

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2012

I. RATES REVENUE	CONSOLIDATED		COUNCIL	
	2012 \$000s	2011 \$000s	2012 \$000s	2011 \$000s
Rates - general	45,811	42,717	45,811	42,717
Rates - targeted	24,473	24,025	24,473	24,025
Rates - penalties	6,063	5,467	6,063	5,467
Total rates income	76,347	72,209	76,347	72,209

Rates income is not adjusted for remissions of \$3,731,747 (2011 \$2,040,510). Rate remissions are shown as an expense within planning and governance.

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

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2. OTHER INCOME	CONSOLIDATED		COUNCIL	
	2012 \$000s	2011 \$000s	2012 \$000s	2011 \$000s
Fees and charges	6,796	6,807	6,614	6,807
Subsidies - operational	8,440	8,832	8,440	8,832
Subsidies - projects	9,947	12,814	9,947	12,814
Contributions	506	568	506	568
Interest & dividends	212	221	417	5,884
Vested and previously unrecognised assets	1,072	963	1,072	963
Rental income from investment properties	1,904	1,490	0	0
Other income	10,941	8,391	2,781	1,832
Total operating income	39,818	40,087	29,777	37,701

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

3. OTHER GAINS (LOSSES)	CONSOLIDATED		COUNCIL	
	2012 \$000s	2011 \$000s	2012 \$000s	2011 \$000s
Gain on asset sales	0	362	0	0
Gain on sale of marina berths	0	72	0	0
Net gain on forestry assets	57	148	57	148
Net gain on property, plant and equipment sales	6	3	6	3
Net gain on sale of investment properties	700	0	0	0
Total gains	763	585	63	151
Net loss on property, plant & equipment	(6,576)	(605)	(6,576)	(605)
Net loss on investment properties	0	(1,596)	0	0
Net loss on forestry assets	0	0	0	0
Total other gains / (losses)	(6,576)	(2,201)	(6,576)	(605)



4. PERSONNEL COSTS	CONSOLIDATED		COUNCIL	
	2012 \$000s	2011 \$000s	2012 \$000s	2011 \$000s
Salaries and wages	16,245	15,817	14,568	14,121
Kiwi saver contributions	191	173	172	156
Increase / (decrease) in employee benefit liabilities	153	185	156	173
Total employee benefit expenses	16,589	16,175	14,896	14,450

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

5. OTHER EXPENSES	CONSOLIDATED		COUNCIL	
	2012 \$000s	2011 \$000s	2012 \$000s	2011 \$000s
Fees paid to the principal auditor				
Audit of financial statements	236	221	171	153
Audit for LTP	132	0	132	0
Donations	72	26	0	0
Inventory expenses in year	2,281	1,990	3	(9)
Impairment of property, plant & equipment	25	0	0	0
Impairment of investment property	(815)	(200)	0	0
Impairment of receivables	17	(17)	0	3,799
Devaluation of property, plant & equipment	(208)	6,582	(208)	6,582
Direct expenses from investment property	750	465	0	0
Minimum lease payments - operating leases	581	1,093	519	1,038
Other expenses	3,071	10,160	617	11,563

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6. FINANCE COSTS	CONSOLIDATED		COUNCIL	
	2012 \$000s	2011 \$000s	2012 \$000s	2011 \$000s
Interest expense on borrowings	6,985	6,817	6,431	6,151
Interest unwind - landfill aftercare	39	36	39	36
Total finance costs	7,024	6,853	6,470	6,187

7. TAX	CONSOLIDATED		COUNCIL	
	2012 \$000s	2011 \$000s	2012 \$000s	2011 \$000s
Components of tax expenses				
Deferred tax expenses – continuing operations	790	(58)	0	0
Deferred tax expenses – discontinued operations	0	241	0	0
Income tax expense	790	183	0	0
Relationship between tax expenses and accounting profit				
Continuing operations	9,463	5,939	2,997	6,765
Discontinued operations	0	463	0	0
Profit before taxation and share of profit of associate	9,463	6,402	2,997	6,765
Taxation at 28% (2011 -30%)	2,650	1,921	839	2,030
Plus (less) tax effect of				
Non taxable income	(2,536)	(1,763)	(839)	(2,030)
Group loss offset	(116)	(48)	0	0
Deferred tax adjustment	792	(293)	0	0
Taxation expense	790	(183)	0	0



CONSOLIDATED Deferred Tax	Property plant and equipment	Investment properties	Employee entitlements	Other provisions	Total
	\$000s	\$000s	\$000s	\$000s	\$000s
Balance at 30 June 2010	825	3,295	(25)	(39)	4,057
Charged to Statement of Financial Performance	0	(186)	(2)	4	(184)
Charged to equity	0	0	0	0	0
Balance at 30 June 2011	825	3,109	(27)	(35)	3,873
Charged to Statement of Financial Performance	20	(126)	6	(690)	(767)
Charged to equity	116	0	0	0	116
Balance at 30 June 2012	961	2,984	(21)	(725)	3,199

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 \$414,934 (2011 \$294,700). Other provisions include deferred tax on unutilised tax losses (\$2,433k) of \$681,358.

8. CASH & CASH EQUIVALENTS	CONSOLIDATED		COUNCIL	
	2012 \$000s	2011 \$000s	2012 \$000s	2011 \$000s
Cash at bank and in hand				
Various (subsidiaries, community facilities, etc)	6	6	6	6
General fund (unsecured)	3,052	4,524	2,659	3,322
Total cash & cash equivalents	3,058	4,530	2,665	3,328

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	
	2012 \$000s	2011 \$000s	2012 \$000s	2011 \$000s
Cash at bank and in hand	3,058	4,530	2,665	3,328
Bank overdrafts (Note 20)	0	(5)	0	0
	3,058	4,525	2,665	3,328

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

9. DEBTORS & OTHER RECEIVABLES	CONSOLIDATED		COUNCIL	
	2012 \$000s	2011 \$000s	2012 \$000s	2011 \$000s
Rates and penalties	40,573	35,794	40,573	35,794
Sundry debtors	11,382	12,582	10,911	13,065
Prepayments	358	427	339	411
Related party receivables	0	1	0	0
	52,313	48,804	51,823	49,270
Less provision for impairment - rates	17,373	14,765	17,373	14,765
Less provision for impairment - sundry debts	1,985	2,355	1,897	2,287
Current debtors & other receivables	32,955	31,685	32,553	32,219

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 2012 and 2011, 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.



