	11	0	30	(28)
		<u>0</u>	<u>30</u>	<u>(28)</u>
Surplus / (Deficit)	2 (a)	<u>(1,031)</u>	<u>(57)</u>	<u>909</u>
Other comprehensive income				
Fair value initial adjustment on Final Treasurer's Allocation Order	22	0	0	2,747
Fair value adjustment on Available for Sale Assets	22	0	30	80
Fair value revaluation of non-current assets		0	522	1,402
		<u>0</u>	<u>522</u>	<u>1,402</u>
Comprehensive result		<u>(1,031)</u>	<u>495</u>	<u>5,138</u>

The above statement should be read in conjunction with the accompanying notes.

**STATEMENT OF FINANCIAL POSITION**

As at 30 June 2012

	Notes	2012 \$'000	2011 \$'000
CURRENT ASSETS			
Cash & cash equivalents	12	8,081	8,281
Receivables	13	691	750
Stores and materials		216	196
Subsidiary work in progress		114	50
Total Current Assets		<u>9,102</u>	<u>9,277</u>
NON-CURRENT ASSETS			
Land	14	4,013	4,038
Buildings	15	9,754	9,411
Plant, machinery & equipment	16	2,287	1,913
Minor plant	17	41	40
Office furniture & equipment	18	176	120
Infrastructure assets	19	60,533	60,849
Heritage assets	20	0	80
Work in progress	21	1,146	797
Intangibles – software & valuation fees	22	148	135
Investment in Southern Water	23	13,847	13,817
Total Non-Current Assets		<u>91,945</u>	<u>91,200</u>
TOTAL ASSETS	2(a)	<u>101,047</u>	<u>100,477</u>
CURRENT LIABILITIES			
Payables	24	657	568
Interest bearing liabilities	25	115	102
Employee benefits	26	987	1,009
Total Current Liabilities		<u>1,759</u>	<u>1,679</u>
NON-CURRENT LIABILITIES			
Interest bearing liabilities	27	838	804
Employee benefits	26	91	130
Total Non-Current Liabilities		<u>929</u>	<u>934</u>
TOTAL LIABILITIES		<u>2,688</u>	<u>2,613</u>
NET ASSETS		<u>98,359</u>	<u>97,864</u>
EQUITY			
Accumulated surplus		41,712	41,769
Reserves	28	56,647	56,095
TOTAL EQUITY		<u>98,359</u>	<u>97,864</u>

The above statement should be read in conjunction with the accompanying notes.

**STATEMENT OF CHANGES IN EQUITY**

For the Year Ended 30 June 2012

2012	Accumulated Surplus \$'000	Assets Revaluation Reserve (Note 28) \$'000	Fair Value Reserve (Note 28) \$'000	Bridge Maintenance Reserve (Note 28) \$'000	Other Reserves (Note 28) \$'000	Total Equity \$'000
Balance at beginning of financial year	41,769	52,364	80	1,666	1,985	97,864
Comprehensive result	(57)	522	30	0	0	495
Transfers to reserves	0	0	0	0	0	0
Transfers from reserves	0	0	0	0	0	0
Balance at end of financial year	41,712	52,886	110	1,666	1,985	98,359

2011	Accumulated Surplus \$'000	Assets Revaluation Reserve (Note 28) \$'000	Fair Value Reserve (Note 28) \$'000	Bridge Maintenance Reserve (Note 28) \$'000	Other Reserves (Note 28) \$'000	Total Equity \$'000
Balance at beginning of financial year	37,941	50,962	0	1,666	2,157	92,726
Comprehensive result	3,656	1,402	80	0	0	5,138
Transfers to reserves	0	0	0	0	0	0
Transfers from reserves	172	0	0	0	(172)	0
Balance at end of financial year	41,769	52,364	80	1,666	1,985	97,864

The above statement should be read in conjunction with the accompanying notes.


STATEMENT OF CASH FLOW
 For the Year Ended 30 June 2012

	NOTES	INFLOWS (OUTFLOWS) 2012 \$'000	INFLOWS (OUTFLOWS) 2011 \$'000
Cash flows from operating activities			
Payments			
Employee costs		(3,438)	(2,756)
Materials & contracts		(3,295)	(3,190)
Interest		(64)	(69)
Other		(551)	(363)
		<u>(7,348)</u>	<u>(6,378)</u>
Receipts			
Rates		3,781	3,617
User charges		783	755
Interest received		361	352
Subsidies		20	20
Other revenue grants		3,879	3,035
GST Refunds from ATO		169	375
Other		861	403
		<u>9,854</u>	<u>8,557</u>
Net cash provided by (used in) operating activities	32	<u>2,506</u>	<u>2,179</u>
Cash flows from investing activities			
Payments for property, plant & equipment		(3,697)	(4,224)
Proceeds from sale of property, plant & equipment		420	179
Dividends		5	0
Capital grants		519	1,784
		<u>519</u>	<u>1,784</u>
Net cash provided by (used in) investing activities		<u>(2,753)</u>	<u>(2,261)</u>
Cash flows from financing activities			
Repayment of borrowings		(103)	(94)
Proceeds from borrowings		150	0
		<u>150</u>	<u>0</u>
Net cash provided by (used in) financing activities		<u>47</u>	<u>(94)</u>
Net increase/(decrease) in cash and cash equivalents		<u>(200)</u>	<u>(176)</u>
Cash and cash equivalents at beginning of reporting year		<u>8,281</u>	<u>8,457</u>
Cash and cash equivalents at the end of the financial year	12	<u><u>8,081</u></u>	<u><u>8,281</u></u>

The above statement should be read in conjunction with the accompanying notes

NOTES TO AND FORMING PART OF THE ACCOUNTS

30 June 2012

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The above statement should be read in conjunction with the accompanying notes

NOTES TO AND FORMING PART OF THE ACCOUNTS

30 June 2012

INTRODUCTION

This financial report is a general purpose financial report that consists of the Statements of Comprehensive Income, Financial Position, Changes in Equity, Cash Flows, and notes accompanying these financial statements. The general purpose financial report complies with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (AASB), and the *Local Government Act 1993* (as amended). Council has determined that it does not have profit generation as a prime objective. Consequently, where appropriate, Council has elected to apply options and exemptions within accounting standards that are applicable to not-for-profit entities. As a result this financial report does not comply with International Financial Reporting Standards.

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

This financial report has been prepared on the accrual and going concern bases.

This financial report has been prepared under the historical cost convention, except where specifically stated.

Unless otherwise stated, all accounting policies are consistent with those applied in the prior year. Where appropriate, comparative figures have been amended to accord with current presentation, and disclosure has been made of any material changes to comparatives.

In the application of Australian Accounting Standards, Council is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

Judgements and Assumptions

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Council has made no assumptions concerning the future that may cause a material adjustment to the carrying amounts of assets and liabilities within the next reporting period. Judgements made by Council that have significant effects on the Financial Report are disclosed in the relevant notes as follows:

Fair Value of Property Plant & Equipment

Assumptions and judgements are utilised in determining the fair value of Council's property, plant and equipment including useful lives and depreciation rates. These assumptions are discussed in notes 14 to 22 and in note 1.

**NOTES TO AND FORMING PART OF THE ACCOUNTS**30 June 2012

Defined benefit superannuation fund obligations

Actuarial assumptions are utilised in the determination of Council's defined benefit superannuation fund obligations. These assumptions are discussed in note 31.

Employee entitlements

Assumptions are utilised in the determination of Council's employee entitlement provisions. These assumptions are discussed in note 1.

Investment in water corporation

Assumptions utilised in the determination of Council's valuation of its investment in Southern Water are discussed in note 1(j) and in note 23.

(b) Revenue recognition*Rates, grants and government subsidies*

Rates, grants and government subsidies are recognised as revenues when Council obtains control over the assets comprising these receipts.

Control over assets acquired from rates is obtained at the commencement of the rating year as it is an enforceable debt linked to the rateable property or, where earlier, upon receipt of the rates. A provision for impairment of rates has not been established as unpaid rates represents a charge against the rateable property that will be recovered when the property is next sold.

Revenue is recognised when Council obtains control of the contribution or the right to receive the contribution, it is probable that the economic benefits comprising the contribution will flow to Council and the amount of the contribution can be measured reliably. Control over granted assets is normally obtained upon their receipt (or acquittal) or upon earlier notification that a grant has been secured and are valued at their fair value at the date of transfer.

User fees

User fees are recognised as revenue when the service has been provided, the payment is received, or when the penalty has been applied, whichever occurs first.

A provision for impairment is recognised when collection in full is no longer probable.

