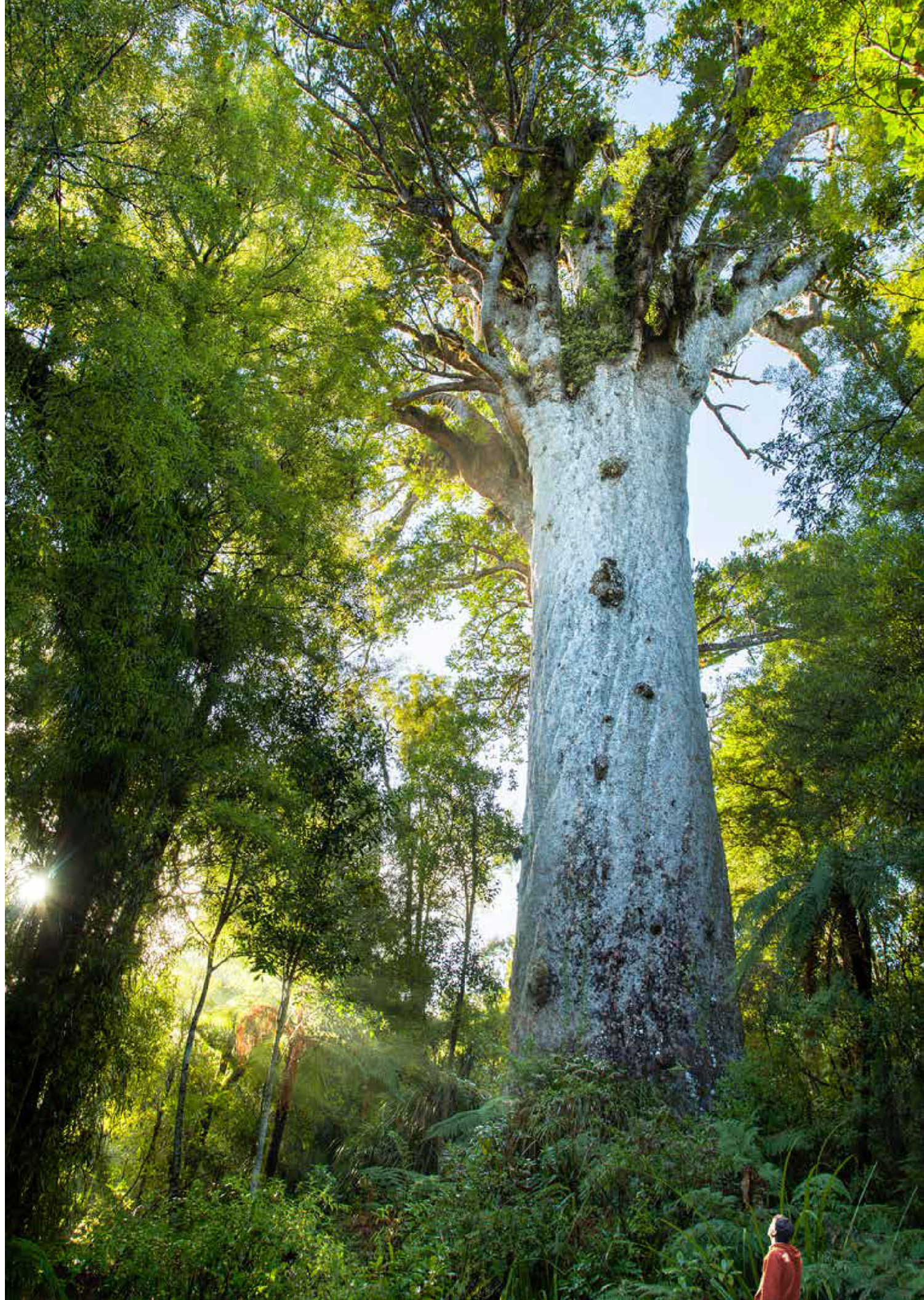




Annual Report Statement of Service Performance and Financial Statements

For the Year Ended 30 June 2020



CONTENTS

Entity Information	2
Statement of service performance KPI Results.....	3
Independent Auditor's Report	5
Statement of Comprehensive Revenue and Expense	8
Statement of Financial Position	9
Statement of Changes in Net Assets	10
Statement of Cash Flows	11
Notes to the Financial Statements	12