	2012			2011		
	Gross \$000s	Impairment \$000s	Net \$000s	Gross \$000s	Impairment \$000s	Net \$000s
Council						
Not past due	2,165	0	2,165	379	0	2,478
Past due 1 – 60 days	17,374	4,320	13,054	18,915	2,537	16,383
Past due 61 – 90 days	154	0	154	69	0	931
Past due over 90 days	32,131	14,950	17,181	29,907	10,716	12,781
Total	51,824	19,270	32,554	49,270	13,253	32,573
Group						
Not past due	2,421	2	2,419	472	11	2,652
Past due 1 – 60 days	17,470	4,323	13,147	18,261	2,541	16,422
Past due 61 – 90 days	196	2	194	85	9	948
Past due over 90 days	32,234	15,030	17,204	29,986	10,778	12,807
Total	52,312	19,357	32,955	48,804	13,339	32,830

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

	CONSOLIDATED		COUNCIL	
	2012 \$000s	2011 \$000s	2012 \$000s	2011 \$000s
Impairment of rates				
At July	14,765	10,862	14,765	10,862
Additional provisions made during the year	3,323	4,438	3,323	4,438
Receivables written off during period	(714)	(535)	(714)	(535)
At 30 June	17,374	14,765	17,374	14,765
Impairment of sundry debts				
At July	2,355	2,476	2,287	2,391
Additional provisions made during the year	279	(12)	243	(12)
Receivables written off during period	(650)	(109)	(633)	(92)
At 30 June	1,984	2,355	1,897	2,287

10. INVENTORIES	CONSOLIDATED		COUNCIL	
	2012 \$000s	2011 \$000s	2012 \$000s	2011 \$000s
Consumable stocks and materials	98	95	98	95
Marina berths	53	38	0	0
Chandlery and boatyard	23	24	0	0
Total inventories	174	157	98	95

There are no inventory items held for distribution.

11. OTHER FINANCIAL ASSETS	CONSOLIDATED		COUNCIL	
	2012 \$000s	2011 \$000s	2012 \$000s	2011 \$000s
Current portion				
Loans and receivables				
Short term deposits maturity 4 - 12 months	2,314	2,481	1,995	2,162
Total current portion	2,314	2,481	1,995	2,162
Non current portion				
Available for sale				
LGNZ Shares	46	86	46	86
Investment in associate	0	0	0	0
Total non current portion	46	86	46	86



There were no impairment provisions for other financial assets.

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

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

These shares are non traded.

Maturity analysis and interest rates	CONSOLIDATED		COUNCIL	
	2012 \$000s	2011 \$000s	2012 \$000s	2011 \$000s
Loans and receivables				
Short term loan 4 - 12 months	20	20	20	20
Short term deposits 4 - 12 months	2,294	2,461	1,975	2,142
Maturing within 4 - 12 months	2,314	2,481	1,995	2,162

INVESTMENT IN ASSOCIATE

Far North Holdings Limited had a 50% interest in Paihia Maritime Properties Limited which was sold during the prior year.

Movements in the carrying amount of investment in associate	CONSOLIDATED	
	ACTUAL 2012 \$000s	ACTUAL 2011 \$000s
Balance at 1 July	0	392
Share of inter company sales	0	0
Share of revenue	0	10
Less deferred tax	0	(5)
Sale of shares	0	(503)
Profit on sale of shares	0	106
Balance at 30 June	0	0

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 and plant	3,829	(1,454)	2,375	551	(83)	0	(163)	(361)	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	



12. PROPERTY, PLANT & EQUIPMENT – COUNCIL

2011

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

1.2. PROPERTY, PLANT & EQUIPMENT – CONSOLIDATED

	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	0	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 and 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



12. PROPERTY, PLANT & EQUIPMENT – CONSOLIDATED

	COST /			CARRYING			CURRENT			CURRENT			REVALUATION			ACCUMULATED DEPRECIATION AND IMPAIRMENT CHARGES			2011 CARRYING AMOUNT
	REVALUATION	IMPAIRMENT CHARGES	AMOUNT	CURRENT YEAR	IMPAIRMENT	AMOUNT	CURRENT YEAR	IMPAIRMENT	AMOUNT	CURRENT YEAR	REVALUATION	REVALUATION	REVALUATION	COST/ IMPAIRMENT CHARGES	AND	AMOUNT			
Land	583,508	(3,705)	579,803	4,629	0	6,321	0	0	0	(181,041)	400,775	(3,705)	397,070						
Buildings	10,992	0	10,992	28	0	(443)	0	(94)	(2,495)	7,291	697	7,988							
Vehicles and plant	5,475	(2,313)	3,162	75	0	(6)	0	(369)	(31)	(222)	4,674	(2,067)	2,609						
Leasehold improvements	3,737	(855)	2,882	0	0	(65)	0	(279)	0	22	3,618	(1,058)	2,560						
Wharves, ramps, moorings	4,753	0	4,753	60	0	0	0	(335)	0	(8)	4,470	0	4,470						
F&F and office equipment	6,200	(1,759)	4,441	180	0	(101)	0	(540)	0	31	5,485	(1,474)	4,011						
Information systems	2,628	(1,727)	901	0	0	0	0	(441)	0	0	2,628	(2,168)	460						
Runways	2,467	0	2,467	0	0	0	0	(99)	0	0	2,368	0	2,368						
Boat transporters	467	(32)	435	0	0	0	0	(25)	0	0	467	(57)	410						
Moorings	77	(11)	66	30	0	0	0	(3)	0	0	107	(14)	93						
Work in progress	2,656	0	2,656	5,173	0	0	0	0	(101)	0	7,728	0	7,728						
Total operational assets	622,960	(10,402)	612,558	10,175	0	(6,936)	0	(2,185)	(2,627)	(181,218)	439,611	(9,846)	429,767						
Roading	850,756	(151)	850,605	7,265	0	0	0	(14,090)	0	1,821	858,532	(13,122)	845,601						
Water	57,746	(7)	57,739	1,169	0	0	0	(2,070)	0	(217)	58,695	(2,074)	56,621						
Sewerage	86,062	0	86,062	8,331	0	0	0	(2,987)	0	(93)	94,297	(2,984)	91,313						
Refuse	5,281	0	5,281	26	0	0	0	(486)	0	(159)	4,662	0	4,662						
Stormwater	45,782	0	45,782	442	0	0	0	(622)	0	(17)	46,207	(622)	45,585						
Community facilities	49,628	(4,726)	44,902	7,733	0	(1,059)	0	(2,790)	33	(390)	49,035	(606)	48,429						
Work in progress	29,587	0	29,587	28,803	0	(25,066)	0	0	(300)	0	33,028	0	33,028						
Total infrastructural assets	1,127,851	(4,884)	1,119,958	53,769	0	(26,125)	0	(23,045)	(267)	945	1,144,456	(19,408)	1,125,239						
Council restricted assets																			
Land	44,775	0	44,775	0	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	0	44,775	0	44,775						
Total property, plant & equipment	1,795,586	(15,286)	1,777,291	63,944	0	(33,061)	0	(25,230)	(2,894)	(180,273)	1,628,842	(29,254)	1,599,777						