Sale of property, plant and equipment, infrastructure

The profit or loss on sale of an asset is determined when control of the asset has irrevocable passed to the buyer.

Contract income

As soon as the outcome of construction contracts can be estimated reliably, contract revenue and expenses are recognised in the statement of comprehensive income in proportion to the stage of completion of the contract. The stage of completion is assessed by reference to surveys of work performed. Any expected loss on a contract is recognised immediately in the statement of comprehensive income.

Interest

Interest is recognised progressively as it is earned.

(c) Expense recognition

The above statement should be read in conjunction with the accompanying notes

NOTES TO AND FORMING PART OF THE ACCOUNTS

30 June 2012

Expenses are recognised in the Statement of Comprehensive Income when a decrease in future economic benefits related to a decrease in asset or an increase of a liability has arisen that can be measured reliably.

Employee benefits

Employee benefits include, where applicable, entitlements to wages and salaries, annual leave, sick leave, long service leave, superannuation and any other post employment benefits.

Depreciation and amortisation of property, plant and equipment, infrastructure, intangibles

Buildings, land improvements, plant and equipment, infrastructure and other assets having limited useful lives are systematically depreciated over their useful lives to the Council in a manner which reflects consumption of the service potential embodied in those assets. Estimates of remaining useful lives and residual values are made on a regular basis with major assets classes reassessed annually. Depreciation rates and methods are reviewed annually.

Where assets have separate identifiable components that are subject to regular replacement, these components are assigned distinct useful lives and residual values and a separate depreciation rate is determined for each component.

Straight line depreciation is charged based on the residual useful life as determined each year.

Major depreciation periods used are listed below and are consistent with the prior year unless otherwise stated:

Buildings	10 to 50 years
Plant, machinery & equipment	4 to 15 years
Motor vehicles	0 to 2 years
Office furniture & equipment	5 to 25 years
Computers	5 years
Infrastructure	33 to 60 years
Furniture	5 to 100 years
Water systems	25 to 100 years
Sewerage systems	20 to 60 years
Stormwater/drainage systems	40 to 60 years
Roads	10 to 100 years
Bridges & culverts	15 to 100 years

Repairs and maintenance

Routine maintenance, repair costs, and minor renewal costs are expensed as incurred. Where the repair relates to the replacement of a component of an asset and the cost exceeds the capitalisation threshold the cost is capitalised and depreciated. The carrying value of the replaced assets is expensed.

Finance costs

Finance costs are recognised as an expense in the period in which they are incurred, except where they are capitalised as part of a qualifying asset constructed by Council. Where specific borrowings are obtained for the purpose of specific asset acquisition, the weighted average interest rate applicable to borrowings at balance date, excluding borrowings associated with

superannuation, is used to determine the borrowing costs to be capitalised. No borrowing costs were capitalised during the period.

The above statement should be read in conjunction with the accompanying notes

NOTES TO AND FORMING PART OF THE ACCOUNTS

30 June 2012

Finance costs include interest on bank overdrafts and interest on borrowings.

(d) Recognition and measurement of assets

Acquisition

The purchase method of accounting is used for all acquisitions of assets, being the fair value of assets provided as consideration at the date of acquisition plus any incidental costs attributable to the acquisition. Fair value is the amount for which the asset could be exchanged between knowledgeable willing parties in an arm's length transaction.

The following classes of assets have been recognised in notes 14 - 22. In accordance with Council's policy, the threshold limits detailed below have applied when recognising assets within an applicable asset class and unless otherwise stated are consistent with the prior year.

Land	Nil
Plant, machinery & equipment	1,000
Furniture & fittings	500
Office equipment	250
Buildings	5,000
Roads	Nil
Water	3,000
Bridges	5,000
Sewerage	3,000
Stormwater/drainage	3,000
Recreation Facilities/community amenities	2,000

(e) Recognition and measurement of assets

Revaluation

At balance date, Council reviewed the carrying value of the individual classes of assets measured at fair value to ensure that each asset materially approximated its fair value. Where the carrying value materially differed from the fair value at balance date, the class of asset was revalued.

In addition, Council undertakes a formal revaluation of land, buildings and infrastructure assets with sufficient regularity to ensure valuations represent fair value. The valuation is performed either by experienced council officers or independent experts.

Where the assets are revalued, the revaluation increments are credited directly to the asset revaluation reserve except to the extent that an increment reverses a prior year decrement for that class of asset that had been recognised as an expense in which case the increment is recognised as revenue up to the expense. Revaluation decrements are recognised as an expense except where prior increments are included in the asset revaluation reserve for that class of asset in which case the decrement is taken to the extent of the remaining increments. Within the same asset class, revaluation increments and decrements within the year are offset.

Land under roads

The above statement should be read in conjunction with the accompanying notes

NOTES TO AND FORMING PART OF THE ACCOUNTS

30 June 2012

Council has not accounted for land under roads from 1 July 2008 due to the balance not being material. Council has elected not to recognise land under roads that it controlled prior to that period in its financial report.

(f) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents include cash on hand, deposits at call and other highly liquid investments with original maturities of three months or less, net of outstanding bank overdrafts.

(g) Trade and other receivables

Receivables are carried at amortised cost using the effective interest rate method. A provision for impairment is recognised when there is objective evidence that an impairment loss has occurred.

(h) Inventories

Inventories held for distribution are measured at cost adjusted when applicable for any loss of service potential.

(i) Work in Progress

Construction work in progress represents the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the consolidated entity's contract activities based on normal operating capacity.

(j) Investment in Water Corporation

Council's investment in Southern Water is valued at fair value at balance date. Fair value was determined by using Council's ownership percentage against the water corporation's net asset value at balance date based on Final Treasurer's Allocation Order in 2011. Council has an ownership interest of 1.5% in the corporation. Any unrealised gains and losses on holdings at balance date are recognised in the Statement of Comprehensive Income to financial assets available for sale reserve each year.

(k) Investments

Investments, other than investments in associates and property, are measured at cost.

NOTES TO AND FORMING PART OF THE ACCOUNTS

30 June 2012

(l) Employee Benefits

Wages and Salaries

Liabilities for wages and salaries and rostered days off are recognised and measured as the amount unpaid at balance date and include appropriate on costs such as workers compensation and payroll costs.

Annual leave

Annual leave entitlements are accrued on a pro rata basis in respect of services provided by employees up to balance date. Annual leave expected to be paid within 12 months is measured at nominal value based on the amount, including appropriate on costs, expected to be paid when settled.

Long Service Leave

Long service leave entitlements payable are assessed at balance date having regard to expected employee remuneration rates on settlement, employee related on costs and other factors including accumulated years of employment, on settlement, and experience of employee departure per year of service.

Long service expected to be paid within 12 months is measured at nominal value based on the amount expected to be paid when settled. Long service leave expected to be paid later than one year has been measured at the present value of the estimated future cash outflows to be made for these accrued entitlements. Commonwealth bond rates are used for discounting future cash flows.

Sick Leave

Council's Enterprise Bargaining Agreement provides for employees who resign from their position with Council to be paid a percentage of their sick leave balance based on completed years of service, plus a gratuity amount.

Classification of employee benefits

An employee benefit liability is classified as a current liability if the Council does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the period. This would include all annual leave and unconditional long service leave entitlements.

Superannuation

The superannuation expense for the reporting period is the amount of the statutory contribution the Council makes to the superannuation plans that provide benefits to its employees. Details of these arrangements are set out in note 30.

(m) Leases

The Council currently has no material finance or operating lease arrangements.



NOTES TO AND FORMING PART OF THE ACCOUNTS

30 June 2012

(n) Interest bearing liabilities

The borrowing capacity of Council is limited by the Local Government Act 1993. Interest bearing liabilities are initially recognised at fair value, net of transaction costs incurred. Subsequent to initial recognition these liabilities are measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Statement of Comprehensive Income over the period of the liability using the effective interest method.

(o) Allocation between current and non current

In the determination of whether an asset or liability is current or non-current, consideration is given to the time when each asset or liability is expected to be settled. The asset or liability is classified as current if it is expected to be settled within the next twelve months, being Council's operational cycle, or if Council does not have an unconditional right to defer settlement of a liability for at least 12 months after the reporting date.

(p) Taxation

Council is exempt from all forms of taxation except Fringe Benefits Tax, Payroll Tax and the Goods and Services Tax.

Goods and Services Tax (GST)

Revenue, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the Statements of Cash Flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(q) Impairment of assets

Assets that have an indefinite useful life are not subject to depreciation or amortisation and are tested annually for impairment. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use.

