

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2014

1. RATES REVENUE	CONSOLIDATED		COUNCIL	
	2014	2013	2014	2013
	\$000s	\$000s	\$000s	\$000s
Rates - general	47,390	46,342	47,603	46,342
Targeted rates attributable to activities				
-Drainage	629	539	629	539
-Roading	9	0	9	0
-Sewerage	10,792	9,844	10,792	9,844
-Water, excluding water supply rates	1,955	1,564	1,955	1,564
-District facilities	9,668	9,392	9,668	9,392
Rates - penalties	7,625	7,109	7,625	7,109
Total rates, excluding targeted water supply rates	78,058	74,790	78,281	74,790

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 2014 for the purposes of the LGFA Guarantee and Indemnity Deed disclosure is shown below:

	COUNCIL	
	2014	2013
	\$000s	\$000s
Rates, excluding targeted water supply rates	78,281	74,790
Targeted water supply rates	6,036	5,621
Total annual rates income	84,317	80,411

Rates income is not adjusted for remissions of \$3,261,162 (2013 \$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 Maori 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.

The number of rating units at 30 June 2013 was 37,604.

The land value of these units was \$8,966,201,200 and the capital value was \$15,263,433,300.

2. INCOME ANALYSIS	CONSOLIDATED		COUNCIL	
	2014	2013	2014	2013
	\$000s	\$000s	\$000s	\$000s
Fees and charges	13,285	12,654	13,285	12,654
Subsidies – operational	6,163	5,942	6,163	5,942
Subsidies – projects	8,903	14,171	8,903	14,171
Contributions	743	1,779	743	1,779
Interest & dividends	413	118	406	509
Vested and previously unrecognised assets	1,064	2,652	1,064	2,652
Rental income from investment properties	2,123	2,116	0	0
Other income	9,255	7,455	1,920	1,652
Total operating income	41,949	46,886	32,484	39,359

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



3. OTHER GAINS/(LOSSES)	CONSOLIDATED		COUNCIL	
	2014	2013	2014	2013
	\$000s	\$000s	\$000s	\$000s
Net gain on forestry assets	3	0	3	0
Net gain on property, plant and equipment disposals	0	0	0	0
Net gain on sale of investment properties	0	2,818	0	0
Total gains	3	2,818	3	0
Net loss on property, plant & equipment disposals	(2,762)	(1,133)	(2,762)	(1,133)
Net loss on investment properties	0	0	0	0
Net loss on forestry assets	0	0	0	0
Total other gains / (losses)	(2,762)	(1,133)	(2,762)	(1,133)

4. PERSONNEL COSTS	CONSOLIDATED		COUNCIL	
	2014	2013	2014	2013
	\$000s	\$000s	\$000s	\$000s
Salaries and wages	18,073	17,157	16,065	15,144
Kiwi saver contributions	376	245	332	217
Increase / (Decrease) in employee benefit liabilities	(3)	173	(25)	135
Total employee benefit expenses	18,446	17,575	16,372	15,496

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	
	2014	2013	2014	2013
	\$000s	\$000s	\$000s	\$000s
Fees paid to the principal auditor				
Audit of financial statements	216	234	156	144
Audit recovery prior year	35	0	35	0
Audit payment re Te Ahu	9	0	9	0
Audit disbursements	19	24	12	18
Donations	39	36	0	0
Inventory expenses in year	2,439	2,388	34	3
Impairment of property, plant & equipment	618	0	617	0
Impairment of investment property	0	0	0	0
Impairment of receivables	28	(30)	0	0
Provision for impairment of rates	6,322	5,381	6,322	5,381
Provision for impairment of sundry debts	444	3	421	25
Devaluation of property, plant & equipment	4,629	13,341	4,455	10,546
Direct expenses from investment property	1,149	908	0	0
Minimum lease payments - operating leases	461	549	399	450
Other expenses	16,408	22,834	12,460	16,567

6. FINANCE COSTS	CONSOLIDATED		COUNCIL	
	2014	2013	2014	2013
	\$000s	\$000s	\$000s	\$000s
Interest expense on borrowings	5,000	5,004	4,417	4,421
Interest unwind - landfill aftercare	29	32	29	32
Total finance costs	5,029	5,036	4,446	4,453

7. TAX	CONSOLIDATED		COUNCIL	
	2014	2013	2014	2013
	\$000s	\$000s	\$000s	\$000s
Components of tax expense				
Deferred tax expense – continuing operations	(7)	95	0	0
Deferred tax expense – discontinued operations	0	0	0	0
Income tax expense	(7)	95	0	0
Relationship between tax expenses and accounting profit				
Continuing operations	(1,395)	8,765	(2,285)	6,657
Discontinued operations	0	0	0	0
Profit before taxation and share of profit of associate	(1,395)	8,765	(2,285)	6,657
Taxation at 28% (2013 -28%)	(391)	2,454	(640)	1,864
Plus (less) tax effect of				
Non taxable income	384	(2,359)	640	(1,864)
Group loss offset	0	0	0	0
Deferred tax adjustment	0	0	0	0
Taxation expense	(7)	95	0	0

CONSOLIDATED					
Deferred Tax	Property plant and equipment	Investment properties	Employee entitlements	Tax Losses	Total
	\$000s	\$000s	\$000s	\$000s	\$000s
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
Charged to Statement of Comprehensive Income	(26)	17	(3)	5	(7)
Charged to equity	80	0	0	0	80
Balance at 30 June 2014	1,090	1,126	(77)	(597)	1,539

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 \$539,462 (2013 \$841,175). Council has not recognised a deferred tax asset in relation to tax losses of \$2,170k (2013 \$2,152k). However, these losses have been recognised in the group accounts.

