

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2011

I. RATES REVENUE	CONSOLIDATED		COUNCIL	
	2011 \$000s	2010 \$000s	2011 \$000s	2010 \$000s
Rates - general	42,717	41,757	42,717	41,757
Rates - targeted	24,025	23,468	24,025	23,468
Rates - penalties	5,467	4,594	5,467	4,594
<b>Total Rates Income</b>	<b>72,209</b>	<b>69,819</b>	<b>72,209</b>	<b>69,819</b>

Rates income is not adjusted for remissions of \$2,040,510 (2010 \$1,316,644). Rate remissions are shown as an expense within Planning and Governance.

Under the Local Government (Rating) Act 2002 certain properties cannot be rated for general rates. These properties include schools, places of religious worship, public gardens and reserves. These non-rateable properties may be subject to targeted rates in respect of sewerage, refuse and water. Non-rateable land does not constitute a remission under Far North District Council's rates remission policy.

Targeted rates income includes rates levied for Water, Wastewater and Community Services plus water by meter user charges.

2. OTHER INCOME	CONSOLIDATED		COUNCIL	
	2011 \$000s	2010 \$000s	2011 \$000s	2010 \$000s
Fees and charges	6,807	7,444	6,807	7,444
Subsidies - operational	8,832	6,540	8,832	6,540
Subsidies - projects	12,814	11,945	12,814	11,945
Contributions	568	3,050	568	3,050
Interest & dividends	221	155	5,884	650
Vested and previously unrecognised assets	963	1,907	963	1,907
Rental income from investment properties	1,490	2,208	0	0
Other income	8,391	6,530	1,832	3,076
<b>Total Operating Income</b>	<b>40,087</b>	<b>39,777</b>	<b>37,701</b>	<b>34,612</b>

There are no unfulfilled conditions or other contingencies attached to the subsidy income recognised.

3. OTHER GAINS/ (LOSSES)	CONSOLIDATED		COUNCIL	
	2011 \$000s	2010 \$000s	2011 \$000s	2010 \$000s
Gain on asset sales	362	0	0	0
Gain on sale of marina berths	72	0	0	0
Net gain on forestry assets	148	37	148	37
Net gain on property, plant and equipment sales	3	12	3	11
Net gain on sale of investment properties	0	0	0	0
<b>Total Gains</b>	<b>585</b>	<b>49</b>	<b>151</b>	<b>48</b>
Net loss on property, plant & equipment	(605)	(1,524)	(605)	(1,508)
Net loss on investment properties	(1,596)	(2,466)	0	0
Net loss on forestry assets	0	0	0	0
<b>Total Other Gains/(Losses)</b>	<b>(2,201)</b>	<b>(3,990)</b>	<b>(605)</b>	<b>(1,508)</b>



4. EMPLOYEE BENEFIT EXPENSES	CONSOLIDATED		COUNCIL	
	2011 \$000s	2010 \$000s	2011 \$000s	2010 \$000s
Salaries and wages	15,817	15,422	14,121	13,758
Kiwisaver contributions	173	144	156	131
Increase/(Decrease) in employee benefit liabilities	185	82	173	65
<b>Total Employee Benefit Expenses</b>	<b>16,175</b>	<b>15,647</b>	<b>14,450</b>	<b>13,953</b>

Expenditure in relation to notes 4 and 5 are included within the activity group expenditure in the Statement of Financial Performance.

5. OTHER EXPENSES	CONSOLIDATED		COUNCIL	
	2011 \$000s	2010 \$000s	2011 \$000s	2010 \$000s
Fees paid to the principal auditor				
Audit of financial statements	221	171	153	134
Audit for LTCCP	0	9	0	9
Donations	26	26	0	0
Inventory expenses in year	1,990	900	(9)	1
Impairment of property, plant & equipment	0	0	0	0
Impairment of investment property	0	0	0	0
Impairment of receivables	(17)	70	3,799	3,331
Devaluation of property, plant & equipment	6,582	0	6,582	0
Direct expenses from investment property	465	489	0	0
Minimum lease payments - operating leases	1,093	366	1,038	1,016
<b>Other Expenses</b>	<b>10,360</b>	<b>2,031</b>	<b>11,563</b>	<b>4,491</b>

6. FINANCE COSTS	CONSOLIDATED		COUNCIL	
	2011 \$000s	2010 \$000s	2011 \$000s	2010 \$000s
Interest expense on borrowings	6,817	6,595	6,151	5,955
Interest unwind - landfill aftercare	36	40	36	40
<b>Total Finance Costs</b>	<b>6,853</b>	<b>6,635</b>	<b>6,187</b>	<b>5,995</b>

7. TAX	CONSOLIDATED		COUNCIL	
	2011 \$000s	2010 \$000s	2011 \$000s	2010 \$000s
<b>Components of Tax Expenses</b>				
Deferred tax expenses – continuing operations	(58)	(2,008)	0	0
Deferred tax expenses – discontinued operations	241	0	0	0
<b>Income Tax Expense</b>	<b>183</b>	<b>(2,008)</b>	<b>0</b>	<b>0</b>
<b>Relationship between Tax Expenses and Accounting Profit</b>				
Continuing operations	5,939	10,690	6,765	12,129
Discontinued operations	463	0	0	0
<b>Profit before Taxation and Share of Profit of Associate</b>	<b>6,402</b>	<b>10,690</b>	<b>6,765</b>	<b>12,129</b>
Taxation at 30%	1,921	3,207	2,030	3,639
Plus (less) tax effect of				
Non-taxable income	(1,763)	(3,860)	(2,030)	(3,639)
Group loss offset	(48)	0	0	0
Deferred tax adjustment	(293)	2,661	0	0
<b>Taxation Expense</b>	<b>(183)</b>	<b>2,008</b>	<b>0</b>	<b>0</b>



CONSOLIDATED DEFERRED TAX	PROPERTY PLANT AND EQUIPMENT	INVESTMENT PROPERTIES	EMPLOYEE ENTITLEMENTS	OTHER PROVISIONS	TOTAL
	\$000s	\$000s	\$000s	\$000s	\$000s
	Balance at 1 July 2009	1,343	609	(26)	(27)
Charged to statement of financial performance	(667)	2,686	1	(12)	2,008
Charged to equity	149	0	0	0	149
<b>Balance at 30 June 2010</b>	<b>825</b>	<b>3,295</b>	<b>(25)</b>	<b>(39)</b>	<b>4,057</b>
Charged to statement of financial performance	0	(186)	(2)	4	(184)
Charged to equity	0	0	0	0	0
<b>Balance at 30 June 2011</b>	<b>825</b>	<b>3,109</b>	<b>(27)</b>	<b>(35)</b>	<b>3,873</b>

From 1 July 2007 Council and Far North Holdings have formed a consolidated group for tax purposes. The tax liability for the group has been eliminated by losses transferred from Far North District Council by loss offset of \$294,700 (2010 \$122,630).

A deferred tax asset has not been recognised in relation to tax losses.

8. CASH & CASH EQUIVALENTS	CONSOLIDATED		COUNCIL	
	2011 \$000s	2010 \$000s	2011 \$000s	2010 \$000s
<b>Cash at Bank and In hand:</b>				
Various (Subsidiaries, community facilities, etc)	6	61	6	7
General fund (unsecured)	4,524	2,569	3,322	2,569
<b>Total Cash &amp; Cash Equivalents</b>	<b>4,530</b>	<b>2,629</b>	<b>3,328</b>	<b>2,575</b>

The carrying value of short term deposits with maturity dates of three months or less approximates their fair value. Cash and bank overdrafts include the following for the purpose of the cash flow statement:

	CONSOLIDATED		COUNCIL	
	2011 \$000s	2010 \$000s	2011 \$000s	2010 \$000s
Cash at bank and in hand:	4,530	2,629	3,328	2,575
Bank overdrafts (Note 20)	(5)	(2)	0	0
	<b>4,525</b>	<b>2,627</b>	<b>3,328</b>	<b>2,575</b>

Council has an overdraft facility of \$5m (2010 \$3m)

9. TRADE & OTHER RECEIVABLES	CONSOLIDATED		COUNCIL	
	2011 \$000s	2010 \$000s	2011 \$000s	2010 \$000s
Rates and penalties	35,794	30,206	35,794	30,206
Sundry debtors	12,582	15,647	13,065	15,321
Prepayments	427	314	411	300
Related party receivables	1	2	0	0
	<b>48,804</b>	<b>46,169</b>	<b>49,270</b>	<b>45,827</b>
Less provision for impairment - rates	14,765	10,862	14,765	10,862
Less provision for impairment - sundry debts	2,355	2,476	2,287	2,391
<b>Current Trade &amp; Other Receivables</b>	<b>31,685</b>	<b>32,831</b>	<b>32,219</b>	<b>32,574</b>



The carrying value of trade and other receivables approximates their fair value. There is no concentration of credit risk with respect to receivables as the group has a large number of customers.

As at 30 June 2011 and 2010, all overdue receivables have been assessed for impairment and appropriate provisions applied. Far North Holdings Ltd holds no collateral as security or other credit enhancements over receivables that are either past due or impaired.

Under NZ IFRS7 Far North District Council is required to provide information about the aging of debtor liabilities.

	2011			2010		
	GROSS \$000s	IMPAIRMENT \$000s	NET \$000s	GROSS \$000s	IMPAIRMENT \$000s	NET \$000s
<b>Council</b>						
Not past due	379	0	379	2,478	0	2,478
Past due 1 – 60 days	18,915	4,114	14,801	18,920	2,537	16,383
Past due 61 – 90 days	69	0	69	931	0	931
Past due over 90 days	29,907	12,938	16,969	23,497	10,716	12,781
<b>Total</b>	<b>49,270</b>	<b>17,052</b>	<b>32,219</b>	<b>45,826</b>	<b>13,253</b>	<b>32,573</b>
<b>Group</b>						
Not past due	472	17	455	2,663	11	2,652
Past due 1 – 60 days	18,261	4,131	14,130	18,963	2,541	16,422
Past due 61 – 90 days	85	18	67	957	9	948
Past due over 90 days	29,986	12,954	17,032	23,585	10,778	12,807
<b>Total</b>	<b>48,804</b>	<b>17,120</b>	<b>31,685</b>	<b>46,168</b>	<b>13,339</b>	<b>32,830</b>

Movements in the provision for impairment of receivables are as follows:

	CONSOLIDATED		COUNCIL	
	2011 \$000s	2010 \$000s	2011 \$000s	2010 \$000s
<b>Impairment of Rates</b>				
At July	10,862	8,149	10,862	8,149
Additional provisions made during the year	4,438	2,713	4,438	2,713
Receivables written off during period	(535)	0	(535)	0
<b>At 30 June</b>	<b>14,765</b>	<b>10,862</b>	<b>14,765</b>	<b>10,862</b>
<b>Impairment of Sundry Debts</b>				
At July	2,476	1,816	2,391	1,773
Additional provisions made during the year	(12)	688	(12)	618
Receivables written off during period	(109)	(28)	(92)	0
<b>At 30 June</b>	<b>2,355</b>	<b>2,476</b>	<b>2,287</b>	<b>2,391</b>

10. INVENTORIES	CONSOLIDATED		COUNCIL	
	2011 \$000s	2010 \$000s	2011 \$000s	2010 \$000s
Consumable stocks and materials	95	104	95	104
Marina berths	38	15	0	0
Chandlery and boatyard	24	22	0	0
<b>Total Inventories</b>	<b>157</b>	<b>141</b>	<b>95</b>	<b>104</b>

There are no inventory items held for distribution.