VALUATION

* Note to table 12, pages 47-50 – Includes work in progress (WIP) for intangible assets \$3.663m (\$8.652m 2010/11)

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 2011.

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 1977 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; and
- Economic lives have been adopted taking into consideration the Far North District Council's replacement / maintenance plans.

The Councils residential buildings (pensioner housing) have 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, 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, water and roading valuations have an effective date as at 30 June 2012. The stormwater valuation has an effective date as at 30 June 2011.

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; and
- 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 2010.

Maritime assets:

Maritime assets were valued at depreciated replacement cost by Telfer Young (Northland) Ltd. The last valuation was effective as at 30 June 2012. 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; and
- 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.

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 January 2011.

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 Councils ongoing renewal programmes. Other disposals include:

- Divestment of the Russell pensioner housing land and buildings;
- Sale of land at Carey Rd, Kaikohe; and
- Disposal of fixture and fittings and leasehold improvements associated with the Kaitaia facilities vacated as a result of the completion of the Te Ahu Centre.

Work in progress

The total amount of property, plant and equipment in the course of construction is \$13,399,000 (2011 \$39,230,000).



TOTAL VALUE OF PROPERTY, PLANT & EQUIPMENT - VALUED BY EACH VALUER		COUNCIL			
		2012 \$000s	2011 \$000s		
Campbell Consulting Ltd		1,048,534	590,169		
SPM Consulting (peer review)		0	3,371		
Opus International Consultants Ltd		0	2,503		
Telfer Young (Northland) Ltd		5,035	3,659		
Turners Auctions		0	1,105		
Auckland Shipbrokers		2,623	0		
Darroch Valuations		0	115,465		
TOTAL VALUE OF PROPERTY, PLANT & EQUIPMENT - VALUED BY EACH VALUER		GROUP			
		2012 \$000s	2011 \$000s		
Campbell Consulting Ltd		1,048,534	590,169		
SPM Consulting (peer review)		0	3,371		
Opus International Consultants Ltd		0	2,503		
Telfer Young (Northland) Ltd		38,286	36,316		
Turners Auctions		0	1,105		
Auckland Shipbrokers		2,623	0		
Darroch Valuations		0	115,465		
12. INTANGIBLE ASSETS		CONSOLIDATED		COUNCIL	
		2012 \$000s	2011 \$000s	2012 \$000s	2011 \$000s
Computer software					
Balance at 1 July					
Cost		3,867	3,889	3,837	3,859
Accumulated amortisation and impairment		(2,385)	(1,792)	(2,360)	(1,807)
Year Ended 30 June		1,482	2,067	1,477	2,052
Opening carrying amount		1,482	2,067	1,477	2,052
Additions		1,025	0	1,025	0
Amortisation charges		(566)	(575)	(561)	(565)
Disposals / adjustments		0	(10)	0	(10)
Balance at 30 June		1,941	1,482	1,941	1,477
Resource consents/easements					
Balance at 1 July					
Cost		1,203	576	1,203	576
Accumulated amortisation and impairment		(163)	(128)	(163)	(128)
Year Ended 30 June		1,040	448	1,040	448
Opening carrying amount		1,040	448	1,040	448
Additions		496	646	496	646
Amortisation charges		(78)	(62)	(78)	(62)
Disposals / adjustments		(17)	7	(17)	7
Balance at 30 June		1,441	1,040	1,441	1,040
Coastal permits & licences					
		988	934	0	0
Public access rights					
Balance at 1 July					
Cost		677	901	677	901
Accumulated amortisation and impairment		0	(41)	0	(41)
Year Ended 30 June		677	860	677	860
Opening carrying amount		677	860	677	860
Additions 221		95	8,664	95	
Amortisation charges		(122)	(78)	(122)	(78)
Disposals / adjustments		0	(200)	0	(200)
Balance at 30 June		776	677	9,219	677
Total intangible assets		5,146	4,133	12,601	3,194



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 2012. Assumptions made by the valuer are that the coastal permits and licences will be renewed. The coastal permits and licences are for a finite period, however, it is expected that these will be renewed on an ongoing basis. Due to signalled legislative changes and the uncertainty surrounding the future occupation of the seabed and foreshore, it has been deemed prudent to amortise the coastal permits and licences over the unexpired period.

14. FORESTRY ASSETS	CONSOLIDATED		COUNCIL	
	2012 \$000s	2011 \$000s	2012 \$000s	2011 \$000s
Balance at 1 July	423	275	423	275
Gains/(losses) arising from changes in value less attributable point of sale costs	57	148	57	148
Balance at 30 June	480	423	480	423

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 (2011 - nil). Independent registered valuers, Northland Forestry Managers (1995) Ltd have valued the forestry assets as at 30 June 2012. A discount rate of 8% has been used in discounting the present value of expected cash flows.

