

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

I. RATES REVENUE	CONSOLIDATED		COUNCIL	
	2013 \$000s	2012 \$000s	2013 \$000s	2012 \$000s
Rates - general	46,342	45,811	46,342	45,811
Targeted rates attributable to activities				
- Drainage	539	531	539	531
- Sewerage	9,844	8,666	9,844	8,666
- Water, excluding water supply rates	1,564	2,055	1,564	2,055
- District facilities	9,392	7,811	9,392	7,811
Rates - penalties	7,109	5,972	7,109	5,972
Total rates, excluding targeted water supply rates	74,790	70,846	74,790	70,846

Council is required by the LGFA Guarantee and Indemnity Deed to disclose in its financial statements (or notes) its annual rates income. That Deed defines annual rates income as an amount equal to the total revenue from any funding mechanism authorised by the Local Government (Rating Act) 2002 together with any revenue received by the Council from other Local Authorities for services provided by that Council for which those other Local Authorities rate. The annual rates income of Council for the year ended 30 June 2013 for the purposes of the LGFA Guarantee and Indemnity Deed disclosure is shown below:

	COUNCIL	
	2013 \$000s	2012 \$000s
Rates, excluding targeted water supply rates	74,790	70,846
Targeted water supply rates	5,621	5,500
Total annual rates income	80,411	76,346

Rates income is not adjusted for remissions of \$3,261,162 (2012 \$3,731,747). Rate remissions are shown as an expense within governance and strategy. Council's remission policies are designed to recognise the unique nature of the Far North with its significant areas of unoccupied Māori freehold land. Overall the policies address issues of financial hardship and the protection of areas of land with particular conservation or community values.

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.

2. OTHER INCOME	CONSOLIDATED		COUNCIL	
	2013 \$000s	2012 \$000s	2013 \$000s	2012 \$000s
Fees and charges	12,654	12,296	12,654	12,114
Subsidies – operational	5,942	8,440	5,942	8,440
Subsidies – projects	14,171	9,947	14,171	9,947
Contributions	1,779	506	1,779	506
Interest & dividends	118	212	509	417
Vested and previously unrecognised assets	2,652	1,072	2,652	1,072
Rental income from investment properties	2,116	1,904	0	0
Other income	7,455	10,941	1,652	2,781
Total operating income	46,886	45,318	39,359	35,277

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

3. OTHER GAINS/(LOSSES)	CONSOLIDATED		COUNCIL	
	2013 \$000s	2012 \$000s	2013 \$000s	2012 \$000s
Net gain on forestry assets	0	57	0	57
Net gain on property, plant and equipment sales	0	6	0	6
Net gain on sale of investment properties	2,818	700	0	0
Total gains	2,818	763	0	63
Net loss on property, plant & equipment	(1,133)	(6,576)	(1,133)	(6,576)
Net loss on investment properties	0	0	0	0
Net loss on forestry assets	0	0	0	0
Total other gains / (losses)	(1,133)	(6,576)	(1,133)	(6,576)

4. PERSONNEL COSTS	CONSOLIDATED		COUNCIL	
	2013 \$000s	2012 \$000s	2013 \$000s	2012 \$000s
Salaries and wages	17,157	16,245	15,144	14,568
Kiwi saver contributions	245	191	217	172
Increase / (Decrease) in employee benefit liabilities	173	153	135	156
Total employee benefit expenses	17,575	16,589	15,496	14,896

Expenditure in relation to Notes 4 and 5 are included within the activity group expenditure in the Statement of Comprehensive Income.

5. OTHER EXPENSES	CONSOLIDATED		COUNCIL	
	2013 \$000s	2012 \$000s	2013 \$000s	2012 \$000s
Fees paid to the principal auditor				
Audit of financial statements	234	218	144	158
Audit for LTP	0	132	0	132
Audit disbursements	24	18	18	13
Donations	36	72	0	0
Inventory expenses in year	2,388	2,281	3	3
Impairment of property, plant & equipment	0	25	0	0
Impairment of investment property	0	(815)	0	0
Impairment of receivables	(30)	17	0	0
Devaluation of property, plant & equipment	10,546	(208)	10,546	(208)
Direct expenses from investment property	908	750	0	0
Minimum lease payments - operating leases	549	581	450	519
Other expenses	14,631	3,071	11,161	617

6. FINANCE COSTS	CONSOLIDATED		COUNCIL	
	2013 \$000s	2012 \$000s	2013 \$000s	2012 \$000s
Interest expense on borrowings	5,004	6,985	4,421	6,431
Interest unwind - landfill aftercare	32	39	32	39
Total finance costs	5,036	7,024	4,453	6,470

7. TAX	CONSOLIDATED		COUNCIL	
	2013 \$000s	2012 \$000s	2013 \$000s	2012 \$000s
Components of tax expenses				
Deferred tax expenses – continuing operations	95	(1,003)	0	0
Deferred tax expenses – discontinued operations	0	0	0	0
Income tax expense	95	(1,003)	0	0
Relationship between tax expenses and accounting profit				
Continuing operations	8,765	5,385	6,657	2,997
Discontinued operations	0	0	0	0
Profit before taxation and share of profit of associate	8,765	5,385	6,657	2,997
Taxation at 28% (2012 -28%)	2,454	1,508	1,864	839
Plus (less) tax effect of				
Non taxable income	(2,359)	(1,510)	(1,864)	(839)
Group loss offset	0	0	0	0
Deferred tax adjustment	0	(1,001)	0	0
Taxation expense	95	(1,003)	0	0

CONSOLIDATED Deferred Tax	Property Plant and equipment \$000s	Investment properties \$000s	Employee entitlements \$000s	Other provisions \$000s	Total \$000s
Balance at 30 June 2011	825	1,424	(63)	0	2,187
Charged to Statement of Comprehensive Income	20	(341)	(2)	(681)	(1,003)
Charged to equity	116	0	0	0	116
Balance at 30 June 2012	961	1,084	(65)	(681)	1,297
Charged to Statement of Comprehensive Income	1	25	(9)	79	95
Charged to equity	74	0	0	0	74
Balance at 30 June 2013	1,036	1,109	(74)	(602)	1,466

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 \$841,175 (2012 \$414,934). Council has not recognised a deferred tax asset in relation to tax losses of \$2,152k (2012 \$2,433k). However, these losses have been recognised in the group accounts. The deferred tax comparative balances have been restated as Far North Holdings adopted "Deferred Tax: Recovery of Underlying Assets – Amendments to NZ IAS 12" from 1 July 2012. The amendment is applied retrospectively.

8. CASH & CASH EQUIVALENTS	CONSOLIDATED		COUNCIL	
	2013 \$000s	2012 \$000s	2013 \$000s	2012 \$000s
Cash at bank and in hand:				
Various (subsidiaries, community facilities, etc)	6	6	6	6
General fund (unsecured)	4,111	3,052	3,731	2,659
Total cash & cash equivalents	4,117	3,058	3,737	2,665

The carrying value of short term deposits with maturity dates of 3 months or less approximates their fair value. Cash and bank overdrafts include the following for the purpose of the Statement of Cash Flow.

	CONSOLIDATED		COUNCIL	
	2013 \$000s	2012 \$000s	2013 \$000s	2012 \$000s
Cash at bank and in hand	4,117	3,058	3,737	2,665
Bank overdrafts (Note 20)	0	0	0	0
	4,117	3,058	3,737	2,665

Council has an overdraft facility of \$3m (2012 \$3m).

9. DEBTORS & OTHER RECEIVABLES	CONSOLIDATED		COUNCIL	
	2013 \$000s	2012 \$000s	2013 \$000s	2012 \$000s
Rates and penalties	46,836	40,573	46,836	40,573
Sundry debtors	12,629	11,382	12,085	10,911
Prepayments	319	358	300	339
Related party receivables	186	0	0	0
	59,970	52,313	59,221	51,823
Less provision for impairment - rates	21,240	17,373	21,240	17,373
Less provision for impairment - sundry debts	308	1,985	252	1,897
Current debtors & other receivables	38,422	32,955	37,728	32,553

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 2013 and 2012, all overdue receivables have been assessed for impairment and the appropriate provisions applied. Far North Holdings Limited 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.