I I. OTHER FINANCIAL ASSETS	CONSOLIDATED		COUNCIL	
	2011 \$000s	2010 \$000s	2011 \$000s	2010 \$000s
<b>Current Portion</b>				
<i>Loans and Receivables</i>				
Short term deposits maturity 4-12 months	2,481	3,165	2,162	2,852
<b>Total Current Portion</b>	<b>2,481</b>	<b>3,165</b>	<b>2,162</b>	<b>2,852</b>
<b>Non-Current Portion</b>				
<i>Available for Sale</i>				
LGNZ Shares	86	108	86	108
Investment in associate	0	392	0	0
<b>Total Non Current Portion</b>	<b>86</b>	<b>500</b>	<b>86</b>	<b>108</b>

There were no impairment provisions for other financial assets.

A short term loan of \$20,000 was granted to Kerikeri Sports Complex Trust

Council holds 35,440 shares in Local Government Insurance Corp Ltd which are held at net asset backing.

These shares are non traded.

MATURITY ANALYSIS AND INTEREST RATES	CONSOLIDATED		COUNCIL	
	2011 \$000s	2010 \$000s	2011 \$000s	2010 \$000s
<i>Loans and Receivables</i>				
Short term loan 4 to 12 months	20	35	20	20
Short term deposits 4 to 12 months	2,461	3,130	2,142	2,832
<b>Maturing within 4 to 12 months</b>	<b>2,481</b>	<b>3,165</b>	<b>2,162</b>	<b>2,852</b>

#### INVESTMENT IN ASSOCIATE

Far North Holdings Limited had a 50% interest in Paihia Maritime Properties Limited which was sold during the year. The investment in the associate company is carried at cost in the FNHL's (parent entity) Statement of Financial Position. Paihia Maritime Properties Limited is an unlisted company and, accordingly, there are no published price quotations to determine the fair value of this investment.

MOVEMENTS IN THE CARRYING AMOUNT OF INVESTMENT IN ASSOCIATE	CONSOLIDATED	
	ACTUAL 2011 \$000s	ACTUAL 2010 \$000s
Balance at 1 July	392	498
Share of inter company sales	0	(10)
Share of revenue	10	44
Less deferred tax	(5)	(140)
Sale of shares	(503)	0
Profit on sale of shares	106	0
<b>Balance at 30 June</b>	<b>0</b>	<b>392</b>

SUMMARISED FINANCIAL INFORMATION OF ASSOCIATE COMPANY	CONSOLIDATED	
	ACTUAL 2011 \$000s	ACTUAL 2010 \$000s
Assets	0	1,940
Liabilities	0	780
Deferred tax liability	0	357
Revenues	0	208
Profit after tax and deferred tax	0	(193)
Groups interest	0%	50%



12. PROPERTY, PLANT & EQUIPMENT – COUNCIL

2011

	ACCUMULATED DEPRECIATION AND IMPAIRMENT CHARGES		CARRYING AMOUNT	CURRENT YEAR ADDITIONS	CURRENT YEAR DISPOSALS	CURRENT YEAR IMPAIRMENT CHARGES	CURRENT YEAR DEPRECIATION	CURRENT YEAR ADJUSTMENTS	REVALUATION SURPLUS	COST/ REVALUATION	ACCUMULATED DEPRECIATION AND IMPAIRMENT CHARGES	CARRYING AMOUNT
	1-JUL-10	1-JUL-10	1-JUL-10							30 JUNE-11	30 JUNE-11	30 JUNE-11
Land	577,026	0	577,026	4,629	(6,321)	0	0	0	(181,041)	394,293	0	394,293
Vehicles and plant	4,698	(1,774)	2,924	0	(168)	0	(296)	(31)	(53)	3,829	(1,454)	2,375
Leasehold improvements	3,618	(839)	2,779	0	0	0	(271)	0	22	3,564	(1,034)	2,530
Wharves, ramps, moorings	3,367	0	3,367	508	0	0	(293)	0	(7)	3,575	0	3,575
F&F and office equipment	5,650	(1,302)	4,348	354	(96)	0	(498)	0	31	5,114	(975)	4,139
Information systems	2,628	(1,727)	901	0	0	0	(441)	0	0	2,628	(2,168)	460
*Work in progress	2,656	0	2,656	5,173	0	0	0	(101)	0	7,728	0	7,728
<b>Total Operational Assets</b>	<b>599,643</b>	<b>(5,642)</b>	<b>594,001</b>	<b>10,664</b>	<b>(6,585)</b>	<b>0</b>	<b>(1,799)</b>	<b>(132)</b>	<b>(181,048)</b>	<b>420,731</b>	<b>(5,631)</b>	<b>415,101</b>
Roading	850,756	(342)	850,414	7,264	0	0	(14,090)	0	1,821	858,532	(13,122)	845,410
Water	57,746	(7)	57,739	1,169	0	0	(2,070)	0	(217)	58,695	(2,074)	56,621
Sewerage	86,062	0	86,062	8,331	0	0	(2,987)	0	(93)	94,297	(2,984)	91,313
Refuse	5,281	0	5,281	26	0	0	(486)	0	(159)	4,662	0	4,662
Stormwater	45,782	0	45,782	442	0	0	(622)	0	(17)	46,207	(622)	45,585
Community Facilities	49,628	(4,726)	44,902	7,733	(1,059)	0	(2,790)	33	(390)	49,035	(606)	48,429
Work In progress	29,587	0	29,587	26,883	(25,066)	0	0	(300)	0	31,104	0	31,104
<b>Total Infrastructural Assets</b>	<b>1,124,842</b>	<b>(5,075)</b>	<b>1,119,767</b>	<b>51,849</b>	<b>(26,125)</b>	<b>0</b>	<b>(23,045)</b>	<b>(267)</b>	<b>945</b>	<b>1,142,532</b>	<b>(19,408)</b>	<b>1,123,124</b>
<b>Council Restricted Assets</b>												
Land	44,775	0	44,775	0	0	0	0	0	0	44,775	0	44,775
<b>Total Restricted Assets</b>	<b>44,775</b>	<b>0</b>	<b>44,775</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>44,775</b>	<b>0</b>	<b>44,775</b>
<b>Total Property, Plant &amp; Equipment</b>	<b>1,769,260</b>	<b>(10,717)</b>	<b>1,758,543</b>	<b>62,513</b>	<b>(32,710)</b>	<b>0</b>	<b>(24,844)</b>	<b>(399)</b>	<b>(180,103)</b>	<b>1,608,038</b>	<b>(25,039)</b>	<b>1,582,999</b>

**12. PROPERTY, PLANT & EQUIPMENT – COUNCIL**

2010

	COST / REVALUATION 1-JUL-09	ACCUMULATED DEPRECIATION AND IMPAIRMENT CHARGES 1-JUL-09	CARRYING AMOUNT 1-JUL-09	CURRENT YEAR ADDITIONS	CURRENT YEAR DISPOSALS	CURRENT YEAR IMPAIRMENT CHARGES	CURRENT YEAR DEPRECIATION	CURRENT YEAR ADJUSTMENTS	REVALUATION SURPLUS	COST/ REVALUATION 30 JUNE-10	ACCUMULATED DEPRECIATION AND IMPAIRMENT CHARGES 30 JUNE-10	CARRYING AMOUNT 30 JUNE-10
Land	577,188	0	577,188	59	(223)	0	0	2	0	577,026	0	577,026
Vehicles and plant	4,617	(1,370)	3,247	173	(85)	0	(439)	28	0	4,698	(1,774)	2,924
Leasehold improvements	3,209	(610)	2,598	558	(145)	0	(233)	1	0	3,618	(839)	2,779
Wharves, ramps, moorings	3,371	0	3,371	162	0	0	(286)	1	119	3,367	0	3,367
F&F and office equipment	5,448	(789)	4,659	220	(10)	0	(522)	1	0	5,650	(1,302)	4,348
Information systems	2,328	(1,147)	1,181	300	0	0	(581)	1	0	2,628	(1,727)	901
Work in progress	2,366	0	2,366	1,349	(1,009)	0	0	(50)	0	2,656	0	2,656
<b>Total Operational Assets</b>	<b>598,527</b>	<b>(3,916)</b>	<b>594,611</b>	<b>2,821</b>	<b>(1,472)</b>	<b>0</b>	<b>(2,061)</b>	<b>(16)</b>	<b>119</b>	<b>599,643</b>	<b>(5,642)</b>	<b>594,001</b>
Roading	817,313	(164)	817,142	19,274	(940)	0	(13,545)	40	28,443	850,756	(342)	850,414
Water	52,005	(1,705)	50,300	5,687	(154)	0	(1,770)	1	3,675	57,746	(7)	57,739
Sewerage	78,884	(2,498)	76,386	3,648	(121)	0	(2,440)	0	8,589	86,062	0	86,062
Refuse	3,681	(208)	3,474	362	(15)	0	(257)	165	1,552	5,281	0	5,281
Stormwater	34,671	(482)	34,189	2,423	(52)	0	(487)	(35)	9,744	45,782	0	45,782
Community Facilities	45,947	(2,053)	43,894	3,753	(34)	0	(2,710)	(1)	0	49,628	(4,726)	44,902
Work In progress	36,747	0	36,747	29,119	(34,951)	0	0	(1,328)	0	29,587	0	29,587
<b>Total Infrastructural Assets</b>	<b>1,069,248</b>	<b>(7,110)</b>	<b>1,062,132</b>	<b>64,266</b>	<b>(36,267)</b>	<b>0</b>	<b>(21,209)</b>	<b>(1,158)</b>	<b>52,003</b>	<b>1,124,842</b>	<b>(5,075)</b>	<b>1,119,767</b>
<b>Council Restricted Assets</b>												
Land	44,775	0	44,775	0	0	0	0	0	0	44,775	0	44,775
<b>Total Restricted Assets</b>	<b>44,775</b>	<b>0</b>	<b>44,775</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>44,775</b>	<b>0</b>	<b>44,775</b>
<b>Total Property, Plant &amp; Equipment</b>	<b>1,712,550</b>	<b>(11,026)</b>	<b>1,701,524</b>	<b>67,087</b>	<b>(37,739)</b>	<b>0</b>	<b>(23,270)</b>	<b>(1,174)</b>	<b>52,122</b>	<b>1,769,260</b>	<b>(10,717)</b>	<b>1,758,543</b>



