

Intangible Assets - Capital Commitments

13. INTANGIBLE ASSETS	CONSOLIDATED		COUNCIL	
	2013 \$000s	2012 \$000s	2013 \$000s	2012 \$000s
Computer software				
Balance at 1 July				
Cost	4,892	3,867	4,862	3,837
Accumulated amortisation and impairment	(2,951)	(2,385)	(2,921)	(2,360)
Year ended 30 June	1,941	1,482	1,941	1,477
Opening carrying amount	1,941	1,482	1,941	1,477
Additions	399	1,025	399	1,025
Amortisation charges	(558)	(566)	(558)	(561)
Balance at 30 June	1,782	1,941	1,782	1,941
Resource consents / easements				
Balance at 1 July				
Cost	1,682	1,203	1,682	1,203
Accumulated amortisation and impairment	(241)	(163)	(241)	(163)
Year ended 30 June	1,441	1,040	1,441	1,040
Opening carrying amount	1,441	1,040	1,441	1,040
Additions	2,601	496	2,601	496
Amortisation charges	(161)	(78)	(161)	(78)
Disposals / adjustments	(10)	(17)	(10)	(17)
Balance at 30 June	3,871	1,441	3,871	1,441
Coastal permits & licences	1,028	988	0	0
Goodwill				
Balance 1 July	0	0	0	0
Additions	201	0	0	0
Balance 30 June	201	0	0	0
Public access rights				
Balance at 1 July				
Cost	1,071	677	9,341	677
Accumulated amortisation and impairment	(122)	0	(122)	0
Year ended 30 June	0	677	0	677
Opening carrying amount	949	677	9,219	677
Additions	0	221	300	8,664
Amortisation charges	(250)	(122)	(250)	(122)
Disposals / adjustments	0	0	0	0
Balance at 30 June	699	776	9,269	9,219
Total intangible assets	7,581	5,146	14,922	12,601

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 2013. 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.

Emissions Trading Scheme - Owners of pre-1990 forests may opt to join the Emissions Trading Scheme (ETS) and are allocated New Zealand Units (NZU's) based on the size of the forested area in tree tranches. Pre-1990 forests are forests that were established before 1 January 1990. NZU's cannot be earned for an increase in carbon stock (through forest growth) in a pre-1990 forest, but, provided that pre-1990 forests are re-established after harvesting (either by replanting or regeneration) there are no liabilities or obligations under ETS. However, land owners must surrender NZU's equivalent to the carbon emissions from any deforestation.

Far North District Council were allocated NZU's relating to 37.7 ha of forested land. These are deemed to have no value at this time.

14. DEPRECIATION & AMORTISATION EXPENSE BY ACTIVITY	COUNCIL	
	2013 \$000s	2012 \$000s
Directly attributable depreciation & amortisation by activity		
District facilities	4,030	3,792
Environmental management	48	51
Governance & strategy	8	4
Roading & footpaths	15,855	15,118
Sewerage treatment & disposal	3,522	3,228
Stormwater drainage	691	659
Waste management	549	527
Water supply	2,282	2,092
Total depreciation & amortisation attributable to activities	26,986	25,471

15. RECONCILIATION OF REVALUATION RESERVES	2013 \$000s
Revaluation surplus reconciliation	
Reported in property, plant & equipment (note 12)	28,666
Reported in intangible assets (note 13)	10
Total reported revaluation reserves	28,676
Reported movement in revaluation reserves (note 24)	19,097
Difference in revaluation reserves reported	9,578
Reconciliation:	
Land sold prior year	210
Write back previous revaluation loss through Statement of Comprehensive Income (footpaths)	815
Loss on revaluation of land – directly to Statement of Comprehensive Income	(11,358)
Adjustment of revaluation reserves for disposal	756
Total reconciling items	9,578