	2013			2012		
	Gross \$000s	Impairment \$000s	Net \$000s	Gross \$000s	Impairment \$000s	Net \$000s
Council						
Not past due	4,179	0	4,179	2,165	0	2,165
Past due 1 – 60 days	20,869	5,393	15,476	17,374	4,320	13,054
Past due 61 – 90 days	605	0	605	154	0	154
Past due over 90 days	33,569	16,099	17,470	32,131	14,950	17,181
Total	59,221	21,492	37,728	51,824	19,270	32,554
Group						
Not past due	4,559	0	4,559	2,421	2	2,419
Past due 1 – 60 days	21,024	5,394	15,630	17,470	4,323	13,147
Past due 61 – 90 days	631	2	629	196	2	194
Past due over 90 days	33,756	16,152	17,604	32,234	15,030	17,204
Total	59,970	21,548	38,422	52,312	19,357	32,955

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

	CONSOLIDATED		COUNCIL	
	2013 \$000s	2012 \$000s	2013 \$000s	2012 \$000s
Impairment of rates				
At July	17,374	14,765	17,374	14,765
Additional provisions made during the year	5,381	3,323	5,381	3,323
Receivables written off during period	(1,515)	(714)	(1,515)	(714)
At 30 June	21,240	17,374	21,240	17,374
Impairment of sundry debts				
At July	1,984	2,355	1,897	2,287
Additional provisions made during the year	3	279	25	243
Receivables written off during period	(1,678)	(650)	(1,670)	(633)
At 30 June	309	1,984	252	1,897

10. INVENTORIES	CONSOLIDATED		COUNCIL	
	2013 \$000s	2012 \$000s	2013 \$000s	2012 \$000s
Consumable stocks and materials	101	98	101	98
Marina berths	33	53	0	0
Chandlery and boatyard	37	23	0	0
Total inventories	171	174	101	98

There are no inventory items held for distribution.

11. OTHER FINANCIAL ASSETS	CONSOLIDATED		COUNCIL	
	2013 \$000s	2012 \$000s	2013 \$000s	2012 \$000s
Current portion				
<i>Loans and receivables</i>				
Short term deposits maturity 4 - 12 months	3,185	2,314	3,185	1,995
Total current portion	3,185	2,314	3,185	1,995
Non current portion				
<i>Available for sale</i>				
LGNZ Shares	101	46	101	46
LGFA Borrower notes at cost – May 2013	160	0	160	0
Total non current portion	261	46	261	46

There were no impairment provisions for other financial assets.

A short term loan of \$20,000 that had been granted to Kerikeri Sports Complex Trust was written off in June 13.

Council holds 85,440 shares in Local Government Insurance Corp Ltd which are held at net asset backing. An additional 50,000 shares were purchased during the year.

These shares are non traded.

Maturity analysis and interest rates	CONSOLIDATED		COUNCIL	
	2013 \$000s	2012 \$000s	2013 \$000s	2012 \$000s
<i>Loans and receivables</i>				
Short term loan 4 - 12 months	0	20	0	20
Short term deposits 4 - 12 months	3,185	2,294	3,185	1,975
Maturing within 4 - 12 months	3,185	2,314	3,185	1,995

Property, Plant and Equipment Notes

12. PROPERTY, PLANT & EQUIPMENT – COUNCIL												2013
	COST / REVALUATION 1-JUL-12	ACCUMULATED DEPRECIATION AND IMPAIRMENT CHARGES 1-JUL-12	CARRYING AMOUNT 1-JUL-12	CURRENT YEAR ADDITIONS	CURRENT YEAR DISPOSALS	CURRENT YEAR IMPAIRMENT CHARGES	CURRENT YEAR DEPRECIATION	CURRENT YEAR ADJUSTMENTS	REVALUATION SURPLUS	COST/ REVALUATION 30 JUNE-13	ACCUMULATED DEPRECIATION AND IMPAIRMENT CHARGES 30 JUNE-13	CARRYING AMOUNT 30 JUNE-13
Land	393,636	0	393,636	849	(20)	0	0	(1,526)	(34,082)	358,857	(1)	358,856
Vehicles & plant	5,180	(1,272)	3,907	469	(192)	0	(322)	0	0	5,112	(1,248)	3,864
Leasehold improvements	3,595	(1,376)	2,219	94	0	0	(387)	(1,123)	339	2,587	(1,443)	1,144
Wharves, ramps, moorings	4,805	0	4,805	341	(9)	0	(442)	0	377	5,073	0	5,073
F&F and office equipment	5,230	(1,453)	3,776	270	(20)	0	(457)	76	2,044	6,440	(751)	5,689
Information systems	3,019	(2,390)	629	190	0	0	(228)	0	0	2,946	(2,355)	591
*Work in progress	437	0	437	668	(979)	0	0	0	0	125	0	125
Total operational assets	415,902	(6,491)	409,409	2,881	(1,220)	0	(1,836)	(2,573)	(31,322)	381,139	(5,797)	375,342
Roading	904,219	(205)	904,014	13,704	(139)	0	(14,989)	(17)	13,540	916,748	(635)	916,113
Water	59,590	(11)	59,578	1,998	(169)	0	(2,238)	41	0	61,444	(2,233)	59,210
Sewerage	95,665	0	95,665	2,809	(313)	0	(3,413)	39	0	98,181	(3,394)	94,787
Refuse	4,676	(479)	4,198	224	(14)	0	(549)	0	272	4,130	0	4,130
Stormwater	49,095	(1,248)	47,847	888	(54)	0	(659)	(42)	515	38,495	0	48,495
Community facilities	53,841	(3,965)	49,877	1,974	(349)	0	(3,433)	2,551	7,101	58,250	(531)	57,719
Work in progress	12,963	0	12,963	29,386	(23,479)	0	0	(566)	0	18,306	0	18,306
Total infrastructural assets	1,180,049	(5,908)	1,174,142	50,983	(24,517)	0	(25,282)	2,007	21,427	1,205,553	(6,794)	1,198,761
Council restricted assets												
Land	44,775	0	44,775	0	0	0	0	0	(18,771)	26,004	0	26,004
Total restricted assets	44,775	0	44,775	0	0	0	0	0	(18,771)	26,004	0	26,004
Total property, plant & equipment	1,640,726	(12,399)	1,628,325	53,864	(25,736)	0	(27,118)	(566)	(28,666)	1,612,699	(12,590)	1,600,106

1.2. PROPERTY, PLANT & EQUIPMENT – COUNCIL

	COST / REVALUATION 1-JUL-11	ACCUMULATED DEPRECIATION AND IMPAIRMENT CHARGES 1-JUL-11	CARRYING AMOUNT 1-JUL-11	CURRENT YEAR ADDITIONS	CURRENT YEAR DISPOSALS	CURRENT YEAR IMPAIRMENT CHARGES	CURRENT YEAR DEPRECIATION	CURRENT YEAR ADJUSTMENTS	REVALUATION SURPLUS	REVALUATION 30 JUNE-12	COST/ REVALUATION 30 JUNE-12	ACCUMULATED DEPRECIATION AND IMPAIRMENT CHARGES 30 JUNE-12	CARRYING AMOUNT 30 JUNE-12
Land	394,293	0	394,293	402	(698)	0	0	0	0	393,636	0	393,636	
Vehicles & plant	3,829	(1,454)	2,375	551	(83)	0	(163)	(15)	1,244	5,180	(1,273)	3,907	
Leasehold improvements	3,564	(1,034)	2,530	63	(9)	0	(365)	0	0	3,595	(1,376)	2,219	
Wharves, ramps, moorings	3,575	0	3,575	11	0	0	(351)	151	1,420	4,805	0	4,805	
F&F and office equipment	5,114	(975)	4,139	154	(16)	0	(500)	0	0	5,230	(1,454)	3,776	
Information systems	2,628	(2,168)	460	382	0	0	(222)	9	0	3,019	(2,390)	629	
*Work in progress	7,728	0	7,728	2,774	(10,059)	0	0	(6)	0	437	0	437	
Total operational assets	420,731	(5,631)	415,101	4,337	(10,865)	0	(1,601)	(222)	2,663	415,902	(6,493)	409,409	
Roading	858,532	(13,122)	845,410	28,078	(5,515)	0	(14,408)	264	50,185	904,219	(205)	904,014	
Water	58,695	(2,074)	56,621	1,341	(139)	0	(2,082)	0	3,836	59,590	(11)	59,578	
Sewerage	94,297	(2,984)	91,313	2,488	(95)	0	(3,171)	0	5,130	95,665	0	95,665	
Refuse	4,662	0	4,662	107	(5)	0	(526)	0	(41)	4,676	(478)	4,198	
Stormwater	46,207	(622)	45,585	2,927	(38)	0	(627)	0	0	49,095	(1,248)	47,847	
Community facilities	49,035	(606)	48,429	4,874	(164)	0	(3,477)	214	0	53,841	(3,964)	49,877	
Work in progress	31,104	0	31,104	22,902	(40,439)	0	0	(604)	0	12,963	0	12,963	
Total infrastructural assets	1,142,532	(19,408)	1,123,124	62,718	(46,395)	0	(24,291)	(126)	59,109	1,180,049	(5,907)	1,174,142	
Council restricted assets													
Land	44,775	0	44,775	0	0	0	0	0	0	44,775	0	44,775	
Total restricted assets	44,775	0	44,775	0	0	0	0	0	0	44,775	0	44,775	
Total property, plant & equipment	1,608,038	(25,039)	1,582,999	67,055	(57,260)	0	(25,892)	(348)	61,772	1,640,726	(12,400)	1,628,325	

