CANTERBURY REGIONAL LANDFILL JOINT COMMITTEE AGENDA

FRIDAY 13 APRIL 2012

AT 10.30AM

IN COMMITTEE ROOM 2, CIVIC OFFICES 53 HEREFORD STREET.

Committee: Councillor Sally Buck (Christchurch City Council) (Chairman)
Councillor Glenn Livingstone (Christchurch City Council)
Councillor Aaron Keown (Christchurch City Council)
Councillor Darryl Nelson (Ashburton District Council)
Councillor Richard Davison (Hurunui District Council)
Councillor Lindsay Philps (Selwyn District Council)
Councillor Robbie Brine (Waimakariri District Council).

General Manager	**Principal Adviser**	**Committee Adviser**
Jane Parfitt	Mark Christison	Janet Anderson
Telephone: 941-7305	Telephone: 941-5734	Telephone: 941-8112

INDEX

1. APOLOGIES

Nil.

2. CONFIRMATION OF MINUTES – 1 NOVEMBER 2011

Attached.

CHRISTCHURCH CITY COUNCIL

MINUTES OF A MEETING OF THE
CANTERBURY REGIONAL LANDFILL JOINT COMMITTEE

Held in the Boardroom, Canterbury Waste Services, 28 Abros Place Christchurch

on Tuesday 1 November 2011 at 5pm.

PRESENT:

Councillor Sally Buck (Chairperson)(Christchurch City Council)
Councillor Dick Davison (Hurunui District Council)
Councillor Aaron Keown (Christchurch City Council)
Councillor Glenn Livingstone (Christchurch City Council)
Councillor Darryl Nelson (Ashburton District Council)
Councillor Lindsay Philps (Selwyn District Council) by teleconference

IN ATTENDANCE:

Gill Cox (Chairman Transwaste Canterbury Ltd))
Steven Watson (SecretaryTranswaste Canterbury Ltd)
Tom Nickels (Managing Director Transpacific) by teleconference
Jane Parfitt (Christchurch City Council)
Mark Christison (Christchurch City Council)
Zefanja Potgieter (Christchurch City Council)
Brian Lester (Ashburton District Council)
Kitty Waghorn (Waimakariri District Council)
Janet Anderson (Christchurch City Council, Minutes Secretary)

APOLOGIES:

An apology for absence was received and accepted from Councillor Robbie Brine.

1. RESOLUTION TO EXCLUDE THE PUBLIC

It was **resolved** on the motion of Councillor Sally Buck, seconded by Councillor Dick Davison that the public be excluded from the meeting to enable the Minutes of a Meeting of the Canterbury Regional Landfill Joint Committee held on 12 August 2011 to be considered, Section 7(2)(b)(ii) of the Local Government Official Information and Meetings Act 1987, Prejudice Commercial Position; to enable the appointment of a Director representing Hurunui, Waimakariri, Ashburton and Selwyn District Councils to the Board of Transwaste Canterbury to be considered, Section 7(2)(a) of the Local Government Official Information and Meetings Act 1987, Protection of Privacy of Natural Person; and to enable Approval for Transwaste Canterbury Limited to own and operate Burwood Resource Recovery Park to be considered, Section 7(2)(b) of the Local Government Official Information and Meetings Act 1987, Prejudice Commercial Position.

It was **resolved** on the motion of Councillor Sally Buck, seconded by Councillor Darryl Nelson that the public be readmitted at 5.30pm.

2. MINUTES OF A MEETING HELD ON 12 AUGUST 2011

It was **resolved** on the motion of Councillor Dick Davison, seconded by Councillor Darryl Nelson that the minutes of a meeting held on 12 August 2011 be confirmed, subject to the following alterations to those recorded as being in attendance: Kitty Waghorn and Gerard Cleary of Waimakariri District Council were in attendance and Jim Palmer, also of Waimakariri District Council, was not in attendance.

3. APPOINTMENT OF A DIRECTOR REPRESENTING HURUNUI, WAIMAKARIRI, SELWYN AND ASHBURTON DISTRICT COUNCILS

It was **resolved** on the motion of Councillor Darryl Nelson, seconded by Councillor Aaron Keown, that the decision made by this Committee while the public were excluded, namely to appoint Councillor Dick Davison to the Board of Transwaste Canterbury Ltd from 19 November 2011 to 1 March 2014, be confirmed in open meeting.

4. SITE VISIT AND WORKSHOP

Councillor Sally Buck requested that an alternative date be found for holding the Workshop that had been postponed from 28 October 2011 and for members of the Committee and interested Councillors from member Councils to visit Kate Valley Landfill and Burwood Resource Recovery Park.

The meeting concluded at 5.35pm.

3. CORRESPONDENCE – TRANSWASTE CANTERBURY LIMITED UPDATE ON BURWOOD RESOURCE RECOVERY PARK LIMITED

Attached.

TRANSWASTE
CANTERBURY

File Ref: TCOR-06-01 / TCOR-14-03

5 March 2012

Ms Sally Buck
Chairperson
Canterbury Regional Landfill Joint Committee
c/o Christchurch City Council
PO Box 73016
CHRISTCHURCH 8154

Dear Sally

Re: Transwaste Canterbury Limited (TCL)

On 1 November 2011 the Canterbury Regional Landfill Joint Committee (CRLJC) resolved as follows:

"That the CRLJC resolved to support the proposal:

(a) That TCL should operate the Burwood Resource Recovery Park (BRRP) at the Burwood landfill site north east of Christchurch City.

(b) That the preferred ownership structure of BRRP is to be determined by TCL once due diligence is completed on the BRRP financial models."

The Board of TCL has since the date of that resolution, progressed its investigation and due diligence of:

- The project to receive, store, sort and dispose of demolition and construction waste arising from the 2010/2011 Canterbury earthquakes.
- The legal documentation prepared to date to allow such a project to progress.
- The acquisition of all of the shares in Burwood Resource Recovery Park Limited (BRRP Ltd) by TCL from Transpacific Industries NZ Group Limited.

The TCL Board advises that it has now completed those investigations and due diligence to its satisfaction, and that effective 29 February 2012, TCL has acquired all of the shares in BRRP Ltd from Transpacific Industries NZ Group Limited.

From that date this effectively means that the receipt, storage, sorting and disposal of earthquake related demolition and construction waste in Canterbury will be managed by a public/ private partnership involving Christchurch City, Ashburton, Selwyn, Waimakariri, and Hurunui District Councils, and Transpacific Industries NZ Group Limited, through the vehicle of TCL.

Transwaste Canterbury Ltd PO Box 20 166 Bishopdale 8543, 28 Abros Place, Burnside, Christchurch, New Zealand
Telephone 0800 66 44 33 or 64 3 359 1800 Fax 64 3 359 1900 Web www.tiromoanabush.co.nz Email landfill@cws.co.nz

TRANSWASTE
CANTERBURY

Should you have any query relating to this matter please do not hesitate to contact me either by phone 021 873 611 or email gill.cox@snap.net.nz.

Yours sincerely
TRANSWASTE CANTERBURY LTD

Gill Cox

Gill Cox
Chairman

4. APPOINTMENT OF TRANSWASTE CANTERBURY LIMITED DIRECTOR

General Manager responsible:	General Manager, City Environment, DDI 941-8608
Officer responsible:	Unit Manager City Water and Waste
Author:	Zefanja Potgieter, Senior Resource Planner

PURPOSE OF REPORT

1. To present advice and a preferred recommendation to the committee on the options available to the Committee upon the expiry in late 2012 of the term of Mr. Gerry Clemens who is one of two council appointed directors of Transwaste Canterbury Ltd (TCL).

BACKGROUND

Board Composition

2. The Transwaste Board of eight directors is made up of four directors representing the territorial authority members and four directors representing Transpacific Industries Ltd (TPI). The four territorial authority directors are made up of two elected members who also sit on the Joint Landfill Committee, one from the Christchurch City Council and one from the four rural council representatives. In addition, the Committee appoints two directors external to any of the member councils, to provide commercial input. These two directors are Mr. Gill Cox, Chairman of the Board, and Mr. Gerry Clemens.

3. In terms of Clause 4.1(c) of the Memorandum of Understanding the position as chairperson alternates on a two yearly cycle between TPI and CLJC directors.

   The chair for the current period (from 9 June 2011) is a TPI appointee, with the period ending 8 June 2013 (for practical purposes, this runs to the June Board meeting). TPI have advised both TCL and CLJC that they have reappointed Mr. Cox (Committee appointee) as chairman for the 2 year period.

   It is important to note that the next Chair will be a Council appointee.

Tenure of Current Directors

4. The following table shows current CLJC appointed directorships:

Name	**Date of first appointment**	**Expiry**	**Date resolved by CLJC**
Sally Buck	12 February 2007	28 February 2014	12 August 2011
Dick Davison	19 November 2011	1 March 2014	1 November 2011
Gill Cox	31 March 1999	8 June 2014	14 February 2011
Gerry Clemens	31 March 1999	Oct/Nov 2012 (TCL AGM)	13 July 2009

   The appointment of directors to the Board of TCL is provided for in the Committee's Constituting Agreement and the TCL Shareholders Agreement. The committee has authority to appoint directors in accordance with the attached policy, adopted by the committee on 10 March 2008.

   The next local body elections are in October 2013. It is unknown whether either or both Councillors Buck and Davison will stand and/or whether either or both will be re-elected. This means it is possible that three out of four of the current council appointed directors could for one reason or another not be re-appointed.

4 Cont'd

Appointments Policy

5. The appointments policy (**attached**) provides for the length of tenure of directorships as follows:

Directors will normally be appointed for periods of three years. Subject to a review of the director's performance after each three year period, the normal tenure for a director will be six to nine years. Following nine years of service, a director may be re-appointed for a further three years in exceptional circumstances.

Comment from Chair of TCL

6. *"Consideration of options upon expiry of Mr. Clemens' term in November 2012 should be considered against the backdrop of contributions already made, and also consideration of key issues that the Board will face in the near future. It is important to the Company that Mr. Clemens be reappointed for the period to the end of the 2013 AGM to ensure his expertise and knowledge is available to the company while residual land disposal issues are dealt with; the Landfill Management and Operations Agreement with TPI is reviewed; BRRP is moved through its development stage and is in a "steady" operations state; the ETS regime is embedded within the Company and its dealings with the authorities and customers; and the utilisation and management of landfill gas is well advanced."*

THE OPTIONS

7. The options to be considered include replacing Mr. Clemens when his term expires; appointing him for another three year term, or extend his term for a period shorter than three years. Both Mr. Clemens and Mr. Cox will leave the board in the short to medium term. It is in the interests of the company that the issues and complications presented by the retirement of two such experienced commercial directors be given careful consideration. They should be read in the context of:

   (a) whether a second three year extension because of exceptional circumstances is warranted for Mr. Clemens; and

   (b) does Council have a succession plan should be in place for the Chair when his term expires and it is Council's turn to appoint the Chair.

OPTION 1

8. Replacing Mr. Clemens.

   (a) Pros: Getting a new director on the board while Mr. Cox's term is still running, allows for an extended period to become familiar with the issues and to learn the business during the closure of some large issues whilst having support of other long standing Board members.

   (b) Cons: We lose the expertise on the Board that Mr. Clemens has built up over the years. Mr Cox's expertise may however be available to the Board via other commercial mechanisms.

OPTION 2

9. Appointing Mr. Clemens for a fifth three year term:

   (a) Pros: Retaining Mr. Clemens' extensive knowledge and insight during a particularly challenging period. There are benefits by having Mr. Clemens' contributions for a short while after Mr. Cox's term ends on June 2014.

4 Cont'd

(b) Cons: Length of Mr. Clemens' term needs to be borne in mind, as well as the length of tenure guidelines in the policy. It is contrary to the policy outlined in 5 above although it could be said that the circumstances are exceptional given the comments from the TPI Chair. There is a reduced opportunity to identify and 'bed in' a potential Chair.

OPTION 3

10. Appointing Mr. Clemens for a further one year term:

(a) Pros: Retaining Mr. Clemens' skills till November 2013 will allow time to hand over his portfolios whilst retaining is inputs at a crucial time. This timing is in line with feedback from the Board chair presented above.

(b) Cons: Delaying recruiting a new board member for 12 months potentially shortens the time for transfer of knowledge from long-standing board members. It is contrary to the policy outlined in 5 above although it could be said that the circumstances are exceptional, given the comments from the TPI Chair. There is a reduced opportunity to identify and "bed in" a potential Chair.

An alternative to appointing Mr. Clemens for a further one year term could be to retain him as a consultant adviser.

STAFF RECOMMENDATION

That the Canterbury Landfill Joint Committee:

(a) Commence recruitment to replace Mr. Clemens noting that candidates must be of a calibre to assume the Chair in the future.

(b) Appoint a panel consisting of the Chair of the Canterbury Landfill Committee, one other committee member and Mr Bob Lineham, CEO of Christchurch City Holdings Ltd to:

(i) appoint an external agency to carry out the recruitment process; and
(ii) recommend a replacement Board member to the Committee.

(c) Note the significant contribution Mr. Clemens has made to the company and suggest that they may wish to retain him as a consultant adviser to ensure a smooth transition for his replacement.

Attachment A

DIRECTORS - POLICY ON APPOINTMENT AND REMUNERATION - TRANSWASTE CANTERBURY LTD

1. Purpose

The purpose of this policy is to set out, in accordance with Section 57(1) of the Local Government Act 2002 ("the Act"), an objective and transparent process for:

- The identification and consideration of the skills, knowledge and experience required of directors of a council organisation; and
- The appointment of directors to a council organisation; and
- The remuneration of directors of a council organisation.

2. Principles

The following principles underlie this policy:

- Appointments will be made on the basis of merit;
- The Committee will follow corporate governance best practice;
- Directors will be appointed on the basis of the contribution they can make to the company, and not on the basis of representation;
- All directors should comply with the Christchurch City Council's Code of Conduct for Directors (attached).

3. Definitions

The term "council organisation" ("CO") is used in the context of the definitions provided in Section 6 of the Act.

The Act also creates two sub-categories of COs – "council-controlled organisations" ("CCOs") and "council-controlled trading organisations" ("CCTOs").

The following definitions are provided for guidance purposes only. Fuller definitions are provided in Section 6 of the Act.

Meaning of "council organisation"
In broad terms, a CO is an organisation in which the Council has a voting interest or the right to appoint a director, trustee or manager (however described). This is a wide-ranging definition, covering a large number of bodies.

Meaning of council-controlled organisation
A CCO is an organisation in which one or more local authorities control, directly or indirectly, 50% or more of the votes or have the right, directly or indirectly, to appoint 50% or more of the directors, trustees or managers (however described).

Meaning of council-controlled trading organisation
A CCTO is a CCO that operates a trading undertaking for the purpose of making a profit eg Transwaste Canterbury Ltd.

The Canterbury Regional Landfill Joint Committee, and Transwaste Canterbury Ltd are referred to as the CRLJC and TCL in the policy.

4. Transwaste Canterbury Limited

Background

The Christchurch City Council (CCC) has a 39.9% interest in Transwaste Canterbury Limited ('TCL'). A further 10.1% is held by the other four Canterbury local authorities, and 50% by Canterbury Waste Services Ltd.

The CRLJC has been constituted to represent the ownership interests of the local authorities

The CRLJC is a joint committee for the purposes of the Local Government Act, involving interests external to the member Councils. Whilst their appointment policies cannot be applied directly to the CRLJC, the Councils have an interest in ensuring that appropriate appointments are made to the TCL Board.

The CRLJC, has the power to appoint four directors to TCL. It has previously adopted a policy of appointing two Councillor directors (one from the Christchurch City Council and one from one of the rural Councils) and two external directors. All directors are nominee directors.

5. Appointment of Directors

Representation

The four directors appointed by the CRLJC to the TCL Board will comprise two internal appointees, one appointed to represent the Christchurch City Council and one to represent the other four remaining shareholder Council representatives on the CRLJC. All appointees will be appointed by the whole joint committee with the emphasis being on the commercial skills they will bring to representing the interest of the shareholder councils on the TCL Board.

Attributes

In general terms, the following qualities are sought in the directors appointed by the CRLJC:

a) Intellectual ability
b) Commercial experience
c) Understanding of governance issues
d) Sound judgement
e) High standard of personal integrity
f) Commitment to the principles of good corporate citizenship
g) Understanding of the wider interests of the publicly-accountable shareholder

It is expected that all appointees will undergo, or already have undergone, formal corporate governance training, or have the requisite experience in this area.

Appointment Process for TCL Directors

When a vacancy arises for any of the four appointees on the TCL Board CRLJC will follow the process set out below.

External Appointees

Search

.In most cases a specialist consultant, or the Governance Committee of Christchurch City Holdings Ltd will be contracted to assist with the provision of names of possible candidates and the initial evaluation. In most cases the vacant position/s will not be advertised as this would not normally be expected to add any significant value to the process.