16. RECLASSIFICATION OF CARRYING AMOUNT OF ASSETS AT JUNE 12	PRIOR TO ADJUSTMENT \$000s	2012 ADJUSTMENT \$000s	POST ADJUSTMENT \$000s
Council operational assets			
Land	393,636	(1,526)	392,110
Vehicles & plant	3,907	0	3,907
Leasehold improvements	2,219	(1,123)	1,096
Wharves, ramps, moorings	4,805	0	4,805
F&F and office equipment	3,776	76	3,852
Information systems	629	0	629
Work in progress	437	0	437
Total operational assets	409,409	(2,572)	406,837
Council infrastructure assets			
Roading	904,014	(17)	903,997
Water	59,578	41	59,619
Sewerage	95,665	39	95,704
Refuse	4,198	0	4,198
Drainage	47,847	(42)	47,805
Community facilities	49,877	2,551	52,428
Work in progress	12,963	(566)	12,397
Total infrastructural assets	1,174,142	2,007	1,176,149
Council restricted assets			
Land	44,775	0	44,775
Total restricted assets	44,775	0	44,775
TOTAL RECLASSIFICATION OF PROPERTY, PLANT & EQUIPMENT	1,628,325	(566)	1,627,759

17. FORESTRY ASSETS	CONSOLIDATED		COUNCIL	
	2013 \$000s	2012 \$000s	2013 \$000s	2012 \$000s
Balance at 1 July	480	423	480	423
Gains/(losses) arising from changes in value less attributable point of sales costs	0	57	0	57
Balance at 30 June	480	480	480	480

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 (2012 - nil). Independent registered valuers, Chandler Fraser Keating Ltd have valued the forestry assets as at 30 June 2013. 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.

18. INVESTMENT PROPERTY	CONSOLIDATED		COUNCIL	
	2013	2012	2013	2012
	\$000s	\$000s	\$000s	\$000s
Balance at 1 July	32,263	30,448	0	0
WIP additions	108	80	0	0
Additions	1,057	575	0	0
Disposals	(162)	1,275	0	0
Impairment	0	(815)	0	0
Fair value gains/(losses) on valuation	2,818	700	0	0
Balance at 30 June	36,084	32,263	0	0

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 Limited.

RENTAL INCOME	CONSOLIDATED		COUNCIL	
	2013	2012	2013	2012
	\$000s	\$000s	\$000s	\$000s
Rental income	2,116	1,904	0	0
Expenses from investment property generating income	908	725	0	0
Expenses from investment property not generating income	26	24	0	0

19. INVESTMENT IN SUBSIDIARIES	CONSOLIDATED		COUNCIL	
	2013	2012	2013	2012
	\$000s	\$000s	\$000s	\$000s
Far North Holdings Ltd	0	0	12,000	12,000
Total investment in subsidiaries	0	0	12,000	12,000

Council has a 100% investment in Far North Holdings Limited 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.

20. CREDITORS & OTHER PAYABLES	CONSOLIDATED		COUNCIL	
	2013	2012	2013	2012
	\$000s	\$000s	\$000s	\$000s
Current portion				
Creditors	6,398	5,078	4,868	3,951
Related party payables	236	0	0	0
Accruals	10,033	7,087	10,033	7,087
Deposits	5,375	4,907	5,375	4,907
Income in advance	2,841	2,584	2,841	2,584
Total current portion	24,883	19,656	23,117	18,529
Non current portion				
Income in advance	1,163	1,129	0	0
Total non current portion	1,163	1,129	0	0

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.

21. PROVISIONS	CONSOLIDATED		COUNCIL	
	2013 \$000s	2012 \$000s	2013 \$000s	2012 \$000s
Provision for weather-tight homes				
Current	0	39	0	39
Non current	875	871	875	871
Total provision weather-tight homes	875	910	875	910
Balance 1 July	910	1,307	910	1,307
Provision added	60	0	60	0
Provision unused	(5)	(386)	(5)	(386)
Provision utilised	(89)	(11)	(89)	(11)
Balance 30 June	875	910	875	910
Landfill aftercare liability				
Current provisions	46	63	46	63
Non current provisions	388	385	388	385
Total provisions	434	448	434	448
<i>This is represented by:</i>				
Ahipara				
Opening balance July 2012	229	210	229	210
Plus provision added	0	19	0	19
Less amount utilised	10	0	10	0
Closing balance June 2013	219	229	219	229
Kaikohe				
Opening balance July 2012	10	11	10	11
Less amount utilised	1	1	1	1
Closing balance June 2013	9	10	9	10
Russell				
Opening balance July 2012	186	186	186	186
Closing balance June 2013	186	186	186	186
Whangae				
Opening balance July 2012	23	24	23	24
Less amount utilised	1	1	1	1
Closing balance June 2013	22	23	22	23
Total landfill aftercare provisions	436	448	436	448
Total current provisions	46	102	46	102
Total non current provisions	1,265	1,256	1,265	1,256
Total provisions	1,311	1,358	1,311	1,358