1.2. PROPERTY, PLANT & EQUIPMENT – CONSOLIDATED

2013

	COST / REVALUATION 1-JUL-12	ACCUMULATED DEPRECIATION AND IMPAIRMENT CHARGES 1-JUL-12	CARRYING AMOUNT 1-JUL-12	CURRENT YEAR ADDITIONS	CURRENT YEAR DISPOSALS	CURRENT YEAR IMPAIRMENT CHARGES	CURRENT YEAR DEPRECIATION	CURRENT YEAR ADJUSTMENTS	REVALUATION SURPLUS	REVALUATION 30 JUNE-13	COST/ IMPAIRMENT CHARGES 30 JUNE-13	CARRYING AMOUNT 30 JUNE-13
Land	400,149	0	400,149	849	(20)	0	0	(1,526)	(34,002)	365,451	(1)	365,450
Buildings	13,049	(113)	12,936	672	0	0	(342)	(830)	132	12,568	0	12,568
Vehicles & plant	6,031	(1,954)	4,077	550	(192)	0	(390)	0	0	6,017	(1,972)	4,045
Leasehold improvements	3,649	(1,400)	2,249	112	0	0	(388)	(1,123)	339	2,659	(1,470)	1,189
Wharves, ramps, moorings	6,228	(17)	6,211	358	(9)	0	(485)	0	363	6,460	(22)	6,438
F&F and office equipment	7,536	(2,025)	5,511	465	(20)	0	(755)	1,394	2,044	9,950	(1,311)	8,639
Information systems	3,019	(2,390)	629	190	0	0	(228)	0	0	2,946	(2,355)	591
Runways	2,463	0	2,463	0	0	0	(99)	0	0	2,364	0	2,364
Boat transporters	461	(82)	379	0	0	0	(24)	0	0	461	(106)	355
Site works	521	(10)	511	0	0	0	(1)	(489)	0	21	0	21
Heritage assets	717	0	717	61	0	0	0	0	0	778	0	778
Work in progress	437	0	437	668	(979)	0	0	0	0	126	0	126
Total operational assets	444,260	(7,991)	436,269	3,925	(1,220)	0	(2,712)	(2,574)	(31,124)	409,801	(7,237)	402,564
Roading	904,219	(205)	904,014	13,704	(139)	0	(14,989)	(17)	13,540	916,748	(635)	916,113
Water	59,590	(11)	59,578	1,998	(169)	0	(2,238)	41	0	61,444	(2,233)	59,210
Sewerage	95,665	0	95,665	2,809	(313)	0	(3,413)	39	0	98,181	(3,394)	94,787
Refuse	4,676	(478)	4,198	224	(14)	0	(549)	0	272	4,130	0	4,130
Stormwater	49,095	(1,248)	47,847	888	(54)	0	(659)	(42)	515	38,495	0	48,495
Community facilities	53,841	(3,964)	49,877	1,974	(349)	0	(3,433)	2,551	7,101	58,250	(531)	57,719
Work in progress	12,963	0	12,963	29,386	(23,479)	0	0	(566)	0	18,304	0	18,304
Total infrastructural assets	1,180,049	(5,907)	1,174,142	50,983	(24,517)	0	(25,282)	2,007	21,427	1,205,555	(6,794)	1,198,762
Council restricted assets												
Land	44,775	0	44,775	0	0	0	0	0	(18,771)	26,004	0	26,004
Total restricted assets	44,775	0	44,775	0	0	0	0	0	(18,771)	26,004	0	26,004
Total property, plant & equipment	1,669,084	(13,897)	1,656,187	54,908	(25,737)	0	(27,993)	(568)	(28,467)	1,641,406	(14,030)	1,627,376

1.2. PROPERTY, PLANT & EQUIPMENT – CONSOLIDATED

2012

	COST / REVALUATION 1-JUL-11	ACCUMULATED DEPRECIATION AND IMPAIRMENT CHARGES 1-JUL-11	CARRYING AMOUNT 1-JUL-11	CURRENT YEAR ADDITIONS	CURRENT YEAR DISPOSALS	CURRENT YEAR IMPAIRMENT CHARGES	CURRENT YEAR DEPRECIATION	CURRENT YEAR ADJUSTMENTS	REVALUATION SURPLUS	REVALUATION 30 JUNE-12	COST / REVALUATION 30 JUNE-12	ACCUMULATED DEPRECIATION AND IMPAIRMENT CHARGES 30 JUNE-12	CARRYING AMOUNT 30 JUNE-12
Land	400,775	(3,705)	397,070	402	(698)	0	0	(361)	0	396,413	0	(1,803)	393,251
Buildings	7,291	697	7,988	12,406	0	0	(207)	0	156	20,466	156	(123)	20,343
Vehicles & plant	4,674	(2,067)	2,609	573	(83)	(16)	(232)	(15)	1,243	4,674	1,243	(1,954)	4,079
Leasehold improvements	3,618	(1,058)	2,560	63	(9)	0	(366)	0	0	3,649	0	(1,401)	2,248
Wharves, ramps, moorings	4,470	0	4,470	11	0	0	(392)	151	1,406	5,646	1,406	0	5,646
F&F and office equipment	5,485	(1,474)	4,011	1,872	(16)	0	(571)	0	0	5,828	0	(533)	5,295
Information systems	2,628	(2,168)	460	382	0	0	(222)	9	0	3,019	0	(2,390)	629
Runways	2,368	0	2,368	0	0	0	(99)	0	193	2,462	193	0	2,462
Boat transporters	467	(57)	410	0	0	(6)	(25)	0	0	467	0	(88)	379
Moorings	107	(14)	93	31	0	(3)	(4)	0	0	135	0	(18)	117
Work in progress	7,728	0	7,728	2,774	(13,221)	0	0	(6)	0	437	0	0	437
Total operational assets	439,611	(9,846)	429,767	18,514	(14,027)	(25)	(2,118)	(222)	2,999	443,196	2,999	(8,310)	434,886
Roading	858,532	(13,122)	845,601	28,078	(5,515)	0	(14,408)	264	50,185	904,219	50,185	(14)	904,205
Water	58,695	(2,074)	56,621	1,341	(139)	0	(2,082)	0	3,836	58,695	3,836	882	59,577
Sewerage	94,297	(2,984)	91,313	2,488	(95)	0	(3,171)	0	5,130	94,297	5,130	1,368	95,665
Refuse	4,662	0	4,662	107	(5)	0	(526)	0	(41)	4,662	(41)	(464)	4,198
Stormwater	46,207	(622)	45,585	2,927	(38)	0	(627)	0	0	46,207	0	1,640	47,847
Community facilities	49,035	(606)	48,429	4,874	(164)	0	(3,477)	214	0	49,035	0	842	49,877
Work in progress	33,028	0	33,028	22,902	(40,439)	0	0	(604)	0	14,879	0	0	14,879
Total infrastructural assets	1,144,456	(19,408)	1,125,239	62,717	(46,395)	0	(24,291)	(126)	59,109	1,171,994	59,109	4,254	1,176,248
Council restricted assets													
Land	44,775	0	44,775	0	0	0	0	0	0	44,775	0	0	44,775
Total restricted assets	44,775	0	44,775	0	0	0	0	0	0	44,775	0	0	44,775
Total property, plant & equipment	1,628,842	(29,254)	1,599,777	81,231	(60,422)	(25)	(26,409)	(348)	62,108	1,659,965	62,108	(4,056)	1,655,909

VALUATION

* Note to table 12, page 47 – Includes work in progress (WIP) for intangible assets \$0.367m (\$3.663m 2011/12)

Land (operational, restricted and infrastructural)

The most recent valuation of land and buildings was performed by an independent registered valuer at Quotable Value New Zealand (Darroch Ltd). This valuation was effective as at 30 June 2013. Plant Assets such as pool plant and the sewerage treatment assets at the Houhora camping ground were valued by AECOM as these were considered to be specialised in nature.

Land is valued at fair value using market-based evidence and the highest and best use scenario. Due consideration has been made for restrictions due to easements, covenants and any restrictions such as the Reserves Act.

An assumption has been made that all land valued is held by the Far North District Council in freehold ownership.

Buildings (operational and restricted)

All buildings have been valued on either a fair market or depreciated replacement cost basis depending on the type and use of the building.

Depreciated replacement cost is determined using a number of assumptions including:

- Replacement cost rates derived from construction contracts of like assets.
- It was considered that most current buildings in the property portfolio are fully utilised and optimisation is not necessary under a market-derived assessment.
- Straight-line depreciation has been applied in determining the depreciated replacement cost value of the assets.
- Economic lives have been adopted taking into consideration the Far North District Councils replacement / maintenance plans

The Councils residential buildings (Pensioner Housing) has been valued on a depreciated replacement cost method. This is due to the fact that there was a paucity of relevant recent sales evidence to derive an appropriate market value.