For non-cash generating assets of Council such as roads, drains, public buildings and the like, value in use is represented by the deprival value of the asset approximated by its written down replacement cost.



NOTES TO AND FORMING PART OF THE ACCOUNTS

30 June 2012

(r) Investments in subsidiaries

During the 2010-2011 financial year Council acquired two wholly owned companies, Heritage Building Solutions Pty Ltd (HBS) and Heritage Education and Skills Centre Pty Ltd (HESC). The financial impact of the subsidiaries are not considered material and Council has determined that it will not apply the consolidation requirements of *AASB 127 Consolidated and Separate Financial Statements*. Consequently balances of the subsidiaries have been incorporated into Councils balances. All inter-company balances and transactions between Council and HBS have been eliminated.

(s) Statement of Comprehensive Income – Budget Amounts

The budget amounts which appear in the Statement of Comprehensive Income are taken from the Annual Estimates and are not subject to audit.

(t) Rounding

Unless otherwise stated, amounts in the financial report have been rounded to the nearest thousand dollars.

NOTES TO AND FORMING PART OF THE ACCOUNTS

30 June 2012

(t) Pending Accounting Standards

The following Australian Accounting Standards have been issued or amended and are applicable to Council but are not yet effective. They have not been adopted in preparation of the financial report at reporting date.

<i>Standard / Interpretation</i>	<i>Summary</i>	<i>Operative date</i>	<i>Impact on Council financial statements</i>
AASB 9: Financial Instruments	<p>These standards are applicable retrospectively and amend the classification and measurement of financial assets. Council has not yet determined the potential impact on the financial statements. Specific changes include:</p> <ul style="list-style-type: none"> * simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value; * removing the tainting rules associated with held-to-maturity assets; * simplifying the requirements for embedded derivatives; * removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost; * allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument; and * reclassifying financial assets where there is a change in an entity's business model as they are initially classified based on: <ul style="list-style-type: none"> a. the objective of the entity's business model for managing the financial assets; and b. the characteristics of the contractual cash flows. 	Applicable for annual reporting periods commencing on or after 1 January 2013.	These changes are expected to provide some simplification in the accounting for and disclosure of financial instruments.


NOTES TO AND FORMING PART OF THE ACCOUNTS

30 June 2012

<i>Standard / Interpretation</i>	<i>Summary</i>	<i>Applicable for annual reporting periods beginning or ending on</i>	<i>Impact on the Council's financial statements</i>
AASB 13: Fair Value Measurement	This standard defines fair value, sets out a framework for measuring fair value and requires disclosure about fair value measurements. There is no financial impact.	Applicable for annual reporting periods commencing on or after 1 January 2013.	No financial impact.
AASB 119: Employee Benefits	This Standard supersedes AASB 119 <i>Employee Benefits</i> , introducing a number of changes to accounting treatments. This Standard was issued in September 2011.	Applicable for annual reporting periods commencing on or after 1 January 2013.	Council has not yet determined the application or the potential impact of the Standard.
AASB 127: Separate Financial Statements	This Standard supersedes requirements under AASB 127 <i>Consolidated and Separate Financial Statements</i> , introducing a number of changes to accounting treatments. This Standard was issued in September 2011.	Applicable for annual reporting periods commencing on or after 1 January 2013.	Council has not yet determined the application or the potential impact of the Standard.
AASB 1053: Application of Tiers of <i>Australian Accounting Standards</i>	This Standard establishes a differential financial reporting framework consisting of two tiers of reporting requirements for preparing general purpose financial statements. This Standard is not expected to impact Council. However it may affect disclosures if reduced disclosure requirements apply.	Applicable for annual reporting periods commencing on or after 1 January 2013	These amendments are not expected to impact Council.
AASB 2009-11: Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and int 10 & 12]	[Modified by AASB 2010-7]	Applicable for annual reporting periods commencing on or after 1 July 2013.	Council has not yet determined the application or the potential impact of the Standard.

The above statement should be read in conjunction with the accompanying notes


NOTES TO AND FORMING PART OF THE ACCOUNTS

30 June 2012

<i>Standard / Interpretation</i>	<i>Summary</i>	<i>Applicable for annual reporting periods beginning or ending on</i>	<i>Impact on the Council's financial statements</i>
AASB 2010-2: Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements	This standard removes disclosure requirements from other Standards and incorporates them in a single Standard to achieve convergence between Australia and New Zealand Accounting Standards for reduced Introduces reduced disclosure requirements for certain types of entities.	Applicable for annual reporting periods commencing on or after 1 July 2013.	This standard is not expected to have a financial impact.
AASB 2010-7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and int 2, 5, 10, 12, 19 & 127]	This Standard makes consequential amendments to other Australian Accounting Standards and interpretations as a result of issuing AASB 9 in December 2010.	Applicable for annual reporting periods commencing on or after 1 January 2013.	Council has not yet determined the application or the potential impact of the Standard.
AASB 2011-2: Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project - Reduced Disclosure Requirements [AASB 101 & 1054]	This Standard removes disclosure requirements from other Standards and incorporates them in a single Standard to achieve convergence between Australian and New Zealand Accounting Standards for reduced disclosure reporting. There is no financial impact.	Applicable for annual reporting periods commencing on or after 1 July 2013.	Although this standard does not strictly apply to Local Government it is often used a guidance, as such there will be greater clarity on the disclosure of inter government transactions.
AASB 12: Disclosure of Interests in Other Entities	This Standard supersedes AASB 127 Consolidated and Separate Financial Statement and AASB 131 Interests in Joint Ventures. This Standard was issued in August 2011.	Applicable for annual reporting periods commencing on or after 1 January 2013.	Council has not yet determined the application or the potential impact of the Standard.

The above statement should be read in conjunction with the accompanying notes

NOTES TO AND FORMING PART OF THE ACCOUNTS

30 June 2012

<i>Standard / Interpretation</i>	<i>Summary</i>	<i>Applicable for annual reporting periods beginning or ending on</i>	<i>Impact on the Council's financial statements</i>
AASB 2011-8: Amendments to Australian Accounting Standards arising from AASB 13	This Standard replaces the existing definition and fair value guidance in other Australian Accounting Standards and Interpretations as the result of issuing AASB 13 in September 2011. There is no financial impact.	Applicable for annual reporting periods commencing on or after 1 January 2013.	No financial impact.
AASB 2011-9: Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income	This Standard requires to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments).	Applicable for annual reporting periods commencing on or after 1 July 2013.	Council has not yet determined the application or the potential impact of the Standard.
AASB 2011-10: Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) [AASB 1, 8, 101, 124, 134, 1049 & 2011-8 and int 14]	The Standard makes amendments to other Australian Accounting Standards and interpretations as a result of issuing AASB 119 Employee Benefits in September 2011.	Applicable for annual reporting periods commencing on or after 1 January 2013.	Council has not yet determined the application or the potential impact of the Standard.
AASB 2011-11: Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements	This Standard gives effect to Australian Accounting Standards - Reduced Disclosure Requirements for AASB 119 (September 2011). There is no financial impact.	Applicable for annual reporting periods commencing on or after 1 January 2013.	No financial impact.
AASB 2012-1: Amendments to Australian Accounting Standards - Fair value measurement - arising from Reduced Disclosure Requirements	This Standard amends Reduced Disclosure Requirements arising from AASB13 <i>Fair Value Measurement</i> and consequential amendments implemented through AASB 2011-8 <i>Amendments to Australian Accounting Standards arising from AASB13</i> .	Applicable for annual reporting periods commencing on or after 1 January 2013.	Council has not yet determined the application or the potential impact of the Standard.

The above statement should be read in conjunction with the accompanying notes

NOTES TO AND FORMING PART OF THE ACCOUNTS

30 June 2012

1. FUNCTIONS/ACTIVITIES OF THE COUNCIL

- a) Revenues, expenses and assets have been attributed to the following functions/activities. Details of those functions/activities are set out in note 2(c).
Continued next page.

2012	Roads/ Bridges	Storm- Water	Waste Manage.	Employment & Economic Development	Environmental Management	Development Services	Community Services	Recreational Services	Council/ Corporate	Unclass.	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Expenses	4,830	93	514	1,261	275	848	347	705	399	965	10,237
Revenue											
Grants	448	0	0	67	207	0	26	23	0	3,627	4,398
Other	51	0	498	310	0	149	68	77	79	4,550	5,782
Total Revenue	499	0	498	377	207	149	94	100	79	8,177	10,180
Change in net assets from operations	(4,331)	(93)	(16)	(884)	(68)	(699)	(253)	(605)	(320)	7,212	(57)
Assets	61,260	1,725	265	5,303	0	545	1,454	5,464	1,890	23,141	101,047

The above statement should be read in conjunction with the accompanying notes

NOTES TO AND FORMING PART OF THE ACCOUNTS

30 June 2012

2. FUNCTIONS/ACTIVITIES OF THE COUNCIL (CONTINUED)

a) Revenues, expenses and assets have been attributed to the following functions/activities. Details of those functions/activities are set out in note 2(c).