Following the search process a short list of recommended candidates will be provided to the Joint Committee for its consideration.

Appointment

Formal confirmation of the appointment will be made by the CRLJC at a properly constituted meeting. It is expected that the process will be undertaken on a confidential "public excluded" basis to protect the privacy of the individuals concerned.

Reappointment

Where a director's term of appointment has expired and he or she is offering him/herself for reappointment, the CRLJC will consult on a confidential basis with the TCL Chairperson with regard to:

- Whether the skills of the incumbent add value to the work of the board;
- Whether there are other skills which the board needs;
- Succession issues.

The CRLJC will consider the information obtained and, taking into account the director's length of tenure decide on the appropriateness of reappointment or making a replacement appointment.

Where reappointment is not considered appropriate then the appointment process outlined above will apply.

Length of tenure

Directors will normally be appointed for periods of three years. Subject to a review of the directors performance after each three year period , the normal tenure for a director will be six to nine years. Following nine years of service, a director may be re-appointed for a further three years in exceptional circumstances.

Councillor Directors

Search

The required skills knowledge and experience of a Councillor appointment to the TCL board should be similar to those applied to external director appointees. A similar process to that used for external appointees should be used, with the services of either an external consultant or the Governance Committee of Christchurch City Holdings Ltd being utilised to recommend candidates.

~~. In respect to the Councillor director representing the CCC expressions of interest will be sought from all CCC Councillors and list of recommended candidates will be provided for the consideration of the Joint Committee.~~

The Councillor director representing the CCC should be nominated by the three CCC representatives on the CWSC in accordance with the provisions contained in the Constituting Agreement.

~~The four shareholder members of the CRLJC other than the CCC, will be responsible for the nomination of candidates for the one director representing them, who may be a Councillor from any of the four shareholder Councils other than the CCC~~

The four shareholder Councils of the Canterbury Regional Landfill Joint Committee other than the Christchurch City Council, will be responsible for the nomination of candidates for the one director representing them, who shall be one of the councillors appointed by the four shareholder Councils, other than the Christchurch City Council, to the Canterbury Regional Landfill Joint Committee.

The Christchurch City Council expects its representatives on the CRLJC to support the principles set out in the Council's appointments policy when such matters are considered by them.

In general terms, the Council wishes its representatives to apply similar criteria to potential candidates to those used by Christchurch City Holdings Ltd in its assessment of candidates for other CCTO's. In particular this principle set out in the Council's appointments policy that directors of CCTO's will be appointed on the basis of the contribution they can make to the organisation, and not on the basis of representation, is considered to be relevant.

In respect of Councillor appointments, the Council would expect its representatives to also take into account a candidate's potential to quickly acquire business and financial skills, as well as his or her existing skills and experience.

Length of Tenure

Any Councillor directors will be appointed for a three year term and should be appointed at the first meeting of the CRLJC following the triennial local government elections. In the situation where a Councillor has been appointed to the TCL board but fails to retain their seat in the elections, or resigns from their position as an elected representative, then their position may be reviewed by the CRLJC before expiry of their full term of three years.

6. Remuneration of Directors

The CRLJC may recommend to TCL that TCL reviews the level of remuneration made available to its nominee directors appointed by the CRLJC.

In recommending a review of remuneration, CRLJC will take account of the following factors:

- The need to attract and retain appropriately qualified directors;
- The levels of remuneration paid to comparable companies in New Zealand;
- The performance of the company and any changes in the nature of its business;
- Any other relevant factors.

In general, it is intended that directors of TCL should receive a level of remuneration that is competitive with the general market, while recognising that there will be differences from time to time, particularly in the period between reviews. Professional advice will be sought where necessary.

The Christchurch City Council would expect its representatives to apply similar policies and practices as are applied by Christchurch City Holdings Limited in its review of the remuneration of CCTO Boards.

The CRLJC also supports the payment by TCL of directors' liability insurance and the indemnification of directors.

Draft November 2007

5. TRANSWASTE CANTERBURY LTD – DRAFT STATEMENT OF INTENT FOR THE YEAR ENDING 30 JUNE 2012

General Manager responsible:	General Manager City Environment, DDI 941-8608
Officer responsible:	Senior Resource Planner, Asset and Network Planning
Author:	Warren Murphy

INTRODUCTION

1. The purpose of this report is to review and comment on the draft Statement of Intent (SOI) for the years ending June 2013 to 2015 provided by Transwaste Canterbury Ltd (TCL).

2. The letter from Gill Cox (Chairman) dated 24 February 2012 should be read in conjunction with this review. The Board has provided "best estimate" provisional figures for this SOI with a finalised SOI to be provided to shareholders by 30 June 2012, following the full budget process for 2013 being completed.

COMMENTS ON THE DRAFT SOI

3. The biggest change to the 2013 SOI is the new activity of Earthquake Waste Management and Landfill to be conducted by the nearly completed 100 percent purchase of Burwood Resource Recovery Park Limited (BRRP), a company set up to deliver the best possible outcomes from the Christchurch demolition and rebuilding programmes. Refer paragraph 4.3 of the 2013 SOI for more detail.

4. The Summary of Significant Accounting Policies (section seven) is materially unchanged from last year's SOI although the company and group has adopted revisions to accounting standards during the financial year for NZ IAS 24 Related Party Disclosures 2009 which replaces NZ IAS 24 Related parties Disclosures (Issued 2004). The revised standard simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition. The company and group have elected to early adopt the revised standard and its effect has been to disclose further information about commitments between related parties.

5. An example of the related party disclosure is the subtle change to how the entities involved in waste services are described. This SOI says "All matters relating to the operation of the landfill and the operation of the transport system have been contacted to Transpacific Industries (Group (NZ) limited through its Canterbury Waste Services (CWS) division in accordance with the Memorandum of Understanding and shareholder agreement". Whereas the last SOI effectively said such operations were contacted straight to CWS Limited with no mention of Transpacific Industries.

6. The following material changes to the Objectives and Performance Targets in section five of the SOI are noted in the tables below and include impacts of the new earthquake related activity.

Table 1 – Growth in SOI Targets between 2012 SOI and 2013 SOI

No.	Objective Category	Performance Measure	Target 2012	Target 2013	Variance
5.1	Shareholder Interests	Total Landfill Revenue	$28.0m	$32.8m	$4.8m
5.1	Shareholder Interests	Landfill EBIT	$9.6m	$11.2m	$1.6m
5.1	Shareholder Interests	Average Return on Invested Capital	9%	10%	1%
5.2	Healthy Environment	Value of Performance Guarantee	$11.0m	$12.0m	$1.0m

5 Cont'd

Table 2 – Comparison between Current Forecast 2013 Draft SOI and Last Year's Forecast 2012 SOI of Financial Performance

Financial Performance ($'000s)	2012/13	2013/14	2014/15
Current Forecast:			
Total Revenue (inclusive of waste levy)	32,792	35,418	36,009
EBIT	11,169	11,964	12,135
Average Return on Invested Capital since 1999	10%	10%	10%
Shareholders' Funds to Total Assets	38%	39%	40%
Last Year's Forecast:			
Revenue	33,841	38,077	
EBIT	13,298	14,377	
Average Return on Invested Capital since 1999	10%	10%	
Shareholders' Funds to Total Assets	40%	42%	

7. The Current Forecast shows Forecast Revenue and EBIT for the next two years have decreased from what was forecast in last year's SOI.

8. Changes in tonnes of waste to landfill remains the single largest factor influencing the achievement of forecast returns and is even more uncertain in the "post earthquake" environment – the additional "earthquake" tonnes forecast for the 2013-2015 years included in the financial model at the time of preparing the 2012 budget and SOI have now been removed. 2012 tonnes year to date are tracking slightly above budget and the base levels of waste to landfill appear to have stabilised.

9. For future years, the base levels of waste to landfill are now forecast to increase in line with forecast population growth, with only minimal amounts of earthquake demolition waste being disposed of at Kate Valley over the next two to three years. This contrasts with the forecasts included in the 2012 Statement of Intent, which assumed significant volumes of earthquake related waste. Some of the waste earlier forecast to go to Kate Valley will be processed via BRRP.

10. The forecast Equity Ratio (shareholders funds to total assets) of 38 percent to 40 percent represents a relatively high level of debt (Total Liabilities at December 2011 was $39.0 million, with interest bearing loans at $21.6 million), which is largely due to the 100 percent dividend policy which has necessitated growth to be funded by borrowing.

11. The forecast ROI shows a return on investment since inception of 10 percent for all out years and remains the same as last year's forecast. In simple terms this is the cumulative NPAT expressed as a return on the cumulative investment. This is not a measure of the dividend stream, however over time, if the 100 percent dividend policy continues, this measure will equate to the total dividends as a return on the total investment.

5 Cont'd

12. The following table compares forecast dividends with last year's SOI:

Table 3 – Comparison between Current Forecast 2013 Draft SOI and Last Year's Forecast 2012 SOI of Forecast Dividends

Indicative Dividends ($'000s)	2012/13	2013/14	2014/15
Current Forecast:			
Total Dividend (100%)	6,000	6,700	7,100
All Councils share (50%)	3,000	3,350	3,550
Last Year's Forecast:			
Total Dividend (100%)	6,700	8,400	
All Councils share (50%)	3,350	4,200	

13. The forecast dividends represented in the draft 2013 SOI have decreased over what was projected in last years SOI in line with the reduced revenue and EBIT forecast explained above, and correlate to the EBIT shown in Table 2 adjusted for Interest and Tax at existing rates.

RECOMMENDATION

That the SOI be approved.

TRANSWASTE CANTERBURY

Canterbury Regional Landfill Joint Committee
P O Box 73015
CHRISTCHURCH 8154

Attention: Janet Anderson, Committee Advisor

24 February 2012

Dear Janet

Transwaste Canterbury Limited
Draft Statement of Intent ("SoI") 2012/2013 to 2014/2015

The draft SoI for the three years commencing 1 July 2012 is enclosed for the Committee's comment pursuant to Section 64 of the Local Government Act 2002.

We have forwarded the draft SoI to the Landfill Joint Committee as the representative of the TLA shareholders. We advise that we have also forwarded the draft SoI to Transpacific Industries Group (NZ) Limited.

We note the following for the Committee's information:

a) The general structure of the SoI and the objectives and performance measures are in line with last year

b) As requested last year, an additional, "marked up" version of the draft SoI is included to highlight the changes from last year's SoI

c) The financial information in Sections 5.1, 5.7, 6.1 and 8.4 of the draft SoI is provisional, determined on the same base as the 2012/2013 indicative charges advice to shareholders during November 2011

d) At the time of completing the draft SoI, the status of the Burwood Resource Recovery Park (BRRP) is not finalised. As an interim measure, an additional section 4.3, under "Nature & Scope of Activities" has been added to provide an outline of the proposed BRRP operations.

TRANSWASTE CANTERBURY

Canterbury Regional Landfill Joint Committee
24 February 2012

e) It is intended that one SoI will be prepared for the group, encompassing Transwaste, Tiromoana Station and BRRP with the appropriate objectives and performance targets for BRRP being identified in Section 5. The current forecasts for BRRP assume that there will be no calls on capital to fund the BRRP operations and that any dividends arising from BRRP will be paid at the end of the project, which falls outside the 3 year period of the SoI

f) The 2012/2013 detailed budgets will be completed prior to, and the results included in, the finalised SoI which is due to be delivered to shareholders by 30 June 2012. We will outline significant changes (in particular BRRP) for the shareholders when the finalised SoI is distributed.

Pursuant to section 64(4) of the Local Government Act, your comments or confirmation of your agreement with the draft SoI should be received by the company by 1 May 2012. The finalised SoI will then be delivered to shareholders on or before 30 June 2012.

I would be pleased to attend the next Committee meeting to update Committee members as required.

If, in the meantime, you have any queries on the above, please do not hesitate to contact the writer.

Yours faithfully
Transwaste Canterbury Limited

Gill Cox

Gill Cox
Chairman

Transwaste Canterbury Limited **DRAFT**

Statement of Intent

For the year ending 30 June 2013

Approved by the Transwaste Canterbury Limited Board on 2012

Contents

1 Introduction

1.1 The Statement of Intent process provides a key opportunity for the shareholders and Directors of Transwaste Canterbury Limited (the Company) to define the Company and its subsidiaries path for the next three years. It is prepared in accordance with Section 64 of the Local Government Act 2002. A draft statement is required by Section 64 to be submitted no later than 1 March each year, to the Company's shareholders.

1.2 The Statement of Intent further defines for the Company and its subsidiaries the objectives, the nature and scope of the activities to be undertaken, and the performance targets and other measures by which the performance of the Company and its subsidiaries may be judged in relation to its objectives amongst other requirements. The process of negotiation and determination of an acceptable Statement of Intent is a public and legislative expression of the accountability relationship between the Company and its shareholders.

1.3 The Statement of Intent is prepared annually by the Board and negotiated between the shareholders and covers a three year future period.

2 Objectives

2.1 To operate as a successful, competitive commercial landfill business.

2.2 To achieve this, the Company intends to:

(a) achieve sufficient earnings to support the Company's continued operations and also to return an appropriate risk adjusted return on investment;

(b) be market responsive as regarding the demand for its services in terms of the criteria of quantity, quality and price;

(c) behave in an environmentally aware manner promoting and maintaining the standards of environmental protection applied by the Resource Management Act 1991 and to minimise the impact of its activities on the environment;

(d) act as a good employer;

(e) aim to provide customers with a high level of service, a reliable transport system and competitive prices;

(f) commit to consult with and be sensitive to the concerns of the landfill host community and Tangata Whenua;

(g) promote and maintain standards of health and safety in accordance with all applicable regulations, legislation and including best practice;

(h) act as a good corporate citizen with regard to its business dealings and relations.

3 The Board's approach to governance of the organisation

3.1 The directors are responsible to the shareholders for the achievement of the objectives of Transwaste in both the short and the longer term. Their focus is to enhance the commercial interests of shareholders and other key stakeholders and to ensure Transwaste is properly managed. The Board draws on relevant corporate governance best practice principles to assist and contribute to the performance of the Company. The functions of the Board include:

(a) Review and approval of corporate strategies, the annual budget and financial plans.

(b) Overseeing and monitoring organisational performance and the achievement of Transwaste's strategic goals and objectives, in particular as outlined in the Statement of Intent.

(c) Monitoring financial performance including approval of the annual and half-year financial reports and liaison with Transwaste's auditors.

(d) Ensuring there are effective management processes in place and approving major corporate initiatives.

(e) Enhancing and protecting the reputation of Transwaste.

(f) Ensuring the significant risks facing Transwaste and any controlled entities have been identified and appropriate and adequate control, monitoring and reporting mechanisms are in place.

(g) Reporting to shareholders.

(h) Developing appropriate policies for the operation of the company including safety, environmental and quality matters.

A description of Transwaste's main corporate governance practices is set out below.

3.2 **The Board of Directors**

The composition of the Board of Directors, including the appointment of a Chairman, is governed by the Memorandum of Understanding between the shareholders. There are no executive directors.

3.3 **Operations**

The Board has statutory responsibility for the affairs and activities of the company. All matters relating to the operation of the landfill and the operation of the transport system have been contracted to Transpacific Industries Group (NZ) Limited through its Canterbury Waste Services (CWS) division in accordance with the Memorandum of Understanding and shareholder agreement. CWS reports monthly to the Board on matters including:

(a) Operations management

(b) Financial results and budgets

(c) Compliance with legislation including health and safety regulations and resource consent conditions

The Board receives regular (generally monthly) reporting in respect of each of the above.

3.4 **Committees**

The Board establishes committees as appropriate to assist in the execution of its duties and to allow detailed consideration of complex issues. There is currently one committee, being an audit committee comprised of three Directors.

The Board has identified key business risks and developed policies and action plans to manage the risk. The audit committee will monitor progress against an established timetable. In addition, the committee will set the scope and standards with respect to internal controls, accounting policies and the nature, scope, objectives and functions of the external and internal audit. The committee meets as and when required.

All matters determined by committee are submitted to the full Board as recommendations for Board decision.

3.5 **Subsidiaries**

The Company has one fully owned subsidiary, Tiromoana Station Limited. All of the land, including the landfill site, is owned by Tiromoana Station Limited. A delegated Board member maintains a supervisory role on behalf of the Board and reports monthly to the Board on operational and strategic matters.

3.6 **Commitment**

The Board meets for eleven Board meetings each year and other special meetings are convened, as required.

3.7 **Independent Professional Advice**

Directors and Board committees have the right, in connection with their duties and responsibilities, to seek independent professional advice at Transwaste's expense, subject to Board approval.