Infrastructural asset classes: sewerage, water, refuse, stormwater and roading:

Sewerage, water, stormwater and roading are valued at depreciated replacement cost by Fraser Campbell of Campbell Consulting and SPM Consultants. The sewerage and water valuations, as well as some of the smaller roading asset classes, have an effective date as at 30 June 2012. The stormwater and more significant roading asset class valuations have an effective date as at 30 June 2013. Refuse is valued at depreciated replacement cost by Fraser Campbell of Campbell Consulting and SPM Consultants. Refuse valuations have an effective date as at 30 June 2013.

Depreciated replacement cost is determined using a number of assumptions including:

- Assets are assumed to be replaced with the least cost alternative modern equivalent asset providing the same service potential.
- Residual values were assessed as zero for all assets.
- Depreciation was applied to depreciable assets on a straight-line basis over the assessed total economic life of the asset.
- Optimisation Issues due to functional and design obsolescence and surplus capacity have been considered but not allowed for as this was not considered necessary.

Library Collections:

Library Collections are valued at depreciated replacement cost and valuations are performed by the in-house systems librarian and the fixed asset accountant. These valuations have been peer reviewed by SPM Consultants. The last valuation was effective as at 31 December 2012.

Maritime assets:

Maritime assets were valued at depreciated replacement cost by Telfer Young (Northland) Ltd. The last valuation was effective as at 30 June 2013. The following assumptions were used in determining the depreciated replacement cost:

- Replacement costs are derived from recent contract information, indexed cost increases, historical cost data and in-house advice from engineers.
- Remaining lives have been applied as per advice from Far North Holdings engineers as a result of a full data collection exercise carried out in February 2012. In addition work has been carried out by asset managers within FNDC and this advice has also been incorporated into the valuation.

Heritage assets:

Heritage assets were valued at depreciated replacement cost in accordance with the 2002 treasury valuation guidance for cultural and heritage assets. Heritage valuations are performed by Opus International Consultants Ltd with the last valuation having an effective date of 31 March 2013.

Operational Assets:

Ferry assets were valued at depreciated replacement cost by Auckland Shipbrokers Ltd, Marine Valuers, effective as at 30 June 2012

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

Disposals

The majority of disposals were carried out during the year as part of the Council on-going renewal programmes. Other disposals include:

- The log cabin in Kaikohe as this was demolished in June 2013
- Part of the Russell wharf as a result of the significant upgrade carried out by Far North Holdings Limited
- Work carried out on the buildings vacated by the move to the Te Ahu centre in Kaitia

Work In Progress

The total amount of property, plant and equipment in the course of construction is \$18,391,000 (2012 \$13,399,000)

TOTAL VALUE OF PROPERTY, PLANT & EQUIPMENT - VALUED BY EACH VALUER	COUNCIL	
	2013 \$000s	2012 \$000s
Campbell Consulting Ltd	968,859	1,048,534
SPM Consulting (peer review)	2,675	0
Opus International Consultants Ltd	2,356	0
Telfer Young (Northland) Ltd	5,270	5,035
Auckland Shipbrokers	0	2,623
Quotable Value	419,813	0
TOTAL VALUE OF PROPERTY, PLANT & EQUIPMENT - VALUED BY EACH VALUER	GROUP	
	2013 \$000s	2012 \$000s
Campbell Consulting Ltd	968,859	1,048,534
SPM Consulting (peer review)	2,675	0
Opus International Consultants Ltd	2,356	0
Telfer Young (Northland) Ltd	56,372	38,286
Auckland Shipbrokers	0	2,623
Quotable Value	419,813	0

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 \$000s	2012 \$000s	2013 \$000s	2012 \$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.

Capital Commitments - Statement of Financial Position

26. CAPITAL COMMITMENTS	CONSOLIDATED		COUNCIL	
	2013 \$000s	2012 \$000s	2013 \$000s	2012 \$000s
Capital commitments approved and contracted				
Roading	23	1,386	23	1,386
Sewerage	434	25	434	25
Water (Sweetwater land)	250	0	250	0
Governance and Strategy	678	0	678	0
Community facilities	0	45	0	45
Subsidiaries investment property	0	533	0	0
Total capital commitments	1,385	1,989	1,385	1,457

The Roothing commitments attract subsidy to the value of \$13k (2012 - \$781,145). Roothing maintenance and renewal commitments of \$50,425,900 exist for future years. The Governance & Strategy commitment relates to future grants to The Centre at Kerikeri Ltd (The Turner Centre).

On 4 December 2013, an investigation commenced that included a full review of all aspects in relation to the Sweetwater Aquifer project.

To the best of council's knowledge the accounting treatment included in the 2012/13 Annual Report reflects the transactions for the period covered in the Report. Council has not yet completed its investigation into the Sweetwater project. The review at this stage is not sufficiently advanced to give assurances either way, around planning and management, legal compliance, probity and process.

NON-CANCELLABLE OPERATING LEASE COMMITMENTS

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

	CONSOLIDATED		COUNCIL	
	2013 \$000s	2012 \$000s	2013 \$000s	2012 \$000s
Operating lease				
Lease payments made:	487	608	450	546
Lease payments due:				
Not later than 1 year	359	312	282	250
Later than 1 year and not later than 2 years	244	260	170	198
Later than 2 years and not later than 5 years	242	361	126	238
Later than 5 years	791	370	219	277
Total operating leases	1,636	1,303	797	963

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	
	2013 \$000s	2012 \$000s	2013 \$000s	2012 \$000s
Non-cancellable operating leases lessor				
Not later than 1 year	1,505	1,336	0	0
Later than 1 and not later than 5 years	4,202	3,598	0	0
Later than 5 years	854	1,177	0	0
Total non cancellable operating leases	6,561	6,111	0	0

27. CONTINGENCIES	CONSOLIDATED		COUNCIL	
	2013 \$000s	2012 \$000s	2013 \$000s	2012 \$000s
Building Act claims	0	15	0	15
Weather-tight home calls – Riskpool	0	324	0	324
Other legal proceedings	122	75	122	75
Roading legalisation claims	50	50	50	50
Total contingent liabilities	172	464	172	464

LITIGATION

There are 11 claims involving possible future costs totalling an estimated value of \$172,000 exist. These claims are contingent and have not been accrued in the financial statements. (Last year there were 11 possible claims at an estimated value of \$464,000).

The Council is subject to some litigation claims in respect of repair costs for weather-tight homes claims. As at the date of this report, the Weather-tight Homes Resolution Service advises that it is actioning 7 claims in relation to Far North District Council. There is provision for these of \$875,037 shown as a provision in Note 21. 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.

GUARANTEES

Far North District Council has guaranteed a bank loan for the Civic Centre Trust for \$1,709,603 (2012 \$1,900,000), Hohoura Big Game Sports & Fishing Club \$50,000 (2012 \$50,000) and the Kawakawa Bowling Club of \$40,000 (2012 \$40,000).

28. RELATED PARTY TRANSACTIONS

Key management personnel in relation to NZ IAS24 are deemed to be the Chief Executive, senior management team and Mayor; Councillors, Elected 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	
	2013 \$000s	2012 \$000s
Cllr Kitchen – New Zealand Fire Service	0	10
Cllr Kitchen/Macauley – Northland District Health Board	295	295
Cllr Macauley – Kaikohe & District Historical & Mechanical Society	37	36
Cllr Macauley/Member Davis – Kawakawa Hundertwasser Centre	53	40
Cllr Macauley – Palmer Macauley Lawyers	14	4
Cllr Knight – Kaitaia Business Association	50	22
Cllr Knight/Cllr Macauley – The Turner Centre	3	7
Cllr McNally – The Rintoul Group	283	0
Cllr McNally – Twin Coast Valuations	2	2
Cllr Maxwell – Creative Edge Bay of Islands	0	5
Cllr Court – Top Energy Consumer Trust	337	0
Member Lugnet – Doubtless Bay Information Centre	10	6
Member Ward – Paihia Business Incorporated	4	0
Member Davis – BOI Vintage Railway Trust	23	8

No other Councillors or senior management have entered into related party transactions with the group.

The values above included payments made after 1 July 2013 as follows: \$237 Turner Centre; \$33,390 The Rintoul Group; \$13,388 BOI Vintage Railway Trust; \$4,370 Palmer Macauley

KEY MANAGEMENT PERSONNEL	CONSOLIDATED		COUNCIL	
	2013 \$000s	2012 \$000s	2013 \$000s	2012 \$000s
Council – salaries	1,669	1,541	1,669	1,541
Council – severance	0	0	0	0
Subsidiary – salaries	381	375	0	0
Total salaries - key management personnel	2,050	1,916	1,669	1,541

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 Limited free of charge.