Entity Information

As at 30 June 2020

LEGAL NAME OF ENTITY

Northland Inc Limited

TYPE OF ENTITY AND LEGAL BASIS

Northland Inc Limited is a company registered under the Companies Act 1993. The company is controlled by Northland Regional Council and is a council-controlled organisation as defined by Section 6 of the Local Government Act 2002.

REGISTRATION NUMBER

857377

COMPANY'S PURPOSE

The Company's principal activity during the year was the development of the economy in Northland and review of funding opportunities for the Investment and Growth Reserve.

STRUCTURE OF COMPANY'S OPERATIONS

The Company comprises a Board of seven Directors who oversee the governance of the Company, a Chief Executive Officer who is responsible for the day to day operations of the Company and reporting to the Directors. The Directors are appointed by the Northland Regional Council.

MAIN SOURCES OF THE COMPANY'S CASH AND RESOURCES

Operating grants are received from the Northland Regional Council and this is the primary source of funding to the Company.

DIRECTORS

Sarah Petersen
James Makeweo
Geoff Copstick
Nicole Anderson
Denis Callesen
Kristan MacDonald

David Crewe
(resigned May 2020)

ACCOUNTANTS

Findex Limited
Level 1, Findex House,
57 Willis Street
Wellington 6011

SHAREHOLDER

Northland Regional Council - 100
Total Ordinary Shares - 100

Statement of Service Performance

2019/2020 KPI Results as at 30 June 2020:

Investment and PGF				
Measured by:	2018/19 Result	2019/20 Target	2019/20 Actual 30 June	% of target
Percentage of IGR business case decisions (by the Board) made within 90 days of receiving application - Achieved	100%	100%	100%	100%
Number of inward delegations hosted - Not Achieved	4	4	0	0%
Investment recommendations are accompanied by a robust business case - Achieved	100%	100%	100%	100%
Number and value of high impact projects that are implemented - Achieved	3	3	3	100%

Northland Inc has developed a tool to rank projects in order to prioritise our resources. The tool assesses both impact and value of the project.

Engagement Collaboration and Visibility				
Measured by:	2018/19 Result	2019/20 Target	2019/20 Actual 30 June	% of target
Number of unique businesses assisted (by TA and industry) - Achieved	263	230	624	271%
¹ Value of NZTE and Callaghan Innovation grant funding facilitated - Achieved	\$842,672	\$1M	\$2.3M	230%
Client satisfaction (as measured by Net Promoter Score) - Achieved	91% (NPS 53)	90% (NPS 50)	97% (NPS 72)	
² Orchard occupancy rate - Achieved	84.2%	85%	120%	

¹The total value of NZTE and Callaghan Innovation funding of \$2.3M includes \$426,157 of funding relating to businesses that identify as Māori. All grant funding is inclusive of GST.

²In mid-September 2019 the Orchard reached capacity. The floor plan was reviewed, desks were increased from 29 permanent desks to 47. To calculate the occupancy NINC has continued to use 29 desks. This normalizes the comparative to both the target for 2019/20 and the prior year.

Destination Marketing Management

Measured by:	2018/19 Result	2019/20 Target	2019/20 Actual 30 June	% of target
Visitor spend from target markets - Not Achieved	\$1,115M	\$1,175M	\$1,014M	86%
Value of industry investment in regional promotion activity – Not Achieved	\$418,538	\$350,000	\$175,808	50%
Equivalent Advertising Value achieved from destination marketing - Achieved	\$28.2M	\$16.5M	\$19.2M	116%
RTO Net Promoter Score – Not Achieved	44	45	-	

RTO Net promoter score is no longer available.