2011	Roads/ Bridges	Storm- Water	Waste Manage.	Employment & Economic Development	Environmental Management	Development Services	Community Services	Recreational Services	Council/ Corporate	Unclass	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Expenses	4,267	81	488	906	312	789	361	679	674	616	9,173
Revenue:											
Grants	870	0	0	891	0	34	10	0	0	3,014	4,819
Other	22	0	495	269	171	119	64	90	90	3,943	5,263
Total Revenue	892	0	495	1,160	171	153	74	90	90	6,957	10,082
Change in net assets from operations	(3,375)	(81)	7	254	(141)	(636)	(287)	(589)	(584)	6,341	909
Assets	60,818	1,724	281	5,069	0	567	1,403	5,490	1,871	23,254	100,477

The above statement should be read in conjunction with the accompanying notes

**NOTES TO AND FORMING PART OF THE ACCOUNTS**30 June 2012

2. FUNCTIONS/ACTIVITIES OF THE COUNCIL (CONTINUED)

b) The written down value of Assets shown in Note 2(a) are reconciled with the amount shown for assets in the financial position statement as follows:

	2012	2011
	\$'000	\$'000
Current Assets	9,102	9,277
Non-Current Assets	91,945	91,200
	<u>101,047</u>	<u>100,477</u>

c) The activities of the municipality are categorised into the following broad functions:

Roads and Bridges

Construction, management, maintenance and cleaning of roads, bridges, footpaths, kerbs and guttering; provision of street lighting

Stormwater

Maintenance and provision of stormwater reticulation systems.

Waste Management

Collection, handling, processing and disposal of waste materials, operations of refuse disposal sites, waste transfer stations and recycling facilities.

Environmental Management

Protection and enhancement of the environment, maintenance of amenity through control of statutory nuisances, environmental health, and the control of animal nuisances.

Employment and Economic Development

Facilitation and development of local employment and economic initiatives, including streetscape improvements. Development and promotion of tourism and economic services within the municipal area.

Development Services

Development services cover all planning and development control, building control and related regulatory and statutory matters.



NOTES TO AND FORMING PART OF THE ACCOUNTS

30 June 2012

2. FUNCTIONS/ACTIVITIES OF THE COUNCIL (CONTINUED)

Community Services

Operation of the Midlands Multi-Purpose Health Centre, the Home and Community Care Program, the provision of other aged care services; operation of youth employment and development programs; Library services; emergency services including the municipal Ambulance Service.

Recreational Services

Provision and maintenance of recreation and sport facilities, including public halls and swimming pool. Included in this activity are parks and reserves, town beautification and associated facilities.

Council/Corporate

Administrative support for the Council and operational branches, including secretarial, computer, financial, personnel and general administrative services.

Unclassified

All revenues and expenditure that cannot be attributed directly to one of the other listed functions. Includes carrying amount of non-current assets sold, State Government levies and contributions and Councillors emoluments.

3. USER FEES

	2012 \$'000	2011 \$'000
Community safety	15	0
Growth tourism	309	264
Growth business	107	81
Landscapes regulatory	109	118
Landscapes natural	10	0
Lifestyle recreation	57	70
Lifestyle animals	40	35
Organisation sustainability	79	89
Organisation finances	7	12
Other	50	42
	783	711

The above statement should be read in conjunction with the accompanying notes



NOTES TO AND FORMING PART OF THE ACCOUNTS

30 June 2012

	2012 \$'000	2011 \$'000
4. INTEREST		
Interest on financial assets	332	316
Interest on cash & cash equivalents	29	26
Interest on rates	0	10
	361	352

5. GRANTS

Grants were received in respect of the following:

Grants - Operating

Commonwealth Government – Financial Assistance Grants	2,168	2,122
Commonwealth Government – Financial Assistance Grants (in advance)	1,459	720
Growth tourism	0	45
Landscapes heritage	5	13
Growth integration	15	0
Landscapes natural	207	126
Lifestyle youth	14	9
Lifestyle public health	1	0
Lifestyle recreation	10	0
	3,879	3,035

The Australian Commonwealth Government provides Financial Assistance Grants to Council for general purpose use and the provision of local roads. On 11 May 2012 the Government announced in the Commonwealth Budget following the downturn in the economy that, “to assist local councils with planning for the recovery and to ensure local government has maximum certainty to begin planning their 2012-13 works programs”, it would bring forward for payment to all councils in June 2012, the first two instalments of the 2012-13 grant pool. Since 2009-10 the Commonwealth has been making early payment of the first quarterly instalment for the following year. However, the above Financial Assistance Grants for 2011-12 thus include an additional instalment over that received in 2010-11. In accordance with AASB1004 *Contributions*, Council recognises these grants as revenue when it receives the funds and obtains control. The effects of the early receipt of instalments each year has resulted in Commonwealth Government Financial Assistance Grants being above that originally budgeted in 2011-12 by \$1,027,000 and 2010-11 by \$346,000. This has impacted the Statement of Comprehensive Income resulting in the Net surplus/(deficit) from continuing operations being higher in both years by these amounts. With fewer instalments due to be received in 2012-13, the reverse effect is expected to occur.

The above statement should be read in conjunction with the accompanying notes


NOTES TO AND FORMING PART OF THE ACCOUNTS

30 June 2012

	2012 \$'000	2011 \$'000
5. GRANTS (CONTINUED)		
<i>Grants – Capital</i>		
Commonwealth Government - roads	448	870
Infrastructure	0	108
Growth tourism	0	40
Landscapes heritage	47	685
Landscapes natural	0	45
Lifestyle public health	0	5
Lifestyle recreation	24	10
Community safety	0	21
	519	1,784
6. EMPLOYEE BENEFITS		
Wages and salaries	2,377	2,028
Other employee costs	1,000	880
	3,377	2,908
7. MATERIALS & CONTRACTS		
Advertising	32	40
Bank Charges and Commissions	19	18
Callington Mill	144	67
Computer System Operations	93	77
Consultancies	181	135
Contractor Labour and Services	282	403
Donations and Grants	62	61
Household Garbage & Recycling Collection Contract	171	160
Insurance Premiums	61	52
Council Plant & Machinery	289	186
Legal Expenses	30	12
Office Expenses	106	97
Plant & Machinery Hire (External)	277	197
Power Costs (includes street lighting)	181	159
Repairs & Maintenance	289	200
Subscriptions and Publications	41	38
Telecommunications	38	41
Waste Transfer, Transport and Disposal Contracts	139	133
Valuation Fees (Supplementary Valuations)	14	19
Water Purchases	16	7
Other	626	550
	3,091	2,652

The above statement should be read in conjunction with the accompanying notes

**NOTES TO AND FORMING PART OF THE ACCOUNTS**

30 June 2012

	2012	2011
	\$'000	\$'000
8. DEPRECIATION AND AMORTISATION EXPENSE		
Depreciation and amortisation expense was charged in respect of:		
Depreciation		
Buildings	278	226
Plant, machinery & equipment	253	255
Office furniture & equipment	35	33
Minor plant	8	8
Roads	2,103	2,181
Waste management assets	18	19
Stormwater assets	45	45
Bridges	312	358
	<u>3,052</u>	<u>3,125</u>
Amortisation		
Valuation fees	26	27
Software	36	33
Total Depreciation & amortisation	<u>3,114</u>	<u>3,185</u>
9. FINANCE COSTS		
Gross interest paid/payable	<u>64</u>	<u>69</u>
10. OTHER EXPENSES		
Audit services	27	26
Grant Refunds	148	0
Impairment of Debts	74	0
Councillors allowances	151	130
Other	33	22
	<u>433</u>	<u>178</u>
11. NET GAIN/(LOSS) ON DISPOSAL OF NON-CURRENT ASSETS		
Net proceeds from disposal of non-current assets	420	179
Carrying amount of non-current assets retired / sold	(390)	(207)
	<u>30</u>	<u>(28)</u>

The above statement should be read in conjunction with the accompanying notes


NOTES TO AND FORMING PART OF THE ACCOUNTS

30 June 2012

	2012 \$'000	2011 \$'000
12. CURRENT ASSETS		
Cash & Cash Equivalents		
Cash at bank and on hand	2,221	1,381
Term deposits	5,860	6,900
	<u>8,081</u>	<u>8,281</u>

Council's cash and cash equivalents are subject to a number of internal and external restrictions that limit amounts available for discretionary or future use. These include:

Trust funds and deposits	121	73
Heritage Building Solutions Pty Ltd	88	128
Unexpended grants	87	312
FAG grant in advance	1,459	720
Restricted Funds	<u>1,755</u>	<u>1,233</u>
Total unrestricted cash and cash equivalents	<u>6,326</u>	<u>7,048</u>

13. CURRENT ASSETS - RECEIVABLES

Deferred Tax Asset (HBS)	19	0
Rates receivable	346	314
Other debtors	326	436
	<u>691</u>	<u>750</u>

Significant Terms and Conditions

Debtors of Council are required to settle their accounts within specified terms including:

Rate Debtors

Payment is required either by four instalments or alternatively within thirty days (which provides a discount of 1.3%). The discount provided is shown as an expense of the entity in the Comprehensive income statement. A penalty of 5% applies to any rate or charge that is not paid on or before the date it falls due and in addition to the penalty, interest under section 128 of the *Local Government Act 1993* will be charged at the rate of 9.5% per annum.

