

13. INTANGIBLE ASSETS	CONSOLIDATED		COUNCIL	
	2014 \$000s	2013 \$000s	2014 \$000s	2013 \$000s
Computer software				
Balance at 1 July				
Cost	5,251	4,892	5,221	4,862
Accumulated amortisation and impairment	(3,469)	(2,951)	(3,439)	(2,921)
Year ended 30 June	1,782	1,941	1,782	1,941
Opening carrying amount	1,782	1,941	1,782	1,941
Additions	162	399	39	399
Amortisation charges	(591)	(558)	(585)	(558)
Balance at 30 June	1,353	1,782	1,236	1,782
Resource consents / easements				
Balance at 1 July				
Cost	4,254	1,682	4,254	1,682
Accumulated amortisation and impairment	(383)	(241)	(383)	(241)
Year ended 30 June	3,871	1,441	3,871	1,441
Opening carrying amount	3,871	1,441	3,871	1,441
Additions	131	2,601	131	2,601
Amortisation charges	(257)	(161)	(257)	(161)
Disposals / adjustments	0	(10)	0	(10)
Balance at 30 June	3,745	3,871	3,745	3,871
Coastal permits & licences	0	1,028	0	0
Goodwill				
Balance 1 July	201	0	0	0
Additions	0	201	0	0
Balance 30 June	201	201	0	0
Public access rights				
Balance at 1 July				
Cost	1,071	1,071	9,641	9,341
Accumulated amortisation and impairment	(372)	(122)	(372)	(122)
Year ended 30 June	699	0	9,269	0
Opening carrying amount	699	949	9,269	9,219
Additions	0	0	0	300
Amortisation charges	(76)	(250)	(253)	(250)
Disposals / adjustments	0	0	0	0
Balance at 30 June	623	699	9,016	9,269
Total intangible assets	5,922	7,581	13,997	14,922

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.

For the year 2014, coastal permits and licences are no longer classified as intangible assets but are now included in the asset category to which the permit or licence applies.

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	
	2014 \$000s	2013 \$000s
Directly attributable depreciation & amortisation by activity		
District facilities	4,360	4,030
Environmental management	52	48
Governance & strategy	4	8
Roading & footpaths	15,877	15,855
Sewerage treatment & disposal	3,776	3,522
Stormwater drainage	654	691
Waste management	455	549
Water supply	2,401	2,282
Total depreciation & amortisation attributable to activities	27,579	26,986

The figures shown in terms of depreciation and amortisation do not agree to the totals shown in notes 12 and 13 by \$1,126k as the depreciation on corporate activities is allocated directly to activities.

15. INTEREST EXPENSE BY ACTIVITY	COUNCIL	
	2014 \$000s	2013 \$000s
Directly attributable interest by activity		
District facilities	667	675
Environmental management	22	20
Governance & strategy	564	565
Roading & footpaths	700	673
Sewerage treatment & disposal	1,339	1,320
Stormwater drainage	246	263
Waste management	283	304
Water supply	626	633
Total interest attributable to activities	4,446	4,453

16. RECONCILIATION OF REVALUATION RESERVES	2014
	\$000s
Revaluation surplus reconciliation	
Reported in property, plant & equipment (note 12)	26,781
Reported in intangible assets (note 13)	0
Total reported revaluation reserves	26,781
Reported movement in revaluation reserves (note 24)	27,582
Difference in revaluation reserves reported	(801)
Reconciliation:	
Prior year adjustment	352
Loss on revaluation of roading bridges – directly to Statement of Comprehensive Income	(4,458)
Adjustment of revaluation reserves for disposal	3,305
Total reconciling items	(801)

17. FORESTRY ASSETS	CONSOLIDATED		COUNCIL	
	2014 \$000s	2013 \$000s	2014 \$000s	2013 \$000s
Balance at 1 July	480	480	480	480
Gains/(losses) arising from changes in value less attributable point of sales costs	3	0	3	0
Balance at 30 June	483	480	483	480

Far North District Council owns 57.4 hectares of forest which are in varying stages of maturity ranging from 2 years to 28 years. No forests have been harvested during the period (2013 - nil). Independent registered valuers, Chandler Fraser Keating Ltd have valued the forestry assets as at 30 June 2014. 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	
	2014 \$000s	2013 \$000s	2014 \$000s	2013 \$000s
Balance at 1 July	36,084	32,263	0	0
WIP additions	381	108	0	0
WIP transfers	(146)	0	0	0
Additions	1,793	1,057	0	0
Disposals	0	(162)	0	0
Donated asset	400	0	0	0
Fair value gains/(losses) on valuation	175	2,818	0	0
Balance at 30 June	38,687	36,084	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	
	2014 \$000s	2013 \$000s	2014 \$000s	2013 \$000s
Rental income	2,123	2,116	0	0
Expenses from investment property generating income	1,149	908	0	0
Expenses from investment property not generating income	19	26	0	0