Māori Economic Development

Measured by:	2018/19 Result	2019/20 Target	2019/20 Actual 30 June	% of target
Number of unique Māori businesses assisted - Achieved	33	50	118	236%
Number and value of high impact projects that are implemented - Achieved	1	1	1	100%
Value of NZTE and Callaghan Innovation grant funding facilitated for Māori businesses – Achieved	\$56,350	\$25,000	\$426,157	1704%
Client satisfaction (Net Promoter Score for Māori businesses) – Not Achieved	-	75% (NPS 50)	-	-

The Net promoter score for Māori business could not be determined.





Independent auditor's report

To the readers of Northland Inc Limited's financial statements and performance information for the year ended 30 June 2020

The Auditor-General is the auditor of Northland Inc Limited (the Company). The Auditor-General has appointed me, Peter Gulliver, using the staff and resources of Deloitte Limited, to carry out the audit of the financial statements and performance information of the Company on his behalf.

Opinion

We have audited:

- the financial statements of the Company on pages 8 to 19, that comprise the statement of financial position as at 30 June 2020, the statement of comprehensive revenue and expense, statement of changes in net assets and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of the company on pages 3 and 4.

In our opinion:

- the financial statements of the Company on pages 8 to 19:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2020; and
 - its financial performance and cash flows for the year then ended; and
 - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity International Public Sector Accounting Standards Reduced Disclosure Regime (PBE IPSAS RDR).
- the performance information of the Company on pages 3 and 4 presents fairly, in all material respects, the Company's actual performance compared against the performance targets and other measures by which performance was judged in relation to the Company's objectives for the year ended 30 June 2020.

Our audit was completed on 18 September 2020. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements and the performance information, and we explain our independence.

Emphasis of matter - impact of Covid 19

Without modifying our opinion, we draw attention to the disclosures about the impact of Covid-19 on the Company as set out in note 4 to the financial statements.

Basis for opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.



We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors for the financial statements and the performance information

The Board of Directors is responsible on behalf of the Company for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand. The Board of Directors is also responsible for preparing the performance information for the Company.

The Board of Directors is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the performance information, the Board of Directors is responsible on behalf of the Company for assessing the Company's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Board of Directors intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors' responsibilities arise from the Local Government Act 2002.

Responsibilities of the auditor for the audit of the financial statements and the performance information

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of these financial statements and the performance information.

For the budget information reported in the financial statements and the performance information, our procedures were limited to checking that the information agreed to the Company's statement of intent.

We did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- We evaluate the appropriateness of the reported performance information within the Company's framework for reporting its performance.

Deloitte.

- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

Independence

We are independent of the Company in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board.

Other than the audit, we have no relationship with, or interests in, the Company.



Peter Gulliver
for Deloitte Limited
On behalf of the Auditor-General
Auckland, New Zealand


Statement of Comprehensive Revenue and Expense

For the year ended 30 June 2020

	Notes	2020 Actual \$	2020 Budget \$	2019 Actual \$
REVENUE FROM NON-EXCHANGE TRANSACTIONS				
Grants revenue		1,440,876	1,440,876	1,412,120
Grant funded project revenue		2,199,681	1,799,451	2,135,038
Total revenue from non-exchange transactions	6	3,640,557	3,240,327	3,547,158
REVENUE FROM EXCHANGE TRANSACTIONS				
Tenant income		168,413	136,700	154,262
Total revenue from exchange transactions		168,413	136,700	154,262
TOTAL REVENUE		3,808,970	3,377,027	3,701,420
EXPENSES				
Wages, salaries and other employee costs		1,835,526	1,747,250	1,720,845
Depreciation		43,095	54,000	46,155
Other overhead and administrative expenses	7	1,915,986	1,575,009	1,192,127
TOTAL EXPENSES		3,794,607	3,376,259	3,694,127
Interest income		3,738	-	4,475
Finance costs		(150)	-	(583)
NET SURPLUS/(DEFICIT) FROM FINANCE ACTIVITIES		3,588	-	3,891
OPERATING SURPLUS/(DEFICIT)		17,951	768	11,185
OTHER GAINS/(LOSSES)				
Gain/(loss) on disposal of assets		(704)	-	-
TOTAL OTHER GAINS/(LOSSES)		(704)	-	-
SURPLUS/ (DEFICIT) BEFORE TAX		17,247	768	11,185
Income tax expense	8	-	-	-
SURPLUS/ (DEFICIT) AFTER TAX		17,247	768	11,185
TOTAL COMPREHENSIVE REVENUE AND EXPENSES FOR THE YEAR		17,247	768	11,185