4 Nature & Scope of Activities

4.1 The Company will undertake the following activities:

Landfill and Transport

(a) The primary activity of the company is to own and operate a non-hazardous municipal waste regional landfill at Kate Valley in Canterbury, including the haulage of solid wastes from transfer stations throughout the Canterbury region, to meet or exceed world best practice standards and the standard determined by the regulatory authorities;

(b) Contract with Transpacific Industries Group (NZ) Limited through its Canterbury Waste Services (CWS) division for the provision of services for the operation of the landfill and the haulage of waste from the transfer stations to the landfill, to ensure provision of high quality landfill operations and solid waste haulage operations economically and efficiently and in compliance with relevant consents; and

(c) Offer residual waste management facilities and solutions at all levels in the Canterbury Region, and beyond, including investment in alternatives to landfilling should those alternatives be more environmentally sustainable and cost effective methods of disposal of residual waste (in due course).

4.2 **Land Management Activities**

(a) **Land Resources**

The company, through its ownership of Tiromoana Station Limited, holds land in addition to that required under the current resource consent conditions for the landfill. The management of the land will continue to be conducted in accordance with the company's real estate plan, which seeks to optimise both the utilisation of the land resources for the benefit of landfill operations and the value of the property over time

(b) **Forestry**

The company will conduct forestry operations in terms of its long term forestry plan, which is an integral part of the landfill activities.

(c) **Tiromoana Bush**

The company will continue to develop the Tiromoana Bush native forest re-establishment and public recreation concept, including ongoing development and maintenance of walkways and will maintain ongoing liaison with the Tiromoana Bush Advisory group.

4.3 **Earthquake Waste Management and Landfill (new activity)**

The company is in the final stages of purchasing 100% of Burwood Resource Recovery Park Limited (BRRP), a company set up to deliver the best possible outcomes from the Christchurch demolition and rebuilding programmes by maximising the recovery and re-use of valuable and necessary building materials, reducing the volume of residual waste to landfill, and minimising costs through economies of scale.

BRRP will:

(a) Own and operate a Christchurch Earthquake demolition waste material management and recycling facility and operate a landfill for disposal of residual demolition waste, through the company's subsidiary, Burwood Resource Recovery Park Limited (BRRP); and

(b) Contract with Transpacific Industries Group (NZ) Limited, through its Canterbury Material Recovery Facilities (CMRF) division for the provision of services for the operation of the BRRP earthquake waste management facility and landfill to ensure provision of high quality operations economically and efficiently and in compliance with relevant consents.

Objectives and performance targets for BRRP will be adopted upon settlement of the purchase.

5 Objectives and performance targets

Objective in support of Mission Statement		Desired outcomes	Performance measure	Performance target
Shareholder interests				
5.1	To operate a successful business, providing a fair rate of return to its shareholders	To effectively operate the consented regional landfill at Kate Valley to achieve specific commercial performance targets.	As outlined in section 5.7 (for the 2012/13 year) - Total Landfill Revenue (inclusive of waste levy) - Landfill EBIT - Average Return on Invested Capital	 $32,792,000 $11,169,000 10%
Healthy environment				
5.2	To ensure that the Company and its associates meet or exceed present and future environmental standards in a manner which is consistent with the preservation of the natural environment and the careful and sustainable management of natural resources.	No proven breaches of Resource Management Act consents. Maintenance of an appropriate risk funding mechanism to cover environmental risk. Implement the Environmental Policy. Continue to implement the native forest restoration project in accordance with the Tiromoana Bush Management Plan.	Number of proven consent breaches. Value of Performance Guarantee posted at required level for landfill stage (Year 7). Number of enforcement actions by consent authorities. Native plantings.	Nil. $12,000,000 Nil. 4,000 plantings.
Corporate citizenship				
5.3	To be a responsible Corporate Citizen by acting lawfully, fairly and honestly and to be sensitive to local issues.	To ensure compliance with any contractual arrangements. To ensure compliance with all relevant legislative and regulatory requirements. Annual Review to report to its stakeholders and the community within which it operates, reporting on social, environmental and financial performance.	Number of contractual non-compliances. Number of legislative and regulatory non-compliances. Annual Review published.	Nil. Nil. By October 2012 for 2011/12 year.

Objective in support of Mission Statement	Desired outcomes	Performance measure	Performance target
Service Quality			
5.4 Meet the present and future needs of the people of Canterbury with high standards of value, quality and service and establish effective relations with customers.	Timely, high quality and reliable waste transport services.	Proportion of time that empty containers are available for transfer stations.	More than 99.5% of waste transport fleet hours worked.
	Reliability of access to the landfill.	Proportion of normal transport access hours that landfill is available to waste transporters.	More than 99% of normal annual transport access hours.
Good employer			
5.5 Be a Good Employer.	Adopting objectives and policies that detail the relationship with employees, their remuneration, safety and other issues such as equal opportunity in employment.	CWS landfill and transport staff annual FTE turnover.	Less than 10% annually.
	Ensuring that its employees have secure and rewarding employment which provides the means for personal development.	CWS landfill and transport staff annual hours on external training.	10 hours per FTE annually.
To ensure that CWS adheres to the performance targets set out under this clause.	Clearly defining the performance standards expected of all employees and by appropriate action mechanisms ensuring that these standards are met.	Operational performance as reported in Landfill Annual Report and Peer Review Panel Annual Report.	Board satisfaction.
Strive for zero injury accidents in all operations the Company and its main contractor, CWS, will be responsible for, whilst maintaining a high level of service and production.	Ensuring that in all activities the Company and its contractors have Health and Safety Management Plans in place.	Number of CWS Lost Time Injuries per 100,000 hours worked.	Nil.

Objective in support of Mission Statement		Desired outcomes	Performance measure	Performance target
Consultation and community relations				
5.6	Establish and maintain good relations with the local host community of the landfill and consult with that group and other interest groups (including Tangata Whenua) on issues that are likely to affect them.	Finance the trust fund (from the Disposal Charge) for the purpose of benefiting the local community immediately affected by the landfill operation.	Annual payment to Kate Valley Landfill Community Trust.	To be determined on an annual basis.
		Consult with the host community concerning landfill operations by way of direct communication and via the Community Liaison Group.	Number of complaints regarding landfill operations.	Nil.
			Number of complaints regarding waste transport operations.	No more than 1 per 2000 trips.
		Consult with interest groups including Tangata Whenua on a regular basis and discuss all issues likely to affect them.	Number of Community Liaison group meetings held.	At least 2 per year.

5.7 **Financial performance targets**

The financial performance targets for the landfill operations of the company are set out below.

		2012/2013 $'000	2013/2014 $'000	2014/2015 $'000
	Total revenue inclusive of waste levy	**32,792**	**35,418**	**36,009**
	EBIT	**11,169**	**11,964**	**12,135**
	Average Return on invested Capital since commencement of company	**10%**	**10%**	**10%**

6 Capital structure

6.1 **Ratio**

The company will endeavour to operate with a ratio of consolidated shareholders' funds to total assets as set out below.

		2012/2013	2013/2014	2014/2015
	Shareholders funds to total assets	**38%**	**39%**	**40%**

6.2 **Definition**

Consolidated shareholders' funds are defined as the sum of the amount of paid up share capital, retained earnings, accumulated losses, revenue and capital reserves. The Total Assets are defined as the sum of the net book values of current assets, investments, fixed assets and intangible assets. The items making up the definitions are as disclosed in the company's statement of financial position prepared on a consolidated basis and in accordance with generally accepted accounting practice.

6.3 No calls on capital from shareholders are anticipated during the next three year period.

7 Accounting policies

7.1 Transwaste Canterbury Limited has adopted accounting policies that are consistent with New Zealand International Financial Reporting Standards and generally accepted accounting practice. The policies set out in the 2011 Annual Report are attached (Appendix I) to this Statement of Intent.

8 Dividend policy

8.1 Profit retention and the level of dividend to be paid will be recommended from year to year by the Directors in accordance with the results, circumstances prevailing and the requirement to meet the solvency test under the provisions of the Companies Act 1993. The dividend policy objective is to ensure that the amount of the dividend does not limit the Company's ability to fund future expenditure requirements by itself or with its associates for maintaining and expanding operations in the environmental services business and servicing the Company's resultant debt structure.

8.2 Subject to clause 8.1, it is expected that 100% of the Company's net profits, after retention of working capital and/or retention of funds for any other operational needs of the landfill and after tax, in each year will be distributed out of retained earnings unless the Board considers that an investment opportunity in relation to the landfill and transport operations and alternatives to landfilling will provide an appropriate risk adjusted return on investment.

8.3 An interim dividend may be paid after the half yearly accounts have been considered by the Directors.

8.4 Indicative dividends to shareholders are as follows.

		2012/2013 **$'000**	**2013/2014** **$'000**	**2014/2015** **$'000**
	Total indicative dividends	**6,000**	**6,700**	**7,100**

9 Information to be provided to the shareholders

9.1 Statutory information requirements

Annual Statement of Intent

No later than 1 March of each year the Board will provide a draft Statement of Intent in accordance with Section 64 of the Local Government Act. The Directors will consider comments from the shareholders on the draft SoI made within two months and not later than 30 June of each year shall deliver the final SoI to the shareholders.

Half Yearly Accounts

Within two months after the end of the first half of each financial year the Board will deliver an unaudited half-yearly report to the shareholders. The consolidated financial statements will be the same as required under Section 69 for annual financial statements. This will consist of:

(a) report on the operations of the Company during the financial period;

(b) financial statements prepared in accordance with generally accepted accounting practice;

(c) comparison of the performance of the organisation and its subsidiaries with the statement of intent, together with an explanation of any material variations; and

(d) a dividend recommendation for the period to which the report relates.

Annual Accounts

Within three months after the end of each financial year, the Board will deliver an annual report to the shareholders. The content of the report will be pursuant to Sections 67 to 69 and will consist of:

(a) report on the operations of the Company during the financial period;

(b) financial statements prepared in accordance with generally accepted accounting practice;

(c) comparison of the performance of the organisation and its subsidiaries with the statement of intent together with an explanation of any material variations;

(d) a dividend recommendation for the period to which the report relates; and

(e) Auditors' Report on the above financial statements and the performance targets and other measures by which the performance of the Company has been judged in relation to objectives.

Annual Review

The Board will produce an Annual Review for all stakeholders, including the general public. The Annual Review will be in a format suitable for easy reading and widespread dissemination, and consist of:

(a) A Chairman's review, and information on governance and management.

(b) A section on economic performance for the preceding financial year.

(c) A section on Social Performance for the preceding financial year.

(d) A section on environmental performance for the preceding financial year.

9.2 **Other information**

The Company will disclose as much information on its operations as is practical and consistent with commercial and confidentiality considerations. The Company will endeavour to operate on a "no surprises" basis with regard to all issues of relevance to shareholders.

10 Acquisition of shares in any company or other organisation

10.1 All share investment proposals will be considered by the Directors and any decision to invest in or divest in shares in another Company or other organisation will be made by the Directors, in accordance with the Constitution, after discussion with or approval by the shareholders as appropriate.

11 Non-commercial services

11.1 At the request of one or more of the shareholders, the Company may undertake activities which are not consistent with normal commercial objectives. A specific subsidy where necessary will be sought to meet the full commercial cost of providing such activities.

11.2 No requests for the provision of non-commercial services have been received from the shareholders.

12 Estimate of the commercial value of the company

12.1 The directors estimate that the commercial value of the shareholders' investment in the group is at least which is stated as "shareholder equity" in the latest available audited financial statements. This value is reassessed annually as part of the preparation of the audited financial statements.

Appendix I

Transwaste Canterbury Limited
Notes to the Financial Statements
For the year ended 30 June 2011

The following accounting policies were disclosed in the 2011 Annual Report of Transwaste Canterbury Limited.

1. General Information

Reporting Entity

Transwaste Canterbury Limited is a company registered under the Companies Act 1993 and is a Council Controlled Trading Organisation as defined in Section 6 of the Local Government Act 2002.

The company represents a joint venture between Transpacific Industries Group (NZ) Limited (previously Canterbury Waste Services Limited, which amalgamated into Transpacific Industries Group (NZ) Limited on 30 June 2011) and five local authorities in Canterbury.

The Group consists of Transwaste Canterbury Limited and its wholly owned subsidiary, Tiromoana Station Limited. Both companies are incorporated and domiciled in New Zealand. The primary objective of the parent company is to own, operate and continue development of a non-hazardous landfill for the Canterbury region. The company owns the landfill and surrounding land via its subsidiary, Tiromoana Station Limited.

The financial statements of Transwaste Canterbury Limited are for the year ended 30 June 2011. The financial statements were authorised for issue by the Board on 29 September 2011.

2. Summary of Significant Accounting Policies

2.1 Basis of preparation

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP) for entities adopting the New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), and its interpretations as appropriate to profit-oriented entities.

The company is a profit-oriented entity. The company is a reporting entity for the purposes of the Financial Reporting Act 1993 and its financial statements comply with that Act and the Local Government Act 2002.

The financial statements have been prepared on the historical cost basis, modified by the revaluation of investment property and financial instruments (including derivative instruments).

The financial statements are presented in New Zealand dollars (NZD) and all values are rounded to the nearest thousand dollars ($'000). The functional currency of Transwaste Canterbury Limited is New Zealand dollars.

Notes to the Financial Statements
For the year ended 30 June 2011

Changes in accounting policies

There have been no changes in accounting policies during the financial year.

The company and group has adopted the following revisions to accounting standards during the financial year which have had only a presentational or disclosure effect:

- NZ IAS 24 *Related Party Disclosures (Revised 2009)* replaces NZ IAS 24 *Related Party Disclosures (Issued 2004).* The revised standard simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition. The company and group has elected to early adopt the revised standard and its effect has been to disclose further information about commitments between related parties.

2.2 Subsidiaries

Transwaste Canterbury Limited consolidates, as subsidiaries in the Group financial statements, all entities where Transwaste Canterbury Limited has the capacity to control their financing and operating policies so as to obtain benefits from the activities of the entity. This power exists where Transwaste Canterbury Limited controls the majority voting power on the governing body or where such policies have been irreversibly predetermined by Transwaste Canterbury Limited or where the determination of such policies is unable to materially impact the level of potential ownership benefits that arise from the activities of the subsidiary.

Notes to the Financial Statements
For the year ended 30 June 2011

The cost of a business combination is measured as the aggregate of:

- the consideration transferred, which is generally measured at acquisition date fair value;
- the amount of any non-controlling interest measured at either fair value or the non-controlling interest in the fair value of the net identifiable assets of the acquiree; and
- the acquisition date fair value of the previously held equity interest in the acquiree, if any.

Any excess of the cost of the business combination over Transwaste Canterbury Limited's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is recognised as goodwill. If Transwaste Canterbury Limited's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised exceeds the cost of the business combination, the difference will be recognised immediately in the profit or loss.

2.3 Basis of consolidation

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

Transwaste Canterbury Limited's investments in its subsidiaries are carried at cost in the company's own "parent entity" financial statements.

2.4 Revenue recognition

Revenue comprises the fair value of the sale of goods and services, net of goods and services tax, rebates and discounts and after eliminating sales within the group. Revenue is recognised as follows:

a) *Sales of goods*

Sales of goods are recognised when a group entity has delivered products to the customer; the customer has accepted the products; and collectability of the related receivables is reasonably assured.

b) *Sales of services*

Sales of services are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction, assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Notes to the Financial Statements

For the year ended 30 June 2011

c) *Interest income*

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument. Interest income on impaired loans is recognised either as cash is collected or on a cost-recovery basis as conditions warrant.

d) *Dividend income*

Dividends are recognised when the right to receive payment has been established.

2.5 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred, other than borrowing costs directly attributable to the construction of any qualifying assets, including the initial construction of the landfill, which are capitalised as part of that asset.

2.6 Income tax

Income tax expense in relation to the profit or loss for the period comprises current tax and deferred tax.

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

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

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset and liability in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit.

Notes to the Financial Statements

For the year ended 30 June 2011

Deferred tax is recognised on taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the company can control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, using tax rates that have been enacted or substantively enacted by balance date.

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

The subvention payments made are treated as an operating expense in the profit or loss.

2.7 Leases

Finance leases

A finance lease is a lease that transfers to the lessee substantially all the risks and rewards incidental to ownership of an asset, whether or not title is eventually transferred.

At the commencement of the lease term, the company recognises finance leases as assets and liabilities in the balance sheet at the lower of the fair value of the leased item or the present value of the minimum lease payments.

The amount recognised as an asset is depreciated over its useful life. If there is no certainty as to whether the company will obtain ownership at the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

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.

2.8 Cash, cash equivalents and bank overdrafts

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

Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

Notes to the Financial Statements
For the year ended 30 June 2011

2.9 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 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 amount of the provision is recognised in the profit or loss.

2.10 Financial assets

Transwaste Canterbury Limited classifies its financial assets into the following four categories: financial assets at fair value through profit or loss; held-to-maturity investments; loans and receivables; and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

Financial assets are initially measured at fair value plus transaction costs unless they are carried at fair value through profit or loss in which case the transaction costs are recognised in the profit or loss.