19. INVESTMENT IN SUBSIDIARIES	CONSOLIDATED		COUNCIL	
	2014 \$000s	2013 \$000s	2014 \$000s	2013 \$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	
	2014 \$000s	2013 \$000s	2014 \$000s	2013 \$000s
Current portion				
Creditors	3,509	6,398	2,625	4,868
Related party payables	96	236	0	0
Accruals	8,299	10,033	8,396	10,033
Deposits	7,162	5,375	7,162	5,375
Income in advance	3,227	2,841	3,159	2,841
Total current portion	22,293	24,883	21,342	23,117
Non current portion				
Income in advance	1,110	1,163	0	0
Total non current portion	1,110	1,163	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	
	2014 \$000s	2013 \$000s	2014 \$000s	2013 \$000s
Provision for weather-tight homes				
Current	0	0	0	0
Non current	2,010	875	2,010	875
Total provision weather-tight homes	2,010	875	2,010	875
Balance 1 July	875	910	875	910
Provision added	1,765	60	1,765	60
Provision unused	0	(5)	0	(5)
Provision utilised	(630)	(89)	(630)	(89)
Balance 30 June	2,010	875	2,010	875
Provision for building related claims				
Current	125	0	125	0
Non current	0	0	0	0
Total provision building related claims	125	0	125	0
Balance 1 July	0	0	0	0
Provision added	125	0	125	0
Provision unused	0	0	0	0
Provision utilised	0	0	0	0
Balance 30 June	125	0	125	0
Landfill aftercare liability				
Current provisions	46	46	46	46
Non current provisions	329	388	329	388
Total provisions	375	434	375	434
This is represented by:				
Ahipara				
Opening balance July 2012	219	229	229	229
Plus provision added	0	0	0	0
Less amount utilised	59	10	59	10
Closing balance June 2013	160	219	160	219
Kaikohe				
Opening balance July 2012	9	10	9	10
Less amount utilised	1	1	1	1
Closing balance June 2013	8	9	8	9
Russell				
Opening balance July 2012	186	186	186	186
Closing balance June 2013	186	186	186	186
Whangae				
Opening balance July 2012	22	23	22	23
Less amount utilised	0	1	0	1
Closing balance June 2013	22	22	22	22
Total landfill aftercare provisions	375	434	375	434
Total current provisions	46	46	46	46
Total non current provisions	2,464	1,263	2,464	1,263
Total provisions	2,510	1,309	2,510	1,309



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 2014 are:

Ahipara – 4,000 cubic meters

Russell – 14,000 cubic meters

The estimated remaining lives are:

Ahipara – 1 years

Kaikohe – nil

Russell – 22 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 \$2,010,036 (2013 - \$875,037) in response to 7 (2013 – 7) 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	
	2014 \$000s	2013 \$000s	2014 \$000s	2013 \$000s
Accrued pay	436	481	380	436
Annual leave entitlement	1,338	1,282	1,220	1,174
Other entitlements	173	187	173	187
Total employee benefits	1,947	1,950	1,773	1,798
Comprising				
Current	1,947	1,950	1,773	1,798
Non current	0	0	0	0
Total employee benefits	1,947	1,950	1,773	1,798

23. BORROWINGS	CONSOLIDATED		COUNCIL	
	2014 \$000s	2013 \$000s	2014 \$000s	2013 \$000s
Current				
Bank overdraft	48	0	0	0
Secured loans	12,013	18,032	12,013	18,032
Finance lease liability	0	0	0	0
Total current borrowings	12,061	18,032	12,013	18,032
Non current				
Secured loans	70,788	82,130	59,548	71,590
Finance lease liability	0	0	0	0
Total non current borrowings	70,788	82,130	59,548	71,590

Council loans are secured over rating income. Far North Holdings Limited has loans of \$11,240,000 (2013 - \$10,350,000). Land and buildings to a value of \$23,855,000 (\$18,217,000 in 2013) have been given as security for the term loans. Far North District Council has an overdraft limit of \$3 million (2013 - \$3m) which is not secured.

Far North District Council has a short term loan facilities of \$30 million as at 30 June 2014 (2013- \$50 million).

Maturity periods

Payable no later than 1 year	12,061	18,032	12,013	18,032
Later than 1, not later than 2 years	16,249	22,565	5,008	12,025
Later than 2, not later than 5 years	38,039	43,065	38,039	43,065
Later than 5 years	16,500	16,500	16,500	16,500
	82,849	100,162	71,560	89,622

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	5.74%	6.29%
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Council's borrowing management policy is based on ratios and is calculated as follows:

Ratio	Target	Achievement 2013/14
Net debt as % total revenue	Debt not greater than 175% of revenue	72%
Gross annual interest to total revenue	Less than 20%	5%
Current ratio (liquidity ratio)	Equal or greater than 110%	1.46:1