These financial statements have been authorised for issue by the Board of Directors on 18th September 2020


 Geoff Copstick
 Chair Audit and Risk Committee
 18th September 2020


 Sarah Petersen
 Chair
 18th September 2020

Statement of Financial Position

As at 30 June 2020

		2020	2019
	Notes	\$	\$
ASSETS			
Current			
Cash and cash equivalents		776,724	845,742
Receivables	9	414,384	215,213
Total current assets		1,191,108	1,060,955
Non-current			
Property, plant and equipment	10	179,852	181,356
Total non-current assets		179,852	181,356
TOTAL ASSETS		1,370,960	1,242,311
LIABILITIES			
Current			
Payables	11	251,723	252,019
Employee entitlements	12	101,123	60,592
Deferred revenue		867,210	791,290
Loans and borrowings	13	-	4,754
Total current liabilities		1,220,056	1,108,654
Non-current			
Loans and borrowings	13	-	-
Total non-current liabilities		-	-
TOTAL LIABILITIES		1,220,056	1,108,654
NET ASSETS		150,903	133,656
EQUITY			
Start-up contributions		100	100
Accumulated funds		150,803	133,556
TOTAL EQUITY		150,903	133,656

These financial statements should be read in conjunction with the notes to the financial statements.

Statement of Changes in Net Assets

For the year ended 30 June 2020

	Start-up contribution reserve	Accumulated Funds	Total equity
Balance 1 July 2019	100	133,556	133,656
Surplus/ (deficit) for the year	-	17,247	17,247
Total comprehensive revenue and expense	-	17,247	17,247
Balance 30 June 2020	100	150,803	150,903
Balance 1 July 2018	100	122,371	122,471
Surplus/ (deficit) for the year	-	11,185	11,185
Total comprehensive revenue and expense	-	11,185	11,185
Balance 30 June 2019	100	133,556	133,656



These financial statements should be read in conjunction with the notes to the financial statements.

Statement of Cash Flows

For the year ended 30 June 2020

	2020	2019
	\$	\$
Cash flow from operating activities		
Cash was provided from/(applied to):		
Northland Regional Council Funding	1,803,519	1,666,593
Whangarei District Council Operating Grants	105,000	105,000
Receipts from services provided	1,619,727	1,925,434
Receipts from exchange transactions	157,472	154,262
Net movement in GST	(7,955)	(6,597)
Payments to suppliers	(1,869,548)	(1,978,672)
Payments to employees	(1,835,526)	(1,742,837)
Net cash from/(used in) operating activities	(27,311)	123,183
Cash flow from investing activities		
Cash was provided from/(applied to):		
Proceeds from sale of plant and equipment	-	693
Purchase of plant and equipment	(40,542)	(40,540)
Net cash from/(used in) investing activities	(40,542)	(39,847)
Cash flow from financing activities		
Cash was provided from/(applied to):		
Net Proceed/(Repayment) of borrowings	(4,754)	(9,091)
Interest received	3,738	4,475
Interest paid on borrowings	(150)	(583)
Net cash from/(used in) financing activities	(1,166)	(5,199)
Net (decrease)/increase in cash and cash equivalents	(69,019)	78,137
Cash and cash equivalents, beginning of the year	845,742	767,605
Cash and cash equivalents at end of the year	776,724	845,742

These financial statements should be read in conjunction with the notes to the financial statements.