Purchases and sales of financial assets are recognised on trade-date, the date on which Transwaste Canterbury Limited commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and Transwaste Canterbury Limited has transferred substantially all the risks and rewards of ownership.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. Transwaste Canterbury Limited uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

Notes to the Financial Statements
For the year ended 30 June 2011

The four categories of financial assets are:

- *Financial assets at fair value through profit or loss*

  Financial assets at fair value through profit or loss include financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets. The group's financial assets at fair value through profit or loss include derivatives that are not designated as hedges.

  After initial recognition they are measured at their fair value. Gains or losses on remeasurement are recognised in the profit or loss.

- *Loans and receivables*

  These 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.

  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 profit or loss. Loans and receivables are classified as "trade and other receivables" in the balance sheet.

- *Held to maturity investments*

  Held to maturity investments are non-derivative assets with fixed or determinable payments and fixed maturities that Transwaste Canterbury Limited has the positive intention and ability to hold to maturity. They are included in current assets, except for maturities greater than 12 months after the balance date, which are included in non-current assets.

  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 profit or loss.

  Currently, the group does not hold any financial assets in this category.

Notes to the Financial Statements
For the year ended 30 June 2011

- *Available-for-sale financial assets*

  Available-for-sale financial assets are those that are designated in this category or are not classified in any of the other categories above. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance date. This category encompasses:

  - Investments that Transwaste Canterbury Limited intends to hold long-term but which may be realised before maturity; and

  - Shareholdings that Transwaste Canterbury Limited holds for strategic purposes. Transwaste Canterbury Limited's investment in its subsidiary is not included in this category as it is held at cost (as allowed by NZ IAS 27 *Consolidated and Separate Financial Statements*) whereas this category is to be measured at fair value.

  After initial recognition these investments are measured at their fair value.

  Gains and losses are recognised in other comprehensive income, except for impairment losses, which are recognised in the profit or loss. In the event of impairment, any cumulative losses previously recognised in other comprehensive income will be reclassified from equity and recognised in the profit or loss even though the asset has not been derecognised.

  On derecognition, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to the profit or loss.

2.11 Impairment of financial assets

At each balance date the directors assess whether there is any objective evidence that a financial asset or group of financial assets is impaired. Any impairment losses are recognised in the profit or loss.

2.12 Derivative financial instruments and hedge accounting

Transwaste Canterbury Limited uses derivative financial instruments to manage exposure to interest rate risks arising from financing activities. In accordance with its treasury policy, Transwaste Canterbury Limited does not hold or issue derivative financial instruments for trading purposes.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value at each balance date.

Notes to the Financial Statements
For the year ended 30 June 2011

The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The associated gains or losses of derivatives that are not hedge accounted are recognised in profit or loss.

Transwaste Canterbury Limited designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or

- hedges of highly probable forecast transactions (cash flow hedge).

Transwaste Canterbury Limited documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. Transwaste Canterbury Limited also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The full fair value of a hedge accounted derivative is classified as non-current if the remaining maturity of the hedged item is more than 12 months and as current if the remaining maturity of the hedged item is less than 12 months.

The portion of the fair value of a non-hedge accounted interest rate derivative that is expected to be realised within 12 months of the balance date is classified as current, with the remaining portion of the derivative classified as non-current.

Fair value hedge

The gain or loss from remeasuring the hedging instrument at fair value, along with the changes in the fair value on the hedged item attributable to the hedged risk, is recognised in the profit or loss. Transwaste Canterbury Limited only applies fair value hedge accounting for hedging fixed interest risk on borrowings. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognised as a profit or loss within “finance costs”. The gain or loss relating to the ineffective portion is recognised in the profit or loss as part of “gains” or “other expenses”. Changes in the fair value of the hedged fixed rate borrowings attributable to interest rate risk are recognised in the profit or loss within “finance costs”.

If the hedge relationship no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity.

Notes to the Financial Statements
For the year ended 30 June 2011

Cash flow hedge

The portion of the gain or loss on a hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income and the ineffective portion of the gain or loss on the hedging instrument is recognised in profit or loss as part of finance costs.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains or losses that were recognised in other comprehensive income are reclassified into profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss.

However, if Transwaste Canterbury Limited expects that all or a portion of a loss recognised in other comprehensive income will not be recovered in one or more future periods, the amount that is not expected to be recovered is reclassified to the profit or loss.

When a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, or a forecast transaction for a non-financial asset or non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, the associated gains and losses that were recognised in other comprehensive income will be included in the initial cost or carrying amount of the asset or liability.

If a hedging instrument expires or is sold, terminated, exercised or revoked, or it no longer meets the criteria for hedge accounting, the cumulative gain or loss on the hedging instrument that has been recognised in other comprehensive income from the period when the hedge was effective will remain separately recognised in equity until the forecast transaction occurs. When the forecast transaction is no longer expected to occur, any related cumulative gain or loss on the hedging instrument that has been recognised in other comprehensive income from the period when the hedge was effective is reclassified from equity to the profit or loss.

Notes to the Financial Statements
For the year ended 30 June 2011

2.13 Non-current assets held for sale

Non-current assets held for sale are classified as held for sale if their carrying amount will be recovered principally through a sale transaction, not through continuing use. Non-current assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Any impairment losses for write-downs of non-current assets held for sale are recognised in the profit or loss.

Any increases in fair value (less costs to sell) are recognised up to the level of any impairment losses that have been previously recognised.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

2.14 Property, plant and equipment

Property, plant and equipment is shown at cost, less accumulated depreciation and impairment losses.

Additions

The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable the future economic benefits or service potential associated with the item will flow to Transwaste Canterbury Limited and the cost of the item can be measured reliably.

In most instances, an item of property, plant and equipment is recognised at its cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value as at the date of acquisition.

Notes to the Financial Statements
For the year ended 30 June 2011

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 profit or loss.

Subsequent costs

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to Transwaste Canterbury Limited and the cost of the item can be measured reliably.

Borrowing costs incurred for the construction of any qualifying assets, including the initial construction of the landfill, are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

2.15 Depreciation

Depreciation is provided on a straight-line basis on all property, plant and equipment other than land, landfill development costs and future landfill site restoration and aftercare costs, 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:

	Life
Landfill development	Length of resource consent
Deferred site restoration and aftercare costs	Pattern of benefits from the landfill
Buildings and site improvements	15 – 25 years
Plant and machinery	5 – 15 years
Motor vehicles and related equipment	3 – 15 years
Office equipment, furniture and fittings	3 – 5 years

Notes to the Financial Statements
For the year ended 30 June 2011

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

The depreciation of the total landfill development costs is based upon the total anticipated waste volume of the landfill. The depreciation amount is calculated based on the waste volumes consumed for the financial year as compared to the anticipated waste volume over the life of the landfill.

Future landfill site restoration and aftercare costs capitalised in the balance sheet are depreciated at rates that match the pattern of benefits expected to be derived from the landfill, including power generation using landfill gas.

2.16 Forestry assets

Forestry assets are independently revalued annually at fair value less estimated point of sale costs. Fair value is determined based on the present value of expected net cash flows discounted at a current market determined pre-tax rate. A revaluation was completed as at 30 June 2011 by Mr Allan Laurie of Laurie Forestry Limited. The current period adjustment has been included in the profit or loss.

Gains or losses arising on initial recognition of biological assets at fair value less estimated point of sale costs and from a change in fair value less estimated point of sale costs are recognised in the profit or loss.

The costs to maintain the forestry assets are included in the profit or loss.

2.17 Impairment of non-financial assets

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

Notes to the Financial Statements

For the year ended 30 June 2011

Value in use is depreciated replacement cost for an asset where the future economic benefits or service potential of the asset are not primarily dependent on the asset's ability to generate net cash inflows and where the entity would, if deprived of the asset, replace its remaining future economic benefits or service potential.

The value in use for cash-generating assets is the present value of expected future cash flows.

If an asset's carrying amount exceeds its recoverable amount the asset is impaired and the carrying amount is written down to the recoverable amount. The impairment loss is recognised in the profit or loss. For assets other than goodwill, the reversal of an impairment loss is recognised in the profit or loss.

2.18 Employee benefits

Short-term benefits

Employee benefits that are expected 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 retiring and long service leave entitlements expected to be settled within 12 months.

A liability for sick leave is recognised when the leave is taken and measured at the rates paid or payable.

Long-term benefits

Long service leave and retirement leave

Entitlements that are payable beyond 12 months, such as long service leave and retiring leave, have been calculated on an actuarial basis. The calculations are based on:

- likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement and contractual entitlements information; and

- the present value of the estimated future cash flows. The discount rate is based on the weighted average of Government interest rates for stock with terms to maturity similar to those of the relevant liabilities. The inflation factor is based on the expected long-term increase in remuneration for employees.

Transwaste Canterbury Limited has no employees other than directors and currently has no sick, annual, long service or retirement leave obligations.

Notes to the Financial Statements

For the year ended 30 June 2011

2.19 Provisions - General

Transwaste Canterbury Limited recognises a provision for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that expenditures will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense and described in the profit or loss as a time value adjustment.

2.20 Closure and Post-Closure Costs

A provision for future landfill site restoration and aftercare costs is recognised when the activities giving rise to the need for site restoration and aftercare have commenced. The provision is stated at the present value of the future cash outflows expected to be incurred, which increases each period due to the passage of time. Any increase in the provision due to the change in present value is recognised in profit or loss as a time value adjustment in interest expense.

Future landfill site restoration and aftercare costs provided for are initially capitalised in the balance sheet. Any change in the provision for future landfill site restoration and aftercare costs arising from a change in estimate of those costs is also recognised in non current assets in the balance sheet.

2.21 Borrowings

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

2.22 Goods and Services Tax (GST)

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

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the balance sheet.

Notes to the Financial Statements

For the year ended 30 June 2011

2.23 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.24 Critical accounting estimates and assumptions

In preparing these financial statements Transwaste Canterbury Limited has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based 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:

Landfill aftercare provision

Note 18 discloses an analysis of the exposure of Transwaste Canterbury Limited in relation to the estimates and assumptions surrounding the landfill aftercare provision.

2.25 Standards, amendments and interpretations issued that are not yet effective and have not been early adopted

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

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

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Statement of Intent

For the year ending 30 June ~~2012~~2013

Approved by the Transwaste Canterbury Limited Board on ~~3 June~~____ ~~2011~~2012

Contents

1 Introduction

1.1 The Statement of Intent process provides a key opportunity for the shareholders and Directors of Transwaste Canterbury Limited (the Company) to define the Company and its subsidiaries' ~~s~~ path for the next three years. It is prepared in accordance with Section 64 of the Local Government Act 2002. A draft statement is required by Section 64 to be submitted no later than 1 March each year, to the Company's shareholders.

1.2 The Statement of Intent further defines for the Company and its subsidiaries the objectives, the nature and scope of the activities to be undertaken, and the performance targets and other measures by which the performance of the Company and its subsidiaries may be judged in relation to its objectives amongst other requirements. The process of negotiation and determination of an acceptable Statement of Intent is a public and legislative expression of the accountability relationship between the Company and its shareholders.

1.3 The Statement of Intent is prepared annually by the Board and negotiated between the shareholders and covers a three year future period.

2 Objectives

2.1 To operate as a successful, competitive commercial landfill business.

2.2 To achieve this, the Company intends to:

(a) achieve sufficient earnings to support the Company's continued operations and also to return an appropriate risk adjusted return on investment;

(b) be market responsive as regarding the demand for its services in terms of the criteria of quantity, quality and price;

(c) behave in an environmentally aware manner promoting and maintaining the standards of environmental protection applied by the Resource Management Act 1991 and to minimise the impact of its activities on the environment;

(d) act as a good employer;

(e) aim to provide customers with a high level of service, a reliable transport system and competitive prices;

(f) commit to consult with and be sensitive to the concerns of the landfill host community and Tangata Whenua;

(g) promote and maintain standards of health and safety in accordance with all applicable regulations, legislation and including best practice;

(h) act as a good corporate citizen with regard to its business dealings and relations.

3 The Board's approach to governance of the organisation

3.1 The directors are responsible to the shareholders for the achievement of the objectives of Transwaste in both the short and the longer term. Their focus is to enhance the commercial interests of shareholders and other key stakeholders and to ensure Transwaste is properly managed. The Board draws on relevant corporate governance best practice principles to assist and contribute to the performance of the Company. The functions of the Board include:

(a) Review and approval of corporate strategies, the annual budget and financial plans.

(b) Overseeing and monitoring organisational performance and the achievement of Transwaste's strategic goals and objectives, in particular as outlined in the Statement of Intent.

(c) Monitoring financial performance including approval of the annual and half-year financial reports and liaison with Transwaste's auditors.

(d) Ensuring there are effective management processes in place and approving major corporate initiatives.

(e) Enhancing and protecting the reputation of Transwaste.

(f) Ensuring the significant risks facing Transwaste and any controlled entities have been identified and appropriate and adequate control, monitoring and reporting mechanisms are in place.

(g) Reporting to shareholders.

(h) Developing appropriate policies for the operation of the company including safety, environmental and quality matters.

A description of Transwaste's main corporate governance practices is set out below.

3.2 **The Board of Directors**

The composition of the Board of Directors, including the appointment of a Chairman, is governed by the Memorandum of Understanding between the shareholders. There are no executive directors.

3.3 **Operations**

The Board has statutory responsibility for the affairs and activities of the company. All matters relating to the operation of the landfill and the operation of the transport system have been contracted to Transpacific Industries Group (NZ) Limited through its Canterbury Waste Services ~~Limited~~ (CWS) division in accordance with the Memorandum of Understanding and shareholder agreement. CWS reports monthly to the Board on matters including:

(a) Operations management

(b) Financial results and budgets

(c) Compliance with legislation including health and safety regulations and resource consent conditions

The Board receives regular (generally monthly) reporting in respect of each of the above.

3.4 **Committees**

The Board establishes committees as appropriate to assist in the execution of its duties and to allow detailed consideration of complex issues. There is currently one committee, being an audit committee comprised of three Directors.

The Board has identified key business risks and developed policies and action plans to manage the risk. The audit committee will monitor progress against an established timetable. In addition, the committee will set the scope and standards with respect to internal controls, accounting policies and the nature, scope, objectives and functions of the external and internal audit. The committee meets as and when required.

All matters determined by committee are submitted to the full Board as recommendations for Board decision.

3.5 **Subsidiaries**

The Company has one fully owned subsidiary, Tiromoana Station Limited. All of the land, including the landfill site, is owned by Tiromoana Station Limited. A delegated Board member maintains a supervisory role on behalf of the Board and reports monthly to the Board on operational and strategic matters.

3.6 **Commitment**

The Board meets for eleven Board meetings each year and other special meetings are convened, as required.

3.7 **Independent Professional Advice**

Directors and Board committees have the right, in connection with their duties and responsibilities, to seek independent professional advice at Transwaste's expense, subject to Board approval.

4 Nature & Scope of Activities

4.1 The Company will undertake the following activities:

Landfill and Transport

(a) The primary activity of the company is to own and operate a non-hazardous municipal waste regional landfill at Kate Valley in Canterbury, including the haulage of solid wastes from transfer stations throughout the Canterbury region, to meet or exceed world best practice standards and the standard determined by the regulatory authorities;

(b) Contract with Transpacific Industries Group (NZ) Limited through its Canterbury Waste Services ~~Limited~~ (~~"~~CWS~~"~~) division for the provision of services for the operation of the landfill and the haulage of waste from the transfer stations to the landfill, to ensure provision of high quality landfill operations and solid waste haulage operations economically and efficiently and in compliance with relevant consents; and

(c) Offer residual waste management facilities and solutions at all levels in the Canterbury Region, and beyond, including investment in alternatives to landfilling should those alternatives be more environmentally sustainable and cost effective methods of disposal of residual waste (in due course).

4.2 **Land Management Activities**

(a) **Land Resources**

The company, through its ownership of Tiromoana Station Limited, holds land in addition to that required under the current resource consent conditions for the landfill. The management of the land will continue to be conducted in accordance with the company's real estate plan, which seeks to optimise both the utilisation of the land resources for the benefit of landfill operations and the value of the property over time

(b) **Forestry**

The company will conduct forestry operations in terms of its long term forestry plan, which is an integral part of the landfill activities.

(c) **Tiromoana Bush**

The company will continue to develop the Tiromoana Bush native forest re-establishment and public recreation concept, including ongoing development and maintenance of walkways and will maintain ongoing liaison with the Tiromoana Bush Advisory group.

4.3 **Earthquake Waste Management and Landfill (new activity)**

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The company is in the final stages of purchasing 100% of Burwood Resource Recovery Park Limited (BRRP), a company set up to deliver the best possible outcomes from the Christchurch demolition and rebuilding programmes by maximising the recovery and re-use of valuable and necessary building materials, reducing the volume of residual waste to landfill, and minimising costs through economies of scale.

