Barra Topco II Limited

Financial Statements

For the year ended 30 June 2011

Contents

Barra Topco II Limited

Directors' report
20 October 2011

The Board of Directors have pleasure in presenting the annual report of Barra Topco II Limited and subsidiary companies, incorporating the financial statements and the auditors' report, for the year ended 30 June 2011.

With the unanimous agreement of all shareholders, the Company has taken advantage of the reporting concessions available to it under section 211(3) of the Companies Act 1993.

The Board of Directors of the Group authorised these financial statements presented on pages 5 to 26 for issue on 20 October 2011.

For and on behalf of the Board.

K G McIntosh	**C Aughton**
Director	**Director**
20-Oct-11	**20-Oct-11**

Independent Auditors' Report

to the shareholders of Barra Topco II Limited

Report on the Financial Statements

We have audited the financial statements of Barra Topco II Limited on pages 5 to 26, which comprise the balance sheets as at 30 June 2011, the statements of comprehensive income, statements of changes in equity and cash flow statements for the year then ended, and the notes to the financial statements that include a summary of significant accounting policies and other explanatory information for both the Company and the Group. The Group comprises the Company and the entities it controlled at 30 June 2011 or from time to time during the financial year.

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation of these financial statements in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate and for such internal controls as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand) and International Standards on Auditing. These standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider the internal controls relevant to the Company and the Group's preparation of financial statements that give a true and fair view of the matters to which they relate, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company and the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

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

We have no relationship with, or interests in, Barra Topco II Limited or any of its subsidiaries other than in our capacities as auditors, tax advisors and providers of other assurance services. These services have not impaired our independence as auditors of the Company and the Group.

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Independent Auditors' Report

Barra Topco II Limited

Opinion

In our opinion, the financial statements on pages 5 to 26:

(i) comply with generally accepted accounting practice in New Zealand; and

(ii) comply with International Financial Reporting Standards; and

(iii) give a true and fair view of the financial position of the Company and the Group as at 30 June 2011, and their financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

We also report in accordance with Sections 16(1)(d) and 16(1)(e) of the Financial Reporting Act 1993. In relation to our audit of the financial statements for the year ended 30 June 2011:

(i) we have obtained all the information and explanations that we have required; and

(ii) in our opinion, proper accounting records have been kept by the Company and the Group as far as appears from an examination of those records.

Restriction on Distribution or Use

This report is made solely to the Company's shareholders, as a body, in accordance with Section 205(1) of the Companies Act 1993. Our audit work has been undertaken so that we might state to the Company's shareholders those matters which we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

PricewaterhouseCoopers

Chartered Accountants
20 October 2011

Auckland

Barra Topco II Limited
Statements of Comprehensive Income
For the year ended 30 June 2011

	Notes	Group 2011 $'000	Group 2010 $'000	Parent 2011 $'000	Parent 2010 $'000
Revenue	5	143,795	131,362	-	-
Other income	6	215	2,003	-	-
		144,010	**133,365**	**-**	**-**
Expenses					
Employee benefit costs	7	32,138	29,214	-	-
Depreciation and amortisation expense	7	15,792	13,589	-	-
Repairs and maintenance	7	7,646	7,369	-	-
Fuel purchases	7	6,604	4,262	-	-
Collection and landfill costs		40,893	41,821	-	-
Other expenses		16,442	16,026	10	73
Revalued derivatives	26	(597)	(2,144)	-	-
Share of (profit) / loss of associates	15b	(353)	(687)	-	-
Earnings before interest and tax (EBIT)		**25,445**	**23,915**	**(10)**	**(73)**
Finance costs - paid	7	19,116	18,651	-	-
- capitalised	7	20,277	17,411	223	-
Profit / (loss) before income tax		**(13,948)**	**(12,147)**	**(233)**	**(73)**
Income tax benefit / (expense)	8	2,289	1,677	(21)	20
Profit / (loss) from operations		**(11,659)**	**(10,470)**	**(254)**	**(53)**
Other comprehensive income for the year		-	-	-	-
Total comprehensive income for the year - net of tax		**(11,659)**	**(10,470)**	**(254)**	**(53)**

The above Statements of Comprehensive Income should be read in conjunction with the accompanying notes.

Barra Topco II Limited
Statements of Changes in Equity
For the year ended 30 June 2011

Group	Notes	Share capital $'000	Retained deficits $'000	Total $'000
Balance at 1 July 2009		17,200	(23,367)	(6,167)
Profit / (loss) for the year		-	(10,470)	(10,470)
Other comprehensive income		-	-	-
Total comprehensive income		**-**	(10,470)	(10,470)
Total recognised income and expense		**17,200**	**(33,837)**	**(16,637)**
Contributions from Shareholders	20	248	-	248
Balance at 30 June 2010		**17,448**	**(33,837)**	**(16,389)**
Balance at 1 July 2010		17,448	(33,837)	(16,389)
Profit / (loss) for the year		-	(11,659)	(11,659)
Other comprehensive income		-	-	-
Total comprehensive income		**-**	**(11,659)**	**(11,659)**
Total recognised income and expense		**17,448**	**(45,496)**	**(28,048)**
Contributions from Shareholders	20	-	-	-
Balance at 30 June 2011		**17,448**	**(45,496)**	**(28,048)**

Parent		Share capital $'000	Retained deficits $'000	Total $'000
Balance at 1 July 2009		17,200	(2,562)	14,638
Profit / (loss) for the year		-	(53)	(53)
Other comprehensive income		-	-	-
Total comprehensive income		**-**	(53)	(53)
Total recognised income and expense		**17,200**	**(2,615)**	**14,585**
Contributions from Shareholders	20	248	-	248
Balance at 30 June 2010		**17,448**	**(2,615)**	**14,833**
Balance at 1 July 2010		17,448	(2,615)	14,833
Profit / (loss) for the year		-	(254)	(254)
Other comprehensive income		-	-	-
Total comprehensive income		**-**	(254)	(254)
Total recognised income and expense		**17,448**	**(2,869)**	**14,579**
Contributions from Shareholders	20	-	-	-
Balance at 30 June 2011		**17,448**	**(2,869)**	**14,579**

The above Statements of Changes in Equity should be read in conjunction with the accompanying notes.