Transactions between the Group and Far North District Council

	COUNCIL	
	2013 \$000s	2012 \$000s
Far North Holdings Ltd		
Services received from Council	247	257
Services provided to Council	988	676
Amounts payable to members of the Group	186	105
Amounts receivable from members of the Group	236	68
Te Ahu Charitable Trust		
Contribution to Te Ahu Charitable Trust.	300	3,141
Amounts payable to Council	51	20

No provision has been required, nor any expense recognised for impairment of receivables for any loans or other receivables to related parties (2012 \$nil).

Council has 3 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 \$130k (\$134k June 2012) 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

29.REMUNERATION	CONSOLIDATED		COUNCIL	
	2013 \$000s	2012 \$000s	2013 \$000s	2012 \$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	2013	2012	2013	2012
Salary	291	272	291	272
Vehicle	11	0	11	0
Principal allowance	1	1	1	1
Telephone allowance	1	1	1	1
Total CEO costs	304	274	304	274

29.REMUNERATION	CONSOLIDATED		COUNCIL	
	2013 \$000s	2012 \$000s	2013 \$000s	2012 \$000s
Elected representatives:				
Mayor Brown - salary	108	108	108	108
Mayor Brown - vehicle	11	6	11	6
Other elected representatives				
Baker T – salary	41	41	41	41
Baker T – mileage & other expenses	2	3	2	3
Court A – salary	52	52	52	52
Court A – mileage & other expenses	5	5	5	5
Dalton T – salary	41	41	41	41
Dalton T – mileage & other expenses	1	1	1	1
Macauley S – salary	42	42	42	42
Macauley S – mileage & other expenses	1	1	1	1
Kitchen C – salary	41	41	41	41
Kitchen C – mileage & other expenses	1	1	1	1
Maxwell D – salary	42	41	42	41
Maxwell D – mileage & other expenses	2	2	2	2
McNally S – salary	41	41	41	41
McNally S – mileage & other expenses	2	2	2	2
Knight M – salary	41	41	41	41
Knight M – mileage & other expenses	5	3	5	3
Radich M – salary	41	41	41	41
Radich M – mileage & other expenses	4	3	4	3
Total elected representatives	524	516	524	516
Elected members				
Te Hiku Community Board				
Bowman D – salary	19	19	19	19
Bowman D – mileage & other expenses	3	3	3	3
Lugnet C – salary	10	10	10	10
Lugnet C – mileage & other expenses	2	1	2	1
Van Der Sluis W – salary	10	10	10	10
Van Der Sluis W – mileage & other expenses	1	0	1	0
Atkinson S – salary	14	14	14	14
Atkinson S – mileage & other expenses	2	2	2	2
Senior D – salary	10	10	10	10
Senior D – mileage & other expenses	2	2	2	2
Smith Y – salary	10	10	10	10
Smith Y – mileage & other expenses	2	1	2	1
Kaikohe-Hokianga Community Board				
Stephens W – salary	19	19	19	19
Stephens W – mileage & other expenses	4	1	4	1
Anderson M – salary	5	10	5	10
Anderson M – mileage & other expenses	1	3	1	3

29.REMUNERATION	CONSOLIDATED		COUNCIL	
	2013 \$000s	2012 \$000s	2013 \$000s	2012 \$000s
Gundry W – salary	10	10	10	10
Pakai L – salary	10	10	10	10
Pakai L mileage & other expenses	1	0	1	0
Cherrington J – salary	10	10	10	10
Cherrington J – mileage & other expenses	2	1	2	1
Schollum J – salary	14	14	14	14
Schollum J – mileage & other expenses	2	1	2	1
Clarke G – salary	3	0	3	0
Clarke G – mileage & other expenses	1	0	1	0
Bay of Islands-Whangaroa Community Board				
Annison F – salary	19	19	19	19
Annison F – mileage & other expenses	1	1	1	1
Brown H – salary	10	10	10	10
Brown H – mileage & other expenses	1	1	1	1
Davis J – salary	10	10	10	10
Davis J – mileage & other expenses	1	1	1	1
Greening T – salary	10	10	10	10
Greening T – mileage & other expenses	2	1	2	1
Mills B – salary	10	10	10	10
Mills B – mileage & other expenses	3	2	3	2
Turner D – salary	10	10	10	10
Turner D – mileage & other expenses	2	3	2	3
Ward B – salary	14	14	14	14
Ward B – mileage & other expenses	1	0	1	0
Total community board costs	261	253	261	253
Total remuneration costs	1,089	1,043	1,089	1,043

	COUNCIL	
	2013 \$000s	2012 \$000s
Total annual remuneration by band of employee as at 30 June		
< \$60,000	139	150
\$60,000 to \$79,999	65	54
\$80,000 to \$99,999	22	19
\$100,000 to \$119,999	12	8
\$120,000 to \$139,999	7	5
\$140,000 to \$280,000	4	5
Total employees	249	241

Total remuneration includes non-financial benefits provided to employees

At balance date, the Council employed 218 (2011/12 – 214) full time employees, with the balance of staff representing 22.7 (2011/12 – 16.4) full time equivalent employees. A full time employee is determined on the basis of a 40 hour week.

**MEETING ATTENDANCE
ELECTED MEMBERS**

COUNCIL

AUDIT & FINANCE

	COUNCIL	AUDIT & FINANCE
Meetings for the year	12	8
W Brown (*)	12	7
A Court (*)	11	6
T Baker (*)	8	3
S McNally (*)	12	7
D Maxwell (*)	10	2
S Macauley	11	0
T Dalton	8	0
C Kitchen	7	0
M Radich	12	0
M Knight (*)	12	8

Cllr Baker was granted a leave of absence of four months due to ill health.

The Audit & Finance Committee has five (2012 four) elected members with all of the others able to attend if they wish.

Cllr Maxwell stood down from the Audit & Finance Committee in August 2012 and Cllr Court joined in September 2012. The Committee was increased to five members in March 2013 when Cllr Baker joined.

MEETING ATTENDANCE

Bay of Islands-Whangaroa Community Board

Meetings for the year	11
F Annison	11
H Brown	11
J Davis	11
T Greening	10
B Mills	11
D Turner	11
B Ward	11

Te Hiku Community Board

Meetings for the year	11
D Bowman	11
C Lugnet	10
Y Smith	11
W Van De Sluis	11
S Atkinson	10
D Senior	10

Kaikohe-Hokianga Community Board

Meetings for the year	12
W Stephens	12
M Anderson (**)	4
G Clarke (**)	4
W Gundry	8
L Pakai	10
J Cherrington	10
J Schollum	12

** Member Anderson resigned in December 2012 and Member Clarke was appointed in March 2013

30. SEVERANCE PAYMENTS

There were no severance payments made in 2012/13 (2011/12 – 1 for \$84,366).

31. EVENTS AFTER BALANCE SHEET DATE

Neither Far North District Council or its subsidiaries, had any events occurring after the balance sheet date that require disclosure in these financial statements (2012 - nil).

32. FINANCIAL INSTRUMENT RISK	CONSOLIDATED		COUNCIL	
	2013 \$000s	2012 \$000s	2013 \$000s	2012 \$000s
32a. Financial Instrument categories				
FINANCIAL ASSETS				
Derivatives that are hedge accounted				
Derivative financial instrument liabilities	726	0	726	0
Total derivatives that are hedge accounted	726	0	726	0
Loans and receivables				
Cash and cash equivalents	4,117	3,058	3,738	2,665
Other financial assets				
Short term deposits	3,185	2,314	3,185	1,995
Debtors and other receivables	38,422	32,955	37,728	32,553
Total loans and receivables	45,725	38,327	44,652	37,213
Available for sale				
LGNZ shares	101	46	101	46
LGFA borrower notes	160	0	160	0
Total available for sale	261	46	261	46
FINANCIAL LIABILITIES				
Derivatives that are hedge accounted				
Derivative financial instrument liabilities				
Current	53	0	53	0
Non-current	324	731	324	731
Total derivatives that are hedge accounted	377	731	377	731
Financial liabilities at amortised cost				
Creditors and other payables	24,883	19,656	23,117	18,529
Borrowings				
Bank overdraft	0	0	0	0
Secured loans	100,163	111,006	89,622	100,716
Total financial liabilities at amortised cost	125,046	131,393	112,739	119,976

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 23. There are 12 interest rate swap agreements in place at 30 June 2013 (2012 - 4). 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.