12. PROPERTY, PLANT & EQUIPMENT – CONSOLIDATED

2011

	ACCUMULATED DEPRECIATION AND IMPAIRMENT CHARGES		CARRYING AMOUNT	CURRENT YEAR ADDITIONS	CURRENT YEAR DISPOSALS	CURRENT YEAR IMPAIRMENT CHARGES	CURRENT YEAR DEPRECIATION	CURRENT YEAR ADJUSTMENTS	REVALUATION SURPLUS	COST/ REVALUATION	ACCUMULATED DEPRECIATION AND IMPAIRMENT CHARGES	CARRYING AMOUNT
	1-JUL-10	1-JUL-10	1-JUL-10							30 JUNE-11	30 JUNE-11	30 JUNE-11
Land	583,508	(3,705)	579,803	4,629	(6,321)	0	0	0	(181,041)	400,775	(3,705)	397,070
Buildings	10,992	0	10,992	28	(443)	0	(94)	(2,495)	0	7,291	697	7,988
Vehicles and plant	5,475	(2,313)	3,162	75	(6)	0	(369)	(31)	(222)	4,674	(2,067)	2,609
Leasehold improvements	3,737	(855)	2,882	0	(65)	0	(279)	0	22	3,618	(1,058)	2,560
Wharves, ramps, moorings	4,753	0	4,753	60	0	0	(335)	0	(8)	4,470	0	4,470
F&F and office equipment	6,200	(1,759)	4,441	180	(101)	0	(540)	0	31	5,485	(1,474)	4,011
Information systems	2,628	(1,727)	901	0	0	0	(441)	0	0	2,628	(2,168)	460
Runways	2,467	0	2,467	0	0	0	(99)	0	0	2,368	0	2,368
Boat transporters	467	(32)	435	0	0	0	(25)	0	0	467	(57)	410
Moorings	77	(11)	66	30	0	0	(3)	0	0	107	(14)	93
Work in progress	2,656	0	2,656	5,173	0	0	0	(101)	0	7,728	0	7,728
<b>Total Operational Assets</b>	<b>622,960</b>	<b>(10,402)</b>	<b>612,558</b>	<b>10,175</b>	<b>(6,936)</b>	<b>0</b>	<b>(2,185)</b>	<b>(2,627)</b>	<b>(181,218)</b>	<b>439,611</b>	<b>(9,846)</b>	<b>429,767</b>
Roading	850,756	(151)	850,605	7,265	0	0	(14,090)	0	1,821	858,532	(13,122)	845,601
Water	57,746	(7)	57,739	1,169	0	0	(2,070)	0	(217)	58,695	(2,074)	56,621
Sewerage	86,062	0	86,062	8,331	0	0	(2,987)	0	(93)	94,297	(2,984)	91,313
Refuse	5,281	0	5,281	26	0	0	(486)	0	(159)	4,662	0	4,662
Stormwater	45,782	0	45,782	442	0	0	(622)	0	(17)	46,207	(622)	45,585
Community Facilities	49,628	(4,726)	44,902	7,733	(1,059)	0	(2,790)	33	(390)	49,035	(606)	48,429
Work In progress	29,587	0	29,587	28,803	(25,066)	0	0	(300)	0	33,028	0	33,028
<b>Total Infrastructural Assets</b>	<b>1,127,851</b>	<b>(4,884)</b>	<b>1,119,958</b>	<b>53,769</b>	<b>(26,125)</b>	<b>0</b>	<b>(23,045)</b>	<b>(267)</b>	<b>945</b>	<b>1,144,456</b>	<b>(19,408)</b>	<b>1,125,239</b>
<b>Council Restricted Assets</b>												
Land	44,775	0	44,775	0	0	0	0	0	0	44,775	0	44,775
<b>Total Restricted Assets</b>	<b>44,775</b>	<b>0</b>	<b>44,775</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>44,775</b>	<b>0</b>	<b>44,775</b>
<b>Total Property, Plant &amp; Equipment</b>	<b>1,795,586</b>	<b>(15,286)</b>	<b>1,777,291</b>	<b>63,944</b>	<b>(33,061)</b>	<b>0</b>	<b>(25,230)</b>	<b>(2,894)</b>	<b>(180,273)</b>	<b>1,628,842</b>	<b>(29,254)</b>	<b>1,599,777</b>



12. PROPERTY, PLANT & EQUIPMENT – CONSOLIDATED													2010
	COST / REVALUATION 1-JUL-09	ACCUMULATED DEPRECIATION AND IMPAIRMENT CHARGES 1-JUL-09	CARRYING AMOUNT 1-JUL-09	CURRENT YEAR ADDITIONS	CURRENT YEAR DISPOSALS	CURRENT YEAR IMPAIRMENT CHARGES	CURRENT YEAR DEPRECIATION	CURRENT YEAR ADJUSTMENTS	REVALUATION SURPLUS	COST/ REVALUATION 30 JUNE-10	ACCUMULATED DEPRECIATION AND IMPAIRMENT CHARGES 30 JUNE-10	CARRYING AMOUNT 30 JUNE-10	
Land	579,069	0	579,069	127	(223)	0	0	2	828	583,508	(3,705)	579,803	
Buildings	12,360	0	12,360	0	(166)	0	(90)	0	(1,112)	10,992	0	10,992	
Vehicles and plant	5,654	(2,183)	3,471	260	(85)	0	(512)	28	0	5,475	(2,313)	3,162	
Leasehold improvements	3,328	(618)	2,709	558	(145)	0	(241)	1	0	3,737	(855)	2,882	
Wharves, ramps, moorings	4,757	0	4,757	179	0	0	(328)	1	144	4,753	0	4,753	
F&F and office equipment	5,999	(1,210)	4,790	228	(14)	0	(564)	1	0	6,200	(1,759)	4,441	
Information systems	2,328	(1,147)	1,181	300	0	0	(581)	1	0	2,628	(1,727)	901	
Runways	2,207	0	2,207	5	0	0	(88)	0	343	2,467	0	2,467	
Boat transporters	213	(14)	199	344	(89)	0	(19)	0	0	467	(32)	435	
Moorings	63	(8)	55	13	0	0	(2)	0	0	77	(11)	66	
Work in progress	2,366	0	2,366	1,349	(1,009)	0	0	(50)	0	2,656	0	2,656	
<b>Total Operational Assets</b>	<b>618,344</b>	<b>(5,180)</b>	<b>613,164</b>	<b>3,363</b>	<b>(1,731)</b>	<b>0</b>	<b>(2,425)</b>	<b>(16)</b>	<b>203</b>	<b>622,960</b>	<b>(10,402)</b>	<b>612,558</b>	
Roading	817,413	(80)	817,333	19,274	(940)	0	(13,545)	40	28,443	850,756	(151)	850,605	
Water	52,005	(1,705)	50,300	5,687	(154)	0	(1,770)	1	3,675	57,746	(7)	57,739	
Sewerage	78,884	(2,498)	76,386	3,648	(121)	0	(2,440)	0	8,589	86,062	0	86,062	
Refuse	3,681	(208)	3,474	362	(15)	0	(257)	165	1,552	5,281	0	5,281	
Stormwater	34,671	(482)	34,189	2,423	(52)	0	(487)	(35)	9,744	45,782	0	45,782	
Community Facilities	45,947	(2,053)	43,894	3,753	(34)	0	(2,710)	(1)	0	49,628	(4,726)	44,902	
Work In progress	36,747	0	36,747	29,119	(34,951)	0	0	(1,328)	0	29,587	0	29,587	
<b>Total Infrastructural Assets</b>	<b>1,069,248</b>	<b>(7,026)</b>	<b>1,062,132</b>	<b>64,266</b>	<b>(36,267)</b>	<b>0</b>	<b>(21,209)</b>	<b>(1,158)</b>	<b>52,003</b>	<b>1,124,842</b>	<b>(4,884)</b>	<b>1,119,958</b>	
<b>Council Restricted Assets</b>													
Land	44,775	0	44,775	0	0	0	0	0	0	44,775	0	44,775	
<b>Total Restricted Assets</b>	<b>44,775</b>	<b>0</b>	<b>44,775</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>44,775</b>	<b>0</b>	<b>44,775</b>	
<b>Total Property, Plant &amp; Equipment</b>	<b>1,732,467</b>	<b>(12,206)</b>	<b>1,720,261</b>	<b>67,629</b>	<b>(37,998)</b>	<b>0</b>	<b>(23,634)</b>	<b>(1,174)</b>	<b>52,206</b>	<b>1,792,577</b>	<b>(15,286)</b>	<b>1,777,291</b>	



## PRIOR YEAR ADJUSTMENT RELATING TO PROPERTY, PLANT & EQUIPMENT

In 2009, the revaluation of footpaths included assets that were not in existence amounting to \$3.009m. In removing these non-existent assets from the Statement of Financial Position, the opening 1 July 2009 balances for the footpath asset revaluation reserve (included in other reserves) has been reduced by \$0.676m and retained earnings has been reduced by \$2.333m. These adjustments have caused the opening and closing 2010 comparatives to be re-stated in property, plant & equipment (reduces by \$3.009m), asset revaluation reserves (reduces by \$0.676m) and retained earnings (reduces by \$2.333m).