Barra Topco II Limited
Balance Sheets
As at 30 June 2011

		Group		Parent	
		2011	**2010**	**2011**	**2010**
	Notes	$'000	$'000	$'000	$'000
Current assets					
Cash and cash equivalents	9	1,826	1,262	-	-
Trade and other receivables	10	16,922	13,608	-	-
Related party receivables	24	485	159	-	-
Inventories	11	540	386	-	-
Total current assets		**19,773**	**15,415**	**-**	**-**
Non current assets					
Property, plant and equipment	12	114,992	108,650	-	-
Intangible assets	13	254,580	254,774	-	-
Deferred tax asset	19	12,458	11,099	-	20
Investment in subsidiaries		-	-	12,876	12,876
Investment in associates	15b	9,497	9,904	-	-
Owing from subsidiaries	24	-	-	198,103	180,364
Total non current assets		**391,527**	**384,427**	**210,979**	**193,260**
Total assets		**411,300**	**399,842**	**210,979**	**193,260**
Current liabilities					
Bank overdraft	17b	2,110	1,062	-	-
Other Interest bearing liabilities	17b	2,408	783	-	-
Trade and other payables	16	11,763	8,718	130	-
Employee benefits	16	3,387	3,011	-	-
Unearned revenue		3,327	3,387	-	-
Related party payables	24	34	-	-	-
Provision for landfill completion costs	18	1,260	1,255	-	-
Total current liabilities		**24,289**	**18,216**	**130**	**-**
Non current liabilities					
Shareholder loan	17a	196,269	178,426	196,269	178,427
Other Interest bearing liabilities	17b	204,519	204,670	-	-
Provision for landfill completion costs	18	1,773	898	-	-
Future obligation to sell shares	25	398	393	-	-
Derivative liability	26	4,598	5,195	-	-
Deferred tax liability	19	7,502	8,433	1	-
Total non current liabilities		**415,059**	**398,015**	**196,270**	**178,427**
Total liabilities		**439,348**	**416,231**	**196,400**	**178,427**
Net assets / (liabilities)		**(28,048)**	**(16,389)**	**14,579**	**14,833**
Equity					
Share capital	20	17,448	17,448	17,448	17,448
Retained deficits		(45,496)	(33,837)	(2,869)	(2,615)
Total equity / (deficit)		**(28,048)**	**(16,389)**	**14,579**	**14,833**

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

Barra Topco II Limited
Cashflow Statements
For the year ended 30 June 2011

		Group		Parent	
		2011	**2010**	**2011**	**2010**
	Notes	$'000	$'000	$'000	$'000
Operating activities					
Cash was provided from:					
Receipts from customers		140,696	133,406	-	-
Interest received	7	3	32	-	-
Dividends received		905	670	-	-
Escrow settlement		-	1,338	-	-
Cash was disbursed to:					
Payments to suppliers and employees		(100,940)	(97,820)	-	-
Interest paid		(19,119)	(18,683)	-	-
Net cashflow from operating activities	21	**21,545**	**18,943**	**-**	**-**
Investing activities					
Cash was provided from:					
Sale of property, plant and equipment		480	267	-	-
Cash was applied to:					
Purchase of businesses		-	(3,412)	-	-
Purchase of property, plant and equipment		(21,354)	(12,215)	-	-
Landfill completion cost expenditure	18	(380)	(437)	-	-
Advances to associates	15b	-	(269)	-	-
Net cashflow from investing activities		**(21,254)**	**(16,066)**	**-**	**-**
Financing activities					
Cash was provided from:					
Proceeds of borrowings		9,922	5,311	-	-
Share issue / (buyback)	20	-	248	-	248
Cash was applied to:					
Repayment of borrowings		(10,697)	(9,540)	-	-
Related party loan advances made		-	-	-	(248)
Net cashflow from financing activities		**(775)**	**(3,981)**	**-**	**-**
Net (decrease) / increase in cashflow		**(484)**	**(1,104)**	**-**	**-**
Cash and cash equivalents at beginning of the year		**200**	**1,304**	**-**	**-**
Cash and cash equivalents at the end of the year	9	**(284)**	**200**	**-**	**-**

The above Cash Flow Statements should be read in conjunction with the accompanying notes.
The above cashflows are stated exclusive of GST.

Barra Topco II Limited
Notes to the financial statements
For the year ended 30 June 2011

Note 1: General Information

Barra Topco II Limited and its subsidiaries (together the Group) are limited liability Companies incorporated and domiciled in New Zealand and are registered under the Companies Act 1993. The consolidated financial statements of the company for the year ended 30 June 2011 comprise the Company and its subsidiaries. The address of its registered office is care of Russell McVeagh, Level 30, Vero Centre, 48 Shortland Street, Auckland, New Zealand. The Company is a profit oriented entity.

These financial statements were authorised for issue by the Board of Directors on 20 October 2011. The entity's owners do not have the power to amend the financial statements after issue.

Note 2: Summary of significant policies

(a) Basis of preparation

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.
The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP) and comply with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and other financial reporting standards as applicable to profit oriented entities. The financial statements also comply with the requirements of the Financial Reporting Act 1993, the Companies Act 1993 and International Financial Reporting Standards (IFRS).

Entities reporting

The financial statements include separate financial statements for Barra Topco II Limited as a separate legal entity ("Parent") and the consolidated entity consisting of the Company and its subsidiaries (together the "Group").

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain assets and liabilities as stated in specific accounting policies below.

Accounting estimates and judgments

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

(b) Principals of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Barra Topco II Limited as at 30 June 2011 and their results for the year then ended. Barra Topco II Limited and its subsidiaries together are referred to in these financial statements as the Group or the consolidated entity.

(i) Subsidiaries

Investments in subsidiaries are held at cost in the Barra Topco II Limited parent accounts.

Subsidiaries are all those entities (including special purpose entities) over which the company has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are no longer consolidated from the date that control ceases.
The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group’s share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the statement of comprehensive income.

Intercompany transactions, balances and unrealised gains on transactions between Companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Company.

(ii) Associates

Associates are entities over which the company has significant influence but not control, generally evidenced by a holding of between 20% and 50% of the voting rights. Investments in associates are accounted for in the parent entity financial statements using the cost method and in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost. The Company’s investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Company’s share of its associates’ post acquisition profits or losses is recognised in the statement of comprehensive income, and its share of post acquisition movements in reserves is recognised in reserves. The cumulative post acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates in the consolidated financial statements reduce the carrying amount of the investment. When the company’s share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the company and its associates are eliminated to the extent of the Company’s interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Note 2: Summary of significant accounting policies (continued)

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated and parent financial statements are presented in New Zealand dollars, which is the Company's functional currency and the Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

(d) Revenue recognition

Revenue comprises the fair value for the sale of goods and services, net of Goods and Services Tax, rebates and discounts and after eliminating sales within the company. Revenue is recognised as follows:

(i) 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.

(ii) Sales of goods

Revenue from the sale of goods is recognised when the Company has passed control of the goods to the buyer.

(iii) Interest income

Interest income is recognised on a time proportion basis using the effective interest method. When a receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

(iv) Dividend income

Dividend income is recognised when the right to receive payment is established.