Other Debtors

Payment is required within thirty days of issue of the account.

Should amounts remain unpaid outside the adopted payment options, Council will instigate collection proceedings in accordance with the provisions of the *Local Government Act 1993* (as amended).



NOTES TO AND FORMING PART OF THE ACCOUNTS

30 June 2012

	2012	2011
	\$'000	\$'000
14. NON-CURRENT ASSETS – LAND		
Gross Carrying Amount		
Fair Value as at 1 July	4,038	4,136
Disposals	(25)	(18)
Adjustment from Prior Revaluation	0	(80)
Net Book Value 30 June – at fair value	<u>4,013</u>	<u>4,038</u>

Valuation of land was based on the Valuer-General's independent valuations as at 1st October 2008.

15. NON-CURRENT ASSETS - BUILDINGS

Gross Carrying Amount		
Fair Value as at 1 July	10,989	6,637
Additions	636	3,867
Disposals	(28)	(27)
Adjustment from Revaluation	0	512
Balance at 30 June	<u>11,597</u>	<u>10,989</u>
Accumulated Depreciation		
Balance at 1 July	1,578	1,251
Adjustment from Revaluation	0	112
Disposals	(13)	(11)
Depreciation expense for the year	278	226
Balance at 30 June	<u>1,843</u>	<u>1,578</u>
Net Book Value 30 June – at fair value	<u>9,754</u>	<u>9,411</u>

Valuation of buildings was based on the Valuer General's independent valuations as at 1st October 2008 and indexed to the 1st October 2010 using the ABS Building Construction Price Index.

**NOTES TO AND FORMING PART OF THE ACCOUNTS**
30 June 2012

	2012	2011
	\$'000	\$'000
16. NON-CURRENT ASSETS - PLANT, MACHINERY & EQUIPMENT		
Gross Carrying Amount		
At cost at 1 July	3,216	3,223
Additions	911	240
Disposals	(704)	(247)
Balance at 30 June	<u>3,423</u>	<u>3,216</u>
Accumulated Depreciation		
Balance at 1 July	1,303	1,122
Disposals	(420)	(74)
Depreciation expense for the year	253	255
Balance at 30 June	<u>1,136</u>	<u>1,303</u>
Net Book Value 30 June – at cost	<u><u>2,287</u></u>	<u><u>1,913</u></u>
17. NON-CURRENT ASSETS - MINOR PLANT		
Gross Carrying Amount		
At cost at 1 July	214	194
Additions	9	20
Balance at 30 June	<u>223</u>	<u>214</u>
Accumulated Depreciation		
Balance at 1 July	174	166
Depreciation expense for the year	8	8
Balance at 30 June	<u>182</u>	<u>174</u>
Net Book Value 30 June – at cost	<u><u>41</u></u>	<u><u>40</u></u>
18. NON-CURRENT ASSETS - OFFICE FURNITURE & EQUIPMENT		
Gross Carrying Amount		
At cost at 1 July	591	562
Additions	91	29
Balance at 30 June	<u>682</u>	<u>591</u>
Accumulated Depreciation		
Balance at 1 July	471	438
Depreciation expense for the year	35	33
Balance at 30 June	<u>506</u>	<u>471</u>
Net Book Value 30 June – at cost	<u><u>176</u></u>	<u><u>120</u></u>

The above statement should be read in conjunction with the accompanying notes


NOTES TO AND FORMING PART OF THE ACCOUNTS
 30 June 2012

	2012 \$'000	2011 \$'000
19. NON-CURRENT ASSETS - INFRASTRUCTURE ASSETS		
a) Roads		
Gross Carrying Amount		
Fair Value as at 1 July	97,786	96,031
Additions	1,249	1,103
Disposals	(813)	0
Adjustment from Revaluation	0	652
Balance at 30 June	<u>98,222</u>	<u>97,786</u>
Accumulated Depreciation		
Balance at 1 July	51,657	49,035
Disposals	(746)	0
Adjustment from Revaluation	0	441
Depreciation expense for the year	2,103	2,181
Balance at 30 June	<u>53,014</u>	<u>51,657</u>
Net Book Value 30 June – at fair value	<u><u>45,208</u></u>	<u><u>46,129</u></u>

Valuations of roads (including earthworks) were determined by Engineer, Mr Heath McPherson of Brighton Council, as at 1 July 2010. These valuations were based on current replacement value.

b) Bridges**Gross Carrying Amount**

At cost at 1 July	21,050	21,094
Additions	339	278
Adjustment from Revaluation	9	(322)
Balance at 30 June	<u>21,398</u>	<u>21,050</u>

Accumulated Depreciation

Balance at 1 July	8,156	8,140
Adjustment from Revaluation	(593)	(342)
Depreciation expense for the year	312	358
Balance at 30 June	<u>7,875</u>	<u>8,156</u>

Net Book Value 30 June – at fair value

<u><u>13,523</u></u>	<u><u>12,894</u></u>
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Valuations of bridges (including earthworks) were determined by consulting engineers AusSpan as at 5 December 2011. These valuations were based on current replacement value.



NOTES TO AND FORMING PART OF THE ACCOUNTS
30 June 2012

	2012 \$'000	2011 \$'000
19. NON-CURRENT ASSETS - INFRASTRUCTURE ASSETS (CONTINUED)		
c) Stormwater		
Gross Carrying Amount		
Fair Value as at 1 July	2,711	1,354
Additions	37	20
Adjustment from Revaluation	0	1,337
Balance at 30 June	<u>2,748</u>	<u>2,711</u>
Accumulated Depreciation		
Balance at 1 July	984	453
Adjustment from Revaluation	0	486
Depreciation expense for the year	45	45
Balance at 30 June	<u>1,209</u>	<u>984</u>
Net Book Value 30 June – at fair value	<u><u>1,719</u></u>	<u><u>1,727</u></u>

Valuation of stormwater assets were determined by an Engineer as at 1st July 2010. These valuations were based on current replacement value

d) Waste Management		
Gross Carrying Amount		
At cost at 1 July	200	197
Additions	2	3
Balance at 30 June	<u>202</u>	<u>200</u>
Accumulated Depreciation		
Balance at 1 July	101	82
Depreciation expense for the year	18	19
Balance at 30 June	<u>119</u>	<u>101</u>
Net Book Value 30 June – at cost	<u><u>83</u></u>	<u><u>99</u></u>
Total Infrastructure Assets	<u><u>60,533</u></u>	<u><u>60,849</u></u>

20. NON-CURRENT ASSETS - HERITAGE

Gross Carrying Amount		
Heritage Assets – Fair Value as at 1 July	0	80
Net Book Value 30 June – at fair value	<u><u>0</u></u>	<u><u>80</u></u>

Valuations of heritage assets were determined by Webster Auctions as at 1 July, 1996. Valuations were performed in September, 1997. These valuations were based on current replacement value. As at 1 July 2011, Council determined that these values were incorporated in its land and buildings valuation and were subsequently written back.