	CONSOLIDATED		COUNCIL	
	2013 \$000s	2012 \$000s	2013 \$000s	2012 \$000s
Maximum exposure to credit risk				
Cash at bank and term deposits	4,117	3,058	3,738	2,665
Debtors and other receivables	38,422	32,955	37,728	32,553
Other financial assets	3,185	2,314	3,185	1,995
LGNZ shares	101	46	101	46
LGFA borrower notes	160	0	160	0
Total credit risk	45,986	38,373	44,913	37,259

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	
	2013 \$000s	2012 \$000s	2013 \$000s	2012 \$000s
COUNTERPARTIES WITH CREDIT RATINGS				
Cash at bank and term deposits				
AA-	4,117	3,058	3,738	2,665
Total cash at bank and term deposits	4,117	3,058	3,738	2,665
Derivative financial assets				
Derivative financial instruments				
AA-	349	(731)	349	(731)
Total Derivative financial assets	349	(731)	349	(731)
Fair value through equity				
A+	261	46	261	46
Total fair value through equity	261	46	261	46

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 \$3,000,000 (2012- \$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
Council 2013						
Creditors and other payables	23,117	23,117	23,117	0	0	0
Bank overdraft	0	0	0	0	0	0
Net settled derivative liabilities	(14)	(14)	0	0	(14)	0
Secured loans	89,622	106,970	8,330	13,189	62,817	22,634
Finance leases	0	0	0	0	0	0
Total	112,725	130,073	31,447	13,189	62,803	22,634
Group 2013						
Creditors and other payables	24,883	24,883	24,883	0	0	0
Bank overdraft	0	0	0	0	0	0
Net settled derivative liabilities	(14)	(14)	0	0	(14)	0
Secured loans	100,162	117,510	8,330	23,729	62,817	22,634
Finance leases	0	0	0	0	0	0
Total	125,031	142,379	33,213	23,729	62,803	22,634
Council 2012						
Creditors and other payables	18,529	18,529	18,529	0	0	0
Bank overdraft	0	0	0	0	0	0
Net settled derivative liabilities	731	731	0	0	731	0
Secured loans	100,716	120,146	7,223	34,100	55,343	23,480
Finance leases	0	0	0	0	0	0
Total	119,976	139,406	25,752	34,100	56,074	23,480
Group 2012						
Creditors and other payables	19,656	19,656	19,656	0	0	0
Bank overdraft	0	0	0	0	0	0
Net settled derivative liabilities	731	731	0	0	731	0
Secured loans	111,006	129,466	7,223	34,100	55,343	23,480
Finance leases	0	0	0	0	0	0
Total	131,393	149,853	26,879	34,100	56,074	23,480

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	2013 \$000s		2012 \$000s	
	Profit – 100 bps	Profit + 100 bps	Profit – 100 bps	Profit + 100 bps
Financial assets				
Cash and cash equivalents	2	(2)	2	(2)
Derivative financial assets				
Derivative financial instruments	(2,363)	2,219	(769)	718
Financial liabilities				
Borrowings				
Credit lines	(51)	51	(30)	30
Total sensitivity to interest rate risk	(2,412)	2,268	(797)	746

EXPLANATION OF SENSITIVITY ANALYSIS

1. Cash and cash equivalents

Cash and cash equivalents are \$3,738,000 (2012 \$2,665,000) which are at a floating rate. A movement of plus or minus 1% has an effect on interest income of \$2,175 (2012 \$2,107)

2. Credit lines

The balance on the credit lines was \$10,000,000 (2012 \$24,000,000) at a floating rate. A movement in interest rates of plus or minus 1% has an effect on interest payable of \$50,659 (2012 \$30,397)

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

33. 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.

34. PROPERTY AVAILABLE FOR SALE

Far North District Council has 4 (2012 – nil) parcels of land that will be transferred under an Office of Treaty Settlement agreement at a value of \$610,000. There are an additional 3 (2012 – nil) parcels that have been declared surplus to requirement and marketed for sale and have a market value of \$441,000. Directors of Far North Holdings Limited have initiated a plan to sell 1 properties with a total value of \$500,000 (2012 – 1 properties \$500,000).

35. DERIVATIVE FINANCIAL INSTRUMENTS

	COUNCIL	
	2013 \$000s	2012 \$000s
Non-current asset – cash flow hedge	726	0
Current liability – cash flow hedge	(53)	0
Non-current liability - cash flow hedge	(324)	(731)
Total derivative financial instrument liabilities	349	(731)

FAIR VALUE

The fair value of the interest rate swap has been determined using discounted cash flow valuation based on quoted market rates. Derivative financial assets and liabilities are valued using valuation techniques using observable inputs, being level two per the fair value hierarchy.

INTEREST RATE SWAP

The notional principal amount of the outstanding interest rate swap contracts with Council was \$60,000,000 (June 2012 \$20,000,000). At June 30 the fixed interest rates of the cash flow hedges ranged from 2.89% to 7.1% with maturity dates ranging from February 2014 to March 2022 (2012 – 6.5%, 6.51%, 3.89% and 7.1%). There was a gain of \$362k recognised in the Statement of Comprehensive Income (2012 nil).

36. VARIANCES TO ANNUAL PLAN	COUNCIL 2013 \$000s
Statement of Comprehensive Income	
Annual Plan surplus	12,020
Annual Report surplus	6,657
Net operating surplus variance	(5,363)
Variance represented by:	
Variance area	
Rates	6,171
Other	878
Total income variance	7,049
District facilities (*)	(9,975)
Environmental management (*)	1,164
Governance & strategy (*)	(1,424)
Roading & footpaths	1,341
Sewerage treatment & disposal	(1,280)
Stormwater drainage	60
Waste management	(34)
Water supply	(2,572)
Other expenditure	(792)
Increased depreciation	(1,141)
Decrease in finance costs	2,242
Total expenditure variance	(12,411)
Net operating surplus variance	(5,363)

(*) See individual Statement of Service Performance for explanation of each group's variance to Annual Plan.

Council's asset revaluation reserves have decreased by \$19 million during the year.

37. FUNDING IMPACT STATEMENT	ANNUAL PLAN 2013 \$000s	ANNUAL REPORT 2012 \$000s	LTP 2013 \$000s	ACTUAL 2012 \$000s
Whole of Council				
Sources of operational funding				
General rates, uniform annual general charges, rates penalties	47,245	51,783	45,817	53,451
Targeted rates (excluding water supply rates)	17,013	19,065	22,801	21,339
Subsidies and grants for operating purposes	7,270	8,608	5,621	6,051
Fees, charges and targeted water supply rates	16,105	12,460	15,492	13,063
Interest and dividends from investments	608	482	399	939
Local authority fuel tax, fines, infringement fees and other receipts	961	2,725	954	1,214
Total operating funding (A)	89,202	95,122	91,084	96,057
Applications of operating funding				
Payments to staff and suppliers	60,776	64,530	61,152	62,707
Finance costs	8,868	6,237	7,120	5,171
Internal charges and overheads applied	0	0	0	13
Total applications of operating funding (B)	69,644	70,767	68,272	67,891
Surplus/(deficit of operating funding (A-B))	19,558	24,355	22,811	28,166
Sources of capital funding				
Subsidies and grants for capital expenditure	13,885	10,001	16,075	14,256
Development and financial contributions	2,297	1,578	484	1,780
Increase (decrease) in debt	5,153	(8,607)	10,762	(11,094)
Total sources of capital funding (C)	21,335	2,973	27,321	4,942
Applications of capital funding				
Capital expenditure to meet:				
-Additional demand	859	667	902	413
-Improved levels of service	19,682	10,279	26,482	16,237
-Replacement of existing assets	15,144	14,921	24,038	14,401
Increase (decrease) in reserves	5,208	1,461	(1,290)	2,057
Total applications of capital funding (D)	40,893	27,328	50,132	33,108
Surplus/(deficit) of capital funding (C-D)	(19,558)	(24,355)	(22,811)	(28,166)
Funding balance ((A-B) + (C-D))	0	0	0	0

37. FUNDING IMPACT STATEMENT CONTINUED

District facilities	LTP 2011/12 \$000s	LTP 2012/13 \$000s	ACTUAL 2012/13 \$000s
Sources of operational funding			
General rates, uniform annual general charges, rates penalties	9,215	9,652	10,738
Targeted rates (excluding water supply rates)	6,743	8,334	8,402
Subsidies and grants for operating purposes	150	110	111
Fees, charges and targeted water supply rates	1,633	2,108	1,887
Internal charges and overheads recovered	6	13	300
Local authority fuel tax, fines, infringement fees and other receipts	153	157	178
Total operating funding (A)	17,899	20,374	21,616
Applications of operating funding			
Payments to staff and suppliers	10,599	11,593	11,847
Finance costs	1,250	1,200	675
Internal charges and overheads applied	3,769	4,177	3,050
Total applications of operating funding (B)	15,618	16,970	15,573
Surplus/(deficit of operating funding (A-B))	2,281	3,404	6,043
Sources of capital funding			
Subsidies and grants for capital expenditure	0	0	110
Development and financial contributions	570	113	166
Increase (decrease) in debt	798	714	(7)
Total sources of capital funding (C)	1,369	827	269
Applications of capital funding			
Capital expenditure to meet:			
-Additional demand	50	170	138
-Improved levels of service	1,550	825	664
-Replacement of existing assets	612	5,954	1,391
Increase (decrease) in reserves	1,438	(2,718)	4,119
Total applications of capital funding (D)	3,650	4,232	6,312
Surplus/(deficit) of capital funding (C-D)	(2,281)	(3,404)	(6,043)
Funding balance ((A-B) + (C-D))	0	0	0