FINANCIAL RISK MANAGEMENT STRATEGIES

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

15. INVESTMENT PROPERTY	CONSOLIDATED		COUNCIL	
	2012 \$000s	2011 \$000s	2012 \$000s	2011 \$000s
Balance at 1 July	30,448	31,299	0	0
WIP additions	80	43	0	0
Additions	575	1,726	0	0
Disposals	1,275	(1,533)	0	0
Impairment	(815)	(200)	0	0
Fair value gains/(losses) on valuation	700	(887)	0	0
Balance at 30 June	32,263	30,448	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	
	2012 \$000s	2011 \$000s	2012 \$000s	2011 \$000s
Rental income	1,904	1,490	0	0
Expenses from investment property generating income	725	465	0	0
Expenses from investment property not generating income	24	0	0	0

16. INVESTMENT IN SUBSIDIARIES	CONSOLIDATED		COUNCIL	
	2012 \$000s	2011 \$000s	2012 \$000s	2011 \$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.



17. CREDITORS & OTHER PAYABLES	CONSOLIDATED		COUNCIL	
	2012 \$000s	2011 \$000s	2012 \$000s	2011 \$000s
Current portion				
Creditors	5,078	4,811	3,951	4,486
Related party payables	0	1,890	0	0
Accruals	7,087	9,017	7,087	9,017
Deposits	4,907	4,490	4,907	4,490
Income in advance	2,584	2,498	2,584	2,498
Total current portion	19,656	22,706	18,529	20,491
Non current portion				
Income in advance	1,129	1,174	0	0
Total non current portion	1,129	1,174	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.

18. PROVISIONS	CONSOLIDATED		COUNCIL	
	2012 \$000s	2011 \$000s	2012 \$000s	2011 \$000s
Provision for weather-tight homes				
Current	39	0	39	0
Non current	871	1,307	871	1,307
Total provision weather-tight homes	910	1,307	910	1,307
Balance 1 July	1,307	1,088	1,307	1,088
Provision added	0	347	0	347
Provision unused	(386)	0	(386)	0
Provision utilised	(11)	(128)	(11)	(128)
Balance 30 June	910	1,307	910	1,307
Landfill aftercare liability				
Current provisions	63	40	63	40
Non current provisions	385	391	385	391
Total provisions	448	431	448	431
This is represented by:				
Ahipara				
Opening balance July 2011	210	235	210	235
Plus provision added	19	0	19	0
Less amount utilised	0	25	0	25
Closing balance June 2012	229	210	229	210
Kaikohe				
Opening balance July 2011	11	12	11	12
Less amount utilised	1	1	1	1
Closing balance June 2012	10	11	10	11
Russell				
Opening balance July 2011	186	186	186	186
Less amount utilised	0	0	0	0
Closing balance June 2012	186	186	186	186
Whangae				
Opening balance July 2011	24	25	24	25
Less amount utilised	1	1	1	1
Closing balance June 2012	23	24	23	24
Total landfill aftercare provisions	448	431	448	431
Total current provisions	102	40	102	40
Total non current provisions	1,256	1,698	1,256	1,698
Total provisions	1,358	1,738	1,358	1,738

LANDFILL AFTERCARE PROVISIONS

Far North District Council gained resource consents to operate landfills at Ahipara, Russell, Whangae and Kaikohe. 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 two current sites as at 30 June 2012 are:

Ahipara – 13,000 cubic meters

Russell – 15,500 cubic meters

The estimated remaining lives are:

Ahipara – 2-3 years

Kaikohe – nil

Russell – 24 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 2011 and 2030. The long term nature of the liability means that there are inherent uncertainties in estimating costs that will be incurred. The provision has been estimated taking into account existing technology and is discounted using a discount rate of 8%.

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

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

Weather-tight homes provision

Far North District Council has made a provision of \$910,036 (2011 - \$1,307,633) in response to 7 (2011 – 8) 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.

19. EMPLOYEE BENEFITS	CONSOLIDATED		COUNCIL	
	2012 \$000s	2011 \$000s	2012 \$000s	2011 \$000s
Annual leave entitlement	1,187	1,176	1,110	1,077
Other entitlements	590	448	553	430
Total employee benefits	1,777	1,624	1,663	1,507
Comprising				
Current	1,777	1,624	1,663	1,507
Non current	0	0	0	0
Total employee benefits	1,777	1,624	1,663	1,507



20. BORROWINGS	CONSOLIDATED		COUNCIL	
	2012 \$'000s	2011 \$'000s	2012 \$'000s	2011 \$'000s
Current				
Bank overdraft	0	5	0	0
Secured loans	7,012	13,525	7,012	13,525
Finance lease liability	0	0	0	0
Total current borrowings	7,012	13,530	7,012	13,525
Non current				
Secured loans	103,994	105,118	93,704	95,798
Finance lease liability	0	0	0	0
Total non current borrowings	103,994	105,118	93,704	95,798

Council loans are secured over rating income. Far North Holdings Limited has loans of \$10,290,000 (2011 - \$9,320,000). Land and buildings to a value of \$20,888,000 (\$20,508,000 in 2011) have been given as security for the term loans. Far North District Council has an overdraft limit of \$3 million (2011 - \$3m) which is not secured.

Far North District Council has a short term loan facilities of \$50 million as at 30 June 2012 (2011 - \$50 million).