(e) Income tax

The income tax expense comprises both current and deferred tax. Income tax expense is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to the tax payable in respect of previous years. Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities in a transaction that is not a business combination and that affects neither accounting or taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that they probably will not reverse in the foreseeable future.

The deferred tax recognised in the financial statements does not represent the tax that would be payable on the disposal of the buildings. The actual tax payable on disposal of the buildings would be limited to the reversal of tax depreciation claimed on that asset in prior period tax returns.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

(f) Goods and Services Tax (GST)

The statement of comprehensive income has been prepared so that all components are stated exclusive of GST. All items in the balance sheet are stated net of GST, with the exception of receivables and payables, which include GST invoiced.

(g) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(h) Leases

Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight line basis over the period of the lease.

Finance leases

The group leases vehicles and plant and equipment. Leases of vehicle, plant and equipment where the Company has substantially all the risks and rewards of ownership are classified as finance lease. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased vehicles, plant and equipment and the present value of the minimum lease payments.

Assets leased to third parties under operating leases are included in property, plant and equipment in the balance sheet. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income (net of any incentives given to lessees) is recognised on a straight line basis over the lease term.

Note 2: Summary of significant policies (continued)

Each lease payment is allocated between the liability and finance charge so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in the non current liabilities. The interest portion of the finance cost is charged to the statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The vehicles, plant and equipment acquired under finance lease is depreciated over the shorter of the useful life of the asset and the lease term.

(i) Impairment

Assets with finite useful lives are subject to depreciation and amortisation and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment irrespective of whether any circumstances identifying a possible impairment have been identified. 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. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

(j) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are due for settlement no more than 30 days from the date of recognition.
A provision for impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of comprehensive income within 'other expenses'. When a trade receivable is uncollectible, it is written off against an allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'other expenses' in the statement of comprehensive income.

(k) Inventories

Inventories are stated at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on the basis of weighted average costs. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(l) Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of selling the receivable. Loans and receivables are included in receivables in the balance sheet. Loans and receivables are carried at amortised cost using the effective interest method.

The Company assesses at each balance date whether there is objective evidence that loans and receivables are impaired.

(m) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Group 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. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the balance sheet date.

The carrying value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values due to their short term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(n) Property, plant and equipment

Land and buildings are shown at fair value less subsequent depreciation for buildings.
Transfer stations were initially valued and now deemed cost. Land which is in use or expected to be used as a landfill is valued at cost and is classified within landfill capital costs.
All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.
The cost of self-constructed assets includes the cost of all materials used in construction, direct labour on the project, cost of obtaining Resource Management Act consents, financing costs that are directly attributable to the project and an appropriate proportion of variable fixed overheads. Costs cease to be capitalised as soon as the asset is ready for productive use and do not include any inefficiency costs.
Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Development includes costs accumulated for landfills, transfer stations and council contract projects under development. When landfills, transfer stations or council contract projects come into operation all costs associated are transferred to the relevant property, plant and equipment asset class.

Note 2: Summary of significant accounting policies (continued)

Buildings are depreciated over their estimated economic life on a straight-line basis. Resource consents and landfill capital costs are amortised over the estimated lives of the landfills on a straight-line basis. Plant and equipment and software costs are depreciated over their estimated useful life on a diminishing value basis. Assets under development are not depreciated until the development is completed and assets commissioned.

(n) Property, plant and equipment (continued)

Depreciation rates used are as follows:

Buildings	4% - 32%
Software	50%
Plant and equipment	15% - 40%
Landfill capital costs	15 - 20 Years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.
An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.
Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of comprehensive income.

(o) Borrowings
Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.
Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(p) Borrowing costs
Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed. The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the entity's outstanding borrowings during the year, in this case 7.74% (2010: 7.36%).

(q) Trade and other payables
These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(r) Unearned revenue
Unearned revenue represents cash received on prepaid contracts where the service is yet to be performed. It is disclosed as a liability in the Balance Sheet until the service is performed and revenue is recognised in the statement of comprehensive income.

(s) Provisions
Provisions are recognised when the group has a present legal or constructive obligation as a result of past events and it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provision for landfill completion costs
An obligation in relation to unavoidable completion costs arises when a landfill comes into use. These completion costs can relate to site restoration costs for individual cells in the landfill, to the landfill as a whole, and to any aftercare costs that follow the closure of the landfill. The majority of landfill costs are for work required to cap the landfills as they achieve their finished profiles and other capital costs including leachate, gas and storm water control systems. Certain capital costs are expensed prior to completion of the landfill.

A provision is made for the estimated net present value of landfill completion costs to be incurred to which the Company is currently obligated. These costs have been estimated based on current best practice and the estimate of costs is reviewed at least annually and is adjusted as necessary. These costs may be impacted by a number of factors including changes in legislation and technology. The estimate net present value is calculated taking into account the Company's weighted average cost of capital as the discount rate.

(t) Intangible assets
(i) Goodwill
Goodwill represents the excess of the cost of an acquisition over the fair value of the Company's share of the net identifiable assets of the acquired business or associate at the date of acquisition. Goodwill on acquisitions of businesses is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill acquired in business combinations is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(ii) Computer software
Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (3 to 5 years).

Note 2: Summary of significant accounting policies (continued)

(t) Intangible assets (continued)

(iii) Resource consents

Resource consents are carried at cost less accumulated amortisation. The cost of resource consents is the consideration given to obtain consents under the Resource Management Act in order for the Company to complete certain operations. Resource consents are amortised on a straight line basis over their legal life, which varies between 12 and 25 years.

(iv) Wastestream rights

Wastestream rights are valued at cost less accumulated amortisation, if any. The cost of wastestream rights is the consideration given to secure a significant portion of the waste from the Pikes Point Transfer Station subsequent to the closure of the Greenmount landfill. The rights are amortised on a straight line basis over their expected economic life, commencing at the closure of the Greenmount landfill. Expected economic lives vary between 15 and 20 years.

(u) Employee benefits

(i) Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

(ii) Share-based compensation

The Group operates an equity settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the shares is recognised as an expense. All shares under the plan have been issued to employees at fair value. The total amount to be expensed over the vesting period is determined by reference to the fair value of the shares granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of shares that are expected to vest. At each balance sheet date, the entity revises its estimates of the number of shares that are expected to vest. If recognises the impact of the revision to original estimates, if any, in the statement of comprehensive income, with a corresponding adjustment to equity. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) when the shares are exercised.

(iii) Bonus plans

The Group recognises a liability and an expense for bonuses based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(v) Share capital

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

(w) Dividends

Provision is made for the amount of any dividend declared on or before the end of the year but not distributed at balance date.