The following adjustments have been made to the 2010 comparatives:

## Council and Consolidated Statement of Financial Position

AS AT 30 JUNE 2011

### Original Comparatives

	NOTE	CONSOLIDATED ACTUAL 2010 \$000s	COUNCIL ACTUAL 2010 \$000s
<b>PUBLIC EQUITY</b>			
Other reserves	21	396,044	393,572
Restricted reserves	21	1,527	24
Retained earnings	21	1,309,419	1,287,278
<b>Public Equity</b>		<b>1,706,989</b>	<b>1,680,873</b>
<b>NON CURRENT ASSETS</b>			
Property, plant & equipment	12	1,780,300	1,761,551
<b>Non Current Assets</b>		<b>1,816,810</b>	<b>1,777,295</b>

### Revised Comparatives

	NOTE	CONSOLIDATED ACTUAL 2010 \$000s	COUNCIL ACTUAL 2010 \$000s
<b>PUBLIC EQUITY</b>			
Other reserves	21	395,271	392,799
Restricted reserves	21	1,527	24
Retained earnings	21	1,307,183	1,285,042
<b>Public Equity</b>		<b>1,703,981</b>	<b>1,677,865</b>
<b>NON CURRENT ASSETS</b>			
Property, plant & equipment	12	1,777,291	1,758,542
<b>Non Current Assets</b>		<b>1,813,801</b>	<b>1,774,286</b>



## VALUATION

\* Note to table 12 – Includes Work In Progress (WIP) for Intangible Assets \$8.652m (\$1.841m 2009/10)

The following asset classes were valued at depreciated replacement cost by Fraser Campbell B.E., MIPENZ, registered engineer with Campbell Consulting LTD and SPM Consultants:

### 30 June 2011

Roading - Street Lighting	Roading - Drainage Detention Ponds
Water, Wastewater and Refuse (Including Land)	Roading - Retaining and Seawalls
Carparks	Footpaths

### 30 June 2010

Roading - Traffic Signs	Roading - Pavement	Roading - Drainage
Roading - Bridges	Stormwater Infrastructure	

### 30 June 2009

Roading Quarries

### 30 June 2008

Roading - Road Marking

The following asset classes were valued at depreciated replacement cost or fair value by Quotable Value New Zealand (Darroch Ltd):

### 30 June 2011

Cemeteries	Halls, Community Centres and Museums	
Libraries	I-Sites	Parks & Reserves (Including Land)
Camping grounds	Public Toilets	Swimming Pools
Land under roads (Fair value)	Pensioner Housing (Depreciated Replacement Cost)	

The following asset classes were valued at depreciated replacement cost by Craig Russell, registered valuer with Telfer Young (Northland) Ltd:

### 30 June 2011

Maritime

The following asset classes were valued at depreciated replacement cost by Senior Property consultants at Opus International Consultants Ltd:

### 31 January 2011

Heritage Assets

The following asset classes were valued in house by the Systems Librarian and the Fixed Asset Officer at depreciated replacement cost. The valuation was peer reviewed by Chris Jenkins – Director SPM Consultants Ltd:

### 31 December 2010

Library books

## OPERATIONAL ASSETS

Ferry Assets were valued at depreciated replacement cost by CPG New Zealand Ltd, Consulting Engineers, with an effective valuation date of 30 June 2011

Rural Fire Appliances were valued by Turners Auctions as at 30 June 2011.



TOTAL VALUE OF PROPERTY, PLANT & EQUIPMENT VALUED BY EACH VALUER	COUNCIL	
	2011 \$000s	2010 \$000s
Campbell Consulting Ltd	590,169	1,427,857
SPM Consulting (Peer review)	3,371	0
Opus International Consultants Ltd	2,503	0
Telfer Young (Northland) Ltd	3,659	3,365
Turners Auctions	1,105	0
Darroch Valuations	115,465	0

TOTAL VALUE OF PROPERTY, PLANT & EQUIPMENT VALUED BY EACH VALUER	GROUP	
	2011 \$000s	2010 \$000s
Campbell Consulting Ltd	590,169	1,427,857
SPM Consulting (Peer review)	3,371	0
Opus International Consultants Ltd	2,503	0
Telfer Young (Northland) Ltd	36,316	40,162
Turners Auctions	1,105	0
Darroch Valuations	115,465	0

13. INTANGIBLE ASSETS	CONSOLIDATED		COUNCIL	
	2011 \$000s	2010 \$000s	2011 \$000s	2010 \$000s
<b>Computer Software</b>				
Balance at 1 July				
Cost	3,889	3,243	3,859	3,213
Accumulated amortisation and impairment	(1,792)	(1,360)	1,807	(1,355)
Year Ended 30 June	2,067	1,883	2,052	1,858
<b>Opening Carrying Amount</b>	<b>2,067</b>	<b>1,883</b>	<b>2,052</b>	<b>1,858</b>
Additions	0	646	0	646
Amortisation charges	(575)	(462)	(565)	(452)
Disposals / adjustments	(10)	0	(10)	0
<b>Balance at 30 June</b>	<b>1,482</b>	<b>2,067</b>	<b>1,477</b>	<b>2,052</b>
<b>Resource Consents/Easements</b>				
Balance at 1 July				
Cost	576	514	576	514
Accumulated amortisation and impairment	(128)	(88)	(128)	(88)
Year Ended 30 June	448	426	448	426
<b>Opening Carrying Amount</b>	<b>448</b>	<b>426</b>	<b>448</b>	<b>426</b>
Additions	646	62	646	62
Amortisation charges	(62)	(40)	(62)	(40)
Disposals / adjustments	7	0	7	0
<b>Balance at 30 June</b>	<b>1,040</b>	<b>448</b>	<b>1,040</b>	<b>448</b>
<b>Coastal Permits &amp; Licences</b>	<b>934</b>	<b>1,061</b>	<b>0</b>	<b>0</b>
<b>Public Access Rights</b>				
Balance at 1 July				
Cost	901	361	901	361
Accumulated amortisation and impairment	(41)	(19)	(41)	(19)
Year Ended 30 June	860	342	860	342
<b>Opening Carrying Amount</b>	<b>860</b>	<b>342</b>	<b>860</b>	<b>342</b>
Additions	95	540	95	540
Amortisation charges	(78)	(22)	(78)	(22)
Disposals / adjustments	(200)	0	(200)	0
<b>Balance at 30 June</b>	<b>677</b>	<b>860</b>	<b>677</b>	<b>860</b>
<b>Total Intangible Assets</b>	<b>4,133</b>	<b>4,436</b>	<b>3,194</b>	<b>3,360</b>



Easements and Resource Consents are not cash generating in nature, instead they give Far North District Council the right to access private property where infrastructural assets are located and to carry out activities approved by permit.

The valuation of the coastal permits and licences of Far North Holdings Ltd are at fair value as determined annually by an independent registered valuer, T S Baker ANZIV, of the firm Telfer Young (Northland) Ltd, as at 30 June 2011. Assumptions made by the valuer are that the coastal permits and licences will be renewed. The coastal permits and licences are for a finite period, however, it is expected that these will be renewed on an ongoing basis. Due to signalled legislative changes and the uncertainty surrounding the future occupation of the seabed and foreshore, it has been deemed prudent to amortise the coastal permits and licences over the unexpired period.

14. FORESTRY ASSETS	CONSOLIDATED		COUNCIL	
	2011 \$000s	2010 \$000s	2011 \$000s	2010 \$000s
Balance at 1 July	275	237	275	237
Gains/(Losses) arising from changes in value less attributable point of sale costs	148	38	148	38
<b>Balance at 30 June</b>	<b>423</b>	<b>275</b>	<b>423</b>	<b>275</b>

Far North District Council owns 57.4 hectares of forest which are in varying stages of maturity ranging from 3 years to 29 years. No forests have been harvested during the period (2010 - nil). Independent registered valuers, Northland Forestry Managers (1995) Ltd have valued the forestry assets as at 30 June 2011. A discount rate of 8% has been used in discounting the present value of expected cash flows.

#### FINANCIAL RISK MANAGEMENT STRATEGIES

Far North District Council is exposed to financial risks arising from the changes in timber prices. Far North District Council is a long term forestry investor and does not expect timber prices to decline significantly in the foreseeable future, therefore, has not taken measures to manage the risks of a decline in timber prices.

15. INVESTMENT PROPERTY	CONSOLIDATED		COUNCIL	
	2011 \$000s	2010 \$000s	2011 \$000s	2010 \$000s
Balance at 1 July	31,299	33,491	0	0
WIP additions	43	84	0	0
Additions	1,726	1,222	0	0
Disposals	(1,533)	(2,322)	0	0
Impairment	(200)	0	0	0
Fair value gains/(losses) on valuation	(887)	(1,176)	0	0
<b>Balance at 30 June</b>	<b>30,448</b>	<b>31,299</b>	<b>0</b>	<b>0</b>

Far North Holdings Limited investment properties are valued annually at fair value effective 30 June. All investment properties were valued based on open market evidence. The valuation was performed by T S Baker ANZIV, of the firm Telfer Young (Northland) Ltd, a valuer with extensive market knowledge in the types of investment properties owned by Far North Holdings Ltd.

Contractual obligations in relation to investment properties at balance date but not recognised in the financial statements are as follows:

	CONSOLIDATED		COUNCIL	
	2011 \$000s	2010 \$000s	2011 \$000s	2010 \$000s
Contractual obligations for capital expenditure	0	57	0	0
<b>Total Contractual Obligations</b>	<b>0</b>	<b>57</b>	<b>0</b>	<b>0</b>



16. INVESTMENT IN SUBSIDIARIES	CONSOLIDATED		COUNCIL	
	2011 \$000s	2010 \$000s	2011 \$000s	2010 \$000s
Far North Holdings Ltd	0	0	12,000	12,000
<b>Total Investment in Subsidiaries</b>	<b>0</b>	<b>0</b>	<b>12,000</b>	<b>12,000</b>

Council has a 100% investment in Far North Holdings and its reporting date is 30 June.

The investment in Far North Holdings Limited comprises 7,000,000 ordinary shares and 5,000,000 convertible non-participating redeemable shares. The holders of the convertible non-participating shares have no rights to participate in the profits or assets of the Company other than by the discretion of the directors, to vote at any general meeting of the Company or to subscribe for or be offered or allotted any present or future issue of shares in the capital of the Company. The Company shall be entitled, at any time from 30 May 2002, to redeem all or any of the convertible non-participating share at the available subscribed capital per share.