24. EQUITY	CONSOLIDATED		COUNCIL	
	2014	2013	2014	2013
	\$000s	\$000s	\$000s	\$000s
Retained earnings				
As at 1 July	1,323,621	1,314,292	1,298,473	1,291,886
Transfer to retained reserves	24,277	22,386	23,985	21,737
Transfer from retained reserves	(22,087)	(21,807)	(22,087)	(21,807)
Surplus / (deficit) for the year	(1,388)	8,750	(2,285)	6,657
Balance as at 30 June	1,324,424	1,323,621	1,298,086	1,298,473
Restricted reserves				
As at 1 July	4,011	2,975	2,508	1,472
Transfer to restricted reserves	36,249	39,355	34,745	37,852
Transfer from restricted reserves	(34,861)	(38,319)	(33,358)	(36,816)
Balance as at 30 June	5,399	4,011	3,896	2,508
Restricted reserves consists of:				
Community – district	(931)	(835)	(931)	(835)
Drainage	101	87	101	87
Stormwater separate rate	1,347	957	1,347	957
Sewerage	1,198	217	1,198	217
Water	(2,744)	(2,910)	(2,744)	(2,910)
Special funds	3,993	4,062	3,993	4,062
Kerikeri main street reserve	341	322	341	322
Economic development	10	10	10	10
Paihia central business district development	3	40	3	40
Kaitaia BID	14	0	14	0
Tanekaha Lane Improvements	6	0	6	0
BOI-Whangaroa community reserve	105	105	105	105
Te Hiku community reserve	72	72	72	72
Kaikohe-Hokianga community reserve	57	57	57	57
Carpark funds	324	324	324	324
Subsidiary assets	1,503	1,503	0	0
Total restricted reserves	5,399	4,011	3,896	2,508
Other reserves consist of:				
Asset revaluation reserves				
As at 1 July	259,917	279,312	253,302	272,399
Revaluation gains / (losses)	27,622	(19,361)	27,582	(19,097)
Balance as at 30 June	287,698	259,917	280,884	253,302
Asset revaluation reserve consists of:				
Maritime	2,762	2,820	2,762	2,820
Pensioner housing	1,602	1,631	1,602	1,631
Heritage	366	366	366	366
Halls	2,215	2,251	2,215	2,251
Swimming pools	175	175	175	175

24. EQUITY	CONSOLIDATED		COUNCIL	
	2014 \$000s	2013 \$000s	2014 \$000s	2013 \$000s
Parks & reserves	4,682	4,740	4,682	4,740
Cemeteries	219	224	219	224
Public toilets	391	420	391	420
Carparks	648	651	648	651
Camping grounds	309	310	309	310
Footpaths	1,817	1,676	1,817	1,826
Library buildings	2,154	2,221	2,154	2,221
Library books	1,041	1,332	1,041	1,332
Drainage	12,551	12,551	12,551	12,551
Roading	206,889	183,068	206,889	183,068
Refuse	1,860	1,855	1,860	1,855
Water	19,709	15,762	19,709	15,762
Wastewater	21,494	21,099	21,494	21,099
Subsidiary assets	6,655	6,615	0	0
Total asset revaluation reserve	287,539	259,917	280,884	253,302
Fair value through equity reserve LGNZ shares revaluation movements				
As at 1 July	56	46	56	46
Fair value gains/(losses)	(5)	10	(5)	10
Total LGNZ shares valuation reserve	51	56	51	56
Cash flow hedge equity reserve				
As at 1 July	(14)	(731)	(14)	(731)
Fair value gains/(losses)	799	717	799	717
Balance 30 June	785	(14)	785	(14)
Capital reserve				
As at 1 July	0	0	2,697	2,697
Balance as at 30 June	0	0	2,697	2,697
Total other reserves	288,375	259,949	284,417	256,041

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	
	2014 \$000s	2013 \$000s	2014 \$000s	2013 \$000s
Reported surplus / (deficit)	(1,388)	4,156	(2,285)	7,087
Add non cash items				
Depreciation and amortisation	29,609	28,541	28,716	28,087
Vested assets	(1,464)	(2,652)	(1,064)	(2,652)
Change in deferred taxation	73	15	0	0
Loss on property, plant & equipment	2,762	1,133	2,762	1,133
Unrealised revaluation and devaluation	4,629	13,341	4,455	10,546
Impairment of capital assets	717	0	617	0
Add/(less) movements in other working capital items				
(Increase) / decrease in debtors & other receivables	5,121	(5,551)	5,013	(5,260)
(Increase) / decrease in inventories	(32)	3	(34)	(3)
Increase / (decrease) in provisions	1,199	(56)	1,199	(56)
Increase / (decrease) in employee benefits	(4)	174	(25)	135
Increase / (decrease) in trade & other payables	(2,590)	5,311	(1,775)	4,672
Increase / (decrease) in derivative financial instruments	10	0	10	0
Items classed as investing activities	714	359	1,066	(279)
Net operating cash flows	39,356	44,774	38,655	43,413

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

26. CAPITAL COMMITMENTS	CONSOLIDATED		COUNCIL	
	2014 \$000s	2013 \$000s	2014 \$000s	2013 \$000s
Capital commitments approved and contracted				
Roading	0	23	0	23
Sewerage	0	434	0	434
Water (Sweetwater land)	0	250	0	250
Governance and Strategy	0	678	0	678
Community facilities	23	0	23	0
Total capital commitments	23	1,385	23	1,385

There are no Rooding commitments attracting subsidy in 2013/14 (2013 - \$13k).