(x) Standards, amendments and interpretations to existing standards that are not yet effective

Below is a list of new standards, amendments and interpretations to existing standards which have been published that are mandatory for the Group's accounting periods beginning on or after 1 July 2011 or later periods but which the Group has not early adopted. The standards listed are expected to effect the Group but are not expected to have a material impact on the Group's financial statements.

(i) NZ IFRS 9 Financial Instruments: (Mandatory for annual periods commencing on or after 1 January 2013).

It is the intention of the IASB to replace IAS 39 with IFRS 9. The first phase of the implementation of IFRS 9 relates to the classification and measurement of financial assets.

NZ IFRS 9 specifies how an entity should classify and measure financial assets, including some hybrid contracts. Management have not yet ascertained the impact which the implementation of this standard will have on the Group financial statements nor assessed when it will be adopted.

(ii) NZ IAS 1 Presentation of Financial Statements (amendments): (Effective for annual periods beginning on or after 1 January 2010)

The amendment to NZ IAS 1 stipulates that the terms of a liability that could result, at anytime, in its settlement by the issuance of equity instruments at the option of the counter party do not affect its classification.

(iii) NZ IAS 7 Statement of Cash Flows (amendments): (Mandatory for annual periods commencing on or after 1 January 2010)

The amendment to NZ IAS 7 explicitly states that only expenditure that results in a recognised asset can be classified as cash flow from investing activities.

(iv) NZ IAS 17 Leases (amendments): (Mandatory for annual periods commencing on or after 1 January 2010).

The amendment to NZ IAS 17 removes the specific guidance on classifying land as a lease.

(v) NZ IAS 24 Related Party Disclosures (revised): (Effective from 1 July 2010).

This standard supersedes NZ IAS 24 (issued in 2004). This revised NZ IAS 24 simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the previous definition.

Note 3: Critical accounting estimates & judgement

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. There are no estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities and profit within the next financial year.

Impairment testing of intangible assets requires significant judgement and estimate. It is subjective and is performed annually. Further information is disclosed in Note 13. Changes were made to the assumptions within the impairment model which has had no impact on the statement of comprehensive income and balance sheet.

Note 4: Financial risk management

The group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cashflow interest rate risk and price risk), credit risk and liquidity risk.

Risk management is carried out by Finance under policies approved by the Board of Directors. Finance identifies and evaluates financial risks in close co-operation with the group's operating units. The Board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

(a) Market risk

(i) Foreign exchange risk

The Group has very limited exposure to foreign currency risk. On limited occasions the Group will procure plant and equipment from overseas suppliers. Where there is an expected leadtime, the Group will require the purchase to be denominated in New Zealand dollars or the foreign denominated currency will be covered by foreign exchange rate forward contracts to provide certainty.

(ii) Price risk

The Group and Parent are not exposed to price risk.

(iii) Cashflow and fair value interest rate risk

The Group's main interest rate risk arises from long term borrowings. Borrowings issued at variable rates expose the Group to cashflow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk as analysed in the table below.

	Group	Group			
		-1%		1%	
	Carrying amount $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000
30-Jun-11					
Financial assets					
Cash and cash equivalents	1,826	(18)	(13)	18	13
Trade debtors	15,877	-	-	-	-
Related party receivables	485	-	-	-	-
Financial liabilities					
Bank overdraft	2,110	21	15	(21)	(15)
Borrowings	403,196	1,992	1,395	(1,992)	(1,395)
Derivative liability	4,598	(1,870)	(1,309)	1,829	1,280
Trade and other payables	11,797	-	-	-	-
Total increase/ (decrease)		**125**	**88**	**(166)**	**(117)**
30-Jun-10					
Financial assets					
Cash and cash equivalents	1,262	(13)	(9)	13	9
Trade debtors	12,465	-	-	-	-
Related party receivables	159	-	-	-	-
Financial liabilities					
Bank overdraft	1,062	11	7	(11)	(7)
Borrowings	383,879	2,055	1,439	(2,055)	(1,439)
Derivative liability	5,195	(1,121)	(785)	1,121	785
Trade and other payables	8,718	-	-	-	-
Total increase/ (decrease)		**932**	**652**	**(932)**	**(652)**

In respect of the Parent Company, amounts owing from subsidiaries amounting to $198.1m (2010: $180.4m) and interest bearing liabilities amounting to $196.2m (2010: $178.4m) are at fixed interest rates and hence not subject to cashflow interest rate risk.

Note 4: Financial risk management (continued)

(b) Credit risk

Credit risk is managed on a regular basis. Credit risk arises from cash and cash equivalents, derivatives and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. Only banks with a high credit worthiness are used by the Company.

The Company's credit policy states, "All arrears accounts have strict "monthly terms". Payment is due on the 20th of the month following invoicing and if a request is received from a Customer, either at the time of signing a contract or subsequently due to special circumstances, to provide terms in excess of “monthly” then a request is raised via the Credit Manager who will provide the relevant facts to the Chief Financial Officer and Managing Director for approval". Every effort is made to minimise the credit risk.

The Group has limited exposure to concentrated credit risk. At 30 June 2011, the Group's top 10 customers made up 18.7% of turnover for the year (2010: 13.0%).

The Group at 30 June 2011 had 11.82% (2010: 7.00%) or $1.7m (2010: $0.9m) of the debtors ledger at 90 days and greater

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, as well as the availability of funding through an adequate amount of committed credit facilities.

The table below analyses the Group's financial liabilities including future interest payable into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. Balances due within 12 months equal their carrying balances, as the impact of interest is not significant.

	0-3 months	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 30 June 2011	$'000	$'000	$'000	$'000	$'000
Trade and other payables	11,797	-	-	-	-
Bank overdraft	2,110	-	-	-	-
Derivative liability	1,522	2,513	1,728	-	-
Borrowings	11,622	25,169	37,998	346,885	-

	0-3 months	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 30 June 2010	$'000	$'000	$'000	$'000	$'000
Trade and other payables	8,718	-	-	-	-
Bank overdraft	1,062	-	-	-	-
Derivative liability	937	2,810	2,866	2,507	-
Borrowings	10,512	22,109	32,398	330,342	-

(d) Capital risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total external borrowings (including ‘borrowings’ and ‘trade and other payables’ as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as ‘equity’ as shown in the balance sheet plus net debt.

The gearing ratio at 30 June is:

	2011	**2010**
	$'000	$'000
Total borrowings	421,673	398,995
Total cash	(284)	200
Net debt	**421,957**	**398,795**
Total equity	(28,048)	(16,389)
Total capital	**393,909**	**382,406**
Gearing ratio	**1.07**	**1.04**

The Group is required to meet various covenants including a leverage ratio, an interest cover ratio, a cashflow cover ratio and capital expenditure spend restrictions. All covenants at 30 June 2011 have been met.