The following were subsidiaries within the Far North Holdings Group:

<b>Name of Entity:</b>	Paihia Maritime Properties Ltd
<b>Principal Activity:</b>	Associate of Holding Company
<b>Ownership:</b>	0% (2010 50%)
<b>Owner:</b>	Far North District Council
<b>Balance Date:</b>	30 June

17. TRADE & OTHER PAYABLES	CONSOLIDATED		COUNCIL	
	2011 \$000s	2010 \$000s	2011 \$000s	2010 \$000s
Current Portion				
Trade payables	4,811	5,451	4,486	4,919
Related party payables	1,890	1,145	0	0
Accruals	9,017	7,750	9,017	7,750
Deposits	4,490	4,486	4,490	4,486
Income in advance	2,498	2,126	2,498	1,962
<b>Total Current Portion</b>	<b>22,706</b>	<b>20,958</b>	<b>20,491</b>	<b>19,117</b>
Non-Current Portion				
Income in advance	1,174	1,058	0	0
<b>Total Non Current Portion</b>	<b>1,174</b>	<b>1,058</b>	<b>0</b>	<b>0</b>

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



18. PROVISIONS	CONSOLIDATED		COUNCIL	
	2011 \$000s	2010 \$000s	2011 \$000s	2010 \$000s
<b>Provision for Leaky Buildings</b>				
Current	0	0	0	0
Non current	1,307	1,088	1,307	1,088
<b>Total Provision Leaky Buildings</b>	<b>1,307</b>	<b>1,088</b>	<b>1,307</b>	<b>1,088</b>
Balance 1 July	1,088	739	1,088	739
Provision added	347	1,037	347	1,037
Provision unused	0	(625)	0	(625)
Provision utilised	(128)	(63)	(128)	(63)
<b>Balance 30 June</b>	<b>1,307</b>	<b>1,088</b>	<b>1,307</b>	<b>1,088</b>
<b>Landfill Aftercare Liability</b>				
Current provisions	40	54	40	54
Non current provisions	391	404	391	404
<b>Total Provisions</b>	<b>431</b>	<b>458</b>	<b>431</b>	<b>458</b>
<b>This is represented by:</b>				
<b>Ahipara</b>				
Opening balance July 2010	235	268	235	268
Less amount utilised	25	33	25	33
<b>Closing Balance June 2011</b>	<b>210</b>	<b>235</b>	<b>210</b>	<b>235</b>
<b>Kaikohe</b>				
Opening balance July 2010	12	14	12	14
Less amount utilised	1	2	1	2
<b>Closing Balance June 2011</b>	<b>11</b>	<b>12</b>	<b>11</b>	<b>12</b>
<b>Russell</b>				
Opening balance July 2010	186	186	186	186
Less amount utilised	0	0	0	0
Add increase in provision	0	0	0	0
<b>Closing Balance June 2011</b>	<b>186</b>	<b>186</b>	<b>186</b>	<b>186</b>
<b>Whangae</b>				
Opening balance July 2010	25	27	25	27
Less amount utilised	1	2	1	2
<b>Closing Balance June 2011</b>	<b>24</b>	<b>25</b>	<b>24</b>	<b>25</b>
<b>Total Landfill Aftercare Provisions</b>	<b>431</b>	<b>458</b>	<b>431</b>	<b>458</b>
Total current provisions	40	54	40	54
Total non current provisions	1,698	1,492	1,698	1,492
<b>Total Provisions</b>	<b>1,738</b>	<b>1,545</b>	<b>1,738</b>	<b>1,545</b>

#### LANDFILL AFTERCARE PROVISIONS

Far North District Council gained resource consents to operate landfills at Ahipara, Russell, Whangae and Kaikohe. The Council has responsibility under the Resource Management Act (1991) to provide ongoing maintenance and monitoring of the landfills after the sites are closed.

#### THERE ARE CLOSURE AND POST CLOSURE RESPONSIBILITIES SUCH AS THE FOLLOWING:

- Final cover and vegetation;
- Drainage control features to minimise infiltration of stormwater;
- Completing facilities for leachate collection and treatment;
- Ongoing monitoring as per discharge consent conditions;
- Completing facilities for monitoring of landfill gas and ensuring no hazard exists.

#### POST-CLOSURE RESPONSIBILITIES

- Treatment and monitoring of leachate;
- Ground water and surface water monitoring;
- Gas monitoring and flaring if required;
- Implementation of remedial measures such as needed for settlement and cracking of capping layer;
- Ongoing site maintenance for drainage systems, final cover and vegetation;
- Ensure closed landfill is suitable for intended future use.

The management of the landfills will influence the timing of some liabilities – for example, the current landfill sites of Ahipara and Russell will operate in two stages. A liability relating to stage two will only be created when that stage is commissioned and when refuse begins to accumulate in this stage.



## CAPACITY OF THE SITES

The remaining cubic capacity of refuse, cleanfill and cover of Council's two current sites as at 30 June 2011 are:

*Ahipara – 14,000 cubic meters*

*Russell – 16,000 cubic meters*

The estimated remaining lives are:

*Ahipara – 3-4 years*

*Kaikohe – nil*

*Russell – 25 years*

*Whangae – nil*

Estimates of the remaining lives have been made by the Council's engineers based upon historical volume information.

The cash flows for the landfill post-closures are expected to occur for the years between 2011 and 2030. The long term nature of the liability means that there are inherent uncertainties in estimating costs that will be incurred. The provision has been estimated taking into account existing technology and is discounted using a discount rate of 8%.

The following major assumptions have been made in the calculation of the provision:

- The cost of monitoring of surface/ground water; and
- No major remedial works being required at any of the sites.

## Leaky Building Provision

Far North District Council has made a provision of \$1,307,633 (2010 - \$1,015,133) in response to eight (2010 – six) leaky building claims currently lodged with the Weather-tight Homes Resolution Service. These claims are not proved to be the responsibility of the Council but as an outcome is awaited, it has been deemed prudent to make suitable provision should the Council be required to settle the claims.

19. EMPLOYEE BENEFITS	CONSOLIDATED		COUNCIL	
	2011 \$000s	2010 \$000s	2011 \$000s	2010 \$000s
Annual leave entitlement	1,176	1,178	1,077	1,086
Other entitlements	448	261	430	248
<b>Total Employee Benefits</b>	<b>1,624</b>	<b>1,439</b>	<b>1,507</b>	<b>1,334</b>
<b>Comprising</b>				
Current	1,624	1,439	1,507	1,334
Non current	0	0	0	0
<b>Total Employee Benefits</b>	<b>1,624</b>	<b>1,439</b>	<b>1,507</b>	<b>1,334</b>

20. BORROWINGS	CONSOLIDATED		COUNCIL	
	2011 \$000s	2010 \$000s	2011 \$000s	2010 \$000s
Current				
Bank overdraft	5	2	0	0
Secured loans	13,525	21,462	13,525	14,012
Finance lease liability	0	0	0	0
<b>Total Current Borrowings</b>	<b>13,530</b>	<b>21,464</b>	<b>13,525</b>	<b>14,012</b>
Non-Current				
Secured loans	105,118	101,321	95,798	98,421
Finance lease liability	0	0	0	0
<b>Total Non Current Borrowings</b>	<b>105,118</b>	<b>101,321</b>	<b>95,798</b>	<b>98,421</b>

Council loans are secured over rating income. Far North Holdings Limited has loans of \$9,320,000 (2010 - \$10,350,000). Land and buildings to a value of \$20,508,000 (\$18,217,000 in 2010) have been given as security for the term loans. Far North District Council has an overdraft limit of \$5 million (2010 - \$3m) which is not secured.

The Far North District Council has short term loan facilities of \$50 million as at 30 June 2011 (2010- \$75 million).

Far North District Council has a banking facility which will expire on 30 September 2011. All outstanding commitments on that facility at that time are likely to be transferred to an alternative existing facility which expires in December 2013. These borrowings have therefore been disclosed as non current. The alternative facility was in place before the balance date.





### Maturity Periods

Payable no later than one year	13,525	21,462	13,525	14,012
Later than one, not later than two years	11,354	46,535	2,034	46,535
Later than two, not later than five years	54,190	25,175	54,190	22,275
Later than five years	39,575	29,611	39,575	29,611
	<b>118,643</b>	<b>122,783</b>	<b>109,323</b>	<b>112,433</b>

The carrying amount of borrowings approximate their fair value.

The weighted average effective interest rate on secured loans (current and non current) were:

Secured Loans and Debentures	7.14 %	8.28 %
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Council's borrowing management policy is based on ratios and is calculated as follows:

RATIO	TARGET	ACHIEVEMENT 2010/11
Net debts as % total revenue	Debt not greater than 200% of revenue	99%
Gross annual interest to total revenue	Less than 15%	6%
Current Ratio (Liquidity Ratio)	Equal or greater than 1 times	1.07:1

21. EQUITY	CONSOLIDATED		COUNCIL	
	2011 \$000s	2010 \$000s	2011 \$000s	2010 \$000s
<b>Retained Earnings</b>				
As at 1 July	1,307,183	1,292,317	1,285,042	1,277,207
Net transfer – retained earning	14,440	12,554	17,647	14,990
Development contributions	(21,154)	(19,284)	(21,154)	(19,284)
Surplus/(Deficit) for the year	5,164	12,331	6,765	12,129
<b>Balance as at 30 June</b>	<b>1,305,633</b>	<b>1,307,183</b>	<b>1,288,300</b>	<b>1,285,042</b>
<b>Restricted Reserves</b>				
As at 1 July	1,527	502	24	(1,001)
Transfer to restricted reserves	31,788	32,651	30,284	31,148
Transfer from restricted reserves	29,909	31,626	28,405	30,123
<b>Balance as at 30 June</b>	<b>3,406</b>	<b>1,527</b>	<b>1,903</b>	<b>24</b>
<b>Restricted Reserves Consists of:</b>				
Community – District	(1,333)	(2,942)	(1,333)	(2,942)
Community – Eastern	(21)	48	(21)	48
Community – Northern	(351)	(351)	(351)	(351)
Community – Western	(57)	(57)	(57)	(57)
Drainage	66	44	66	44
Stormwater separate rate	302	315	302	315
Sewerage	258	493	258	493
Water	(1,524)	(1,919)	(1,524)	(1,919)
Special funds	3,776	3,661	3,776	3,661
Kerikeri main-street reserve	434	398	434	398
Economic development	10	10	10	10
Paihia central business district development	19	0	19	0
Carpark funds	324	324	324	324
Subsidiary assets	1,503	1,503	0	0
<b>Total Restricted Reserves</b>	<b>3,406</b>	<b>1,527</b>	<b>1,903</b>	<b>24</b>