37. FUNDING IMPACT STATEMENT CONTINUED

Environmental Management	LTP 2011/12 \$000s	LTP 2012/13 \$000s	ACTUAL 2012/13 \$000s
Sources of operational funding			
General rates, uniform annual general charges, rates penalties	7,355	7,211	7,554
Targeted rates (excluding water supply rates)	0	0	0
Subsidies and grants for operating purposes	10	0	0
Fees, charges and targeted water supply rates	3,558	3,160	3,023
Internal charges and overheads recovered	4	4	39
Local authority fuel tax, fines, infringement fees and other receipts	89	92	56
Total operating funding (A)	11,016	10,467	10,675
Applications of operating funding			
Payments to staff and suppliers	7,354	7,774	6,923
Finance costs	8	177	20
Internal charges and overheads applied	3,506	2,352	2,039
Total applications of operating funding (B)	10,868	10,303	8,982
Surplus/(deficit of operating funding (A-B))	148	164	1,690
Sources of capital funding			
Subsidies and grants for capital expenditure	0	0	0
Development and financial contributions	0	0	0
Increase (decrease) in debt	(7)	(23)	(23)
Total sources of capital funding (C)	(7)	(23)	(23)
Applications of capital funding			
Capital expenditure to meet:			
-Additional demand	0	0	0
-Improved levels of service	0	10	8
-Replacement of existing assets	0	0	0
Increase (decrease) in reserves	141	131	1,659
Total applications of capital funding (D)	141	141	1,667
Surplus/(deficit) of capital funding (C-D)	(148)	(164)	(1,690)
Funding balance ((A-B) + (C-D))	0	0	0

37. FUNDING IMPACT STATEMENT CONTINUED

Governance and strategy	LTP 2011/12 \$000s	LTP 2012/13 \$000s	ACTUAL 2012/13 \$000s
Sources of operational funding			
General rates, uniform annual general charges, rates penalties	9,867	10,087	11,254
Targeted rates (excluding water supply rates)	0	0	0
Subsidies and grants for operating purposes	10	32	0
Fees, charges and targeted water supply rates	567	528	596
Internal charges and overheads recovered	51	13	50
Local authority fuel tax, fines, infringement fees and other receipts	493	280	789
Total operating funding (A)	10,988	10,940	12,689
Applications of operating funding			
Payments to staff and suppliers	15,766	15,822	15,422
Finance costs	1,059	1,435	1,283
Internal charges and overheads applied	(9,362)	(10,072)	(7,774)
Total applications of operating funding (B)	7,463	7,185	8,930
Surplus/(deficit of operating funding (A-B))	3,525	3,755	3,758
Sources of capital funding			
Subsidies and grants for capital expenditure	0	0	0
Development and financial contributions	124	371	234
Increase (decrease) in debt	(672)	54	(73)
Total sources of capital funding (C)	(548)	425	161
Applications of capital funding			
Capital expenditure to meet:			
-Additional demand	0	0	0
-Improved levels of service	116	585	198
-Replacement of existing assets	676	1,285	473
Increase (decrease) in reserves	2,185	2,310	3,034
Increase (decrease) in investments	0	0	214
Total applications of capital funding (D)	2,977	4,180	3,919
Surplus/(deficit) of capital funding (C-D)	(3,525)	(3,755)	(3,758)
Funding balance ((A-B) + (C-D))	0	0	0

37. FUNDING IMPACT STATEMENT CONTINUED

	LTP 2011/12 \$000s	LTP 2012/13 \$000s	ACTUAL 2012/13 \$000s
Roads and footpaths			
Sources of operational funding			
General rates, uniform annual general charges, rates penalties	13,630	11,558	14,915
Targeted rates (excluding water supply rates)	1,051	4,026	989
Subsidies and grants for operating purposes	7,101	5,479	5,939
Fees, charges and targeted water supply rates	757	792	685
Internal charges and overheads recovered	13	27	5
Local authority fuel tax, fines, infringement fees and other receipts	580	597	565
Total operating funding (A)	23,132	22,479	23,099
Applications of operating funding			
Payments to staff and suppliers	14,366	14,667	13,252
Finance costs	1,332	961	673
Internal charges and overheads applied	301	(199)	622
Total applications of operating funding (B)	15,999	15,428	14,547
Surplus/(deficit of operating funding (A-B))	7,132	7,050	8,552
Sources of capital funding			
Subsidies and grants for capital expenditure	10,365	9,904	9,059
Development and financial contributions	313	0	110
Increase (decrease) in debt	583	2,332	143
Total sources of capital funding (C)	11,261	12,237	9,312
Applications of capital funding			
Capital expenditure to meet:			
-Additional demand	809	732	275
-Improved levels of service	4,792	6,195	4,750
-Replacement of existing assets	13,762	12,274	11,663
Increase (decrease) in reserves	(970)	86	1,176
Total applications of capital funding (D)	18,393	19,287	17,864
Surplus/(deficit) of capital funding (C-D)	(7,132)	(7,050)	(8,552)
Funding balance ((A-B) + (C-D))	0	0	0

37. FUNDING IMPACT STATEMENT CONTINUED

	LTP 2011/12 \$000s	LTP 2012/13 \$000s	ACTUAL 2012/13 \$000s
Sewerage treatment and disposal			
Sources of operational funding			
General rates, uniform annual general charges, rates penalties	715	762	1,537
Targeted rates (excluding water supply rates)	8,701	9,925	9,844
Subsidies and grants for operating purposes	0	0	0
Fees, charges and targeted water supply rates	677	231	156
Internal charges and overheads recovered	4	4	(14)
Local authority fuel tax, fines, infringement fees and other receipts	0	0	0
Total operating funding (A)	10,097	10,923	11,523
Applications of operating funding			
Payments to staff and suppliers	4,112	4,234	4,999
Finance costs	2,722	1,711	1,320
Internal charges and overheads applied	601	981	721
Total applications of operating funding (B)	7,435	6,926	7,815
Surplus/(deficit of operating funding (A-B))	2,662	3,996	3,708
Sources of capital funding			
Subsidies and grants for capital expenditure	2,930	5,757	5,060
Development and financial contributions	922	0	654
Increase (decrease) in debt	4,902	7,028	1,900
Total sources of capital funding (C)	8,753	12,785	7,614
Applications of capital funding			
Capital expenditure to meet:			
-Additional demand	0	0	0
-Improved levels of service	10,354	15,750	8,824
-Replacement of existing assets	25	2,021	541
Increase (decrease) in reserves	1,036	(990)	1,957
Total applications of capital funding (D)	11,415	16,782	11,322
Surplus/(deficit) of capital funding (C-D)	(2,662)	(3,996)	(3,708)
Funding balance ((A-B) + (C-D))	0	0	0

37. FUNDING IMPACT STATEMENT CONTINUED

	LTP 2011/12 \$000s	LTP 2012/13 \$000s	ACTUAL 2012/13 \$000s
Stormwater Drainage			
Sources of operational funding			
General rates, uniform annual general charges, rates penalties	2,197	2,125	2,250
Targeted rates (excluding water supply rates)	518	517	539
Subsidies and grants for operating purposes	0	0	0
Fees, charges and targeted water supply rates	0	0	0
Internal charges and overheads recovered	12	0	0
Local authority fuel tax, fines, infringement fees and other receipts	0	0	0
Total operating funding (A)	2,727	2,642	2,790
Applications of operating funding			
Payments to staff and suppliers	928	899	740
Finance costs	626	339	263
Internal charges and overheads applied	256	298	249
Total applications of operating funding (B)	1,809	1,535	1,252
Surplus/(deficit of operating funding (A-B))	917	1,107	1,537
Sources of capital funding			
Subsidies and grants for capital expenditure	0	0	0
Development and financial contributions	181	0	40
Increase (decrease) in debt	(242)	286	(287)
Total sources of capital funding (C)	(60)	286	(247)
Applications of capital funding			
Capital expenditure to meet:			
-Additional demand	0	0	0
-Improved levels of service	850	1,095	444
-Replacement of existing assets	0	300	0
Increase (decrease) in reserves	7	(2)	846
Total applications of capital funding (D)	857	1,393	1,290
Surplus/(deficit) of capital funding (C-D)	(917)	(1,107)	(1,537)
Funding balance ((A-B) + (C-D))	0	0	0