Note 4: Financial risk management (continued)

(e) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. Refer to the accounting policies for fair value estimation methods. The fair value of debtors have been arrived at after providing for doubtful debts. There is no difference between fair value and carrying amounts for other financial assets and liabilities.

The majority of the loans are at floating rates therefore the carrying value approximates to the fair values. All other indebtedness is at fixed rates that approximate market value and therefore also compare closely to fair value.

Hierarchy of fair value measurements

The following provides an analysis of financial instruments that are measured at fair value subsequent to initial recognition, grouped into levels 1 to 3 depending on the degree to which the fair value is observable.

Level one - fair value in an active market

The fair value of financial assets traded in active markets for the same instruments based on their quoted market prices at reporting date without any deduction for estimated future selling costs. Financial assets are priced at current bid prices.

Level two - fair value in an inactive or unquoted market using valuation techniques and observable market data

The fair value of financial assets that are not traded in an active market is determined using valuation techniques for which all significant inputs are based on observable market data.

Level three - fair value in an inactive or unquoted market using valuation techniques without observable market data

The fair value of financial assets that are not traded in an active market is determined using valuation techniques for which any significant input is not based on observable market data.

The only financial instruments held at fair value through profit and loss are derivatives which are classed as level two.

Barra Topco II Limited
Notes to the financial statements
For the year ended 30 June 2011

Note 5: Revenue

	Group		Parent	
	2011	**2010**	**2011**	**2010**
	$'000	$'000	$'000	$'000
Sales of services	143,795	131,362	-	-
Total Revenue	**143,795**	**131,362**	**-**	**-**

Note 6: Other income

	Group		Parent	
	2011	**2010**	**2011**	**2010**
	$'000	$'000	$'000	$'000
Subsidies	27	48	-	-
Management fees	171	599	-	-
Settlement of building and warranty escrow	-	1,338	-	-
Other sundry Income	17	18	-	-
Total other income	**215**	**2,003**	**-**	**-**

Note 7: Expenses

	Group		Parent	
	2011	**2010**	**2011**	**2010**
	$'000	$'000	$'000	$'000
Depreciation				
Buildings	333	332	-	-
Plant and equipment	11,383	9,330	-	-
Landfill capital costs	3,312	3,175	-	-
	15,028	**12,837**	**-**	**-**
Amortisation				
Software amortisation	273	390	-	-
Landfill resource consents amortisation	141	55	-	-
Wastestream rights amortisation	231	231	-	-
Deferred lease costs amortisation	77	76	-	-
Contract set up costs	42	-	-	-
	764	**752**	**-**	**-**
Finance costs				
Interest expense - paid	19,119	18,683	-	-
Interest expense - capitalised	20,277	17,411	18,066	16,001
Interest income	(3)	(32)	(17,843)	(16,001)
	39,393	**36,062**	**223**	**0**
Employee benefits				
Wages and salaries	32,138	29,214	-	-
	32,138	**29,214**	**-**	**-**
Repairs and maintenance				
General plant repairs	2,174	2,719	-	-
Vehicles repairs	4,958	4,160	-	-
Other maintenance costs	514	490	-	-
	7,646	**7,369**	**-**	**-**
Fuel purchases				
Fuel and oil - vehicles	5,327	3,974	-	-
Fuel and oil - general plant	1,277	288	-	-
	6,604	**4,262**	**-**	**-**
Auditors remuneration				
Audit services - PricewaterhouseCoopers	107	116	-	-
Tax services - PricewaterhouseCoopers	107	119	-	-
	214	**235**	**-**	**-**
Director fees	193	305	-	-
Net loss on disposal of property, plant and equipment	342	86	-	-
Bad and doubtful debts expense	394	260	-	-
Rental expense relating to operating lease	3,099	2,668	-	-

Barra Topco II Limited
Notes to the financial statements
For the year ended 30 June 2011

Note 8: Income Tax Expense

	Group 2011 $'000	Group 2010 $'000	Parent 2011 $'000	Parent 2010 $'000
(a) Income tax expense				
Current tax	(1)	(628)	21	-
Deferred tax	(2,288)	(1,049)	-	(20)
	(2,289)	**(1,677)**	**21**	**(20)**
(b) Numerical reconciliation of income tax expense to prima facie tax payable				
Loss before income tax expense	(13,948)	(12,147)	(233)	(73)
Tax at the New Zealand tax rate of 30% (2010: 30%)	(4,185)	(3,644)	(70)	(22)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:	1,429	3,069	2	2
Imputation credits received	(391)	-	-	-
Under (over) provision in prior years	(484)	(442)	21	-
Tax effect of corporate tax rate change	745	(451)	-	-
Tax effect of building rate change	616	474	-	-
Amalgamation adjustment	-	(683)	-	-
Tax loss offsets	(19)	-	68	-
Income tax (benefit) / expense	**(2,289)**	**(1,677)**	**21**	**(20)**

The weighted average applicable tax rate for the Group was 16% (2010: 14%).

	Group 2011 $'000	Group 2010 $'000	Parent 2011 $'000	Parent 2010 $'000
(c) Imputation credit account				
Balance at beginning of year	1,472	1,292	-	-
Credits attached to dividends received	391	180	-	-
Balance at end of year	**1,863**	**1,472**	**-**	**-**

Note 9: Cash and cash equivalent

	Group 2011 $'000	Group 2010 $'000	Parent 2011 $'000	Parent 2010 $'000
Cash at bank and in hand	1,826	1,262	-	-
Cash and cash equivalents per balance sheet	**1,826**	**1,262**	**-**	**-**
Less bank overdraft	(2,110)	(1,062)	-	-
Cash and cash equivalents per cashflow statement	**(284)**	**200**	**-**	**-**

Note 10: Trade and other receivables

	Group 2011 $'000	Group 2010 $'000	Parent 2011 $'000	Parent 2010 $'000
Net trade receivables				
Trade receivables	16,434	12,832	-	-
Provision for doubtful debts	(557)	(367)	-	-
	15,877	12,465	-	-
Other debtors and prepayments	1,045	1,143	-	-
Total receivables	**16,922**	**13,608**	**-**	**-**
Impairment provision				
Provision for doubtful debts at 1 July 2010	(367)	(231)	-	-
Increase in provision	(217)	(136)	-	-
Bad debts written off	27	-	-	-
Provision for doubtful debts at 30 June 2011	**(557)**	**(367)**	**-**	**-**

Note 11: Inventories

	Group 2011 $'000	Group 2010 $'000	Parent 2011 $'000	Parent 2010 $'000
Bin liners, recycled glass stocks, pre-paid road user charges, and roading materials	540	386	-	-
Total inventories	**540**	**386**	**-**	**-**

The carrying amount of inventories is pledged as security for liabilities (refer to note 17).