NOTES TO AND FORMING PART OF THE ACCOUNTS
 30 June 2012

	2012	2011
	\$'000	\$'000
21. NON-CURRENT ASSETS - WORK IN PROGRESS		
Work in progress at cost	1,146	797

Work in progress represents capital works not completed and not ready for use as at 30 June 2012. Depreciation has not been charged against these amounts

22. NON-CURRENT ASSETS – INTANGIBLES – SOFTWARE & VALUATION FEES
Gross Carrying Amount

At cost at 1 July	313	251
Additions	75	62
Balance at 30 June	388	313

Accumulated Amortisation

Balance at 1 July	178	118
Amortisation expense for the year	62	60
Balance at 30 June	240	178

Net Book Value 30 June – at cost

148	135
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23. INVESTMENT IN SOUTHERN WATER

Council has an ownership interest of 1.5% in Southern Water based on the Final Treasurer's Allocation Order in 2011. Council's initial ownership interest based on the Treasurer's initial draft order was 1.2%. The difference between the draft and final orders was treated as an adjusting entry on initial transfer in 2010-11. Council does not have significant influence to allow it to use the equity method to account for this interest.

Opening balance	13,817	10,990
Fair value initial adjustment on Final Treasurer's Allocation Order	0	2,747
Fair value adjustment on Available for Sale Assets	30	80
Total investment in water corporation	13,847	13,817

The above statement should be read in conjunction with the accompanying notes



NOTES TO AND FORMING PART OF THE ACCOUNTS
30 June 2012

	2012 \$'000	2011 \$'000
24. CURRENT LIABILITIES - PAYABLES		
Payables and accruals	579	488
GST Payable	0	9
Current tax liability (HBS)	16	16
Payroll tax and workers compensation on employee entitlements	62	55
	657	568

Significant Terms and Conditions

Payables are generally settled within specified trading terms or thirty days whichever is the earlier.

25. CURRENT LIABILITIES – INTEREST BEARING LIABILITIES

Borrowings – Bank	115	102
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Significant Terms and Conditions

The loans of Council are secured by trust deed. In accordance with Section 80 of the *Local Government Act 1993*, the borrowing capacity of Council is limited to:

- Except with the approval of the Minister, a council may not borrow additional money for any purpose if the annual payments required to service the total borrowings would exceed 30% of its revenue of the preceding financial year.
- Grants made to a council for specific purposes are to be excluded in calculating 30% of revenue of the council.

The current annual payments of loans by Council, based on the debenture loan schedules, equate to 2.01% of the revenue for the preceding year.

26. EMPLOYEE BENEFITS

Current

Annual leave	374	393
Long service leave	386	372
Other leave	227	244
	987	1,009

Non Current

Long service leave	91	124
Other	0	6
Total Employee Entitlements	91	130

The above statement should be read in conjunction with the accompanying notes

**NOTES TO AND FORMING PART OF THE ACCOUNTS**

30 June 2012

	2012 \$'000	2011 \$'000
27. NON-CURRENT LIABILITIES – INTEREST BEARING LIABILITIES		
Borrowings - Bank	838	804
Security for Borrowings		
The bank loans are secured over the general rates of the Council		
Credit Standby Arrangements		
Bank overdraft limit – online payroll facility	60	60
Funds already accessed	0	0
Business credit cards	5	5
Funds already accessed	0	0
Total amount of credit unused	65	65

Refer to Note 25 for disclosure in relation to *Significant Terms and Conditions*.

28. RESERVES**a) Composition**

Asset Revaluation Reserve	52,886	52,364
Bridge Maintenance Reserve	1,666	1,666
Fair Value Reserve	110	80
Other Reserves		
Plant Replacement Reserve	686	686
Capital Works Reserve	1,239	1,239
Quarry Reinstatement Reserve	31	31
Public Open Space Reserve	29	29
	1,985	1,985
	56,647	56,095

The Asset Revaluation Reserve is used to record increments and decrements on the revaluation of Council's property, plant and equipment. The purpose of all other reserves is the replacement and maintenance of the associated assets.


NOTES TO AND FORMING PART OF THE ACCOUNTS
 30 June 2012

	2012 \$'000	2011 \$'000
28. RESERVES (CONTINUED)		
b) Movements		
Asset Revaluation Reserve		
Balance at the beginning of the financial year	52,364	50,962
Revaluation of land assets (prior yr adjust)	0	(80)
Revaluation of road assets	0	211
Revaluation of bridge assets	602	20
Revaluation of stormwater assets	0	851
Balance at the end of the financial year	<u>52,886</u>	<u>52,364</u>
Bridge Maintenance Reserve		
Balance at the beginning of the financial year	<u>1,666</u>	<u>1,666</u>
Balance at the end of the financial year	<u>1,666</u>	<u>1,666</u>
Fair Value Reserve		
Balance at the beginning of the financial year	80	0
Amount transferred from accumulated surplus	30	80
Balance at the end of the financial year	<u>110</u>	<u>80</u>
Other Reserves		
Plant Replacement Reserve		
Balance at the beginning of the financial year	<u>686</u>	<u>686</u>
Balance at the end of the financial year	<u>686</u>	<u>686</u>
Capital Works Reserve		
Balance at the beginning of the financial year	<u>1,239</u>	<u>1,239</u>
Balance at the end of the financial year	<u>1,239</u>	<u>1,239</u>
Quarry Reinstatement Reserve		
Balance at the beginning of the financial year	<u>31</u>	<u>31</u>
Balance at the end of the financial year	<u>31</u>	<u>31</u>
Public Open Space Reserve		
Balance at the beginning of the financial year	<u>29</u>	<u>29</u>
Balance at the end of the financial year	<u>29</u>	<u>29</u>
Total Other Reserves	<u>1,985</u>	<u>1,985</u>

The above statement should be read in conjunction with the accompanying notes



NOTES TO AND FORMING PART OF THE ACCOUNTS

30 June 2012

29. COMMITMENTS FOR EXPENDITURE

a) Capital Commitments

Council had no contracted capital expenditure in the 2011-2012 reporting period (2010/2011, \$97,307).

b) Operating Lease Commitments

Council had no material commitments under operating leases at either reporting date.

c) Finance Lease Commitments

Council had no commitments under finance leases at either reporting date.

30. COMMITTEES

Pursuant to Section 84(d) of the *Local Government Act 1993*, these Statements include transactions for the following Special Committees:

	2012 \$000 Revenue	2012 \$000 Expenses	2012 \$'000 Balance
Committee:			
Campania Halls Committee	12	13	9
Colebrook Hall Committee	0	0	1
Woodsdale Hall Committee	0	0	6
Oatlands Community Hall Committee	4	4	5
Woodsdale Recreation Ground Committee	0	0	0
Colebrook Recreation Ground Committee	0	0	2
Parattah Recreation Ground Committee	6	5	6
Lake Dulverton Management Committee	0	0	3
Parattah Railway Committee	0	1	1
Oatlands Spring Festival Committee	0	0	6
	22	23	39

These committees raise their own funds and make their own decisions, maintain their own books and records, and operate separate bank accounts. They do not conduct financial transactions with Council. Their transactions and bank balances have been consolidated into these accounts.

**NOTES TO AND FORMING PART OF THE ACCOUNTS**30 June 2012

31. SUPERANNUATION

Council makes superannuation contributions for a number of its employees to the Quadrant Defined Benefits Fund, which is a sub fund of the Quadrant Superannuation Scheme. The Quadrant Defined Benefits Fund has been classified as a multi-employer sponsored plan. As the Fund's assets and liabilities are pooled and are not allocated by employer, the Actuary is unable to allocate benefit liabilities, assets and costs between employers. As provided under paragraph 32(b) of AASB 119, Council does not use defined benefit accounting for these contributions.

At the present time Council contributes 9.5% of employees' gross income to the Fund. Assets accumulate in the fund to meet member benefits as they accrue, and if assets within the fund are insufficient to satisfy benefits payable, the Council is required to meet its share of the deficiency.

Bendzulla Actuarial Pty Ltd undertook the last actuarial review of the Fund at 30 June 2011. The review disclosed that at that time the net market value of assets available for funding member benefits was \$57,588,247, the value of vested benefits was \$52,794,839, the surplus over vested benefits was \$4,793,408, and the value of total accrued benefits was \$57,330,437. These amounts relate to all members of the fund at the date of valuation and no asset or liability is recorded in the Quadrant Superannuation Scheme's financial statements for Council employees.

The financial assumptions used to calculate the Accrued Benefits for the Fund were:

Net Investment Return	0% p.a. for 2011/12 and 7.0% p.a. thereafter
Salary Inflation	4.0% pa
Price Inflation	n/a

The actuarial review concluded that:

1. The value of assets of the Quadrant Defined Benefit Fund was adequate to meet the liabilities of the Fund in respect of vested benefits as at 30 June 2011.
2. The value of assets of the Fund was adequate to meet the value of the liabilities of the Fund in respect of accrued benefits as at 30 June 2011.
3. Based on the assumptions used, and assuming the Employer contributes at the levels described below, the value of the assets is expected to continue to be adequate to meet the value of the liabilities of the Fund in respect of vested benefits at all times during the period up to 30 June 2014.