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; and
- 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; and
- 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 2 stages. A liability relating to stage 2 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 2 current sites as at 30 June 2013 are:

Ahipara – 8,000 cubic meters

Russell – 15,000 cubic meters

The estimated remaining lives are:

Ahipara – 1-2 years

Kaikohe – nil

Russell – 23 years

Whangae – nil

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

The cash flows for the landfill post closures are expected to occur for the years between 2013 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.

Weather-tight homes provision

Far North District Council has made a provision of \$875,037 (2012 - \$910,036) in response to 7 (2012 – 6) weather-tight homes claims currently lodged with the Weather-tight Homes Resolution Service. These claims are not proved to be the responsibility of Council but as an outcome is awaited, it has been deemed prudent to make suitable provision should Council be required to settle the claims.

22. EMPLOYEE BENEFITS	CONSOLIDATED		COUNCIL	
	2013 \$000s	2012 \$000s	2013 \$000s	2012 \$000s
Accrued pay	481	408	436	371
Annual leave entitlement	1,282	1,187	1,174	1,110
Other entitlements	187	182	187	182
Total employee benefits	1,950	1,777	1,798	1,663
Comprising				
Current	1,950	1,777	1,798	1,663
Non current	0	0	0	0
Total employee benefits	1,950	1,777	1,798	1,663

23. BORROWINGS	CONSOLIDATED		COUNCIL	
	2013 \$000s	2012 \$000s	2013 \$000s	2012 \$000s
Current				
Bank overdraft	0	0	0	0
Secured loans	18,032	7,012	18,032	7,012
Finance lease liability	0	0	0	0
Total current borrowings	18,032	7,012	18,032	7,012
Non current				
Secured loans	82,130	103,994	71,590	93,704
Finance lease liability	0	0	0	0
Total non current borrowings	82,130	103,994	71,590	93,704

Council loans are secured over rating income. Far North Holdings Limited has loans of \$10,540,000 (2012 - \$10,290,000). Land and buildings to a value of \$21,494,000 (\$20,788,000 in 2012) have been given as security for the term loans. Far North District Council has an overdraft limit of \$3 million (2012 - \$3m) which is not secured.

Far North District Council has a short term loan facilities of \$30 million as at 30 June 2013 (2012- \$50 million).

Maturity periods

Payable no later than 1 year	18,032	7,012	18,032	7,012
Later than 1, not later than 2 years	22,565	42,380	12,025	32,090
Later than 2, not later than 5 years	43,065	45,114	43,065	45,114
Later than 5 years	16,500	16,500	16,500	16,500
	100,162	111,006	89,622	100,716

The carrying amount of borrowings approximates their fair value.

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

Secured loans and debentures	6.29%	5.83%
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Council's borrowing management policy is based on ratios and is calculated as follows:

Ratio	Target	Achievement 2012/13
Net debt as % total revenue	Debt not greater than 200% of revenue	90%
Gross annual interest to total revenue	Less than 15%	4%
Current ratio (liquidity ratio)	Equal or greater than 1 times	1.39:1