Far North District Council has a banking facility which will expire on 30 September 2012. All outstanding commitments on that facility at that time are likely to be transferred to an alternative existing facility which expires in December 2013. These borrowings have therefore been disclosed as non current. The alternative facility was in place before the balance date

Maturity periods

Payable no later than 1 year	7,012	13,525	7,012	13,525
Later than 1, not later than 2 years	42,380	11,354	32,090	2,034
Later than 2, not later than 5 years	45,114	54,190	45,114	54,190
Later than 5 years	16,500	39,575	16,500	39,575
	111,006	118,643	100,716	109,323

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	5.83 %	7.14 %
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Council's borrowing management policy is based on ratios and is calculated as follows:

RATIO	TARGET	ACHIEVEMENT 2011/12
Net debt as % total revenue	Debt not greater than 200% of revenue	95%
Gross annual interest to total revenue	Less than 15%	6%
Current ratio (liquidity ratio)	Equal or greater than 1 times	1.37:1

21. EQUITY	CONSOLIDATED		COUNCIL	
	2012 \$'000s	2011 \$'000s	2012 \$'000s	2011 \$'000s
Retained earnings				
As at 1 July	1,305,633	1,307,183	1,288,300	1,285,042
Net transfer – retained earning	22,322	14,440	22,330	17,647
Development contributions	(21,741)	(21,154)	(21,742)	(21,154)
Surplus / (deficit) for the year	6,175	5,164	2,997	6,765
Balance as at 30 June	1,312,389	1,305,633	1,291,886	1,288,300
Restricted reserves				
As at 1 July	3,406	1,527	1,903	24
Transfer to restricted reserves	30,190	31,788	28,687	30,284
Transfer from restricted reserves	30,621	29,909	29,118	28,405
Balance as at 30 June	2,975	3,406	1,472	1,903



21. EQUITY	CONSOLIDATED		COUNCIL	
	2012 \$'000s	2011 \$'000s	2012 \$'000s	2011 \$'000s
Restricted reserves consists of:				
Community – district	(1,526)	(1,333)	(1,526)	(1,333)
Community – eastern	(28)	(21)	(28)	(21)
Community – northern	(383)	(351)	(383)	(351)
Community – western	(57)	(57)	(57)	(57)
Drainage	68	66	68	66
Stormwater separate rate	546	302	546	302
Sewerage	(260)	258	(260)	258
Water	(1,496)	(1,524)	(1,496)	(1,524)
Special funds	3,942	3,776	3,942	3,776
Kerikeri main street reserve	307	434	307	434
Economic development	10	10	10	10
Paihia central business district development	25	19	25	19
Carpark funds	324	324	324	324
Subsidiary assets	1,509	1,503	0	0
Total restricted reserves	2,975	3,406	1,472	1,903
Other reserves consist of:				
Asset revaluation reserves				
As at 1 July	215,683	395,259	210,460	390,091
Revaluation gains/(losses)	63,629	(179,576)	61,939	(179,631)
Balance as at 30 June	279,312	215,683	272,399	210,460
Asset revaluation reserve consists of:				
Maritime	2,464	974	2,464	974
Pensioner housing	1,712	1,712	1,712	1,712
Heritage	362	362	362	362
Plant & equipment	0	0	0	0
Halls	1,806	1,806	1,806	1,806
Swimming pools	109	109	109	109
Parks & reserves	1,366	1,366	1,366	1,366
Cemeteries	320	320	320	320
Land – parks & reserves	0	0	0	0
Public toilets	98	98	98	98
Carparks	397	397	397	397
Camping grounds	455	456	455	456
Footpaths	0	0	0	0
Library buildings	1,511	1,511	1,511	1,511
Library books	1,423	1,424	1,423	1,424
Drainage	12,057	12,058	12,057	12,058
Roading	209,535	158,010	209,535	158,010
Refuse	1,605	1,646	1,605	1,646
Water	15,970	12,134	15,970	12,134
Wastewater	21,206	16,077	21,206	16,077
Subsidiary assets	6,913	5,223	0	0
Total asset revaluation reserve	279,312	215,683	272,399	210,460
Fair value through equity reserve				
As at 1 July	86	108	86	108
Fair value gains/(losses)	(40)	(22)	(40)	(22)
Balance as at 30 June	46	86	46	86
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
Cash flow hedge reserve				
As at 1 July	(365)	(97)	(365)	(97)
Hedge additions	0	0	0	0
Fair value gains/(losses)	(366)	(268)	(366)	(268)
Balance at 30 June	(731)	(365)	(731)	(365)
Total other reserves	278,627	215,404	274,411	212,878



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

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

22. CASH FLOW RECONCILIATION	CONSOLIDATED		COUNCIL	
	2012 \$000s	2011 \$000s	2012 \$000s	2011 \$000s
Reported surplus / (deficit)	6,175	5,164	2,997	6,765
Add non cash items				
Depreciation and amortisation	27,186	26,002	26,566	25,548
Vested assets	(1,072)	(963)	(1,072)	(963)
Assets transferred	0	0	0	(5,201)
Change in deferred taxation	(86)	(2,192)	0	0
Loss on property, plant & equipment	6,576	2,198	6,576	602
Change in provision for bad debts	2,306	3,782	2,219	3,799
Unrealised revaluation and devaluation	(208)	6,582	(208)	6,582
Add/(less) movements in other working capital items				
(Increase)/decrease in debtors & other receivables	(2,217)	357	(2,553)	354
(Increase)/decrease in inventories	(20)	(15)	(3)	9
Increase/(decrease) in provisions	62	(14)	62	(14)
Increase/(decrease) in other financial assets	184	684	167	690
Increase/(decrease) in employee benefits	153	185	156	173
Increase/(decrease) in trade & other payables	(3,049)	1,246	(1,962)	1,374
Items classed as investing activities	(588)	116	488	96
Net operating cash flows	35,402	43,132	33,433	39,814

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

23. CAPITAL COMMITMENTS	CONSOLIDATED		COUNCIL	
	2012 \$000s	2011 \$000s	2012 \$000s	2011 \$000s
Capital commitments approved and contracted				
Roading	1,386	1,639	1,386	1,639
Sewerage	25	102	25	102
Community facilities	45	186	45	186
Subsidiaries investment property	0	214	0	0
Total capital commitments	1,457	2,141	1,457	1,927

The Roothing commitments attract subsidy to the value of \$781,145.