BRRP will:

(a) Own and operate a Christchurch Earthquake demolition waste material management and recycling facility and operate a landfill for disposal of residual demolition waste, through the company's subsidiary, Burwood Resource Recovery Park Limited (BRRP); and

(b) Contract with Transpacific Industries Group (NZ) Limited, through its Canterbury Material Recovery Facilities (CMRF) division for the provision of services for the operation of the BRRP earthquake waste management facility and landfill to ensure provision of high quality operations economically and efficiently and in compliance with relevant consents.

Objectives and performance targets for BRRP will be adopted upon settlement of the purchase.

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5 Objectives and performance targets

Objective in support of Mission Statement	Desired outcomes	Performance measure	Performance target
Shareholder interests			
5.1 To operate a successful business, providing a fair rate of return to its shareholders	To effectively operate the consented regional landfill at Kate Valley to achieve specific commercial performance targets.	As outlined in section 5.7 (for the 2012~~1~~/13~~2~~ year) - Total Landfill Revenue (inclusive of waste levy) - Landfill EBIT - Average Return on Invested Capital	 $~~27,972,000~~32,792,000 $~~9,648,000~~11,169,000 ~~9~~10%
Healthy environment			
5.2 To ensure that the Company and its associates meet or exceed present and future environmental standards in a manner which is consistent with the preservation of the natural environment and the careful and sustainable management of natural resources.	No proven breaches of Resource Management Act consents.	Number of proven consent breaches.	Nil.
	Maintenance of an appropriate risk funding mechanism to cover environmental risk.	Value of Performance Guarantee posted at required level for landfill stage (Year 7).	$~~11~~12,000,000
	Implement the Environmental Policy.	Number of enforcement actions by consent authorities.	Nil.
	Continue to implement the native forest restoration project in accordance with the Tiromoana Bush Management Plan.	Native plantings.	4,000 plantings.
Corporate citizenship			
5.3 To be a responsible Corporate Citizen by acting lawfully, fairly and honestly and to be sensitive to local issues.	To ensure compliance with any contractual arrangements.	Number of contractual non-compliances.	Nil.
	To ensure compliance with all relevant legislative and regulatory requirements.	Number of legislative and regulatory non-compliances.	Nil.
	Annual Review to report to its stakeholders and the community within which it operates, reporting on social, environmental and	Annual Review published.	By October ~~2011~~ 2012 for ~~2010~~2011/~~11~~ 12 year.

Objective in support of Mission Statement		Desired outcomes	Performance measure	Performance target
		financial performance.		
Service Quality				
5.4	Meet the present and future needs of the people of Canterbury with high standards of value, quality and service and establish effective relations with customers.	Timely, high quality and reliable waste transport services.	Proportion of time that empty containers are available for transfer stations.	More than 99.5% of waste transport fleet hours worked.
		Reliability of access to the landfill.	Proportion of normal transport access hours that landfill is available to waste transporters.	More than 99% of normal annual transport access hours.
Good employer				
5.5	Be a Good Employer.	Adopting objectives and policies that detail the relationship with employees, their remuneration, safety and other issues such as equal opportunity in employment.	CWS landfill and transport staff annual FTE turnover.	Less than 10% annually.
		Ensuring that its employees have secure and rewarding employment which provides the means for personal development.	CWS landfill and transport staff annual hours on external training.	10 hours per FTE annually.
	To ensure that CWS adheres to the performance targets set out under this clause.	Clearly defining the performance standards expected of all employees and by appropriate action mechanisms ensuring that these standards are met.	Operational performance as reported in Landfill Annual Report and Peer Review Panel Annual Report.	Board satisfaction.
	Strive for zero injury accidents in all operations the Company and its main contractor, CWS, will be responsible for, whilst maintaining a high level of service and production.	Ensuring that in all activities the Company and its contractors have Health and Safety Management Plans in place.	Number of CWS Lost Time Injuries per 100,000 hours worked.	Nil.

Objective in support of Mission Statement	Desired outcomes	Performance measure	Performance target
Consultation and community relations			
5.6 Establish and maintain good relations with the local host community of the landfill and consult with that group and other interest groups (including Tangata Whenua) on issues that are likely to affect them.	Finance the trust fund (from the Disposal Charge) for the purpose of benefiting the local community immediately affected by the landfill operation.	Annual payment to Kate Valley Landfill Community Trust.	To be determined on an annual basis.
	Consult with the host community concerning landfill operations by way of direct communication and via the Community Liaison Group.	Number of complaints regarding landfill operations. Number of complaints regarding waste transport operations.	Nil. No more than 1 per 2000 trips.
	Consult with interest groups including Tangata Whenua on a regular basis and discuss all issues likely to affect them.	Number of Community Liaison group meetings held.	At least 2 per year.

5.7 **Financial performance targets**

The financial performance targets for the landfill operations of the company are set out below.

	2012/2013 $'000~~2011/2012~~ ~~$'000~~	2013/2014 $'000~~2012/2013~~ ~~$'000~~	~~2013~~2014/~~2014~~2015 $'000
Total revenue inclusive of waste levy~~Total revenue inclusive of waste levy~~	32,792~~27,972~~	~~33,841~~35,418	~~38,077~~36,009
EBIT~~EBIT~~	11,169~~9,648~~	~~13,298~~11,964	~~14,377~~12,135
Average Return on invested Capital since commencement of company~~Average Return on invested Capital since commencement of company~~	10%~~9%~~	10%	10%

6 Capital structure

6.1 Ratio

The company will endeavour to operate with a ratio of consolidated shareholders' funds to total assets as set out below.

		~~2011~~2012/~~2012~~2013	~~2012~~2013/~~2013~~2014	~~2013~~2014/~~2014~~2015
	Shareholders funds to total assets	38%	~~40~~39%	~~42~~40%

6.2 Definition

Consolidated shareholders' funds are defined as the sum of the amount of paid up share capital, retained earnings, accumulated losses, revenue and capital reserves. The Total Assets are defined as the sum of the net book values of current assets, investments, fixed assets and intangible assets. The items making up the definitions are as disclosed in the company's statement of financial position prepared on a consolidated basis and in accordance with generally accepted accounting practice.

6.3 No calls on capital from shareholders are anticipated during the next three year period.

7 Accounting policies

7.1 Transwaste Canterbury Limited has adopted accounting policies that are consistent with New Zealand International Financial Reporting Standards and generally accepted accounting practice. The policies set out in the ~~2010~~ 2011 Annual Report are attached (Appendix I) to this Statement of Intent.

8 Dividend policy

8.1 Profit retention and the level of dividend to be paid will be recommended from year to year by the Directors in accordance with the results, circumstances prevailing and the requirement to meet the solvency test under the provisions of the Companies Act 1993. The dividend policy objective is to ensure that the amount of the dividend does not limit the Company's ability to fund future expenditure requirements by itself or with its associates for maintaining and expanding operations in the environmental services business and servicing the Company's resultant debt structure.

8.2 Subject to clause 8.1, it is expected that 100% of the Company's net profits, after retention of working capital and/or retention of funds for any other operational needs of the landfill and after tax, in each year will be distributed out of retained earnings unless the Board considers that an investment opportunity in relation to the landfill and transport operations and alternatives to landfilling will provide an appropriate risk adjusted return on investment.

8.3 An interim dividend may be paid after the half yearly accounts have been considered by the Directors.

8.4 Indicative dividends to shareholders are as follows.

		~~2011~~2012/~~2012~~2013 $'000	~~2012~~2013/~~2013~~2014 $'000	~~2013~~2014/~~2014~~2015 $'000
	Total indicative dividends	**~~5,800~~6,000**	**6,700**	**~~8,400~~7,100**

9 Information to be provided to the shareholders

9.1 Statutory information requirements

Annual Statement of Intent

No later than 1 March of each year the Board will provide a draft Statement of Intent in accordance with Section 64 of the Local Government Act. The Directors will consider comments from the shareholders on the draft SoI made within two months and not later than 30 June of each year shall deliver the final SoI to the shareholders.

Half Yearly Accounts

Within two months after the end of the first half of each financial year the Board will deliver an unaudited half-yearly report to the shareholders. The consolidated financial statements will be the same as required under Section 69 for annual financial statements. This will consist of:

(a) report on the operations of the Company during the financial period;

(b) financial statements prepared in accordance with generally accepted accounting practice;

(c) comparison of the performance of the organisation and its subsidiaries with the statement of intent, together with an explanation of any material variations; and

(d) a dividend recommendation for the period to which the report relates.

Annual Accounts

Within three months after the end of each financial year, the Board will deliver an annual report to the shareholders. The content of the report will be pursuant to Sections 67 to 69 and will consist of:

(a) report on the operations of the Company during the financial period;

(b) financial statements prepared in accordance with generally accepted accounting practice;

(c) comparison of the performance of the organisation and its subsidiaries with the statement of intent together with an explanation of any material variations;

(d) a dividend recommendation for the period to which the report relates; and

(e) Auditors' Report on the above financial statements and the performance targets and other measures by which the performance of the Company has been judged in relation to objectives.

Annual Review

The Board will produce an Annual Review for all stakeholders, including the general public. The Annual Review will be in a format suitable for easy reading and widespread dissemination, and consist of:

(a) A Chairman's review, and information on governance and management.

(b) A section on economic performance for the preceding financial year.

(c) A section on Social Performance for the preceding financial year.

(d) A section on environmental performance for the preceding financial year.

9.2 **Other information**

The Company will disclose as much information on its operations as is practical and consistent with commercial and confidentiality considerations. The Company will endeavour to operate on a "no surprises" basis with regard to all issues of relevance to shareholders.

10 Acquisition of shares in any company or other organisation

10.1 All share investment proposals will be considered by the Directors and any decision to invest in or divest in shares in another Company or other organisation will be made by the Directors, in accordance with the Constitution, after discussion with or approval by the shareholders as appropriate.

11 Non-commercial services

11.1 At the request of one or more of the shareholders, the Company may undertake activities which are not consistent with normal commercial objectives. A specific subsidy where necessary will be sought to meet the full commercial cost of providing such activities.

11.2 No requests for the provision of non-commercial services have been received from the shareholders.

12 Estimate of the commercial value of the company

12.1 The directors estimate that the commercial value of the shareholders' investment in the group is at least which is stated as "shareholder equity" in the latest available audited financial statements. This value is reassessed annually as part of the preparation of the audited financial statements.

Appendix I

Transwaste Canterbury Limited
Notes to the Financial Statements
For the year ended 30 June ~~2010~~2011

The following accounting policies were disclosed in the ~~2010~~ 2011~~A~~Annual Report of Transwaste Canterbury Limited.

1. General Information

Reporting Entity

Transwaste Canterbury Limited is a company registered under the Companies Act 1993 and is a Council Controlled Trading Organisation as defined in Section 6 of the Local Government Act 2002.

The company represents a joint venture between Transpacific Industries Group (NZ) Limited (previously Canterbury Waste Services Limited, which amalgamated into Transpacific Industries Group (NZ) Limited on 30 June 2011) and five local authorities in Canterbury.

The Group consists of Transwaste Canterbury Limited and its wholly owned subsidiary, Tiromoana Station Limited. Both companies are incorporated and domiciled in New Zealand. The primary objective of the parent company is to own, operate and continue development of a non-hazardous landfill for the Canterbury region. The company owns the landfill and surrounding land via its subsidiary, Tiromoana Station Limited.

The financial statements of Transwaste Canterbury Limited are for the year ended 30 June 2011. The financial statements were authorised for issue by the Board on 29 September 2011.

2. Summary of Significant Accounting Policies

2.1 Basis of preparation

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP) for entities adopting the New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), and its interpretations as appropriate to profit-oriented entities.

The company is a profit-oriented entity. The company is a reporting entity for the purposes of the Financial Reporting Act 1993 and its financial statements comply with that Act and the Local Government Act 2002.

The financial statements have been prepared on the historical cost basis, modified by the revaluation of investment property and financial instruments (including derivative instruments).

The financial statements are presented in New Zealand dollars (NZD) and all values are rounded to the nearest thousand dollars ($'000). The functional currency of Transwaste Canterbury Limited is New Zealand dollars.

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Notes to the Financial Statements
For the year ended 30 June 2011

Changes in accounting policies

There have been no changes in accounting policies during the financial year.

The company and group has adopted the following revisions to accounting standards during the financial year which have had only a presentational or disclosure effect:

- NZ IAS 24 *Related Party Disclosures (Revised 2009)* replaces NZ IAS 24 *Related Party Disclosures (Issued 2004).* The revised standard simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition. The company and group has elected to early adopt the revised standard and its effect has been to disclose further information about commitments between related parties.

2.2 Subsidiaries

Transwaste Canterbury Limited consolidates, as subsidiaries in the Group financial statements, all entities where Transwaste Canterbury Limited has the capacity to control their financing and operating policies so as to obtain benefits from the activities of the entity. This power exists where Transwaste Canterbury Limited controls the majority voting power on the governing body or where such policies have been irreversibly predetermined by Transwaste Canterbury Limited or where the determination of such policies is unable to materially impact the level of potential ownership benefits that arise from the activities of the subsidiary.

Notes to the Financial Statements

For the year ended 30 June 2011

The cost of a business combination is measured as the aggregate of:

- the consideration transferred, which is generally measured at acquisition date fair value;
- the amount of any non-controlling interest measured at either fair value or the non-controlling interest in the fair value of the net identifiable assets of the acquiree; and
- the acquisition date fair value of the previously held equity interest in the acquiree, if any.

Any excess of the cost of the business combination over Transwaste Canterbury Limited's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is recognised as goodwill. If Transwaste Canterbury Limited's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised exceeds the cost of the business combination, the difference will be recognised immediately in the profit or loss.

2.3 Basis of consolidation

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

Transwaste Canterbury Limited's investments in its subsidiaries are carried at cost in the company's own "parent entity" financial statements.

2.4 Revenue recognition

Revenue comprises the fair value of the sale of goods and services, net of goods and services tax, rebates and discounts and after eliminating sales within the group. Revenue is recognised as follows:

a) *Sales of goods*

Sales of goods are recognised when a group entity has delivered products to the customer; the customer has accepted the products; and collectability of the related receivables is reasonably assured.

b) *Sales of services*

Sales of services are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction, assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Notes to the Financial Statements

For the year ended 30 June 2011

c) *Interest income*

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument. Interest income on impaired loans is recognised either as cash is collected or on a cost-recovery basis as conditions warrant.

d) *Dividend income*

Dividends are recognised when the right to receive payment has been established.

2.5 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred, other than borrowing costs directly attributable to the construction of any qualifying assets, including the initial construction of the landfill, which are capitalised as part of that asset.

2.6 Income tax

Income tax expense in relation to the profit or loss for the period comprises current tax and deferred tax.

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

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

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset and liability in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit.

Notes to the Financial Statements

For the year ended 30 June 2011

Deferred tax is recognised on taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the company can control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, using tax rates that have been enacted or substantively enacted by balance date.

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

The subvention payments made are treated as an operating expense in the profit or loss.

2.7 Leases

Finance leases

A finance lease is a lease that transfers to the lessee substantially all the risks and rewards incidental to ownership of an asset, whether or not title is eventually transferred.

At the commencement of the lease term, the company recognises finance leases as assets and liabilities in the balance sheet at the lower of the fair value of the leased item or the present value of the minimum lease payments.

The amount recognised as an asset is depreciated over its useful life. If there is no certainty as to whether the company will obtain ownership at the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

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.

2.8 Cash, cash equivalents and bank overdrafts

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

Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

Notes to the Financial Statements

For the year ended 30 June 2011

2.9 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 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 amount of the provision is recognised in the profit or loss.

2.10 Financial assets

Transwaste Canterbury Limited classifies its financial assets into the following four categories: financial assets at fair value through profit or loss; held-to-maturity investments; loans and receivables; and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

Financial assets are initially measured at fair value plus transaction costs unless they are carried at fair value through profit or loss in which case the transaction costs are recognised in the profit or loss.

Purchases and sales of financial assets are recognised on trade-date, the date on which Transwaste Canterbury Limited commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and Transwaste Canterbury Limited has transferred substantially all the risks and rewards of ownership.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. Transwaste Canterbury Limited uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

Notes to the Financial Statements
For the year ended 30 June 2011

The four categories of financial assets are:

- *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss include financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets. The group's financial assets at fair value through profit or loss include derivatives that are not designated as hedges.

After initial recognition they are measured at their fair value. Gains or losses on remeasurement are recognised in the profit or loss.

- *Loans and receivables*

These 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.

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 profit or loss. Loans and receivables are classified as "trade and other receivables" in the balance sheet.

- *Held to maturity investments*

Held to maturity investments are non-derivative assets with fixed or determinable payments and fixed maturities that Transwaste Canterbury Limited has the positive intention and ability to hold to maturity. They are included in current assets, except for maturities greater than 12 months after the balance date, which are included in non-current assets.

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 profit or loss.

Currently, the group does not hold any financial assets in this category.