Note 12: Property plant and equipment

Group	Freehold land	Buildings	Plant and equipment	Landfill capital costs	Total
	$'000	$'000	$'000	$'000	$'000
At 1 July 2010					
Cost	16,687	10,795	98,330	52,580	178,392
Accumulated depreciation	-	(2,569)	(49,158)	(18,015)	(69,742)
Net book amount	**16,687**	**8,226**	**49,172**	**34,565**	**108,650**
At 30 June 2011					
Cost	16,688	10,989	113,796	57,672	199,145
Accumulated depreciation	-	(3,110)	(58,269)	(22,774)	(84,153)
Net book amount	**16,688**	**7,879**	**55,527**	**34,898**	**114,992**

	Group	
	2011	**2010**
	$'000	$'000
Balance at beginning of year	108,650	106,436
Additions through business combinations	-	2,561
Additions	21,850	12,757
Disposals	(480)	(267)
Depreciation	(15,028)	(12,837)
Balance at end of year	**114,992**	**108,650**

The Parent does not have any property, plant and equipment.

Note 13: Intangible assets

Group	Goodwill	Software	Resource consents	Wastestream rights	Contract setup costs	Total
	$'000	$'000	$'000	$'000	$'000	$'000
As at 30 June 2010						
Cost	248,237	1,039	1,696	5,771	431	257,174
Accumulated amortisation	-	(707)	(393)	(1,155)	(145)	(2,400)
Net book amount	**248,237**	**332**	**1,303**	**4,616**	**286**	**254,774**
As at 30 June 2011						
Cost	248,110	1,654	1,663	5,771	431	257,629
Accumulated amortisation	**-**	(980)	(496)	(1,386)	(187)	(3,049)
Net book amount	**248,110**	**674**	**1,167**	**4,385**	**244**	**254,580**

Resource consents

The resource consents are made up of the following

	2011 ($'000)			2010 ($'000)		
	Cost	**Acc amort**	**Net book value**	**Cost**	**Acc amort**	**Net book value**
Hampton Downs landfill consents	1,312	(292)	1,020	1,312	(238)	1,074
Patiki transfer station consents	44	(18)	26	45	(9)	36
Greenmount cleanfill consents	259	(178)	81	296	(144)	152
Pukekohe transfer station consents	43	(8)	35	43	(2)	41
Gisborne air discharge consent	5	-	5	-	-	-
	1,663	**(496)**	**1,167**	**1,696**	**(393)**	**1,303**

The Parent does not have any intangible assets.

Note 13: Intangible assets (continued)

Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to division.

A segment-level summary of the goodwill allocation is presented below.

	Group 2011	Group 2010
	$'000	$'000
Collections	75,463	75,463
Post Collections	148,126	148,253
Technical Services	12,401	12,401
Joint Ventures	12,120	12,120
	248,110	**248,237**

The recoverable amounts of the cash generating units have been based on value in use calculations. These calculations use cashflow projections using the FY12 budget as a base. The cashflow projections are sourced from the Board approved business plan. cashflows are extrapolated over 15 years using specific growth assumptions resulting in a consolidated EBITDA CAGR of 10% (2010: 10%). The business plan has been extrapolated using reasonable assumptions such as revenue growing between 6% and 10% (2010: 6% and 9%) and EBITDA margins growing between 0% and 1% (2010: 0% and 1%). A pre-tax discount rate of 13% (2010: 13%) has been used in discounting the projected cashflows. The impairment testing assumptions involve judgments and estimation. The following table details the impact resulting from changes to these assumptions.

	Base assumption	Sensitivity / revised assumptions
Growth rate	between 6% and 10%	Reduction in Growth rate of 2%
EBITDA margins	between 0% and 1%	EBITDA margin of 0%
Discount rate	13.0%	15.0%

No impairment would result if you applied any of these revised assumptions.

Note 14: Acquisitions and divestment

There were no acquisitions or divestments by the Group in the 2011 year.

Note 15a: Investment in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 2(b):

Enviroway Limited and Envirowaste Technical Services Limited, a 100% held subsidiary of Barra Topco Limited was amalgamated into EnviroWaste Services Limited (ESL) as at 1st December 2010.

Name of entity	Country incorporated	Class of shares	Equity holding % 2011	Equity holding % 2010
Barra Holdco Limited	New Zealand	Ordinary	100%	100%
Barra Bidco Limited	New Zealand	Ordinary	100%	100%
EnviroWaste Services Limited	New Zealand	Ordinary	100%	100%
Envirocare Limited	New Zealand	Ordinary	100%	100%
Waikato Regional Landfills Limited	New Zealand	Ordinary	100%	100%

All subsidiaries have a balance date of 30 June.

Note 15b: Investment in Associates

The Groups principal associates are:

	Business activity	Share of capital and voting rights 2011	Share of capital and voting rights 2010
Midwest Disposals Limited	Landfill operator	50%	50%
Pikes Point Transfer Station Limited	Waste transfer station	50%	50%
Northern Waste Handling Limited	Waste transfer station	50%	50%

All associates have a balance date of 30 June.

Note 15b: Investment in Associates (continued)

The carrying value is comprised of

	2011	2010
	$'000	$'000
Shares at cost	3,708	3,708
Asset revaluation reserves	3,772	3,772
Shareholders advances	269	269
Share of undistributed post acquisition surpluses	1,748	2,155
Total carrying value	**9,497**	**9,904**

	Group	
	2011	2010
	$'000	$'000
Results of associate companies		
Share of earnings before income tax	1,173	1,445
Income tax	(820)	(758)
Net earnings	**353**	**687**
Interests in associates		
Carrying value at beginning of period	9,904	10,884
Divestments	-	(691)
Share of net earnings before tax	1,173	1,445
Share of tax expense	(820)	(758)
Dividends	(905)	(670)
Change in shareholder advances	145	(306)
Balance at end of period	**9,497**	**9,904**

Associate	**Assets**	**Liabilities**	**Revenues**	**Profit/(loss)**
2011	$'000	$'000	$'000	$'000
Midwest Disposals Limited	13,354	7,701	10,117	541
Pikes Point Transfer Station Limited	12,811	3,107	5,387	108
Northern Waste Handling Limited	6,457	2,820	8,181	56
	Assets	**Liabilities**	**Revenues**	**Profit/(loss)**
2010	$'000	$'000	$'000	$'000
Refill Transport Limited	-	-	389	20
Midwest Disposals Limited	13,857	7,485	10,195	1,623
Pikes Point Transfer Station Limited	13,092	3,144	4,872	(3)
Northern Waste Handling Limited	7,397	4,155	8,279	(265)

The above Associate balances may appear different to what has been reported in each entity due to differences between Group and Associate accounting policy.