24. EQUITY	CONSOLIDATED		COUNCIL	
	2013 \$000s	2012 \$000s	2013 \$000s	2012 \$000s
Retained earnings				
As at 1 July	1,314,292	1,305,633	1,291,886	1,288,300
Transfer to retained reserves	22,386	24,225	21,737	22,330
Transfer from retained reserves	(21,807)	(21,741)	(21,807)	(21,742)
Surplus / (deficit) for the year	8,750	6,175	6,657	2,997
Balance as at 30 June	1,323,621	1,314,292	1,298,473	1,291,886
Restricted reserves				
As at 1 July	2,975	3,406	1,472	1,903
Transfer to restricted reserves	39,355	30,190	37,852	28,687
Transfer from restricted reserves	38,319	30,621	36,816	29,118
Balance as at 30 June	4,011	2,975	2,508	1,472
Restricted reserves consists of:				
Community – district	(835)	(1,994)	(835)	(1,994)
Drainage	87	68	87	68
Stormwater separate rate	957	546	957	546
Sewerage	217	(260)	217	(260)
Water	(2,910)	(1,496)	(2,910)	(1,496)
Special funds	4,062	3,942	4,062	3,942
Kerikeri main street reserve	322	307	322	307
Economic development	10	10	10	10
Paihia central business district development	40	25	40	25
BOI-Whangaroa community reserve	105	0	105	0
Te Hiku community reserve	72	0	72	0
Kaikohe-Hokianga community reserve	57	0	57	0
Carpark funds	324	324	324	324
Subsidiary assets	1,503	1,503	0	0
Total restricted reserves	4,011	2,975	2,508	1,472
Other reserves consist of:				
Asset revaluation reserves				
As at 1 July	279,312	215,683	272,399	210,460
Revaluation gains / (losses)	(19,361)	63,629	(19,097)	61,939
Balance as at 30 June	259,917	279,312	253,302	272,399

24. EQUITY	CONSOLIDATED		COUNCIL	
	2013 \$000s	2012 \$000s	2013 \$000s	2012 \$000s
Asset revaluation reserve consists of:				
Maritime	2,820	2,464	2,820	2,464
Pensioner housing	1,631	1,712	1,631	1,712
Heritage	366	362	366	362
Plant & equipment	0	0	0	0
Halls	2,251	1,806	2,251	1,806
Swimming pools	175	109	175	109
Parks & reserves	4,740	1,366	4,740	1,366
Cemeteries	224	320	224	320
Land – parks & reserves	0	0	0	0
Public toilets	420	98	420	98
Carparks	651	397	651	397
Camping grounds	310	455	310	455
Footpaths	1,676	0	1,826	0
Library buildings	2,221	1,511	2,221	1,511
Library books	1,332	1,423	1,332	1,423
Drainage	12,551	12,057	12,551	12,057
Roading	183,068	209,535	183,068	209,535
Refuse	1,855	1,605	1,855	1,605
Water	15,762	15,970	15,762	15,970
Wastewater	21,099	21,206	21,099	21,206
Subsidiary assets	6,615	6,913	0	0
Total asset revaluation reserve	259,917	279,312	253,302	272,399
Fair value through equity reserve				
LGNZ shares revaluation movements				
As at 1 July	46	86	46	86
Fair value gains/(losses)	10	(40)	10	(40)
Total LGNZ shares valuation reserve	56	46	56	46
Cash flow hedge equity reserve				
As at 1 July	(731)	(365)	(731)	(365)
Fair value gains/(losses)	717	(366)	717	(366)
Balance 30 June	(14)	(731)	(14)	(731)
Capital reserve				
As at 1 July	0	0	2,697	2,697
Fair value gains/(losses)	0	0	0	0
Balance as at 30 June	0	0	2,697	2,697
Total other reserves	259,959	278,627	256,041	274,410

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.

25. CASH FLOW RECONCILIATION	CONSOLIDATED		COUNCIL	
	2013	2012	2013	2012
	\$000s	\$000s	\$000s	\$000s
Reported surplus / (deficit)	4,156	6,175	7,087	2,997
Add non cash items				
Depreciation and amortisation	28,541	27,186	28,087	26,566
Vested assets	(2,652)	(1,072)	(2,652)	(1,072)
Change in deferred taxation	15	(86)	0	0
Loss on property, plant & equipment	1,133	6,576	1,133	6,576
Unrealised revaluation and devaluation	13,341	(208)	10,546	(208)
Add/(less) movements in other working capital items				
(Increase) / decrease in debtors & other receivables	(5,551)	(2,217)	(5,260)	(2,553)
(Increase) / decrease in inventories	3	(20)	(3)	(3)
Increase / (decrease) in provisions	(56)	62	(56)	62
Increase / (decrease) in employee benefits	174	153	135	156
Increase / (decrease) in trade & other payables	5,311	(3,049)	4,672	(1,962)
Items classed as investing activities	359	(588)	(279)	488
Net operating cash flows	44,774	35,402	43,413	33,433

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