21. EQUITY	CONSOLIDATED		COUNCIL	
	2011 \$000s	2010 \$000s	2011 \$000s	2010 \$000s
<b>Other Reserves Consist of:</b>				
<b>Asset Revaluation Reserves</b>				
As at 1 July	395,259	344,462	390,091	338,645
Revaluation gains/(losses)	(179,576)	50,797	(179,631)	51,446
<b>Balance as at 30 June</b>	<b>215,683</b>	<b>395,259</b>	<b>210,460</b>	<b>390,091</b>
<b>Asset Revaluation Reserve Consists of:</b>				
Maritime	974	982	974	982
Pensioner housing	1,712	1,610	1,712	1,610
Heritage	362	211	362	211
Plant & equipment	0	53	0	53
Halls	1,806	3,840	1,806	3,840
Swimming pools	109	84	109	84
Parks & reserves	1,366	600	1,366	600
Cemeteries	320	480	320	480
Land – parks & reserves	0	4,959	0	4,959
Public toilets	98	98	98	98
Car-parks	397	204	397	204
Camping grounds	456	645	456	645
Footpaths	0	0	0	0
Library buildings	1,511	900	1,511	900
Library books	1,424	1,266	1,424	1,266
Drainage	12,058	12,058	12,058	12,058
Roading	158,010	331,829	158,010	331,829
Refuse	1,646	1,831	1,646	1,831
Water	12,134	12,271	12,134	12,271
Wastewater	16,077	16,170	16,077	16,170
Subsidiary assets	5,223	5,169	0	0
<b>Total Asset Revaluation Reserve</b>	<b>215,683</b>	<b>395,259</b>	<b>210,460</b>	<b>390,091</b>
<b>Fair Value through Equity Reserve</b>				
As at 1 July	108	106	108	106
Fair value gains/(losses)	(22)	2	(22)	2
<b>Balance as at 30 June</b>	<b>86</b>	<b>108</b>	<b>86</b>	<b>108</b>
<b>Capital Reserve</b>				
As at 1 July	0	0	2,697	2,697
Fair value gains/(losses)	0	0	0	0
<b>Balance as at 30 June</b>	<b>0</b>	<b>0</b>	<b>2,697</b>	<b>2,697</b>
<b>Cash flow hedge reserve</b>				
As at 1 July	(97)	217	(97)	217
Hedge additions	0	157	0	157
Fair value gains/(losses)	(268)	(277)	(268)	(277)
<b>Balance at 30 June</b>	<b>(365)</b>	<b>97</b>	<b>(365)</b>	<b>97</b>
<b>Total Other Reserves</b>	<b>215,404</b>	<b>395,270</b>	<b>212,878</b>	<b>392,799</b>

Restricted reserves consist of community services, amenity development and amenity funds, special funds and separate rates reserves and are restricted to use for specific purposes and are not available for general expenditure.

The capital reserve pertains to profit of \$1,630,000 on the sale of Council's shares in Far North Maritime Limited to Far North Holdings Limited, and a capital profit of \$1,067,000 on the sale of land and buildings to Far North Properties, a former subsidiary of Far North Holdings Limited.



22. CASH FLOW RECONCILIATION	CONSOLIDATED		COUNCIL	
	2011	2010	2011	2010
	\$000s	\$000s	\$000s	\$000s
Reported surplus/(deficit)	5,164	12,331	6,765	12,129
<b>Add Non-cash items</b>				
Depreciation and amortisation	26,002	24,225	25,548	23,783
Vested assets	(963)	(1,907)	(963)	(1,907)
Assets transferred	0	0	(5,201)	0
Change in deferred taxation	(2,192)	2008	0	0
Loss on Property, plant & equipment	2,198	230	602	1,508
Change in provision for bad debts	3,782	3,373	3,799	3,331
Unrealised revaluation and devaluation	6,582	0	6,582	0
<b>Add/(Less) Movements in Other Working Capital Items</b>				
(Increase)/Decrease in Trade & other receivables	357	(5,857)	354	(5,395)
(Increase)/Decrease in Inventories	(15)	(2)	9	(1)
Increase/(Decrease) in Provisions	(14)	(158)	(14)	(158)
Increase/(Decrease) in Other financial assets	684	(3,174)	690	(2,852)
Increase/(Decrease) in Employee benefits	185	82	173	65
Increase/(Decrease) in Trade & other payables	1,246	(3,884)	1,374	(4,557)
Items classed as Investing activities	116	0	96	0
<b>Net Operating Cash Flows</b>	<b>43,132</b>	<b>27,267</b>	<b>39,814</b>	<b>25,946</b>

Reconciliation of reported operating surplus to net cash inflow/outflow from operating activities.

23. CAPITAL COMMITMENTS	CONSOLIDATED		COUNCIL	
	2011	2010	2011	2010
	\$000s	\$000s	\$000s	\$000s
<b>Capital Commitments Approved and Contracted</b>				
Roading	1,639	1,863	1,639	1,863
Water	0	0	0	0
Sewerage	102	197	102	197
Community Facilities	186	711	186	711
Subsidiaries investment property	214	57	0	0
<b>Total Capital Commitments</b>	<b>2,141</b>	<b>2,829</b>	<b>1,927</b>	<b>2,772</b>

The Roothing commitments attract subsidy to the value of \$981,850. Far North District Council is committed to supporting Te Ahu Charitable Trust in the 2009/19 LTCCP and the value of the commitment outstanding at 30 June 2011 is \$1,985,214.

### NON-CANCELLABLE OPERATING LEASE COMMITMENTS

Council has operating lease agreements for the use of facsimile machines, property and photocopiers/printers.

	CONSOLIDATED		COUNCIL	
	2011	2010	2011	2010
	\$000s	\$000s	\$000s	\$000s
<b>Operating Lease</b>				
<b>Lease Payments Made:</b>	<b>423</b>	<b>366</b>	<b>1,038</b>	<b>1,016</b>
<b>Lease Payments Due:</b>				
Not later than one year	393	378	373	948
Later than one year and not later than two years	283	341	264	334
Later than two years and not later than five years	493	486	400	433
Later than five years	415	436	314	463
<b>Total Operating Leases</b>	<b>1,587</b>	<b>1,641</b>	<b>1,351</b>	<b>2,178</b>

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

### OPERATING LEASES AS LESSOR

Far North Holdings Limited leases its investment property under operating leases. The future aggregate minimum lease payments to be collected under non-cancellable operating leases are as follows:

	CONSOLIDATED		COUNCIL	
	2011	2010	2011	2010
	\$000s	\$000s	\$000s	\$000s
<b>Non Cancellable operating leases lessor</b>				
Not later than one year	1,030	1,506	0	0
Later than one and not later than five years	3,277	5,134	0	0
Later than five years	4,236	4,378	0	0
<b>Total Non Cancellable Operating Leases</b>	<b>8,543</b>	<b>11,018</b>	<b>0</b>	<b>0</b>



24. CONTINGENCIES	CONSOLIDATED		COUNCIL	
	2011 \$000s	2010 \$000s	2011 \$000s	2010 \$000s
Building Act claims	40	0	40	0
Other legal proceedings	77	77	77	77
Roading legalisation claims	50	100	50	100
<b>Total Contingent Liabilities</b>	<b>167</b>	<b>177</b>	<b>167</b>	<b>177</b>

#### LITIGATION

Fifteen claims involving possible future costs totalling an estimated value of \$363,727 exist. These claims are contingent and have not been accrued in the financial statements. (Last year there were eight possible claims at an estimated value of \$176,874).

The Council is subject to some litigation claims in respect of repair costs for leaky buildings. As at the date of this report, the Weathertight Homes Resolution Service advises that it is actioning six claims in relation to Far North District Council. There is provision for these of \$1,297,633 shown as a provision in Note 18. The number of buildings affected by those claims is unknown. Claims lodged prior to July 07 will be substantially covered by insurance and those from July 08 will be subject to an excess of \$50k per claim. From July 09 no further claims will be covered by Riskpool. Riskpool is making additional funding requests in relation to prior year funds and it is possible that Council may be asked to make additional payments but as yet, sums are not known.

#### GUARANTEES

Far North District Council has guaranteed a bank loan for the Civic Centre Trust for \$1,900,000 (2010 \$1,900,000) Hohoura Big Game Sports & Fishing Club \$50,000 (2010 \$50,000) and the Kawakawa Bowling Club of \$40,000 (2010 \$40,000).

Far North Holdings Limited no longer guarantees a bank loan to Paihia Maritime Properties Limited (2010 \$1,000,000).

#### 25. RELATED PARTY TRANSACTIONS

Key Management Personnel in relation to NZ IAS24 are deemed to be the Chief Executive, Senior Management Team and Mayor, Councillors and Community Board members of Far North District Council and the Directors of Far North Holdings Limited.

#### COUNCIL

During the year Councillors and key management, as part of a normal customer relationship, were involved in minor transactions with Council (such as payment of rates). Other details relating to expenditure incurred by Council are as follows:

	COUNCIL	
	2011 \$000s	2010 \$000s
Mr I Siver – Director The Centre	0	1
Member Waikare – Kawakawa Community Trust	0	32
Cllr Kitchen – New Zealand Fire Service	9	0
Cllr Kitchen/Macauley – Northland District Health Board	330	289
Cllr Macauley – Kaikohe & District Historical & Mechanical Society	84	0
Cllr Macauley – Kawakawa Hundertwasser Centre	8	0
Cllr Knight – 100% Monty Knight	1	0
Cllr McNally – McNally Valuation (2000) Ltd	1	0
Cllr Maxwell – Creative Edge Bay of Islands	3	0
Cllr Byers/Members Dalton/Stephens – Northpoint Trust	6	1
Cllr Byers – Sport Northland	75	131
Cllr McNally – Sport Northland (From Nov 2010)	72	0
Member Ward – Paihia Business Incorporated	26	0
Member Davis – BOI Vintage Railway Trust	10	0
Member Waikare – Kawakawa Business Association	3	9

Except for the above, no other Councillors or senior management have entered into related party transactions with the group.

KEY MANAGEMENT PERSONNEL	CONSOLIDATED		COUNCIL	
	2011 \$000s	2010 \$000s	2011 \$000s	2010 \$000s
Council – salaries	1,480	1,595	1,480	1,595
Council – severance	60	0	60	0
Subsidiary - salaries	341	315	0	0
<b>Total Salaries - Key Management Personnel</b>	<b>1,881</b>	<b>1,910</b>	<b>1,540</b>	<b>1,595</b>



Far North Holdings Limited is wholly owned by Far North District Council. In presenting the financial statements of the group the effect of transactions and balances between fellow subsidiaries have been eliminated.

## TRANSACTIONS

All transactions between companies in the Group and Far North District Council were made on commercial terms and conditions with the exception of management and administrative services which were supplied to Far North Developments Ltd free of charge.