Note 16: Trade and other payables

	Group		Parent	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Trade payables	7,232	6,122	-	-
Accrued expenses	4,531	2,596	130	-
Payables and accruals (excluding employee entitlements)	**11,763**	**8,718**	**130**	**-**
Employee entitlements	3,387	3,011	-	-
Total trade and other payables	**15,150**	**11,729**	**130**	**-**

Note 17a: Interest bearing liabilities - Shareholder loan

	Group		Parent	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Non-current				
Redeemable preference shares	129,233	117,484	129,233	117,484
Convertible loan notes	67,036	60,942	67,036	60,943
Total non-current interest bearing borrowings - shareholder loan	**196,269**	**178,426**	**196,269**	**178,427**

Note 17b: Other Interest bearing liabilities (continued)

	Group 2011 $'000	Group 2010 $'000	Parent 2011 $'000	Parent 2010 $'000
Current				
Bank overdrafts	2,110	1,062	-	-
Finance lease	2,408	783	-	-
Total current interest bearing borrowings	**4,518**	**1,845**	**-**	**-**
Non-current				
Bank borrowings	196,746	201,750	-	-
Finance leases	7,773	2,920	-	-
Total other non-current interest bearing borrowings	**204,519**	**204,670**	**-**	**-**

The bank borrowings are secured by a floating charge over the assets of the Company and subsidiaries (excluding associates assets).

Bank borrowings mature in 2013 and bear average coupons of 9.59% annually (2010: 8.53%).

The Parent has issued 96.4 million redeemable preference shares (2010: 96.4 million) with a par value of $1 per share. The shares are redeemable when the Convertible Loan Notes are redeemed. The redeemable shares bear a coupon rate of 10% annually. These instruments are held by the shareholders of the Group.

The Parent has issued 50.0 million convertible loan Notes (2010: 50.0 million). The loan Notes are repayable at an agreed date and may be converted at the option of the Noteholder. The convertible loan Notes bear a coupon rate of 10% annually. These instruments are held by the shareholders of the Group.

As at 30 June 2011, the Group held finance leases in relation to certain assets with UDC Finance, Marac Finance and Fleet Partners Finance during the year. UDC Finance, Marac Finance and Fleet Partners Finance accordingly hold security over those assets.

Note 18: Provisions

	Group 2011 $'000	Group 2010 $'000	Parent 2011 $'000	Parent 2010 $'000
Provision for landfill completion costs				
Carrying amount at 1 July	2,153	1,335	-	-
Additional provisions recognised	1,260	1,255	-	-
Amounts used	(380)	(437)	-	-
Carrying amount at 30 June	**3,033**	**2,153**	**-**	**-**
Expected maturity				
Within 12 months	1,260	1,255	-	-
Later than 12 months	1,773	898	-	-
	3,033	**2,153**	**-**	**-**

An obligation in relation to unavoidable completion costs arises when a landfill comes into use. These completion costs can relate to site restoration costs for individual cells in the landfill, to the landfill as a whole, and to any aftercare costs that follow the closure of the landfill. The majority of landfill costs are for work required to cap the landfills as they achieve their finished profiles and other capital costs including leachate, gas and storm water control systems. Certain capital costs are expensed prior to completion of the landfill.

A provision is made for the estimated net present value of landfill completion costs to be incurred to which the Company is currently obligated. These costs have been estimated based on current best practice and the estimate of costs is reviewed at least annually and is adjusted as necessary. These costs may be impacted by a number of factors including changes in legislation and technology.

The estimated net present value is calculated taking into account the Company's weighted average cost of capital as the discount rate.

Note19: Deferred tax

Group

Deferred tax assets	**Doubtful debts** $'000	**Employee benefits** $'000	**Landfill Completion** $'000	**Other provisions** $'000	**Tax Losses** $'000	**Total** $'000
Balance as at 1 July 2009	43	707	1,437	234	7,263	9,684
Subsidiary acquired	-	(18)	-	(3)	-	(21)
Charge to the statement of comprehensive income	67	168	181	6	1,145	1,567
Amalgamation adjustment	-	(111)	-	(20)	-	(131)
Balance as at 30 June 2010	**110**	**746**	**1,618**	**217**	**8,408**	**11,099**
Balance as at 1 July 2010	110	746	1,618	217	8,408	11,099
Charge to the statement of comprehensive income	46	114	269	(21)	951	1,359
Balance as at 30 June 2011	**156**	**860**	**1,887**	**196**	**9,359**	**12,458**

Note19: Deferred tax (continued)

Deferred tax liabilities

	Fixed assets $'000	Derivatives $'000	Total $'000
Balance as at 1 July 2009	(10,961)	2,201	(8,760)
Deferred tax acquired	29	-	29
Charge to the statement of comprehensive income	229	(747)	(518)
Prior period adjustment	816	-	816
Balance as at 30 June 2010	**(9,887)**	**1,454**	**(8,433)**
Balance as at 1 July 2010	(9,887)	1,454	(8,433)
Charge to the statement of comprehensive income	1,098	(167)	931
Balance as at 30 June 2011	**(8,789)**	**1,287**	**(7,502)**
Net deferred tax liabilities			**4,956**
Expected settlement			
Within 12 months			1,212
In excess of 12 months			3,744
			4,956

Parent

Deferred tax assets

	Tax Losses $'000	Total $'000
Balance as at 1 July 2009	-	-
Charge to the statement of comprehensive income	20	20
Balance as at 30 June 2010	20	20
Balance as at 1 July 2010	20	20
Charge to the statement of comprehensive income	(21)	(21)
Balance as at 30 June 2011	(1)	(1)
Expected settlement		
Within 12 months		-
In excess of 12 months		(1)
		(1)

Note 20: Contributed equity

Group and Parent	**Group and Parent**			
	2011 Shares	**2010** Shares	**2011** $	**2010** $
(a) Shares	'000	'000	'000	'000
Ordinary shares	17,425	17,425	17,448	17,448
	17,425	**17,425**	**17,448**	**17,448**
(b) Movements				
Opening balance of ordinary shares issued	17,425	17,200	17,448	17,200
Shares issued during the period	-	225	-	248
Closing balance of ordinary shares issued	**17,425**	**17,425**	**17,448**	**17,448**

(c) Share rights

All ordinary shares are fully paid and authorised. They have equal voting rights and share equally in dividends and surpluses on winding up. The shares have no par value.

There were no shares issued during the year. At 30 June 2011, there were 17,425,000 fully paid ordinary shares.

(d) Dividends

No dividends were paid during the period (2010: Nil).