Notes to the Financial Statements

For the year ended 30 June 2020

1. Reporting entity

These financial statements comprise the financial statements of Northland Inc Limited (the "Company" or "Entity") for the year ended 30 June 2020.

The financial statements were authorised for issue by the Board of Directors on 18 September 2020.

2. Basis of preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with Tier 2 Public Benefit Entity (PBE) Financial Reporting Standards as issued by the New Zealand External Reporting Board (XRB). They comply with New Zealand equivalents to International Public Sector Accounting Standards Reduced Disclosure Regime (NZ IPSAS with RDR) and other applicable Financial Reporting Standards as appropriate to Public Benefit Entities.

The entity is eligible to report in accordance with Tier 2 PBE Accounting Standards on the basis that it does not have public accountability and is not large.

The financial statements have been prepared in accordance with the Local Government Act 2002, which requires compliance with generally accepted accounting practice in New Zealand ("NZ GAAP"). [LGA. 111].

The entity is deemed a public benefit entity for financial reporting purposes, as its primary objective is to provide services to the community for social benefit and has been established with a view to supporting that primary objective rather than a financial return.

(b) Basis of measurement

The financial statements have been prepared on a historical costs basis.

The accrual basis of accounting has been used unless otherwise stated and the financial statements have been prepared on a going concern basis.

(c) Presentation currency

The financial statements are presented in New Zealand dollars which is the functional currency of Northland Inc Limited.

All numbers are rounded to the nearest dollar (\$), except when otherwise stated.

(d) Changes in accounting policies

There have been no changes to the accounting policy during the year. Certain comparatives have been reclassified to align with current year presentation.

(e) Explanations for major variances from budget

Actual revenues were higher than budgeted due to an increase in grant funded project revenue such as Extension 350 and the Provincial Growth Fund.

Actual expenses were higher than budgeted expenses due to greater spending for specific projects such as Extension 350 and the Provincial Growth Funding which is in line with the increase in revenue.

3. Summary of significant accounting policies

The accounting policies of the entity have been applied consistently to all years presented in these financial statements.

The significant accounting policies used in the preparation of these financial statements are summarised below:

(a) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held on call with banks, other short-term highly liquid investments with original maturities of three months or less.

(b) Debtors and other receivables

Trade debtors and other receivables are measured at their cost less any impairment losses.

(c) Creditors and other payables

Trade creditors and other payables are stated at cost.

(d) Property, plant and equipment

Items of plant and equipment are initially measured at cost, less accumulated depreciation and any impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Additions and subsequent costs

Subsequent costs and the cost of replacing part of an item of plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential will flow to the entity and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised.

In most instances, an item of plant and equipment is recognised at its cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value at the acquisition date.

All repairs and maintenance expenditure is charged to surplus or deficit in the year in which the expense is incurred.

Disposals

An item of plant and equipment is derecognised upon disposal or when no further future economic benefits or service potential are expected from its use or disposal.

When an item of plant or equipment is disposed of, the gain or loss recognised in the surplus or deficit is calculated as the difference between the net sale proceeds and the carrying amount of the asset.

Depreciation

Depreciation is recognised as an expense in the reported surplus or deficit and measured on diminishing value (DV) basis on all plant and equipment over the estimated useful life of the asset. The following depreciation rates have been applied for each class of plant and equipment:

Vehicles

26 - 30% DV

Office Furniture & Equipment

5 - 67% DV

The residual value, useful life, and depreciation methods of property, plant and equipment is reassessed annually.

(e) Leased assets

Leases where the Entity assumes substantially all the risks and rewards incidental to ownership of the leased assets, are classified as finance leases. All other leases are classified as operating leases.

Payments made under operating leases are recognised in the surplus or deficit on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease. Associated costs, such as maintenance and insurance, are expensed as incurred.

(f) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument in another entity.

Financial instruments comprise of trade debtors and other receivables, cash and cash equivalents, other financial assets, trade creditors and other payables, borrowings, and other financial liabilities.

Initial recognition and measurement

Financial assets and financial liabilities are recognised initially at fair value plus transaction costs attributable to the acquisition.