NON-CANCELLABLE OPERATING LEASE COMMITMENTS

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

	CONSOLIDATED		COUNCIL	
	2012 \$000s	2011 \$000s	2012 \$000s	2011 \$000s
Operating lease				
Lease payments made:	608	423	546	1,038
Lease payments due:				
Not later than 1 year	312	393	250	373
Later than 1 year and not later than 2 years	260	283	198	264
Later than 2 years and not later than 5 years	361	493	238	400
Later than 5 years	370	415	277	314
Total operating leases	1,303	1,587	963	1,351

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	
	2012 \$000s	2011 \$000s	2012 \$000s	2011 \$000s
Non cancellable operating leases lessor				
Not later than 1 year	1,336	1,030	0	0
Later than 1 and not later than 5 years	3,598	3,277	0	0
Later than 5 years	1,177	4,236	0	0
Total non cancellable operating leases	6,111	8,543	0	0

24. CONTINGENCIES	CONSOLIDATED		COUNCIL	
	2012 \$000s	2011 \$000s	2012 \$000s	2011 \$000s
Building Act claims	15	40	15	40
Weather-tight home calls – Riskpool	324	0	324	0
Other legal proceedings	75	77	75	77
Roading legalisation claims	50	50	50	50
Total contingent liabilities	464	167	464	167

LITIGATION

There are 11 claims involving possible future costs totalling an estimated value of \$464,000 exist. These claims are contingent and have not been accrued in the financial statements. (Last year there were 15 possible claims at an estimated value of \$363,727).

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 \$910,036 shown as a provision in Note 18. The number of buildings affected by those claims is unknown. Claims lodged prior to July 07 will be substantially covered by insurance and those from July 08 will be subject to an excess of \$50k per claim. From July 09 no further claims will be covered by Riskpool. Riskpool is making additional funding requests in relation to prior year funds and Council has been advised of additional payments of \$162k for 2013/14 and 2014/15.

GUARANTEES

Far North District Council has guaranteed a bank loan for the Civic Centre Trust for \$1,900,000 (2011 \$1,900,000), Hohoura Big Game Sports & Fishing Club \$50,000 (2011 \$50,000) and the Kawakawa Bowling Club of \$40,000 (2011 \$40,000).



25. RELATED PARTY TRANSACTIONS

Key management personnel in relation to NZ IAS24 are deemed to be the Chief Executive, senior management team and Mayor, Councillors, 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	
	2012 \$000s	2011 \$000s
Cllr Kitchen – New Zealand Fire Service	10	9
Cllr Kitchen/Macauley – Northland District Health Board	295	330
Cllr Macauley – Kaikohe & District Historical & Mechanical Society	36	84
Cllr Macauley/Member Davis – Kawakawa Hundertwasser Centre	40	8
Cllr Macauley – Palmer Macauley Lawyers	4	0
Cllr Knight – 100% Monty Knight	0	1
Cllr Knight – Kaitaia Business Association	22	0
Cllr Knight/Cllr Macauley – The Turner Centre	7	0
Cllr McNally – McNally Valuation (2000) Ltd	0	1
Cllr McNally – Twin Coast Valuations	2	0
Cllr Maxwell – Creative Edge Bay of Islands	5	3
Cllr Byers/Members Dalton/Stephens – Northpoint Trust	0	6
Cllr Byers – Sport Northland (to Sept 2010)	0	75
Cllr McNally – Sport Northland (From Nov 2010)	0	72
Member Lugnet – Doubtless Bay Information Centre	6	0
Member Ward – Paihia Business Incorporated	0	26
Member Davis – BOI Vintage Railway Trust	8	10
Member Waikare – Kawakawa Business Association	0	3

During the year, a dispute arose in relation to \$150,000 owed to Council by Mayor Brown for contributions. A sum of \$76,487 has been calculated by the Office of the Auditor-General as remaining outstanding at 30 June 2012 in relation to contributions. A sum of \$11,518 was paid in May 2012 in relation to outstanding rates. This issue is subject to a report by the Office of the Auditor-General issued in August 2012 and is available from the OAG.

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

The value for the Turner Centre includes an amount of \$2k that was not paid until August 2012

KEY MANAGEMENT PERSONNEL	CONSOLIDATED		COUNCIL	
	2012 \$000s	2011 \$000s	2012 \$000s	2011 \$000s
Council – salaries	1,541	1,480	1,541	1,480
Council – severance	0	60	0	60
Subsidiary – salaries	375	341	0	0
Total salaries – key management personnel	1,916	1,881	1,541	1,540

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	
	2012 \$000s	2011 \$000s
Far North Holdings Ltd		
Services received from Council	257	226
Services provided to Council	676	823
Amounts payable to members of the Group	105	1
Amounts receivable from members of the Group	68	79
Te Ahu Charitable Trust		
Amounts payable to members of the Group	0	3,991
Amounts receivable from members of the Group	0	0
Outstanding commitment to Te Ahu Charitable Trust	0	3,991
Contribution to Te Ahu Charitable Trust in 2010/11	3,141	4,240

No provision has been required, nor any expense recognised for impairment of receivables for any loans or other receivables to related parties (2011 \$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 \$134k (\$133k June 2011) 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

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26. REMUNERATION	CONSOLIDATED		COUNCIL	
	2012 \$000s	2011 \$000s	2012 \$000s	2011 \$000s

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

CEO				
Salary	272	258	272	258
Vehicle	0	15	0	15
Principal allowance	1	1	1	1
Telephone allowance	1	1	1	1
Total CEO costs	274	275	274	275
Elected representatives:				
Mayor Brown - salary	108	102	108	102
Mayor Brown - vehicle	6	6	6	6
Other elected representatives				
Baker T – salary	41	42	41	42
Baker T – mileage & other expenses	3	4	3	4
Court A– salary	52	49	52	49
Court A– mileage & other expenses	5	4	5	4
Dalton T – salary	41	30	41	30
Dalton T – mileage & other expenses	1	1	1	1
Macauley S – salary	42	45	42	45
Macauley S – mileage & other expenses	1	0	1	0
Kitchen C – salary	41	42	41	42
Kitchen C – mileage & other expenses	1	1	1	1
Maxwell D – salary	41	43	41	43
Maxwell D – mileage & other expenses	2	1	2	1
McNally S – salary	41	42	41	42
McNally S – mileage & other expenses	2	1	2	1