Note 21: Reconciliation of profit after taxation with cashflow from operating activities

	Group		Parent	
	2011	**2010**	**2011**	**2010**
	$'000	$'000	$'000	$'000
Net Loss after Taxation	(11,659)	(10,470)	(254)	(53)
Add non cash items:				
Depreciation	15,028	12,837	-	-
Amortisation of intangibles	764	752	-	-
Unrealised foreign exchange losses/(gains)	(597)	(2,144)	-	-
Landfill provision	1,260	1,255	-	-
Expenses accrued	-	-	10	53
Interest accrued	20,277	17,411	114	-
Share of associates' net profits	(353)	(687)	-	-
Tax losses receivable	(2,289)	(1,677)	-	-
Dividends received from associates	905	670	-	-
Movement in working capital				
Increase (decrease) in accounts payable and accruals	3,395	425	130	-
Decrease (increase) in accounts receivable and other debtors	(3,640)	(118)	-	-
Decrease (increase) in inventories	(154)	(104)	-	-
Decrease (increase) in deferred tax	(1,392)	793	-	-
Net cashflow from operating activities	21,545	18,943	-	-

Note 22: Contingencies

The Company has performance bonds for $8,203,971 (2010: $5,840,293) outstanding to support eighteen contracts.

Note 23: Commitments

(a) Capital commitments

As at 30 June 2011 the total capital expenditure contracted for but not provided for was $318,450 (2010:$1,276,936)

The Company's share of the capital commitments of its associate Companies is nil (2010: Nil).

(b) Lease commitments: Group and Parent as lessee

(i) Operating leases

The Group leases premises, plant and equipment and motor vehicles. Operating leases held over properties give the company the right to renew the lease subject to a predetermination of the lease rental by the lessor. There are no renewal options or options to purchase in respect of operating leases of plant and equipment and vehicles.

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

	Group		Parent	
	2011	**2010**	**2011**	**2010**
	$'000	$'000	$'000	$'000
Within one year	3,191	2,561	-	-
Later than one year but not later than five years	10,014	6,954	-	-
Later than five years	1,633	506	-	-
	14,838	**10,021**	**-**	**-**

The Group's share of lease commitments of its associates Companies is:

Current	28	7	-	-
Non - current	-	2	-	-
	28	**9**	**-**	**-**

(ii) Finance leases

As at 30 June 2011, the Group held finance leases in relation to certain assets with UDC Finance, Marac Finance and Fleet Partners Finance during the year. UDC Finance, Marac Finance and Fleet Partners Finance accordingly hold security over those assets.

	Group		Parent	
	2011	**2010**	**2011**	**2010**
Gross finance lease liabilities - minimum lease payments	$'000	$'000	$'000	$'000
Within one year	2,408	783	**-**	**-**
Later than one year but not later than five years	10,692	3,923	**-**	**-**
Later than five years	-	40	**-**	**-**
	13,100	**4,746**	**-**	**-**
Future finance charges on finance lease	(2,919)	(1,043)	**-**	**-**
Present value of finance lease liabilities	**10,181**	**3,703**	**-**	**-**

Note 24: Related party transactions

(a) Directors

The names of persons who were directors of the Company at any time during the financial year are as follows:

K G McIntosh
M S McLellan
C Aughton (alternate)

(b) Key management and personnel and compensation

Key management personnel compensation for the year ended 30 June 2011 and the year ended 30 June 2010 is set out below. The key management personnel are all the directors of the Company and the executives with the greatest authority for the strategic direction and management of the Company.

	2011	**2010**
	$'000	$'000
Salaries and short term benefits	1,697	1,548
Total	**1,697**	**1,548**

Certain Directors within the Group and key management personnel hold shares in the Parent and these shares have been acquired at fair value.

(c) Other transactions with key management personnel or entities related to them

There are no transactions with key management personnel or entities related to them, other than compensation.

(d) Transactions with related parties

The following transactions occurred with related parties:

	Group		**Parent**	
	2011	**2010**	**2011**	**2010**
	$'000	$'000	$'000	$'000
Reimbursement of expenses				
Associates - Pikes Point Transfer Station Limited	219	260	-	-
- Northern Waste Handling Limited	413	238	-	-
Shareholder advances				
Subsidiaries - Barra Holdco Limited to Barra Topco II Limited	17,739	5,921	17,739	5,921
Management and administration fees				
Associates - Pikes Point Transfer Station Limited	80	77	-	-
- Northern Waste Handling Limited	53	50	-	-
Rental of premises				
Associates - Northern Waste Handling Limited	12	12	-	-
Disposal costs at EnviroWaste Services Limited landfill sites				
Associates - Northern Waste Handling Limited	3,435	1,579	-	-
- Pikes Point Transfer Station Limited	345	324	-	-
Income received from waste delivered to the transfer station				
Associates - Pikes Point Transfer Station Limited	1,433	1,197	-	-
- Northern Waste Handling Limited	4,932	5,029	-	-
Income received from waste transportation services				
Associates - Pikes Point Transfer Station Limited	789	741	-	-
- Northern Waste Handling Limited	1,734	1,693	-	-

(e) Outstanding balances

The following balances are outstanding at the reporting date in relation to transactions with related parties:

Receivables				
Subsidiaries/Associates	485	159	198,103	180,364
Payables				
Subsidiaries/Associates	34	-	-	-

The terms and conditions of the majority of the Parent Company receivable from its Subsidiary are contained within an intercompany loan agreement. The agreement separates the receivable into tranches and attracts interest rates between 0% and 10% (2010: between 0% and 10%).

The funding agreements between the Company and its related parties allow for interest to be charged on the respective advances.

Note 25: Future obligation to sell shares

The future obligation to sell shares represents the future value of an option issued to a third party over shares in a subsidiary. It is disclosed as a liability at the discounted amount in the Balance Sheet of the Company until the option is exercised with the annual reduction in the discount being taken to operating income.

	Group		Parent	
	2011	**2010**	**2011**	**2010**
	$'000	$'000	$'000	$'000
Future obligation to sell shares	398	393	-	-

Note 26: Derivative assets/liabilities

	2011		2010	
	Assets	**Liabilities**	**Assets**	**Liabilities**
	$'000	$'000	$'000	$'000
Interest rate swaps - cashflow hedges	-	4,598	-	5,195

The notional principal amounts of the outstanding interest rate swap contracts at 30 June 2011 were $183.4m (2010; $100.7m). The effective interest rates for the interest rate swaps range from 2.67% to 7.39% (2010: range from 2.57% to 7.39%) and are to mature on various dates ranging from December 2011 to April 2013.

Note 27: Events occurring after balance sheet date

On 31 July 2011, EnviroWaste Services Limited purchased most of the business assets of Triton Haulage Limited and Triton Transport Limited for a total settlement amount of $1,502,448. (2010: Nil)