Derecognition of financial instruments

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or if the entity transfers the financial asset to another party without retaining control or substantial all risks and rewards of the asset.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Subsequent measurement of financial assets

The subsequent measurement of financial assets depends on their classification, which is primarily determined by the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition and re-evaluates this designation at each reporting date.

All financial assets held by the entity in the years reported have been designated into one classification, "loans and receivables", being non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

Subsequent measurement of financial liabilities

Trade payables and other borrowings are subsequently measured at amortised cost using the effective interest method.

(g) Employee entitlements

Short-term employee benefits

Employee benefits, previously earned from past services, that the entity expect to be settled within 12 months of reporting date are measured based on accrued entitlements at current rate of pays.

These include salaries and wages accrued up to the reporting date and annual leave earned, but not yet taken at the reporting date.

(h) Revenue

Revenue is recognised to the extent that it is probable that the economic benefit will flow to the entity and revenue can be reliably measured. Revenue is measured at the fair value of consideration received.

The entity assesses its revenue arrangements against specific criteria to determine if it is acting as the principal or agent in a revenue transaction. In an agency relationship only the portion of revenue earned on the entity's own account is recognised as gross revenue in the Statement of Comprehensive Revenue and Expense.

The following specific recognition criteria must be met before revenue is recognised:

Revenue from non-exchange transactions

A non-exchange transaction is where the entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

When non-exchange revenue is received with conditions attached, the asset is recognised with a matching liability. As the conditions are satisfied the liability is decreased and revenue recognised.

When non-exchange revenue is received with restrictions attached, but no requirement to return the asset if not deployed as specified, then revenue is recognised on receipt.

Condition stipulation – funds received are required to be used for a specific purpose, with a requirement to return unused funds.

Restriction stipulation – funds received are required to be used for a specific purpose, with no requirement to return unused funds.

Revenue from exchange transactions

An exchange transaction is where the entity either receives value from another entity and directly gives approximately equal value in exchange, or gives value to another entity and directly receives approximately equal value in exchange.

Interest income

Interest income is recognised as it accrues, using the effective interest method.

(i) Borrowing costs

All borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(j) Income tax

As agreed with Inland Revenue from 2014 financial year, operational grants received address only the operating deficit such that deductible expenses equate to taxable income. The result being that taxable income is nil.

(k) Goods and Services Tax (GST)

All amounts in these financial statements are shown exclusive of GST, except for receivables and payables that are stated inclusive of GST.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the Statement of Financial Position.

4. Significant accounting judgments, estimates and assumptions

The preparation of financial statements in conformity with NZ IPSAS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities,

income and expenses. Where material, information on significant judgements, estimates and assumptions is provided in the relevant accounting policy or provided in the relevant note disclosure.

The estimates and underlying assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances. Estimates are subject to ongoing review and actual results may differ from these estimates. Revisions to accounting estimates are recognised in the year in which the estimate is revised and in future years affected.

The following are significant management judgements in applying the accounting policies of the entity that have a significant effect on the financial statements:

Deferred Revenue

One area of estimation is the calculation of deferred revenue at each balance date as this involves an assessment of the amount of work completed for each project in relation to the milestones to be achieved to determine the amount of revenue and associated deferred revenue to record.

COVID-19

The Directors note the situation in New Zealand with respect to COVID-19 pandemic, and in particular the impact on the Northland community and the economic environment more generally. At this point COVID-19 has not had a significant direct impact on the Company, other than curtailing aspects of our operations and project completion during the more severe periods of Government imposed lockdown (level 4 and level 3). The Directors do not anticipate significant negative impacts on the Company's funding and liquidity position, and did not need to apply for the Government's wage subsidy scheme for example. However, the situation does remain fluid and it is therefore not possible for the Directors to fully assess the future financial and other impacts of COVID-19 on the Company and the Northland economy more generally. In the event there are further level 3 and level 4 lockdowns this would likely further negatively impact economic activity in the region and the Company's ability to execute on project and generate income from activities such as short-term rental of space at the Orchard facility for example.