The Actuary recommended that in future the Council contribute 8.5% of salaries in 2012/13, 10.5% of salaries in 2013/14, and 11.0% of salaries in 2014/15.

The Actuary will continue to undertake a brief review of the financial position of the Fund at the end of each financial year to confirm that the contribution rates remain appropriate. The next full triennial actuarial review of the Fund will have an effective date of 30 June 2014 and is expected to be completed late in 2014 or early in 2015.

Council also contributes to other accumulation schemes on behalf of a number of employees, however the Council has no ongoing responsibility to make good any deficiencies that may occur in those schemes.

The above statement should be read in conjunction with the accompanying notes



NOTES TO AND FORMING PART OF THE ACCOUNTS

30 June 2012

31. SUPERANNUATION (CONTINUED)

During the year Council made the required superannuation contributions for all eligible employees to an appropriate complying superannuation fund as required by the *Superannuation Guarantee (Administration) Act 1992*.

During the reporting period the amount of contributions paid to defined benefits schemes was \$225,066 (2010/11 \$228,110), and the amount paid to accumulation schemes was \$77,928 (2010/11, \$69,902).

32. RECONCILIATION OF NET CASH FROM OPERATING ACTIVITIES TO SURPLUS (DEFICIT)

	2012 \$'000	2011 \$'000
Surplus (Deficit)	(57)	909
Depreciation and amortisation	3,114	3,185
Dividends	(5)	0
Capital grants	(519)	(1,784)
Increase (Decrease) in employee provisions	(61)	125
Increase (Decrease) in payables	89	36
(Increase) Decrease in receivables	59	(171)
(Increase) Decrease in stores and materials	(84)	(149)
(Gain) Loss on disposal of non-current assets	(30)	28
Net cash from (used in) operating activities	2,506	2,179

33. RELATED PARTY TRANSACTIONS

(a) Allowances and Reimbursements	133	130
(b) Register of Interests – 2011/12		
Interests of Councillors notified to the General Manager in respect of any body or organisation with which the Council has major financial dealings.	nil	nil

Councillor & Position

Mayor A E Bisdee OAM	No interest declared.
Deputy Mayor J L Jones OAM	No interest declared.
Clr A R Bantick (Commenced Oct 2011)	No interest declared.
Clr C J Beven	No interest declared.
Clr B Campbell	No interest declared.
Clr M Connors	No interest declared.
Clr D F Fish	No interest declared.
Clr M Jones OAM	No interest declared.
Clr A O Green	No interest declared.
Clr H M Scott OAM (Retired Oct 2011)	No interest declared.

The above statement should be read in conjunction with the accompanying notes



NOTES TO AND FORMING PART OF THE ACCOUNTS

30 June 2012

34. FINANCIAL INSTRUMENTS

(a) Accounting Policy, terms and conditions

Recognised financial instruments	Note	Accounting Policy	Terms and Conditions
Financial assets			
Cash and cash equivalents	12	<p>Cash on hand and at bank and money market call account are valued at face value.</p> <p>Interest is recognised as it accrues.</p> <p>Investments and bills are valued at cost.</p> <p>Investments are held to maximise interest returns of surplus cash.</p> <p>Interest revenues are recognised as they accrue.</p>	<p>On call deposits returned a floating interest rate of 1% (1% in 2010-11). The interest rate at balance date was 1% (1% in 2010-2011).</p> <p>Term deposits returned fixed interest rates of between 3.40% (4.5% in 2010-2011), and 5.45% (5.45% in 2010-2011) net of fees.</p>
Investment in Southern Water	23	Investment is valued at fair value at balance date	Terms and Conditions are disclosed in Note 23.
Trade and other receivables Other debtors	13	<p>Receivables are carried at amortised cost using the effective interest method. A provision for doubtful debts is recognised when there is objective evidence that an impairment loss has occurred.</p> <p>Collectability of overdue accounts is assessed on an ongoing basis.</p>	Terms and conditions are disclosed in Note 13.

The above statement should be read in conjunction with the accompanying notes



NOTES TO AND FORMING PART OF THE ACCOUNTS

30 June 2012

34. FINANCIAL INSTRUMENTS (CONTINUED)**Financial liabilities**

Trade and other payables	24	Liabilities are recognised for amounts to be paid in the future for goods and services provided to Council as at balance date whether or not invoices have been received.	Terms and conditions are disclosed at Note 24.
Interest-bearing loans and borrowings	25	Loans are carried at their principal amounts, which represent the present value of future cash flows associated with servicing the debt. Interest is accrued over the period it becomes due and recognised as part of payables.	Terms and conditions are disclosed at Note 25.

(b) Interest Rate Risk

The exposure to interest rate risk and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised, at balance date are as follows:

	WAEIR	Floating interest rate	1 year or less	1 to 5 years	over 5 years	Non interest bearing	Total
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2012							
Assets							
Cash & cash equivalents	4.20%	2,221	5,860	0	0	0	8,081
Receivables							
- Rates		0	0	0	0	346	346
- Other		0	0	0	0	345	345
Investment in Southern Water		0	0	0	0	13,847	13,847
Total Financial Assets		2,221	5,860	0	0	14,538	22,619
Liabilities							
Interest Bearing Liabilities	5.70%	0	115	348	490	0	953
Payables		0	0	0	0	657	657
Total Financial Liabilities		0	115	348	490	657	1,610
Net Financial Assets/ (Liabilities)		2,221	5,745	(348)	(490)	13,881	21,009

WAEIR - weighted average effective interest rate.

The above statement should be read in conjunction with the accompanying notes



NOTES TO AND FORMING PART OF THE ACCOUNTS

30 June 2012

34. FINANCIAL INSTRUMENTS (CONTINUED)

b) Interest Rate Risk Exposure (Continued)

2011	WAEIR 2010	Floating interest rate \$'000	1 year or less \$'000	1 to 5 years \$'000	over 5 years \$'000	Non interest bearing \$'000	Total \$'000
Assets							
Cash & cash equivalents	4.20%	1,381	6,900	0	0	0	8,281
Receivables							
- Rates		0	0	0	0	314	314
- Other		0	0	0	0	436	436
Investment in Southern Water		0	0	0	0	13,817	13,817
Total Financial Assets		1,381	6,900	0	0	14,567	22,848
Liabilities							
Interest Bearing Liabilities	6.38%	0	102	332	472	0	906
Payables		0	0	0	0	568	568
Total Financial Liabilities		0	102	332	472	568	1,474
Net Financial Assets/ (Liabilities)		1,381	6,798	(332)	(472)	13,999	21,374

WAEIR - weighted average effective interest rate

c) Net Fair Values

The aggregate net fair values of financial assets and financial liabilities, both recognised and unrecognised, at balance date are as follows:

Financial Instruments	Total carrying amount as per Balance Sheet		Aggregate net fair value	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Financial Assets				
Cash and cash equivalents	8,081	8,281	8,081	8,281
Trade and other receivables	691	750	691	750
Investment in Southern Water	13,847	13,817	13,847	13,817
Total Financial Assets	22,619	22,848	22,619	22,848
Financial Liabilities				
Trade and other payables	657	568	657	568
Interest-bearing loans and borrowings	953	906	953	906
Total Financial Liabilities	1,610	1,474	1,610	1,474

The above statement should be read in conjunction with the accompanying notes

**NOTES TO AND FORMING PART OF THE ACCOUNTS**30 June 2012

34. FINANCIAL INSTRUMENTS (CONTINUED)**(d) Credit Risk**

The maximum exposure to credit risk at balance date in relation to each class of recognised financial asset is represented by the carrying amount of those assets as indicated in the Statement of Financial Position.

(e) Risks and mitigation

The risks associated with our main financial instruments and our policies for minimising these risks are detailed below.

Market risk

Market risk is the risk that the fair value of future cash flows of our financial statements will fluctuate because of changes in market prices. Council's exposure to market risks are primarily through interest risk with only insignificant exposure to other price risks and no exposure to foreign currency risk. Components of market risk to which we are exposed are discussed below.

Interest rate risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Interest rate risk arises from interest bearing financial assets and liabilities that we use. Non derivative interest bearing assets are predominantly short term liquid assets. Our interest rate liability risk arises primarily from long term loans and borrowings at fixed rates which exposes us to fair value interest rate risk

Our loan borrowings are sourced from major Australian banks by a tender process. Finance leases are sourced from major Australian financial institutions. Overdrafts are arranged with major Australian banks. We manage interest rate risk on our net debt portfolio by:

- ensuring access to diverse sources of funding;
- reducing risks of refinancing by managing in accordance with target maturity profiles; and
- setting prudential limits on interest repayments as a percentage of rate revenue.