26. REMUNERATION	CONSOLIDATED		COUNCIL	
	2012 \$000s	2011 \$000s	2012 \$000s	2011 \$000s
Knight M – salary	41	29	41	29
Knight M – mileage & other expenses	3	2	3	2
Radich M – salary	41	29	41	29
Radich M – mileage & other expenses	3	1	3	1
Bamber I – salary	0	13	0	13
Bamber I – mileage & other expenses	0	1	0	1
Bowman D – salary	0	11	0	11
Bowman D – mileage & other expenses	0	1	0	1
Byers L – salary	0	13	0	13
Byers L – mileage & other expenses	0	1	0	1
Total elected representatives	516	514	516	514
Elected Members				
Te Hiku Community Board				
Bowman D - salary	19	15	19	15
Bowman D – mileage & other expenses	3	2	3	2
Lugnet C - salary	10	7	10	7
Lugnet C – mileage & other expenses	1	1	1	1
Van Der Sluis W – salary	10	10	10	10
Van Der Sluis W – mileage & other exps	0	0	0	0
Atkinson S – salary	14	13	14	13
Atkinson S – mileage & other expenses	2	1	2	1
Senior D - salary	10	10	10	10
Senior D – mileage & other expenses	2	0	2	0
Smith Y - salary	10	7	10	7
Smith Y – mileage & other expenses	1	0	1	0
King F – salary	0	5	0	5
King F – mileage & other expenses	0	1	0	1
Cross P – salary	0	4	0	4
Cross P – mileage & other expenses	0	0	0	0
Kaikohe-Hokianga Community Board				
Stephens W – salary	19	16	19	16
Stephens W – mileage & other expenses	1	0	1	0
Anderson M - salary	10	7	10	7
Anderson M – mileage & other expenses	3	1	3	1
Gundry W - salary	10	7	10	7
Pakai L – salary	10	7	10	7
Dalton T – salary	0	4	0	4
Dalton T – mileage & other expenses	0	0	0	0
Davis E – salary	0	4	0	4
Davis E – mileage & other expenses	0	1	0	1
Cherrington J – salary	10	10	10	10
Cherrington J – mileage & other expenses	1	2	1	2



	2012 \$000s	2011 \$000s	2012 \$000s	2011 \$000s
Schollum J – salary	14	13	14	13
Schollum J – mileage & other expenses	1	0	1	0
Bay of Islands-Whangaroa Community Board				
Annison F – salary	19	16	19	16
Annison F – mileage & other expenses	1	1	1	1
Brown H - salary	10	7	10	7
Brown H – mileage & other expenses	1	1	1	1
Davis J - salary	10	7	10	7
Davis J – mileage & other expenses	1	1	1	1
Greening T – salary	10	7	10	7
Greening T – mileage & other expenses	1	0	1	0
Mills B – salary	10	7	10	7
Mills B – mileage & other expenses	2	0	2	0
Turner D - salary	10	7	10	7
Turner D – mileage & other expenses	3	1	3	1
Gorringe P – salary	0	5	0	5
Gorringe P – mileage & other expenses	0	0	0	0
Timmings S – salary	0	3	0	3
Timmings S – mileage & other expenses	0	0	0	0
Wikaire M – salary	0	3	0	3
Wikaire M – mileage & other expenses	0	0	0	0
Phillips G – salary	0	3	0	3
Fountain C – salary	0	3	0	3
Ward B - salary	14	10	14	10
Total Community Board costs	253	230	253	230
Total remuneration costs	1,043	1,019	1,043	1,019



MEETING ATTENDANCE

Elected Members	Council	Audit & Finance	Extraordinary meetings	LTP Hearings
Meetings for the year	13	2	2	4
W Brown (*)	10	1	1	4
A Court	12	2	2	4
T Baker	10	0	2	0
S McNally (*)	12	2	2	3
D Maxwell (*)	11	1	2	4
S Macauley	12	2	1	4
T Dalton	10	0	1	4
C Kitchen	10	0	1	4
M Radich	13	0	0	4
M Knight (*)	13	2	2	4

Cllr Baker has been granted a 6 month leave of absence due to ill health with effect from May 2012.
The Audit & Finance Committee (*) has 4 Elected Members with all others able to attend if they wish.

Bay of Islands-Whangaroa Community Board

Meetings for the year	10
F Annison	10
H Brown	9
J Davis	10
T Greening	10
B Mills	10
D Turner	9
B Ward	10

Te Hiku Community Board

Meetings for the year	10
D Bowman	9
C Lugnet	10
Y Smith	9
W Van De Sluis	7
S Atkinson	10
D Senior	10

Kaikohe-Hokianga Community Board

Meetings for the year	10
W Stephens	8
M Anderson	10
W Gundry	9
L Pakai	6
J Cherrington	9
J Schollum	10

27. SEVERANCE PAYMENTS

There was 1 severance payments made in 2011/12 of \$84,366 (2010/11 – 5 for \$60,271).

28. EVENTS AFTER BALANCE SHEET DATE

Neither Far North District Council or its subsidiaries, apart from the Te Ahu Charitable Trust, had any events occurring after the balance sheet date that require disclosure in these financial statements (2011 - nil).



29. FINANCIAL INSTRUMENT RISK	CONSOLIDATED		COUNCIL	
	2012 \$000s	2011 \$000s	2012 \$000s	2011 \$000s
29a. Financial instrument risk				
FINANCIAL ASSETS				
Loans and receivables				
Cash and cash equivalents	3,058	4,530	2,665	3,328
Other financial assets				
Short term deposits	2,314	2,481	1,995	2,162
Debtors and other receivables	32,955	31,685	32,553	32,219
Total loans and receivables	38,327	38,696	37,213	37,709
Available for sale				
LGNZ Shares	46	86	46	86
Investment in associate	0	0	0	0
Total available for sale	46	86	46	86
FINANCIAL LIABILITIES				
Derivatives that are hedge accounted				
Derivative financial instrument liabilities	731	365	731	365
Financial liabilities at amortised cost				
Creditors and other payables	19,656	22,706	18,529	20,491
Borrowings				
Bank overdraft	0	5	0	0
Secured loans	111,006	118,643	100,716	109,323
Total financial liabilities at amortised cost	131,393	141,719	119,976	130,179

29b. FAIR VALUE HIERARCHY DISCLOSURES

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

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

The following table analyses the basis of valuation classes of financial instruments measured at fair value in the Statement of Financial Position.