8. CASH & CASH EQUIVALENTS	CONSOLIDATED		COUNCIL	
	2014	2013	2014	2013
	\$000s	\$000s	\$000s	\$000s
Cash at bank and in hand:				
Various (subsidiaries, community facilities, etc)	7	6	7	6
General fund (unsecured)	411	4,111	174	3,731
Total cash & cash equivalents	418	4,117	181	3,737

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	
	2014	2013	2014	2013
	\$000s	\$000s	\$000s	\$000s
Cash at bank and in hand	418	4,117	181	3,737
Bank overdrafts (Note 23)	(48)	0	0	0
	370	4,117	181	3,737

Council has an overdraft facility of \$3m (2013 \$3m).



9. DEBTORS & OTHER RECEIVABLES	CONSOLIDATED		COUNCIL	
	2014	2013	2014	2013
Rates and penalties	53,521	46,836	53,521	46,836
Sundry debtors	5,805	12,629	5,287	12,085
Prepayments	354	319	335	300
Related party receivables	67	186	0	0
Gross debtors & other receivables	59,747	59,970	59,143	59,221
Less provision for impairment - rates	25,943	21,240	25,943	21,240
Less provision for impairment - sundry debts	503	308	485	252
Current debtors & other receivables	33,301	38,422	32,715	37,728

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 2014 and 2013, 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. The ageing profile of debtors and other receivables at year end is detailed below:

	2014			2013		
	Gross \$000s	Impairment \$000s	Net \$000s	Gross \$000s	Impairment \$000s	Net \$000s
Council						
Not past due	883	0	883	4,179	0	4,179
Past due 1 – 60 days	22,216	5,905	16,311	20,869	5,393	15,476
Past due 61 – 90 days	44	0	44	605	0	605
Past due over 90 days	36,000	20,523	15,477	33,569	16,099	17,470
Total	59,143	26,428	32,715	59,221	21,492	37,728
Group						
Not past due	1,259	0	1,259	4,559	0	4,559
Past due 1 – 60 days	22,272	5,905	16,367	21,024	5,394	15,630
Past due 61 – 90 days	70	0	70	631	2	629
Past due over 90 days	36,146	20,541	15,605	33,756	16,152	17,604
Total	59,747	26,446	33,301	59,970	21,548	38,422

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

	CONSOLIDATED		COUNCIL	
	2014	2013	2014	2013
	\$000s	\$000s	\$000s	\$000s
Impairment of rates				
At July	21,240	17,374	21,240	17,374
Additional provisions made during the year	6,322	5,381	6,322	5,381
Receivables written off during period	(1,619)	(1,515)	(1,619)	(1,515)
At 30 June	25,943	21,240	25,943	21,240
Impairment of sundry debts				
At July	309	1,984	252	1,897
Additional provisions made during the year	444	3	421	25
Receivables written off during period	(250)	(1,678)	(188)	(1,670)
At 30 June	503	309	485	252

10. INVENTORIES	CONSOLIDATED		COUNCIL	
	2014	2013	2014	2013
	\$000s	\$000s	\$000s	\$000s
Consumable stocks and materials	135	101	135	101
Marina berths	35	33	0	0
Chandlery and boatyard	33	37	0	0
Total inventories	203	171	135	101

There are no inventory items held for distribution.

11. OTHER FINANCIAL ASSETS	CONSOLIDATED		COUNCIL	
	2014	2013	2014	2013
	\$000s	\$000s	\$000s	\$000s
Current portion				
<i>Loans and receivables</i>				
Short term deposits maturity 4 - 12 months	4,176	3,185	4,176	3,185
Total current portion	4,176	3,185	4,176	3,185
Non current portion				
<i>Fair value through equity</i>				
LGNZ Shares	96	101	96	101
LGFA Borrower notes at cost – May 2013	160	160	160	160
Total non current portion	256	261	256	261

There were no impairment provisions for other financial assets.

Council holds 85,440 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	
	2014	2013	2014	2013
	\$000s	\$000s	\$000s	\$000s
<i>Loans and receivables</i>				
Short term loan 4 - 12 months	0	0	0	0
Short term deposits 4 - 12 months	4,176	3,185	4,176	3,185
Maturing within 4 - 12 months	4,176	3,185	4,176	3,185