We manage the interest rate exposure on our debt portfolio by appropriate budgeting, strategies and obtaining approval for borrowings from the Department of Treasury and Finance each year.

Investment of surplus funds is made with approved financial institutions under the Local Government Act 1993. We manage interest rate risk by adopting an investment policy that ensures:

- conformity with State and Federal regulations and standards,
- capital protection,
- appropriate liquidity,
- diversification by credit rating, financial institution and investment product,
- monitoring of return on investment,
- benchmarking of returns and comparison with budget.

The above statement should be read in conjunction with the accompanying notes



NOTES TO AND FORMING PART OF THE ACCOUNTS

30 June 2012

34. FINANCIAL INSTRUMENTS (CONTINUED)

(e) Risks and mitigation (continued)

Credit risk

Credit risk is the risk that a contracting entity will not complete its obligations under a financial instrument and causes Council to make a financial loss. Council have exposure to credit risk on some financial assets included in our Statement of Financial Position. To help manage this risk:

- we have a policy for establishing credit limits for the entities we deal with;
- we may require collateral where appropriate;
- we only invest surplus funds with financial institutions which have a recognised rating specified in our investment policy.

Credit risk arises from Council's financial assets, which comprise cash and cash equivalents, and trade and other receivables. Council's exposure to credit risk arises from potential default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. Exposure at balance date is addressed in each applicable policy note. Council generally trades with recognised, creditworthy third parties, and as such collateral is generally not requested, nor is it Council's policy to securitise its trade and other receivables.

It is Council's policy that some customers who wish to trade on credit terms are subject to credit verification procedures including an assessment of their credit rating, financial position, past experience and industry reputation.

In addition, receivables balances are monitored on an ongoing basis with the result that Council's exposure to bad debts is not significant.

We may also be subject to credit risk for transactions which are not included in the Statement of Financial Position, such as when we provide a guarantee for another party.

Credit quality of contractual financial assets that are neither past due nor impaired.

	Financial Institutions	Other	Total
2012	(min BBB+ credit rating)	(min BBB+ credit rating)	
Cash and cash equivalents	8,081	0	8,081
Trade and other receivables	0	691	691
Total Contractual Financial Assets	8,081	691	8,772
2011			
Cash and cash equivalents	8,281	0	8,281
Trade and other receivables	0	750	750
Total Contractual Financial Assets	8,281	750	9,031

The above statement should be read in conjunction with the accompanying notes



NOTES TO AND FORMING PART OF THE ACCOUNTS

30 June 2012

34. FINANCIAL INSTRUMENTS (CONTINUED)

(e) Risks and mitigation (continued)

Ageing of Trade and Other Receivables

The following table provides an ageing of the Council's trade and other receivables at the reporting date:

Receivables	30 June 2012		30 June 2011	
	Gross \$'000	Impairment \$'000	Gross \$'000	Impairment \$'000
Not past due	68	0	20	0
Past due 0-30 days	177	0	231	0
Past due 31-60 days	22	0	24	0
Past due 61-90 days	0	0	4	0
More than 90 days	78	0	157	0
Total trade receivables	345	0	436	0
Rates receivable	346	0	314	0
Total Receivables	691	0	750	0

A provision for impairment loss is recognised when there is objective evidence that an individual receivable is impaired. No allowance for impairment in respect of receivables has been recognised at 30 June 2012.

Liquidity Risk

Liquidity risk includes the risk that, as a result of our operational liquidity requirements:

- We will not have sufficient funds to settle a transaction on the date;
- We will be forced to sell financial assets at a value which is less than what they are worth; or
- We may be unable to settle or recover a financial asset at all.

To help reduce these risks we:

- Have a liquidity policy which targets a minimum and average level of cash and cash equivalents to be maintained;
- Have readily accessible standby facilities and other funding arrangements in place;
- Monitor budget to actual performance on a regular basis; and
- Set limits on borrowing relating to the percentage of loans to rate revenue and percentage of loan principal repayments to rate revenue.

The above statement should be read in conjunction with the accompanying notes

NOTES TO AND FORMING PART OF THE ACCOUNTS
30 June 2012

34. FINANCIAL INSTRUMENTS (CONTINUED)

(e) Risks and mitigation (continued)

Liquidity Risk (continued)

The Councils exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk.

The table below lists the contractual maturities for Financial Liabilities. These amounts represent discounted payments.

2012	Less than 1 year \$'000	1-5 years \$'000	>5 years \$'000	Contracted Cash Flow \$'000	Carrying Amount \$'000
Trade and other payables	657	0	0	657	657
Interest bearing loans and liabilities	115	348	490	953	953
Total financial liabilities	772	348	490	1,620	1,620
2011	Less than 1 year \$'000	1-5 years \$'000	>5 years \$'000	Contracted Cash Flow \$'000	Carrying Amount \$'000
Trade and other payables	568	0	0	568	568
Interest bearing loans and liabilities	102	332	472	906	906
Total financial liabilities	670	332	472	1,474	1,474

(f) Sensitivity disclosure analysis

Taking into account past performance, future expectations, economic forecasts, and management's knowledge and experience of the financial markets, the Council believes the following movements are 'reasonably possible' over the next 12 months.

- A parallel shift of + 1% and -0.5% in market interest rates.


NOTES TO AND FORMING PART OF THE ACCOUNTS

30 June 2012

34. FINANCIAL INSTRUMENTS (CONTINUED)
(f) Sensitivity disclosure analysis (continued)

The table below discloses the impact on net operating result and equity for each category of financial instruments held by Council at year-end, if the above movements were to occur.

2012	Interest rate risk			
	+1% +100 basis points		-0.5 % -50 basis points	
	Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
Financial assets:				
Cash and cash equivalents	81	81	(41)	(41)
Trade and other receivables	7	7	(4)	(4)
Financial liabilities:				
Interest bearing loans and liabilities	(10)	(10)	5	5

(g) Fair Value Hierarchy

The table below analyses financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

Level 1	quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2	inputs other than quoted prices included within level one that are observable for the asset or liability, either directly (ie prices) or indirectly (ie derived from prices)
Level 3	inputs for the asset or liability that are not based on observable market data.

2012	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000	
Available for sale financial assets	0	0	13,847	13,847	
2011	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000	
Available for sale financial assets	0	0	13,817	13,817	
Reconciliation of Level 3 Fair Value Movements				2012 \$'000	2011 \$'000
Opening balance				13,817	10,990
Gains (losses) recognised in other comprehensive income:				30	80
Change in fair value of investment in Water Corporation				0	2,747
Closing balance				13,847	13,817

The above statement should be read in conjunction with the accompanying notes



NOTES TO AND FORMING PART OF THE ACCOUNTS
30 June 2012

35. EVENTS OCCURRING AFTER BALANCE DATE

No matters have occurred after balance date that warrants disclosure in this report.

36. INVESTMENTS IN SUBSIDIARIES

(a) Heritage Education & Skills Centre Pty Ltd

Heritage Education & Skills Centre Pty Ltd (the Company) is a small proprietary Company and is not a reporting entity.

The following transactions were recorded for the year ended 30 June 2012. The balances disclosed, as mentioned at note 1(r), have been incorporated into Councils balances. All inter-company balances and transactions between Council and HES have been eliminated.

STATEMENT OF COMPREHENSIVE INCOME

	Notes	2012 \$'000	2011 \$'000
Revenue		11	0
Expenses		(24)	0
Total Comprehensive Income for the Year		<u>(13)</u>	<u>0</u>

STATEMENT OF FINANCIAL POSITION

Assets	44	0
Liabilities	(59)	0
Total Equity	<u>(15)</u>	<u>0</u>

(b) Heritage Building Solutions Pty Ltd

Heritage Building Solutions Pty Ltd (the Company) is a small proprietary Company and is not a reporting entity.

The following transactions were recorded for the year ended 30 June 2012. The balances disclosed, as mentioned at note 1(r), have been incorporated into Councils balances. All inter-company balances and transactions between Council and HBS have been eliminated.

STATEMENT OF COMPREHENSIVE INCOME

Revenue	833	938
Expenses	(864)	(879)
Total Comprehensive Income for the Year	<u>(31)</u>	<u>59</u>

STATEMENT OF FINANCIAL POSITION

Assets	385	473
Liabilities	(356)	(414)
Total Equity	<u>29</u>	<u>59</u>

The above statement should be read in conjunction with the accompanying notes