Notes to the Financial Statements
For the year ended 30 June 2011

- *Available-for-sale financial assets*

Available-for-sale financial assets are those that are designated in this category or are not classified in any of the other categories above. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance date. This category encompasses:

- Investments that Transwaste Canterbury Limited intends to hold long-term but which may be realised before maturity; and
- Shareholdings that Transwaste Canterbury Limited holds for strategic purposes. Transwaste Canterbury Limited's investment in its subsidiary is not included in this category as it is held at cost (as allowed by NZ IAS 27 *Consolidated and Separate Financial Statements*) whereas this category is to be measured at fair value.

After initial recognition these investments are measured at their fair value.

Gains and losses are recognised in other comprehensive income, except for impairment losses, which are recognised in the profit or loss. In the event of impairment, any cumulative losses previously recognised in other comprehensive income will be reclassified from equity and recognised in the profit or loss even though the asset has not been derecognised.

On derecognition, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to the profit or loss.

2.11 Impairment of financial assets

At each balance date the directors assess whether there is any objective evidence that a financial asset or group of financial assets is impaired. Any impairment losses are recognised in the profit or loss.

2.12 Derivative financial instruments and hedge accounting

Transwaste Canterbury Limited uses derivative financial instruments to manage exposure to interest rate risks arising from financing activities. In accordance with its treasury policy, Transwaste Canterbury Limited does not hold or issue derivative financial instruments for trading purposes.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value at each balance date.

Notes to the Financial Statements
For the year ended 30 June 2011

The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The associated gains or losses of derivatives that are not hedge accounted are recognised in profit or loss.

Transwaste Canterbury Limited designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or
- hedges of highly probable forecast transactions (cash flow hedge).

Transwaste Canterbury Limited documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. Transwaste Canterbury Limited also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The full fair value of a hedge accounted derivative is classified as non-current if the remaining maturity of the hedged item is more than 12 months and as current if the remaining maturity of the hedged item is less than 12 months.

The portion of the fair value of a non-hedge accounted interest rate derivative that is expected to be realised within 12 months of the balance date is classified as current, with the remaining portion of the derivative classified as non-current.

Fair value hedge

The gain or loss from remeasuring the hedging instrument at fair value, along with the changes in the fair value on the hedged item attributable to the hedged risk, is recognised in the profit or loss. Transwaste Canterbury Limited only applies fair value hedge accounting for hedging fixed interest risk on borrowings. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognised as a profit or loss within “finance costs”. The gain or loss relating to the ineffective portion is recognised in the profit or loss as part of “gains” or “other expenses”. Changes in the fair value of the hedged fixed rate borrowings attributable to interest rate risk are recognised in the profit or loss within “finance costs”.

If the hedge relationship no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity.

Notes to the Financial Statements

For the year ended 30 June 2011

Cash flow hedge

The portion of the gain or loss on a hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income and the ineffective portion of the gain or loss on the hedging instrument is recognised in profit or loss as part of finance costs.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains or losses that were recognised in other comprehensive income are reclassified into profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss.

However, if Transwaste Canterbury Limited expects that all or a portion of a loss recognised in other comprehensive income will not be recovered in one or more future periods, the amount that is not expected to be recovered is reclassified to the profit or loss.

When a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, or a forecast transaction for a non-financial asset or non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, the associated gains and losses that were recognised in other comprehensive income will be included in the initial cost or carrying amount of the asset or liability.

If a hedging instrument expires or is sold, terminated, exercised or revoked, or it no longer meets the criteria for hedge accounting, the cumulative gain or loss on the hedging instrument that has been recognised in other comprehensive income from the period when the hedge was effective will remain separately recognised in equity until the forecast transaction occurs. When the forecast transaction is no longer expected to occur, any related cumulative gain or loss on the hedging instrument that has been recognised in other comprehensive income from the period when the hedge was effective is reclassified from equity to the profit or loss.

Notes to the Financial Statements

For the year ended 30 June 2011

2.13 Non-current assets held for sale

Non-current assets held for sale are classified as held for sale if their carrying amount will be recovered principally through a sale transaction, not through continuing use. Non-current assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Any impairment losses for write-downs of non-current assets held for sale are recognised in the profit or loss.

Any increases in fair value (less costs to sell) are recognised up to the level of any impairment losses that have been previously recognised.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

2.14 Property, plant and equipment

Property, plant and equipment is shown at cost, less accumulated depreciation and impairment losses.

Additions

The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable the future economic benefits or service potential associated with the item will flow to Transwaste Canterbury Limited and the cost of the item can be measured reliably.

In most instances, an item of property, plant and equipment is recognised at its cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value as at the date of acquisition.

Notes to the Financial Statements

For the year ended 30 June 2011

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 profit or loss.

Subsequent costs

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to Transwaste Canterbury Limited and the cost of the item can be measured reliably.

Borrowing costs incurred for the construction of any qualifying assets, including the initial construction of the landfill, are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

2.15 Depreciation

Depreciation is provided on a straight-line basis on all property, plant and equipment other than land, landfill development costs and future landfill site restoration and aftercare costs, 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:

	Life
Landfill development	Length of resource consent
Deferred site restoration and aftercare costs	Pattern of benefits from the landfill
Buildings and site improvements	15 – 25 years
Plant and machinery	5 – 15 years
Motor vehicles and related equipment	3 – 15 years
Office equipment, furniture and fittings	3 – 5 years

Notes to the Financial Statements

For the year ended 30 June 2011

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

The depreciation of the total landfill development costs is based upon the total anticipated waste volume of the landfill. The depreciation amount is calculated based on the waste volumes consumed for the financial year as compared to the anticipated waste volume over the life of the landfill.

Future landfill site restoration and aftercare costs capitalised in the balance sheet are depreciated at rates that match the pattern of benefits expected to be derived from the landfill, including power generation using landfill gas.

2.16 Forestry assets

Forestry assets are independently revalued annually at fair value less estimated point of sale costs. Fair value is determined based on the present value of expected net cash flows discounted at a current market determined pre-tax rate. A revaluation was completed as at 30 June 2011 by Mr Allan Laurie of Laurie Forestry Limited. The current period adjustment has been included in the profit or loss.

Gains or losses arising on initial recognition of biological assets at fair value less estimated point of sale costs and from a change in fair value less estimated point of sale costs are recognised in the profit or loss.

The costs to maintain the forestry assets are included in the profit or loss.

2.17 Impairment of non-financial assets

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

Notes to the Financial Statements

For the year ended 30 June 2011

Value in use is depreciated replacement cost for an asset where the future economic benefits or service potential of the asset are not primarily dependent on the asset's ability to generate net cash inflows and where the entity would, if deprived of the asset, replace its remaining future economic benefits or service potential.

The value in use for cash-generating assets is the present value of expected future cash flows.

If an asset's carrying amount exceeds its recoverable amount the asset is impaired and the carrying amount is written down to the recoverable amount. The impairment loss is recognised in the profit or loss. For assets other than goodwill, the reversal of an impairment loss is recognised in the profit or loss.

2.18 Employee benefits

Short-term benefits

Employee benefits that are expected 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 retiring and long service leave entitlements expected to be settled within 12 months.

A liability for sick leave is recognised when the leave is taken and measured at the rates paid or payable.

Long-term benefits

Long service leave and retirement leave

Entitlements that are payable beyond 12 months, such as long service leave and retiring leave, have been calculated on an actuarial basis. The calculations are based on:

- likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement and contractual entitlements information; and

- the present value of the estimated future cash flows. The discount rate is based on the weighted average of Government interest rates for stock with terms to maturity similar to those of the relevant liabilities. The inflation factor is based on the expected long-term increase in remuneration for employees.

Transwaste Canterbury Limited has no employees other than directors and currently has no sick, annual, long service or retirement leave obligations.

Notes to the Financial Statements

For the year ended 30 June 2011

2.19 Provisions - General

Transwaste Canterbury Limited recognises a provision for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that expenditures will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense and described in the profit or loss as a time value adjustment.

2.20 Closure and Post-Closure Costs

A provision for future landfill site restoration and aftercare costs is recognised when the activities giving rise to the need for site restoration and aftercare have commenced. The provision is stated at the present value of the future cash outflows expected to be incurred, which increases each period due to the passage of time. Any increase in the provision due to the change in present value is recognised in profit or loss as a time value adjustment in interest expense.

Future landfill site restoration and aftercare costs provided for are initially capitalised in the balance sheet. Any change in the provision for future landfill site restoration and aftercare costs arising from a change in estimate of those costs is also recognised in non current assets in the balance sheet.

2.21 Borrowings

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

2.22 Goods and Services Tax (GST)

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

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the balance sheet.

Notes to the Financial Statements
For the year ended 30 June 2011

2.23 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.24 Critical accounting estimates and assumptions

In preparing these financial statements Transwaste Canterbury Limited has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based 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:

Landfill aftercare provision

Note 18 discloses an analysis of the exposure of Transwaste Canterbury Limited in relation to the estimates and assumptions surrounding the landfill aftercare provision.

2.25 Standards, amendments and interpretations issued that are not yet effective and have not been early adopted

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

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

~~*Reporting Entity*~~

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6. TRANSWASTE CANTERBURY LTD – INTERIM REPORT TO 31 DECEMBER 2011

General Manager responsible:	General Manager, City Environment, DDI 941-8608
Officer responsible:	Senior Resource Planner, Asset and Network Planning
Author:	Warren Murphy

INTRODUCTION

1. This report reviews and comments on the half year accounts to 31 December 2011.

Operations

2. The Statement of Objectives and Performance contained in the interim report has 19 performance measures to be achieved within the financial year. Sixteen of these have been achieved or are in progress; however three targets have not been met as shown in the table below.

Table 1 – Non Financial Targets Not Met

Outcome Objective Area	Performance Measure and Target	Progress Toward Achievement
Be a Good Employer	Less than 10% annually of CWS landfill and transport staff annual turnover Be a Good Employer	Turnover of permanent employees was 3 at landfill and 3 in transport resulting in 15.7% turnover
Consultation and Community Relations	Nil complaints regarding landfill operations	One complaint received regarding odour (the same period last financial year there were two complaints)
Consultation and Community Relations	No more than one complaint per 2,000 trips regarding waste transport operations	Five complaints in 5,467 trips in period (the same period last financial year there were four complaints in 5,882 trips)

FINANCIAL PERFORMANCE, FINANCIAL POSITION AND CASH-FLOWS

3. Table 2 shows the key financial performance indicators and comparisons for the six month period ending 31 December 2011.

Table 2 – Financial Performance

FINANCIAL PERFORMANCE	% Change	6 months 31-Dec-11 $m	6 months 31-Dec-10 $m	Last Year Actual $m
Operating Revenue	-1%	15.2	15.4	32.1
Total Revenue	-1%	15.2	15.4	32.0
Total Expenses	-3%	9.8	10.1	19.9
NPAT (net profit after tax)	-10%	2.7	3.0	6.9
NPAT/Total Revenue %	-9%	17.8%	19.5%	21.6%
EBIT/Total Assets %	-1%	8.8%	9.0%	20.1%

4. Revenue and expenditure are at similar levels to the last year's half year result (which was an increase of 21 percent over the same period in 2009), and reflects the sustaining of high levels of tonnage to landfill as with earthquake impacts being a factor.

5. Net Profit After Tax is down $0.3 million over last year and is due to Land Fill Operating expenses increasing by $0.15 million, and significantly there being unrealised losses of $0.57 million of cash flow hedges net of tax. These cost increases are partially offset by reductions in Other Operating Expenses and Finance Costs.

6 Cont'd

6. EBIT (Earnings before Interest or Finance Costs and Tax) as a percentage of Total Assets has been calculated from the six month's statements and show a healthy 8.8 percent return for the six month period and that the last financial year was 20.1 percent return on this basis. This calculation of EBIT return is unable to be compared with the performance target and forecast full year return of 9 percent, the latter being the return on investment since inception of the business and in simple terms this is the cumulative NPAT expressed as a return on the cumulative investment. However, calculating EBIT as a percentage of Total Assets is valid with Total Assets being a proxy for Funds Employed. It shows or confirms that the business is making healthy returns.

7. Table 3 shows the key financial position indicators and comparisons as at 31 December 2011.

Table 3 – Financial Position

FINANCIAL POSITION	**% Change**	**31-Dec-11 $m**	**31-Dec-10 $m**	**Last Year 30-Jun-11 $m**
Current Assets	49%	10.1	6.8	8.5
Non-current Assets	-3%	51.0	52.7	51.8
Current Liabilities	22%	(3.3)	(2.7)	(3.1)
Non-current Liabilities	5%	(35.7)	(34.0)	(34.8)
Shareholders' Equity	-3%	(22.1)	(22.9)	(22.4)
Working Capital Ratio (CA/CL)	22%	3.1	2.5	2.7
Equity Ratio % (Equity/Total Assets)	-6%	36.2%	38.5%	37.1%

8. Overall the net asset position or shareholders equity has declined slightly since last balance date by $0.3 million being the Net Profit for the period ($3.3 million) less dividends paid in September 2011 ($3.0 million) and the loss on cash flow hedges $0.6 million).

9. The $51.0 million of non-current assets includes $44.3 million in respect of landfill development and $4.4 million of land. The balance of non-current assets includes forestry and a small area is currently being harvested resulting in a slight decrease in the value from the comparative period last year.

10. Non-current liabilities of $35.7 million include $21.6 million drawn down of a $30.0 million multi option credit facility with Westpac. This is a reduction of $1.0 million since the last balance date. There is also a $2.4 million landfill aftercare provision. This provision will gradually increase over the life of the landfill, helping to ensure that sufficient funds are retained within the company to complete the required remedial work once the landfill is full. The balance also includes $10.4 million deferred tax liability and $1.3 million liability for the unrealised loss on interest rate swaps. At present it is intended to carry the swaps through to maturity, in which event the unrealised loss will reverse out over time.

11. The Working Capital Ratio is a healthy 3.1 and in loose terms means there is three dollars and ten cents to pay every one dollar of current liability. The equity ratio or the percentage of what the shareholders own of the business is consistent around 3637 percent.

6 Cont'd

12. Cash-flow performance is shown in Table 4.

Table 4 – Cash-flow Performance

CASH FLOWS	% Change	6 months 31-Dec-11 $m	6 months 31-Dec-10 $m	Last Year Actual $m
Operating	81%	6.7	3.7	9.9
Investing	0%	(0.4)	(0.4)	(0.9)
Financing	28%	(4.1)	(3.2)	(8.9)
Net Cash Flows	2100%	2.2	0.1	0.1

13. Operating cash flows increased by $3.0 million mainly due to increased receipts from customers (associated with high landfill volumes) and decreased payments to suppliers and employees and a decrease in interest paid from the modest reduction in borrowing.

14. Financing cash flows in the current period represent the repayment of borrowings of $1.1 million and dividend payments of $3.0 million.

RECOMMENDATION

For information.

TRANSWASTE
CANTERBURY

Janet Anderson,
Committee Advisor, Canterbury Regional Landfill Joint Committee
Democracy Services Unit
Christchurch City Council
PO Box 73013
CHRISTCHURCH 8154

27 March 2012

Dear Janet

Transwaste Canterbury Limited - Interim Report to 31 December 2011

At the Board meeting for Transwaste Canterbury Limited held on Friday 23 March 2012 the Interim Report for the six months ended 31 December 2011 was adopted.

A copy of the report is enclosed for your reference as shareholders of Transwaste Canterbury Limited, pursuant to clause 18.3 of the Shareholders Agreement.

If you have any queries regarding the above, please do not hesitate to contact the writer on 374 3114.

Yours sincerely
Transwaste Canterbury Limited

Steven Watson
For The Secretary

Enclosure

Transwaste Canterbury Ltd PO Box 20 166 Bishopdale 8543, 28 Abros Place, Burnside, Christchurch, New Zealand
Telephone 0800 66 44 33 or 64 3 359 1800 **Fax** 64 3 359 1900 **Web** www.tiromoanabush.co.nz **Email** landfill@cws.co.nz

Transwaste Canterbury Limited

Interim Report

For the six months ended 31 December 2011

The Board of Directors is pleased to present the Interim Report of Transwaste Canterbury Limited for the six months ended 31 December 2011

ATTACHMENT 2 TO CLAUSE 6 CANTERBURY REGIONAL LANDFILL JOINT COMMITTEE 13.4.2012

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ATTACHMENT 2 TO CLAUSE 6 CANTERBURY REGIONAL LANDFILL JOINT COMMITTEE 13.4.2012

Directory

Company Number CH951024

Registered Office and Address for Service
PricewaterhouseCoopers
5 Sir Gil Simpson Drive, Burnside
Christchurch 8053

Directors
Mr W G Cox (Chairperson)
Mr G H Clemens
Mr R W Davison (appointed 19 November 2011)
Ms S A Buck
Ms J A Burgess (resigned 2 March 2012)
Mr R B McKenzie
Mr T H Nickels
Mr G S James
Mr I G Kennedy (appointed 2 March 2012)

Shareholders

	No of Shares (Ordinary)
Transpacific Industries Group (NZ) Limited (Amalgamated with Canterbury Waste Services Limited on 30 June 2011)	10,000,000
Christchurch City Council	7,780,000
Selwyn District Council	600,000
Ashburton District Council	600,000
Hurunui District Council	240,000
Waimakariri District Council	780,000
	20,000,000

Company Secretary
PricewaterhouseCoopers
5 Sir Gil Simpson Drive, Burnside
Christchurch 8053

Auditors Audit New Zealand on behalf of the Office of the Auditor-General

Solicitors
Buddle Findlay
245 St Asaph Street
Christchurch

Chapman Tripp
245 Blenheim Road
Christchurch 8140

Bankers
Westpac Banking Corporation
L2, 2 Show Place
Christchurch

Principal Activity To own, operate and continue development of a non-hazardous regional landfill in Canterbury.