29B. FAIR VALUE HIERARCHY DISCLOSURES	CONSOLIDATED		COUNCIL	
	TOTAL \$000s	QUOTED MARKET PRICE \$000s	OBSERVABLE INPUTS \$000s	SIGNIFICANT NON OBSERVABLE INPUTS \$000s
30 June 2012 - Council				
Financial assets				
LGNZ Shares	46	0	46	0
30 June 2012 - Consolidated				
Financial assets				
LGNZ Shares	46	0	46	0
30 June 2011 - Council				
Financial assets				
LGNZ Shares	86	0	86	0
30 June 2011 - Consolidated				
Financial assets				
LGNZ Shares	86	0	86	0

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

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



MANAGEMENT POLICIES WITH RESPECT TO FINANCIAL INSTRUMENTS

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

PRICE RISK

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

INTEREST RATE RISK

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. This could particularly impact on the cost of borrowing or the return on investment. The interest rates on the Group's borrowings are disclosed in Note 20. There are 4 interest rate swap agreement in place at 30 June 2012 (2011 - 3). Council manages its interest rate risk by varying financing terms of its public debt.

CURRENCY RISK

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

CREDIT RISK

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

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

FAIR VALUE

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

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

CASH FLOW INTEREST RATE RISK

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

FAIR VALUE INTEREST RISK

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

MAXIMUM EXPOSURE TO CREDIT RISK	CONSOLIDATED		COUNCIL	
	2012 \$000s	2011 \$000s	2012 \$000s	2011 \$000s
Cash at bank and term deposits	3,058	4,530	2,665	3,328
Debtors and other receivables	32,955	31,685	32,553	32,219
Other financial assets	2,314	2,481	1,995	2,162
LGNZ shares	46	86	46	86
Investment in associate	0	0	0	0
Total credit risk	38,373	38,782	37,259	37,795

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	
	2012 \$000s	2011 \$000s	2012 \$000s	2011 \$000s
COUNTERPARTIES WITH CREDIT RATINGS				
Cash at bank and term deposits				
AA	3,058	4,530	2,665	3,328
Total cash at bank and term deposits	3,058	4,530	2,665	3,328
Fair value through equity				
A+	46	86	46	86
Total fair value through equity	46	86	46	86

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 (2011 - \$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 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
Council 2011						
Creditors and other payables	20,491	20,491	20,491	0	0	0
Bank overdraft	0	0	0	0	0	0
Net settled derivative liabilities	365	365	0	0	365	0
Secured loans	109,323	109,550	13,351	2,037	37,161	56,821
Finance leases	0	0	0	0	0	0
Total	130,249	130,470	34,092	2,037	37,526	56,821
Group 2011						
Creditors and other payables	22,706	22,706	22,706	0	0	0
Bank overdraft	5	5	5	0	0	0
Net settled derivative liabilities	365	365	0	0	365	0
Secured loans	118,643	118,870	13,531	11,357	37,161	56,821
Finance leases	0	0	0	0	0	0
Total	141,719	141,946	36,242	11,357	37,526	56,821

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	2012 \$000s		2011 \$000s	
	PROFIT - 100 BPS	PROFIT + 100 BPS	PROFIT - 100 BPS	PROFIT + 100 BPS
Financial assets				
Cash and cash equivalents	2	(2)	3	(3)
Financial liabilities				
Borrowings				
Credit lines	(30)	30	(27)	27
Total sensitivity to interest rate risk	(28)	28	(24)	24

EXPLANATION OF SENSITIVITY ANALYSIS

1. Cash and cash equivalents
Cash and cash equivalents are \$2,665,000 (2011 \$3,328,000) which are at a floating rate. A movement of plus or minus 1% has an effect on interest income of \$2,107 (2011 \$2,737)
2. Credit lines
The balance on the credit lines was \$24,000,000 (2011 \$29,000,000) at a floating rate. A movement in interest rates of plus or minus 1% has an effect on interest payable of \$30,397 (2011 \$27,282)

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

30. CAPITAL MANAGEMENT

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

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

31. PROPERTY AVAILABLE FOR SALE

Directors of Far North Holdings Limited have initiated a plan to sell 3 properties with a total value of \$500,000 (2011 – 3 properties \$855,000).

32. DERIVATIVE FINANCIAL INSTRUMENTS

	COUNCIL	
	2012 \$000s	2011 \$000s
Non current liability portion		
Interest rate swap – cash flow hedge	731	365
Total derivative financial instrument liabilities	731	365

FAIR VALUE

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

INTEREST RATE SWAP

The notional principal amount of the outstanding interest rate swap contracts with Council was \$20,000,000 (June 2011 \$15,000,000). At June 30 the fixed interest rate of the cash flow hedge was 6.5%, 6.51%, 3.89% and 7.1% (2011 – 6.5%, 6.51% and 7.1%). There were no losses or gains to be recognised in the Statement of Financial Performance.



33. VARIANCES TO ANNUAL PLAN

COUNCIL
2012
\$'000s**Statement of Financial Performance**

Annual Plan surplus	9,170
Annual Report surplus	2,997

Net operating surplus variance	(6,172)
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Variance represented by:**Variance area**

Rates	4,331
Other	(2,551)

Total income variance	1,780
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District facilities (*)	(2,052)
Corporate & governance (*)	(455)
Sustainable environment & consents (*)	1,735
Roads & stormwater (*)	(7,380)
Water, wastewater & refuse (*)	(1,324)
Increased depreciation	(523)
Decrease in finance costs	2,047

Total expenditure variance	(7,952)
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Net operating surplus variance	(6,172)
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(*) See individual Statement of Service Performance for explanation of each group's variance to Annual Plan.

STATEMENT OF FINANCIAL POSITION

The Statement of Financial Position shows a positive working capital of \$10.005 million (compared to a positive of \$12.930 million in the Annual Plan). This \$2.925 million unfavourable variance is due to:

Increased cash & cash equivalents	0.352m
Decreased debtors & other receivables	(2.138m)
Increased other financial assets	1.995m
Increased inventories	0.031m
Decreased creditors & other payables	0.254m
Increased current portion of borrowings	(2.994m)
Increased current portion of provisions	(0.031m)
Increased employee benefits	(0.394m)

Council's asset revaluation reserves have increased by \$62 million during the year.