37. FUNDING IMPACT STATEMENT CONTINUED

Waste management	LTP 2011/12 \$000s	LTP 2012/13 \$000s	ACTUAL 2012/13 \$000s
Sources of operational funding			
General rates, uniform annual general charges, rates penalties	4,055	4,216	4,449
Targeted rates (excluding water supply rates)	0	0	0
Subsidies and grants for operating purposes	0	0	0
Fees, charges and targeted water supply rates	1,019	916	921
Internal charges and overheads recovered	0	0	16
Local authority fuel tax, fines, infringement fees and other receipts	165	166	169
Total operating funding (A)	5,238	5,297	5,555
Applications of operating funding			
Payments to staff and suppliers	3,865	3,829	3,931
Finance costs	530	394	304
Internal charges and overheads applied	307	491	355
Total applications of operating funding (B)	4,703	4,714	4,589
Surplus/(deficit of operating funding (A-B))	536	583	966
Sources of capital funding			
Subsidies and grants for capital expenditure	0	0	0
Development and financial contributions	0	0	0
Increase (decrease) in debt	(339)	(227)	(302)
Total sources of capital funding (C)	(339)	(227)	(302)
Applications of capital funding			
Capital expenditure to meet:			
-Additional demand	0	0	0
-Improved levels of service	170	215	89
-Replacement of existing assets	69	217	41
Increase (decrease) in reserves	(42)	(76)	533
Total applications of capital funding (D)	197	356	663
Surplus/(deficit) of capital funding (C-D)	(536)	(583)	(966)
Funding balance ((A-B) + (C-D))	0	0	0

37. FUNDING IMPACT STATEMENT CONTINUED

Water supply	LTP 2011/12 \$000s	LTP 2012/13 \$000s	ACTUAL 2012/13 \$000s
Sources of operational funding			
General rates, uniform annual general charges, rates penalties	212	206	754
Targeted rates (excluding water supply rates)	0	0	1,564
Subsidies and grants for operating purposes	0	0	0
Fees, charges and targeted water supply rates	7,894	7,756	5,794
Internal charges and overheads recovered	0	0	0
Local authority fuel tax, fines, infringement fees and other receipts	0	0	0
Total operating funding (A)	8,106	7,962	8,112
Applications of operating funding			
Payments to staff and suppliers	3,787	3,470	5,594
Finance costs	1,341	903	633
Internal charges and overheads applied	621	837	696
Total applications of operating funding (B)	5,749	5,211	6,923
Surplus/(deficit of operating funding (A-B))	2,357	2,751	1,189
Sources of capital funding			
Subsidies and grants for capital expenditure	590	413	27
Development and financial contributions	186	0	576
Increase (decrease) in debt	131	597	(177)
Total sources of capital funding (C)	906	1,010	426
Applications of capital funding			
Capital expenditure to meet:			
-Additional demand	0	0	0
-Improved levels of service	1,850	1,808	1,224
-Replacement of existing assets	0	1,985	290
Increase (decrease) in reserves	1,413	(32)	101
Total applications of capital funding (D)	3,263	3,761	1,615
Surplus/(deficit) of capital funding (C-D)	(2,357)	(2,751)	(1,189)
Funding balance ((A-B) + (C-D))	0	0	0

Reserves report

The LGA, Schedule 10, requires the Annual Report to include information on each reserve fund set aside by Council. The Annual Report must identify the purpose of the fund, the activity it relates to and the amount expected to be in the fund as well as indicating the amounts that were allocated to and from the reserves during the year. The following tables identify the

Reserve balance purposes

OTHER RESERVES:

Revaluation reserves

These reserves represent the movement in the valuation of Council's assets

Fair value through equity reserve, capital reserve, cash flow hedge reserve

These reserves are all balance sheet reserves used for accounting purposes only.

RESTRICTED RESERVES:

Community services fund

Funds are generated by way of targeted rates and are intended for the use of maintenance of community infrastructure such as parks and reserves, public toilets, cemeteries, swimming pools, footpaths, halls etc., and the maintenance of central town areas such as street cleaning and rubbish collection. Funds were maintained at ward level but as the rating policy has changed over time, funds are now maintained as a district wide reserve

General separate funds (drainage, stormwater separate rate, water, wastewater)

These are restricted reserves that are restricted for specific purposes and are not available for general expenditure.

Special funds

Funds received under the RMA that are ring fenced for specific works relating to the aspect of the RMA under which they were contributed.

General separate funds (Kerikeri mainstreet, economic dev't, CBD reserves, car park funds)

These are restricted reserves that are restricted for specific purposes and are not available for general expenditure.

General separate funds (Community footpath reserves)

These are restricted reserves that are restricted for specific purposes and are not available for general expenditure.

RETAINED EARNINGS:

Retained earnings

General funds retained by Council arising from the accumulation of prior year's surpluses or deficits from general rate funded operations.

Development contributions

Contributions received in line with Council's Development Contributions Policy. As the policy has changed over time, funds are required to be kept at both district wide and ward levels to provide an account of the contributions received under each policy and their use.

Open spaces development contributions

Contributions received in line with Council's Development Contributions Policy. As the policy has changed over time, funds are required to be kept at both district wide and ward levels to provide an account of the contributions received under each policy and their use.

Depreciation reserves

Council is required to fund depreciation on assets that it is intending to renew at a future date. The depreciation charges generated are held by asset/activity area so that funds are available for future replacement.

Emergency event reserve

Specific funds earmarked for the recovery requirements of future weather related events.

Property disposal reserve

Net sale proceeds arising from surplus property for use to fund future strategic needs within communities. The funds are held at activity and ward levels. The funding decisions are made by Council either at the time of sale or at a future date.

Mineral Survey Reserve

Reserve to investigate the mineral potential of the Northland Region.

NOTE: Where a reserve balance is shown in brackets it means the reserve is overdrawn.

38. RESERVES	OPENING BALANCE 2012/13 \$000s	ADDITIONS 2012/13 \$000s	WITHDRAWALS 2012/13 \$000s	CLOSING BALANCE 2012/13 \$000s
Other reserves				
Revaluation reserves	272,399	22,595	(41,692)	253,302
LGNZ Share valuation reserve	46	10	0	56
Cash flow hedge reserve	(731)	717	0	(14)
Capital reserve	2,697	0	0	2,697
Total other reserves	274,411	23,322	(41,692)	256,041
Restricted reserves				
Community services reserves	(1,994)	10,899	(9,740)	(835)
General separate funds (drainage, stormwater, water, wastewater)	(1,142)	26,434	(26,941)	(1,649)
Special funds	3,942	152	(32)	4,062
General separate funds (Kerikeri mainstreet, economic development, CBD rates, car parks)	666	133	(103)	696
General separate funds (footpaths)	0	234	0	234
Total restricted reserves	1,472	37,852	(36,816)	2,508
Retained Earnings				
Retained earnings	1,346,211	7,087	(14,976)	1,338,322
Development contributions	(17,663)	766	(767)	(17,664)
Open spaces development contributions	(4,078)	68	(132)	(4,142)
Depreciation reserves	(33,126)	42,179	(28,087)	(19,034)
Emergency event reserve	(57)	1,531	(887)	587
Property disposal reserve	549	0	(154)	395
Mineral survey reserve	50	0	0	50
Total retained earnings	1,291,886	51,631	(45,003)	1,298,514

39. STATUTORY REPORTING DEADLINE

Section 98(3) of the Local Government Act 2002 requires Local Authorities to complete and adopt their annual report within four months of the end of the financial year (31 October). The Council did not adopt the 2012/13 annual report within the statutory reporting deadline.

CAPITAL STATEMENT	CONSOLIDATED			COUNCIL	
	ACTUAL	ACTUAL	ACTUAL	BUDGET	ACTUAL
	2013	2012	2013	2013	2012
	\$000s	\$000s	\$000s	\$000s	\$000s
Capital Statement					
Net Operating surplus	8,670	6,175	6,657	12,020	2,997
Depreciation funding	19,073	19,600	19,073	29,872	19,600
Loans	5,669	16,344	5,669	15,356	16,344
Development funding	899	1,073	899	1,332	1,073
Reserve funding	81	475	81	375	475
Reserve appropriations	(2,163)	(772)	(2,163)	(4,985)	(772)
Retained profit funding	32	137	32	2,046	137
Other funding	0	0	0	0	0
Total Funding	32,261	43,032	30,247	56,016	39,855
New work	17,608	11,132	17,608	26,391	11,132
Renewal works	15,099	15,617	15,099	25,031	15,617
Total Capital Works	32,707	26,749	32,707	51,422	26,749
Loan repayments	7,094	13,607	7,094	4,593	13,607
Total Debt	7,094	13,607	7,094	4,593	13,607
Total Capital Expenditure	39,801	40,356	39,801	56,016	40,356
NET SURPLUS/(DEFICIT)	(7,540)	2,676	(9,554)	0	(501)