ATTACHMENT 2 TO CLAUSE 6 CANTERBURY REGIONAL LANDFILL JOINT COMMITTEE 13.4.2012

Directors' Report to the Shareholders

For the six months ended 31 December 2011

Your Directors take pleasure in presenting their Interim Report including the financial statements of the group for the six months ended 31 December 2011.

Principal Activities

The company was incorporated on 31 March 1999 with the principal purposes of selecting, consenting, developing, owning and operating a non-hazardous regional landfill in Canterbury. All activities to date have been in accordance with those purposes. Landfill operations commenced in June 2005.

There has been no material change in the nature of the business of the company during the period.

On 1 July 2004, the company purchased 100% of the shares in Tiromoana Station Limited from Canterbury Waste Services Limited. Tiromoana owns the property within which the landfill site is located, and farmed it until 18 June 2008 at which point farming operations ceased.

On 29 February 2012, after the reporting date for the interim report, the company purchased 100% of the shares in Burwood Resource Recovery Park Limited (BRRP) from Transpacific Industries Group (NZ) Limited. BRRP is a company set up to operate a Christchurch Earthquake demolition waste material management and recycling facility and to operate a landfill for disposal of residual demolition waste.

State of Affairs

The results of operations during the period, financial position and state of affairs of the group are as detailed in the accompanying financial statements.

Directors' Remuneration

	6 months 2011		**6 months 2010**	
	Directors Fees	**Other Remuneration**	**Directors Fees**	**Other Remuneration**
Mr W G Cox	19,500	-	17,000	-
Mr G H Clemens	11,000	6,000	10,000	6,000
Mr R W Davison	2,567	-	-	-
Mr R J Brine	8,433	-	10,000	-
Ms S A Buck	11,000	-	10,000	-
Ms J A Burgess	11,000*	-	10,000*	-
Mr R B McKenzie	13,000*	-	11,500*	-
Mr T H Nickels	11,000*	-	10,000*	-
Mr G S James	12,500*	-	11,000*	-

* The Directors fees for these directors are paid to the companies they represent.

All directors' fees are in respect of the parent company. Board members who are appointed by the parent to represent it on the board of a subsidiary do not receive additional directors' fees. The directors of the subsidiary, Tiromoana Station Limited, are Messrs G H Clemens and G S James.

ATTACHMENT 2 TO CLAUSE 6 CANTERBURY REGIONAL LANDFILL JOINT COMMITTEE 13.4.2012

Directors' Report to the Shareholders (Continued)

For the six months ended 31 December 2011

Mr G H Clemens received remuneration totalling $6,000 for the six month period (2010: $6,000) for maintaining a prudential supervisory role with Tiromoana Station Limited, including management of the real estate owned by the group. Payment is made directly by Tiromoana Station Limited. No other remuneration or benefits have been paid to directors. The fees and remuneration have been entered in the interests register.

Directors' Interests

The company is required to maintain an interests register in which the particulars of certain transactions and matters involving the directors must be recorded. The interests register for the company is available for inspection by shareholders at the registered office.

The directors have disclosed an interest in the following entities pursuant to section 140 of the Companies Act 1993:

MR W G COX

	Position Held
Elastomer Products Limited	Director
Mainpower New Zealand Limited	Director
Coolpak Coolstores Limited and subsidiary	Director
Independent Fisheries Limited	Director
Talbot Technologies Limited	Director
Barlow Brothers NZ Limited	Director
VBase Limited and subsidiaries (resigned 29 July 2011)	Director
Development West Coast	Advisory Board Member
Christchurch Civic Building Joint Venture (resigned 29 July 2011)	Board Member
New Zealand Transport Agency	Board Member
Canterbury Museum Trust Board	Board Member

MR G H CLEMENS

	Position Held
Saint Columbe Company Limited	Director
Strategy One Limited	Director
SICON Limited (resigned 29 September 2011)	Director
Ferguson Brothers Limited (resigned 29 September 2011)	Director
Fungi New Zealand Limited	Director
Tiromoana Station Limited	Director
Shamrock Industries Limited	Advisory Board Member
Rakaia Engineering & Contracting Limited	Director

MR R W DAVISON (appointed 19 November 2011)

	Position Held
Mossman & Davison Limited	Director
Hurunui District Council	Councillor
Central Plains Water Trust	Trustee
Amuri Health Care Limited	Chairman
Amuri Community Trust	Trustee
Toraja Rural Development Charitable Trust	Trustee

Directors' Report to the Shareholders (Continued)
For the six months ended 31 December 2011

MR G J JAMES

	Position Held
Otago Southland Waste Services Limited	Director
Tiromoana Station Limited	Director
Burwood Resource Recovery Park Limited	Director
Canterbury Material Recovery Facilities Limited	Director
National Waste Advisory Board	Board Member

MR R J BRINE (resigned 18 November 2011)

	Position Held
Waimakariri District Council	Councillor
North Canterbury Sports & Recreation Trust	Trustee

MR T H NICKELS

	Position Held
Transpacific Industries Group (NZ) Limited plus various wholly owned subsidiaries	Director
Midwest Disposals Limited	Director
Otago Southland Waste Services Limited	Director
Greater Auckland Netball Limited	Director
Living Earth Limited	Director
Pikes Point Refuse Transfer Station Limited	Director

MS S A BUCK

	Position Held
Christchurch City Council	Councillor
Partnership Health	Council Representative
Pegasus Health	Community Advisory Board Member

MS J A BURGESS

	Position Held
Living Earth Limited	Director
Habitat For Humanity Lower North Island Limited	Director

MR R B MCKENZIE

	Position Held
Various wholly owned subsidiaries of Transpacific Industries Group (NZ) Limited	Director
Midwest Disposals Limited	Director
Living Earth Limited	Director
Le Quality Group Limited	Director

ATTACHMENT 2 TO CLAUSE 6 CANTERBURY REGIONAL LANDFILL JOINT COMMITTEE 13.4.2012

Directors' Report to the Shareholders (Continued)

For the six months ended 31 December 2011

All transactions the group has entered into with parties in which directors hold directorships have been entered into in the ordinary course of business.

Information used by Directors
No member of the Board of Transwaste Canterbury Limited issued a notice requesting to use company information received in their capacity as directors which would not otherwise have been available to them.

Indemnification and Insurance of Officers and Directors
The group indemnifies all directors named in this report against all liabilities (other than to the company) that arise out of the performance of their normal duties as director, unless the liability relates to conduct involving lack of good faith. To manage this risk, the company has indemnity insurance. The annual cost of this insurance is $16,250.

Recommended Dividend

The general policy for the company is to declare dividends calculated at 100% of the parent company net profit after tax after allowing for working capital requirements, as set out in the company's Statement of Intent. Dividends of $3,000,000 were paid during the six month period ended 31 December 2011.

An interim dividend for the year ending 30 June 2012 of $2,900,000, which was declared after the reporting date, is disclosed in Note 4.

Donations

The parent company made a donation of $32,500 to the Kate Valley Landfill Community Trust (2010: $30,000) during the period.

Auditor's Remuneration

The auditor of the Group is Audit New Zealand

The annual remuneration for auditing services provided by Audit New Zealand was $37,000. No other services were provided by the auditor.

ATTACHMENT 2 TO CLAUSE 6 CANTERBURY REGIONAL LANDFILL JOINT COMMITTEE 13.4.2012

Statement of Objectives and Performance
For the six months ended 31 December 2011

Targets were set under the Statement of Intent for the three years ending 30 June 2014. A comparison of achievement against those targets is as follows:

Objective
Shareholder Interests: To operate a successful business, providing a fair rate of return to its shareholders.

Desired Outcomes	Performance Measures and Target (for Year Ending 30 June 2012)	Progress Toward Achievement
To effectively operate the consented regional landfill at Kate Valley to achieve specific commercial performance targets:	Total annual landfill revenue (inclusive of waste levy) of $27,972,000	Forecast landfill revenue for the full year is $28,884,000. The annual tonnage of waste to landfill is forecast to be 3% higher than budget.
	Annual landfill EBIT of $9,648,000	Estimated full year EBIT of $9,949,000, as a result of higher than budgeted waste to landfill.
	Average return on invested capital of 9%	Estimated full year average return on invested capital of 9%.

ATTACHMENT 2 TO CLAUSE 6 CANTERBURY REGIONAL LANDFILL JOINT COMMITTEE 13.4.2012

Statement of Objectives and Performance (Continued)

For the six months ended 31 December 2011

Objective

Healthy Environment: To ensure that the company and its associates meet or exceed present and future environmental standards in a manner which is consistent with the preservation of the natural environment and the careful and sustainable management of natural resources

Desired Outcomes		Performance Measures and Target (for Year Ending 30 June 2012)	Progress Toward Achievement
(a)	No proven breaches of Resource Management Act consents.	Nil proven consent breaches.	On track.
(b)	Maintenance of an appropriate risk funding mechanism to cover environmental risk.	Value of Performance Guarantee posted at required level for landfill stage (year 7).	A financial assurance bond to the consenting authorities is in place to the value required for the landfill stage.
(c)	Implement the Environmental Policy.	Nil enforcement actions by consent authorities.	On track.
(d)	Continue to implement the native forest restoration project in accordance with the Tiromoana Bush Management Plan.	4,000 plants of native species planted during the year.	In progress; on target to plant 4,000 native trees during the year.

ATTACHMENT 2 TO CLAUSE 6 CANTERBURY REGIONAL LANDFILL JOINT COMMITTEE 13.4.2012

Statement of Objectives and Performance (Continued)

For the six months ended 31 December 2011

Objective

Corporate Citizenship: To be a responsible Corporate Citizen by acting lawfully, fairly and honestly and to be sensitive to local issues.

Desired Outcomes	Performance Measures and Target (for Year Ending 30 June 2012)	Progress Toward Achievement
(a) To ensure compliance with any contractual arrangements.	Nil contractual non-compliances.	On track. No contractual non-compliances.
(b) To ensure compliance with all relevant legislative and regulatory requirements.	Nil legislative and regulatory non-compliances.	On track. No legislative and regulatory non-compliances.
(c) Annual review to report to its stakeholders and the community within which it operates, reporting on social, environmental, and financial performance.	Annual review published by October 2011 for the 2010/11 year.	Not achieved. Due to be published during April 2012.

Objective

Service Quality: Meet the present and future needs of the people of Canterbury with high standards of value, quality and service and establish effective relations with customers.

Desired Outcomes	Performance Measures and Target (for Year Ending 30 June 2012)	Progress Toward Achievement
(a) Timely, high quality and reliable transport services.	Empty containers are available for transfer stations for more than 99.5% of waste transport fleet hours worked.	On track. There have been 0 hours where containers were unavailable to transfer stations out of 20,539 hours of operation, representing 100% performance.
(b) Reliability of access to the landfill.	Landfill is available to waste transporters for more than 99% of normal annual transport access hours.	On track. No disruption of waste transport services occurred, despite the landfill being closed due to high wind on 3 days for 20 hours in total.

ATTACHMENT 2 TO CLAUSE 6 CANTERBURY REGIONAL LANDFILL JOINT COMMITTEE 13.4.2012

Statement of Objectives and Performance (Continued)

For the six months ended 31 December 2011

Objective

Good Employer: Be a Good Employer. Strive for zero injury accidents in all operations the company and its main contractor, Canterbury Waste Services,will be responsible for, whilst maintaining a high level of service and production. To ensure that Canterbury Waste Services adheres to the performance targets set out under this clause.

Desired Outcomes		Performance Measures and Target (for Year Ending 30 June 2012)	Progress Toward Achievement
(a)	Adopting objectives and policies that detail the relationship with employees, their remuneration, safety and other issues such as equal opportunity in employment.	Less than 10% annually of CWS landfill and transport staff annual FTE turnover.	Not on track. Turnover of permanent employees was 3 at landfill and 3 in transport out of 38.2 FTEs, resulting in 31.4% annual turnover.
(b)	Ensuring that its employees have secure and rewarding employment which provides the means for personal development.	10 hours per FTE annually for CWS landfill and transport staff annual hours on external training.	Not on track. CWS landfill and transport staff have undertaken 183.5 hours of external training in the period, equivalent to 9.6 hours per FTE annually.
(c)	Clearly defining the performance standards expected of all employees and by appropriate action mechanisms ensuring that these standards are met.	Operational performance as reported in Landfill Annual Report and Peer Review Annual Report, to the Board's satisfaction.	On track. Landfill Annual Report for 2010/11 received by the Board in January 2012.
(d)	Ensuring that in all activities the company and its contractors have Health and Safety Management Plans in place.	Nil CWS Lost Time Injuries per 100,000 hours worked.	On target. CWS LTI frequency rate at 31 December 2011 was 0.0 LTIs per 100,000 hours worked.

ATTACHMENT 2 TO CLAUSE 6 CANTERBURY REGIONAL LANDFILL JOINT COMMITTEE 13.4.2012

Statement of Objectives and Performance (Continued)

For the six months ended 31 December 2011

Objective

Consultation and Community Relations: Establish and maintain good relations with the local host community of the landfill and consult with that group and other interest groups (including Tangata Whenua) on issues that are likely to affect them.

Desired Outcomes		**Performance Measures and Target (for Year Ending 30 June 2012)**	**Progress Toward Achievement**
(a)	Finance the trust fund (from the Disposal Charge) for the purpose of benefiting the local community immediately affected by the landfill operation.	Annual payment to Kate Valley Landfill Community Trust, to be determined on an annual basis.	An interim payment of $32,500, based on the prior year, was made during the period. A further contribution of $37,500 was determined by the Board during February 2012.
(b)	Consult with the host community concerning landfill operations by way of direct communication and via the Community Liaison Group.	Nil complaints regarding landfill operations.	Not achieved. One complaint received regarding odour. An odour suppression system has now been installed and is operational.
		No more than one complaint per 2,000 trips regarding waste transport operations.	On track. Two verified complaints to date in 5,467 trips in period, a rate of 0.73 complaints per 2,000 trips. Both complaints investigated and resolved.
(c)	Consult with interest groups including Tangata Whenua on a regular basis and discuss all issues likely to affect them.	At least two Community Liaison Group meetings held per year.	Achieved. Two Community Liaison Group meetings held in period.

Consolidated Interim Statement of Comprehensive Income
For the six months ended 31 December 2011

	Note	December 2011 $'000 Interim	December 2010 $'000 Interim	June 2011 $'000 Annual
Revenue				
Sales	2	15,119	15,365	32,009
Rental & Other		34	35	74
Interest		3	-	5
Changes in fair value of forestry		-	-	(58)
Total Revenue		**15,156**	**15,400**	**32,030**
Expenses				
Audit fees				
- Annual audit		19	20	37
Depreciation and amortisation		1,279	1,267	2,578
Impairment of receivables		-	1	(24)
Employee benefits costs		106	96	191
Landfill operating expenses		6,600	6,451	13,375
Waste levy	2	1,247	1,295	2,699
Other operating expenses		499	933	1,043
Total Expenses		**9,750**	**10,063**	**19,899**
Profit before finance costs and tax		**5,406**	**5,337**	**12,131**
Finance costs		844	947	1,776
Profit before tax		**4,562**	**4,390**	**10,355**
Income tax expense		1,291	1,317	3,047
Profit for the period		**3,271**	**3,073**	**7,308**
Other comprehensive income				
Cash flow hedges, net of tax		(570)	(56)	(371)
Other comprehensive income for the period net of tax		**(570)**	**(56)**	**(371)**
Total comprehensive income for the period		**2,701**	**3,017**	**6,937**

The notes on pages 18-23 form an integral part of this condensed consolidated interim financial information.