## Transactions Between the Group and Far North District Council

	COUNCIL	
	2011 \$000s	2010 \$000s
<b>Far North Holdings Ltd</b>		
Services received from the Council	226	218
Services provided to the Council	823	821
Amounts payable to members of the Group	1	2
Amounts receivable from members of the Group	79	141
<b>Te Ahu Charitable Trust</b>		
Amounts payable to members of the Group	3,991	2,142
Amounts receivable from members of the Group	0	1,842
Outstanding commitment to Te Ahu Charitable Trust	3,991	0
Contribution to Te Ahu Charitable Trust in 2010/11	4,240	0

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

Council has three CCO's – Far North Holdings Limited, Te Ahu Charitable Trust and Rolands Wood Trust. The values relating to the Rolands Wood trust are deemed not material for the Far North District Council consolidation. The Rolands Wood Trust has a balance of \$133k (\$134k June 2010) shown as a deposit in Far North District Council accounts. This was specifically bequeathed to Council for the maintenance of an area of woodland for community use

26. REMUNERATION	CONSOLIDATED		COUNCIL	
	2011 \$000s	2010 \$000s	2011 \$000s	2010 \$000s

The Chief Executive Officer of the Far North District Council, appointed under section 42(1) of the Local Government Act 2002 received a salary and benefits respectively of:

### CEO

Salary	258	238	258	238
Vehicle	15	16	15	16
Principal allowance	1	1	1	1
Telephone allowance	1	1	1	1
<b>Total CEO costs</b>	<b>275</b>	<b>256</b>	<b>275</b>	<b>256</b>

### Elected representatives:

Mayor Brown - Salary	102	96	102	96
Mayor Brown - Vehicle	6	7	6	7

### Other Elected Representatives

Baker T – Salary	42	43	42	43
Baker T – Mileage & other expenses	4	3	4	3
Bamber I – Salary	13	43	13	43
Bamber I – Mileage & other expenses	1	5	1	5
Bowman D – Salary	11	43	11	43
Bowman D – Mileage & other expenses	1	6	1	6



26. REMUNERATION	CONSOLIDATED		COUNCIL	
	2011 \$000s	2010 \$000s	2011 \$000s	2010 \$000s
Byers L– Salary	13	43	13	43
Byers L– Mileage & other expenses	1	3	1	3
Court A– Salary	49	43	49	43
Court A– Mileage & other expenses	4	4	4	4
Dalton T – Salary	30	0	30	0
Dalton T – Mileage & other expenses	1	0	1	0
Macauley S – Salary	45	52	45	52
Macauley S – Mileage & other expenses	0	0	0	0
Kitchen C – Salary	42	43	42	43
Kitchen C – Mileage & other expenses	1	0	1	0
Maxwell D – Salary	43	48	43	48
Maxwell D – Mileage & other expenses	1	4	1	4
McNally S – Salary	42	43	42	43
McNally S – Mileage & other expenses	1	2	1	2
Knight M – Salary	29	0	29	0
Knight M – Mileage & other expenses	2	0	2	0
Radich M – Salary	29	0	29	0
Radich M – Mileage & other expenses	1	0	1	0
<b>Total elected representatives</b>	<b>514</b>	<b>531</b>	<b>514</b>	<b>531</b>
<b>Community Board Members</b>				
<b>Te Hiku Community Board</b>				
King F – Salary	5	16	5	16
King F – Mileage & other expenses	1	2	1	2
Bowman D - Salary	15	0	15	0
Bowman D – Mileage & other expenses	2	0	2	0
Lugnet C - Salary	7	0	7	0
Lugnet C – Mileage & other expenses	1	0	1	0
Van Der Sluis W – Salary	10	10	10	10
Van Der Sluis W– Mileage & other exps	0	1	0	1
Atkinson S – Salary	13	10	13	10
Atkinson S – Mileage & other expenses	1	2	1	2
Cross P – Salary	4	13	4	13
Cross P – Mileage & other expenses	0	1	0	1
Senior D - Salary	10	10	10	10
Senior D – Mileage & other expenses	0	1	0	1
Smith Y - Salary	7	0	7	0
<b>Kaikohe-Hokianga Community Board</b>				
Gundry W - Salary	7	0	7	0
Pakai L – Salary	7	0	7	0
Cherrington J – Salary	10	10	10	10
Cherrington J – Mileage & other expenses	2	4	2	4



26. REMUNERATION	CONSOLIDATED		COUNCIL	
	2011 \$000s	2010 \$000s	2011 \$000s	2010 \$000s
Dalton T – Salary	4	16	4	16
Dalton T – Mileage & other expenses	0	2	0	2
Davis E – Salary	4	13	4	13
Davis E – Mileage & other expenses	1	4	1	4
Schollum J – Salary	13	10	13	10
Stephens W – Salary	16	10	16	10
Stephens W – Mileage & other expenses	0	1	0	1
Anderson M - Salary	7	0	7	0
Anderson M – Mileage & other expenses	1	0	1	0
<b>Bay of Islands-Whangaroa Community Board</b>				
Annison F – Salary	16	13	16	13
Annison F – Mileage & other expenses	1	1	1	1
Brown H - Salary	7	0	7	0
Brown H – Mileage & other expenses	1	0	1	0
Davis J - Salary	7	0	7	0
Davis J – Mileage & other expenses	1	0	1	0
Greening T – Salary	7	0	7	0
Mills B – Salary	7	0	7	0
Turner D - Salary	7	0	7	0
Turner D – Mileage & other expenses	1	0	1	0
Ward B - Salary	10	0	10	0
Gorringe P – Salary	5	16	5	16
Gorringe P – Mileage & other expenses	0	2	0	2
Timmings S – Salary	3	10	3	10
Timmings S – Mileage & other expenses	0	1	0	1
Wikaire M – Salary	3	10	3	10
Wikaire M – Mileage & other expenses	0	2	0	2
Phillips G – Salary	3	10	3	10
Fountain C – Salary	3	10	3	10
<b>Total Community Board Costs</b>	<b>230</b>	<b>211</b>	<b>230</b>	<b>211</b>
<b>Total Remuneration Costs</b>	<b>1,019</b>	<b>998</b>	<b>1,019</b>	<b>998</b>

## 27. SEVERANCE PAYMENTS

There were five severance payments in 2010/11 totalling \$60,271 (2009/10 – eight for \$113,866). These were as a result of Council restructuring. The value of the severance payments was \$20,565, \$14,679, \$13,077, \$10,441, \$1,509

## 28. EVENTS AFTER BALANCE SHEET DATE

Neither Far North District Council or its subsidiaries, apart from the Te Ahu Charitable Trust, had any events occurring after the balance sheet date that require disclosure in these financial statements (2010 - nil).

For the Te Ahu Charitable Trust, the ASB Grant was received at a value of \$3m



## 29. FINANCIAL INSTRUMENT RISK

29A. FINANCIAL INSTRUMENT CATEGORIES	CONSOLIDATED		COUNCIL	
	2011 \$000s	2010 \$000s	2011 \$000s	2010 \$000s
<b>FINANCIAL ASSETS</b>				
<b>Loans and Receivables</b>				
Cash and cash equivalents	4,530	2,629	3,328	2,575
Debtors and other receivables	31,685	32,831	32,219	32,573
<b>Total Loans and Receivables</b>	<b>36,215</b>	<b>35,460</b>	<b>35,547</b>	<b>35,148</b>
<b>Available for Sale</b>				
LGNZ Shares	86	108	86	108
Investment in associate	0	392	0	0
<b>Total Available for Sale</b>	<b>86</b>	<b>500</b>	<b>86</b>	<b>108</b>
<b>FINANCIAL LIABILITIES</b>				
<b>Derivatives that are hedge accounted</b>				
Derivative financial instrument liabilities	365	97	365	97
<b>Financial liabilities at amortised cost</b>				
Creditors and other payables	22,706	20,958	20,491	19,117
Borrowings				
Bank overdraft	5	2	0	0
Secured loans	118,643	122,783	109,323	112,433
<b>Total Financial Liabilities at Amortised Cost</b>	<b>141,719</b>	<b>143,840</b>	<b>130,179</b>	<b>131,647</b>

## 29B. FAIR VALUE HIERARCHY DISCLOSURES

For those instruments recognized at fair value in the statement of financial position, fair values are determined according to the following hierarchy:

- Quoted market price (level 1) – Financial instruments with quoted prices for identical instruments in active markets
- Valuation technique using observable inputs (level 2) – Financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where significant inputs are observable.
- Valuation techniques with significant non-observable inputs (level 3) – Financial instruments valued using models where one or more significant inputs are not observable.

The following table analyses the basis of valuation classes of financial instruments measured at fair value in the statement of financial position.

29B. FAIR VALUE HIERARCHY DISCLOSURES	TOTAL \$000s	VALUATION TECHNIQUE		
		QUOTED MARKET PRICE \$000s	OBSERVABLE INPUTS \$000s	SIGNIFICANT NON OBSERVABLE INPUTS \$000s
<b>30 June 2011 - Council</b>				
<b>Financial Assets</b>				
LGNZ Shares	86	0	86	0
<b>30 June 2011 - Consolidated</b>				
<b>Financial Assets</b>				
LGNZ Shares	86	0	86	0
<b>30 June 2010 - Council</b>				
<b>Financial Assets</b>				
LGNZ Shares	108	0	108	0
<b>30 June 2010 - Consolidated</b>				
<b>Financial Assets</b>				
LGNZ Shares	108	0	108	0

There were no transfers between the different levels of the fair hierarchy.

Changing a valuation assumption to a reasonable possible alternative assumption would not significantly change the value.





## 29C. FINANCIAL INSTRUMENTS RISKS

### MANAGEMENT POLICIES WITH RESPECT TO FINANCIAL INSTRUMENTS

The Group has a series of policies providing risk management for interest rates and the concentration of credit risk. The Group is risk averse and seeks to minimise exposure from its treasury activities. The Group has established a Treasury policy specifying what transactions can be entered into. The policy does not allow any financial transactions that are speculative in nature to be entered into.

#### PRICE RISK

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices. Council is exposed to equity price risk on investments, which are classified as financial assets held at fair value through equity. The price risk arises due to changes in performance of the shares held and is annually assessed.

#### INTEREST RATE RISK

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. This could particularly impact on the cost of borrowing or the return on investment. The interest rates on the Group's borrowings are disclosed in note 20. There are two interest rate swap agreements in place at 30 June 2011 (2010 - two). Council manages its interest rate risk by varying financing terms of its public debt.

#### CURRENCY RISK

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The group has limited exposure to currency risk.