Consolidated Interim Statement of Changes in Shareholders' Equity

For the six months ended 31 December 2011

	Note	Contributed equity $'000	Other reserves $'000	Retained earnings $'000	Total equity $'000
Balance 1 July 2010		16,000	(344)	5,420	21,076
Profit for the period		-	-	3,073	3,073
Other comprehensive income:					
Cash flow hedges, net of tax		-	(56)	-	(56)
Total comprehensive income for the period ended 31 December 2010		-	(56)	3,073	3,017
Dividend	4	-	-	(1,200)	(1,200)
Balance 31 December 2010		**16,000**	**(400)**	**7,293**	**22,893**
Balance 1 July 2011		16,000	(715)	7,099	22,384
Profit for the period		-	-	3,271	3,271
Other comprehensive income:					
Cash flow hedges, net of tax		-	(570)	-	(570)
Total comprehensive income for the period ended 31 December 2011		-	(570)	3,271	2,701
Dividend	4	-	-	(3,000)	(3,000)
Balance 31 December 2011		**16,000**	**(1,285)**	**7,370**	**22,085**
Balance 1 July 2010		16,000	(344)	5,420	21,076
Profit for the period		-	-	7,308	7,308
Other comprehensive income:					
Cash flow hedges, net of tax		-	(371)	-	(371)
Total comprehensive income for the period ended 30 June 2011		-	(371)	7,308	6,937
Dividend	4	-	-	(5,629)	(5,629)
Balance 30 June 2011		**16,000**	**(715)**	**7,099**	**22,384**

The notes on pages 18-23 form an integral part of this condensed consolidated interim financial information.

Consolidated Interim Balance Sheet
As at 31 December 2011

	Note	December 2011 $'000 Interim	December 2010 $'000 Interim	June 2011 $'000 Annual
Assets				
Non-current assets				
Property, plant and equipment	3	49,857	51,430	50,699
Forestry		1,094	1,273	1,094
Other investments		-	19	19
Total non-current assets		**50,951**	**52,722**	**51,812**
Current assets				
Cash and cash equivalents		2,542	391	358
Trade and other receivables		3,242	3,129	3,767
Income tax receivable		4,346	3,274	4,346
Total current assets		**10,130**	**6,794**	**8,471**
Total assets		**61,081**	**59,516**	**60,283**
Equity				
Contributed equity		16,000	16,000	16,000
Reserves		(1,285)	(400)	(715)
Retained earnings		7,370	7,293	7,099
Total equity		**22,085**	**22,893**	**22,384**
Liabilities				
Non-current liabilities				
Interest-bearing loans and borrowings		21,550	23,900	22,650
Provisions		2,404	2,232	2,315
Derivative financial instruments		1,285	400	715
Deferred income tax liability		10,447	7,426	9,156
Total non-current liabilities		**35,686**	**33,958**	**34,836**
Current liabilities				
Trade and other payables		3,310	2,486	2,942
Derivative financial instruments		-	106	-
Employee benefits		-	73	121
Total current liabilities		**3,310**	**2,665**	**3,063**
Total liabilities		**38,996**	**36,623**	**37,899**
Total equity and liabilities		**61,081**	**59,516**	**60,283**

The notes on pages 18-23 form an integral part of this condensed consolidated interim financial information.

Consolidated Interim Cash Flow Statement

For the six months ended 31 December 2011

	December 2011 $'000 Interim	December 2010 $'000 Interim	June 2011 $'000 Annual
Cash flows from operating activities			
Receipts from customers	15,643	14,323	30,460
Interest received	3	-	5
Other revenue	34	35	74
Payments to suppliers and employees	(8,325)	(10,058)	(18,007)
Interest paid	(755)	(960)	(1,812)
Income tax paid	-	-	(1,072)
Goods and services tax (net)	101	335	243
Net cash from operating activities	6,701	3,675	9,891
Cash flows from investing activities			
Proceeds from sale of property, plant & equipment	-	-	16
Purchase of property, plant & equipment	(436)	(263)	(860)
Purchase of forestry	-	(131)	(120)
Sale of investments	19	-	-
Net cash from investing activities	(417)	(394)	(964)
Cash flows from financing activities			
Repayments of borrowings	(1,100)	(2,000)	(3,250)
Dividends paid	(3,000)	(1,200)	(5,629)
Net cash from financing activities	(4,100)	(3,200)	(8,879)
Net increase/(decrease) in cash, cash equivalents and bank overdrafts	**2,184**	**81**	**48**
Cash, cash equivalents and bank overdrafts at the beginning of the year	358	310	310
Cash, cash equivalents and bank overdrafts at the end of the year	**2,542**	**391**	**358**

The notes on pages 18-23 form an integral part of this condensed consolidated interim financial information.

Consolidated Interim Cash Flow Statement

For the six months ended 31 December 2011

Reconciliation of profit for the period to net cash flow from operating activities

	December 2011 $'000	December 2010 $'000	June 2011 $'000
	Interim	Interim	Annual
Profit for the period	**3,271**	**3,073**	**7,308**
Add/(less) non-cash items:			
Depreciation and amortisation	1,279	1,267	2,578
Loss/(Gain) on changes in fair value of forestry	-	-	58
Interest rate swap movement	-	(96)	(202)
Time value adjustment	89	83	166
Deferred tax	1,291	1,317	3,047
	2,659	2,571	5,647
Add/(less) movements in working capital items:			
Receivables	1,766	(1,043)	(1,548)
Income tax payable	-	-	(1,072)
Forestry included in assets held for sale	-	-	109
Trade payables	(995)	(926)	(553)
	771	(1,969)	(3,064)
Add/(less) items classified as investing activities			
Net loss on sales of property, plant and equipment	-	-	-
		-	-
Net cash inflow/(outflow) from operating activities	**6,701**	**3,675**	**9,891**

The notes on pages 18-23 form an integral part of this condensed consolidated interim financial information.

Notes to the Consolidated Interim Financial Statements

For the six months ended 31 December 2011

1. General Information

Reporting Entity and Statutory Base

Transwaste Canterbury Limited is a company registered under the Companies Act 1993 and is a Council Controlled Trading Organisation as defined in Section 6 of the Local Government Act 2002.

The company represents a joint venture between Transpacific Industries Group (NZ) Limited (previously Canterbury Waste Services Limited, which amalgamated into Transpacific Industries Group (NZ) Limited on 30 June 2011) and five local authorities in Canterbury.

The Group consists of Transwaste Canterbury Limited and its wholly owned subsidiary, Tiromoana Station Limited. Both companies are incorporated and domiciled in New Zealand. The primary objective of the parent company is to select, develop and operate a non-hazardous landfill for the Canterbury region. The company owns the landfill and surrounding land via its subsidiary, Tiromoana Station Limited.

This condensed consolidated interim financial information was approved for issue by the Board on 23 March 2012.

This condensed consolidated interim financial information has not been subject to review or audit.

The reporting currency used in the preparation of these consolidated interim financial statements is New Zealand dollars, rounded to the nearest thousand.

Summary of Significant Accounting Policies

This condensed consolidated interim financial information for the six months ended 31 December 2011 has been prepared in accordance with NZ IAS 34, 'Interim financial reporting'. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 30 June 2011, which have been prepared in accordance with New Zealand equivalents to International Accounting Standards (NZ IFRS).

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

Standards, amendments and interpretations issued that are not yet effective and have not been early adopted

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

NZ IFRS 9 Financial Instruments will eventually replace NZ IAS 39 Financial Instruments: Recognition and Measurement. NZ IAS 39 is being replaced through the following three main phases: Phase 1 Classification and Measurement, Phase 2 Impairment Methodology, and Phase 3 Hedge Accounting. Phase 1 on the classification and measurement of financial assets has been completed and has been published in the new financial instrument standard NZ IFRS9. NZ IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in NZ IAS 39. The approach in NZ IFRS 9 is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the many different impairment methods in NZ IAS 39. The new standard is required to be adopted for the year ended 30 June 2014. Transwaste Canterbury Limited has not yet assessed the effect of the new standard and expects it will not be early adopted.

Notes to the Consolidated Interim Financial Statements
For the six months ended 31 December 2011

2. Revenue - Waste levy

Effective from 1 July 2009, a waste levy (currently levied at $10 per tonne of waste to landfill) is payable by the company to the Ministry for the Environment. The levy, totalling $1,247,000 for the six month period to 31 December 2011 (2010: $1,295,000), is on-charged to customers and the on-charge is included in sales revenue.

Following the Canterbury earthquake on 4 September 2010, the Ministry for the Environment waived the requirement to forward the levy in respect of earthquake related waste. This portion of the levies is held in trust with the company's solicitors, pending a decision by the Ministry as to where the funds will be disbursed. As at 31 December 2011 the amount collected and held in trust was $723,559, including interest of $2,094, relating to 72,147 tonnes of earthquake waste collected in the period from September 2010 to December 2011.

3. Property, plant and equipment

During the six months ended 31 December 2011, the group acquired assets with a total cost of $436,000 (31 December 2010: $263,000).

There have been no disposals during the six month period to 31 December 2011 (31 December 2010: $nil).

4. Dividends

	December 2011 $'000 Interim	**December 2010 $'000** Interim	**June 2011 $'000** Annual
Dividends paid or accrued during the year			
Interim dividends[1]	-	-	4,429
Final dividends[2]	3,000	1,200	1,200
	3,000	1,200	5,629

[1] No Interim dividends were paid during the 31 December periods ($4,429,000 on 30 May 2011)

[2] Final dividend (unimputed) for 2011 of $3,000,000 declared and paid on 2 September 2011 (2010: $1,200,000 on 20 August 2010)

An unimputed interim dividend of $2,900,000 in respect of 2012 was declared and paid on 1 February 2012.

Notes to the Consolidated Interim Financial Statements
For the six months ended 31 December 2011

5. Capital commitments and operating leases

	December 2011 $'000	December 2010 $'000	June 2011 $'000
	Interim	Interim	Annual
Capital commitments contracted for at balance date but not yet incurred for property, plant and equipment	1,820	717	830

There are no capital commitments in relation to forestry.

Operating leases as lessor

The group leases land not immediately required for its operations under operating leases. The majority of the leases are with one external party and have non-cancellable terms ranging from 5 years to 10 years.

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

	December 2011 $'000	December 2010 $'000	June 2011 $'000
	Interim	Interim	Annual
Not later than one year	67	46	67
Later than one year and not later than five years	249	186	270
Later than five years	47	93	93
Total non-cancellable operating leases	263	325	430

No contingent rents have been recognised during the period.

6. Related party transactions

The company's shareholders are considered to be related parties of the company. This includes the five territorial local authorities with shareholdings in the company and Transpacific Industries Group (NZ) Limited (including Canterbury Waste Services Limited until 30 June 2011, when it was amalgamated into Transpacific and became a division of Transpacific).

The company has entered into waste disposal and transport contracts with the related parties. The company also contracts with Transpacific Industries Group (NZ) Limited for costs relating to the ongoing landfill construction, landfill disposal and transport services.

Notes to the Financial Statements
For the six months ended 31 December 2011

The following transactions were carried out with related parties:

	December 2011 $'000 Interim	December 2010 $'000 Interim	June 2011 $'000 Annual
(a) Sales of services			
Associates (landfilling and transport)	12,314	10,973	26,316
Associates (rental)	-	-	5
	12,314	10,973	26,321
(b) Purchases of services			
Associates (waste disposal, transport and construction)	6,576	7,355	13,865
Associates (rates)	21	10	21
Associates (reimbursement of costs)	40	38	91
Associates (management services)	21	22	43
	6,658	7,425	14,020
(c) Year end balances arising from sales/purchases of services			
Receivables from related parties			
Associates	2,523	2,358	3,049
Payables to related parties			
Associates	2,094	1,287	941
Key management personnel			
Directors' fees and other short term employee benefits	106	95	191

Directors' remuneration is detailed in the Directors' Report to Shareholders on page 4.

No provision has been required, nor any expense recognised for impairment of receivables for any loans or other receivables from related parties (2010: nil).

Notes to the Financial Statements
For the six months ended 31 December 2011

7. Events occurring after the reporting period

Declaration of dividend

Details of the interim dividend paid are given in Note 4.

Purchase of Burwood Resource Recovery Park Limited

On 29 February 2012, the company purchased 100% of the shares in Burwood Resource Recovery Park Limited (BRRP) from Transpacific Industries Group (NZ) Limited for a cash consideration of $1. BRRP is a company set up to operate a Christchurch Earthquake demolition waste material management and recycling facility and to operate a landfill for disposal of residual demolition waste.

8. Contingent liabilities and assets

Contingent assets

The New Zealand Emissions Trading Scheme (ETS) became law on 28 September 2008 with the passing of the Climate Change Response (Emissions Trading) Amendment Act 2009 (the Act). The Act provides for carbon credits to be allocated to owners of pre 1990 forest land pursuant to the New Zealand governments' Allocation Plan. The company has applied for registration of its pre 1990 land but is yet to receive the determination of its entitlements. Based on the Allocation Plan it is estimated that the Company will be entitled to an allocation of 2,814 carbon credits in total of which an initial tranche of 1,079 would be transferred before 31 December 2012.

Additionally, under the ETS the company will have an obligation to account for any emission released as a consequence of deforestation of pre 1990 land by surrendering credits equal to the extent of that emission. The company has no liability for deforestation as at 31 December 2011 (2010: nil).

Contingent liabilities

	December 2011 $'000 Interim	**December 2010 $'000** Interim	**June 2011 $'000** Annual
Bonds	11,112	11,112	11,112

Bonds of $11,112,500 (2010: $11,112,500) have been arranged with the parent company's bankers in terms of resource consents granted to the company. It is anticipated no material liabilities will arise.

No material losses are anticipated in respect of the contingent liabilities.

7. APPOINTMENT OF REPRESENTATIVE TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING OF TRANSWASTE CANTERBURY LIMITED

General Manager responsible:	General Manager City Environment, DDI 941-8608
Officer responsible:	Unit Manager, City Water and Waste
Author:	Zefanja Potgieter, Senior Resource Planner

PURPOSE OF REPORT

1. The purpose of this report is to appoint a representative to attend the Transwaste Canterbury Ltd Annual General Meeting (AGM), which will be held in 23 November 2012 in Christchurch.

BACKGROUND

2. The Transwaste Board has advised that the 2012 AGM will be held on 23 November 2012. It is intended that the AGM will, as has become the custom, be followed by a shareholder briefing which includes indicative pricing for the next year. Each shareholder group appoints a representative for the AGM, with the form to be received by Transwaste prior to the meeting commencing.

3. All rights of the Councils are exercised through the Canterbury Landfill Joint Committee including rights to vote at shareholder meetings. Under clause 10.2 of the Shareholders Agreement, the Committee appoints its representative for the Annual meeting by written notice to Transwaste Canterbury Limited. This is the equivalent of appointment of a proxy or corporate representative under clause 21 of Transwaste Canterbury Limited's Constitution.

4. The Committee therefore needs to formally appoint a representative before the AGM, and it is advisable to appoint an alternate to cover for unforeseen contingencies that might arise. The proxy voting form is **attached.**

RECOMMENDATION

That the Canterbury Landfill Joint Committee appoint a representative and an alternate, to attend and vote at the Transwaste Canterbury Ltd Annual General Meeting on 23 November 2012.

The Secretary
Transwaste Canterbury Limited
PO Box 13 244
CHRISTCHURCH 8141

TRANSWASTE CANTERBURY LIMITED
PROXY FORM / APPOINTMENT OF REPRESENTATIVE

We, Canterbury Regional Landfill Joint Committee, representing the Council members of the abovenamed company, hereby appoint

Councillor of Council

or failing him,

Councillor of Council

as our proxy to vote for us on our behalf at the Annual Meeting of the company to be held on the 23rd day of November 2012, and at any adjournment thereof.

……………………………………………………….

Approved by the Committee on the day of 2012

8. DATES FOR FUTURE MEETINGS (IF REQUIRED)

- 10 August 2012
- 9 November 2012.

9. RESOLUTION TO EXCLUDE THE PUBLIC

Attached.

CANTERBURY REGIONAL LANDFILL JOINT COMMITTEE

RESOLUTION TO EXCLUDE THE PUBLIC

Section 48, Local Government Official Information and Meetings Act 1987.

I move that the public be excluded from the following parts of the proceedings of this meeting, namely item 10.

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

	GENERAL SUBJECT OF EACH MATTER TO BE CONSIDERED	REASON FOR PASSING THIS RESOLUTION IN RELATION TO EACH MATTER	GROUND(S) UNDER SECTION 48(1) FOR THE PASSING OF THIS RESOLUTION
10.	**PUBLIC EXCLUDED MINUTES - MEETING OF 1 NOVEMBER 2011**	**) GOOD REASON TO) WITHHOLD EXISTS) UNDER SECTION 7**	**SECTION 48(1)(a)**

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

Item 10. Prejudice Commercial Position (Section 7(2)(b)(ii)

Chairman's Recommendation: That the foregoing motion be adopted.

Note

Section 48(4) of the Local Government Official Information and Meetings Act 1987 provides as follows:

"(4) Every resolution to exclude the public shall be put at a time when the meeting is open to the public, and the text of that resolution (or copies thereof):

(a) Shall be available to any member of the public who is present; and
(b) Shall form part of the minutes of the local authority."