#### CREDIT RISK

Credit risk is the risk that a third party will default on its obligation to the Group, causing the Group to incur a loss. The maximum amount of credit risk for each class is the carrying amount in the Statement of Financial Position. Council has minimal credit risk, apart from Māori land rates, which is provided for in the provision for Impairment of rates (Note 9), in its holdings of various financial instruments. These financial instruments include bank balances, local authority stock and accounts receivable.

Council invests funds only in deposits with registered banks and local authority stock and limits the amount of credit exposure to any one institution or organisation. Accordingly, Council does not require any collateral or security to support the financial instruments with organisations it deals with.

#### FAIR VALUE

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable, willing parties in an arms length transaction.

The fair value of financial instruments is approximately equivalent to the carrying amount disclosed in the Statement of Financial Position.

#### CASH FLOW INTEREST RATE RISK

Cash flow interest rate risk is the risk that the cash flow from a financial instrument will fluctuate because of changes in market interest rates. Council has variable rate borrowings in the form of bank facilities, drawable on demand.

#### FAIR VALUE INTEREST RISK

Fair value interest risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Council holds all long term borrowings at fixed rates which could expose the Council to fair value interest rate risk.

MAXIMUM EXPOSURE TO CREDIT RISK	CONSOLIDATED		COUNCIL	
	2011 \$000s	2010 \$000s	2011 \$000s	2010 \$000s
Cash at bank and term deposits	4,530	2,629	3,328	2,575
Debtors and other receivables	31,685	32,831	32,219	32,573
Other financial assets	2,481	3,165	2,162	2,852
LGNZ shares	86	108	86	108
Investment in associate	0	392	0	0
<b>Total Credit Risk</b>	<b>38,782</b>	<b>39,125</b>	<b>37,795</b>	<b>38,108</b>



## CREDIT QUALITY OF FINANCIAL ASSETS

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to Standard and Poor's credit ratings (if available) or to historical information about counter party default rates:

	CONSOLIDATED		COUNCIL	
	2011 \$000s	2010 \$000s	2011 \$000s	2010 \$000s
<b>COUNTERPARTIES WITH CREDIT RATINGS</b>				
Cash at bank and term deposits				
AA	4,530	2,629	3,328	2,575
<b>Total Cash at Bank and Term Deposits</b>	<b>4,530</b>	<b>2,629</b>	<b>3,328</b>	<b>2,575</b>
Fair value through equity				
A+	86	108	86	108
<b>Total Fair Value through Equity</b>	<b>86</b>	<b>108</b>	<b>86</b>	<b>108</b>

Debtors and other receivables mainly arise from Council's statutory functions, therefore there are no procedures in place to monitor or report the credit quality of debtors or other receivables with reference to credit ratings. Apart from Māori land, which is provided for in the provision for Impairment of rates (Note 9), Council has no significant concentration of credit risk in relation to debtors and other receivables, as it has a large number of credit customers, mainly rate payers, and Council has powers under the Local Government (Rating) Act 2002 to recover outstanding debts from ratepayers.

## LIQUIDITY RISK

### MANAGEMENT OF LIQUIDITY RISK

Liquidity risk is the risk that Council will encounter difficulty raising liquid funds to meet commitments as they fall due. Prudent liquidity management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Council aims to maintain flexibility in funding by keeping committed credit lines available. In meeting its liquidity requirements, Council maintains a loan profile, in accordance with its funding and financial policies, which includes a Treasury Management Policy. Council has a maximum amount that can be drawn against its overdraft facility of \$5,000,000 (2010 \$3,000,000). There are no restrictions on the use of this facility.

### CONTRACTUAL MATURITY ANALYSIS OF FINANCIAL LIABILITIES

The table below analyses Council's financial liabilities into relevant maturity groups, based on the remaining period at the balance date, up to the contractual maturity date. Future interest payments are based on the rate attributable to that debt. The amounts disclosed are the contractual undiscounted cash flows.



	CARRYING AMOUNT \$000s	CONTRACTUAL CASH FLOWS \$000s	LESS THAN 1 YEAR \$000s	1 – 2 YEARS \$000s	2 – 5 YEARS \$000s	MORE THAN 5 YEARS \$000s
<b>Council 2011</b>						
Creditors and other payables	20,491	20,491	20,491	0	0	0
Bank overdraft	0	0	0	0	0	0
Net settled derivative liabilities	365	365	0	0	365	0
Secured loans	109,323	109,550	13,351	2,037	37,161	56,821
Finance leases	0	0	0	0	0	0
<b>Total</b>	<b>130,249</b>	<b>130,470</b>	<b>34,092</b>	<b>2,037</b>	<b>37,526</b>	<b>56,821</b>
<b>Group 2011</b>						
Creditors and other payables	22,706	22,706	22,706	0	0	0
Bank overdraft	5	5	5	0	0	0
Net settled derivative liabilities	365	365	0	0	365	0
Secured loans	118,643	118,870	13,531	11,357	37,161	56,821
Finance leases	0	0	0	0	0	0
<b>Total</b>	<b>141,719</b>	<b>141,946</b>	<b>36,242</b>	<b>11,357</b>	<b>37,526</b>	<b>56,821</b>
<b>Council 2010</b>						
Creditors and other payables	19,117	19,117	19,117	0	0	0
Bank overdraft	0	0	0	0	0	0
Net settled derivative liabilities	97	97	0	0	97	0
Secured loans	112,433	112,669	14,015	46,567	22,334	29,753
Finance leases	0	0	0	0	0	0
<b>Total</b>	<b>131,647</b>	<b>131,883</b>	<b>33,132</b>	<b>46,567</b>	<b>22,431</b>	<b>29,753</b>
<b>Group 2010</b>						
Creditors and other payables	20,958	20,958	20,958	0	0	0
Bank overdraft	2	2	2	0	0	0
Net settled derivative liabilities	97	97	0	0	97	0
Secured loans	122,783	123,019	21,465	46,567	25,234	29,753
Finance leases	0	0	0	0	0	0
<b>Total</b>	<b>143,840</b>	<b>144,076</b>	<b>42,425</b>	<b>46,567</b>	<b>25,331</b>	<b>29,753</b>

## SENSITIVITY ANALYSIS

The table below illustrates the potential profit and loss impact for reasonably possible market movements, with all other variables held constant based on Council's financial instrument exposures at the balance date.

INTEREST RATE RISK COUNCIL	2011 \$000s		2010 \$000s	
	PROFIT - 100 BPS	PROFIT + 100 BPS	PROFIT - 100 BPS	PROFIT + 100 BPS
<b>Financial Assets</b>				
Cash and Cash equivalents	3	(3)	2	(2)
<b>Financial Liabilities</b>				
Borrowings				
Credit lines	(27)	27	(23)	23
<b>Total Sensitivity to Interest Rate Risk</b>	<b>(24)</b>	<b>24</b>	<b>(21)</b>	<b>21</b>



## EXPLANATION OF SENSITIVITY ANALYSIS

### 1. Cash and cash equivalents

Cash and cash equivalents are \$3,328,000 (2010 \$2,575,000) which are at a floating rate. A movement of plus or minus 1% has an effect on interest income of \$2,737 (2010 \$2,060)

### 2. Credit lines

The balance on the credit lines was \$29,000,000 (2010 \$7,462,902) at a floating rate. A movement in interest rates of plus or minus 1% has an effect on interest payable of \$27,282 (2010 \$23,382)

Far North Holdings does not have any significant interest rate risk.

## 30. CAPITAL MANAGEMENT

The Council's capital is its equity (or ratepayers' funds), which comprise retained earnings and reserves. Equity is represented by net assets. The Local Government Act 2002 (the Act) requires the Council to manage its revenues, expenses, assets, liabilities, investments and general financial dealings prudently and in a manner that promotes the current and future interests of the community. Ratepayer's funds are largely managed as a by-product of managing revenues, expenses, liabilities, investments and general financial dealings.

Far North District Council has created reserves for different areas of benefit. These are used where there is a discrete set of rate payers as distinct from the general rate. Any surplus or deficit relating to these separate areas of benefit is applied to specific reserves.

## 31. PROPERTY AVAILABLE FOR SALE

Directors of Far North Holdings Ltd have initiated a plan to sell three properties with a total value of \$855,000 (2010 – three properties \$3,350,000).

## 32. DERIVATIVE FINANCIAL INSTRUMENTS

	COUNCIL	
	2011 \$000s	2010 \$000s
Non Current Liability portion		
Interest rate swap – cash flow hedge	365	97
<b>Total Derivative Financial Instrument Liabilities</b>	<b>365</b>	<b>97</b>

### FAIR VALUE

The fair value of the interest rate swap has been determined using discounted cash flow valuation based on quoted market rates.

### INTEREST RATE SWAP

The notional principal amount of the outstanding interest rate swap contracts with Council was \$365,431 (June 2010 \$97,241). At June 30 the fixed interest rate of the cash flow hedge was 6.5%, 6.51% and 7.1% (2010 – 6.5% and 7.1%). There were no losses or gains to be recognised in the hedging reserve in equity.



33. VARIANCES TO ANNUAL PLAN	COUNCIL 2011 \$000s
<b>Statement of Financial Performance</b>	
Annual plan surplus	14,483
Annual report surplus	6,765
<b>Net Operating Surplus Variance</b>	<b>(7,718)</b>
<b>Variance Represented by:</b>	
<b>Variance Area</b>	
Rates	4,204
Other	(394)
<b>Total Income Variance</b>	<b>3,810</b>
District Facilities (*)	(6,928)
Corporate & Governance (*)	(2,009)
Sustainable Environment & Consents (*)	(288)
Roads & Stormwater (*)	(2,683)
Water, Wastewater & Refuse (*)	(2,094)
Increased depreciation	(319)
Decrease in finance costs	2,793
<b>Total Expenditure Variance</b>	<b>(11,528)</b>
<b>Net Operating Surplus Variance</b>	<b>(7,718)</b>

(\*) See individual Statement of Service Performance for explanation of each group's variance to annual plan.

#### STATEMENT OF FINANCIAL POSITION

The Statement of Financial Position shows a positive Working Capital of \$2.241 million (compared to a positive of \$15.319 million in the Annual Plan). This \$13.078 million unfavourable variance is due to:

Increased cash & cash equivalents	1.02m
Increased current portion of borrowings	(13.51m)
Increased other financial assets	2.20m
Decreased trade & other receivables	(0.30m)
Increased Inventories	0.03m
Increased Employee benefits	(0.24m)
Increased Trade & other payables	(2.24m)

Council's asset revaluation reserves have decreased by \$210 million during the year.