5. Capital Management Policy

The entity's capital is its equity, being the net assets represented by retained earnings and other equity reserves. The primary objectives of the entity's capital management policy is to ensure adequate capital reserves are maintained in order to support its activities. The entity manages its capital structure and makes adjustment to it, in light of changes to funding requirements.

6. Revenue from non-exchange transactions

	2020	2019
	\$	\$
Northland Regional Council Operational Grant Funding	1,335,876	1,307,120
Whangarei District Council Operating Grant Funding	105,000	105,000
Grant Funded Project Income	2,199,681	2,135,038
Total non-exchange revenue	3,640,557	3,547,158

7. Expenses

The following amounts were expensed in the surplus/(deficit) for the year:

	2020	2019
	\$	\$
Audit fees	31,270	32,460
Directors' Fees	133,500	135,000
Motor vehicle expenses	42,096	54,470
Other project activity costs	55,995	113,147
Operating lease payments	107,476	101,598
Project consultants	51,729	45,011
Regional promotions	201,115	253,926
Other expenses	1,292,806	1,191,415
Total	1,915,986	1,927,127

8. Income Tax

	2020	2019
	\$	\$
Revenue as per financial statements	3,808,970	3,701,420
Loss on sale of assets	(704)	-
Total Revenue	3,808,266	3,701,420

Permanent Differences:

Less:

Grants from Local authorities exempt income (sec CX47 of the Income Tax Act)	(1,440,876)	(1,412,120)
Other revenue from grant funded operations	(2,199,681)	(2,135,038)
Total Permanent Differences	(3,640,557)	(3,547,158)

Less:

Deductible expenses	(168,413)	(154,262)
Total Taxable Profit	-	-

9. Receivables

	2020	2019
	\$	\$
Trade debtors	125,989	160,243
Related party receivables	280,057	188
Prepayments	8,338	54,782
Total	414,384	215,213

Receivables are non-interest bearing and receipt is normally on 30 days terms. Therefore the carrying value of trade debtors and other receivables approximates its fair value. As at 30 June 2019 and 2020, all overdue receivables have been assessed for impairment and appropriate allowances made. All receivables are subject to credit risk exposure.

These financial statements should be read in conjunction with the notes to the financial statements.

10. Property, plant and equipment

Movements for each class of plant and equipment are as follows:

2020	Vehicles	Office Furniture and Equipment	Total
Gross carrying amount			
Cost	187,967	202,160	390,127
Additions	-	42,293	42,293
Disposals	-	(8,479)	(8,479)
Closing balance	187,967	235,974	423,941
Accumulated depreciation and impairment			
Opening balance	130,968	77,803	208,772
Depreciation for the year	16,898	26,197	43,095
Depreciation written back on disposal	-	(7,777)	(7,777)
Closing balance	147,866	96,223	244,089
Carrying amount 30 June 2020	40,101	139,751	179,852

Movements for each class of plant and equipment are as follows:

2019	Vehicles	Office Furniture and Equipment	Total
Gross carrying amount			
Cost	187,967	163,836	351,803
Additions	-	40,542	40,542
Disposals	-	(2,218)	(2,218)
Closing balance	187,967	202,160	390,127
Accumulated depreciation and impairment			
Opening balance	106,926	57,213	164,139
Depreciation for the year	24,042	22,113	46,155
Depreciation written back on disposal	-	(1,523)	(1,523)
Closing balance	130,968	77,803	208,771
Carrying amount 30 June 2019	56,999	124,357	181,356

These financial statements should be read in conjunction with the notes to the financial statements.

11. Payables

	2020	2019
	\$	\$
Current		
Trade creditors	219,920	223,243
Non trade payables and accrued expenses	47,763	36,780
GST payable/receivable	(15,960)	(8,004)
Total payables	251,723	252,019

Trade creditors and other payables are non-interest bearing and normally settled on 30 day terms; therefore their carrying amount approximates their fair value.

12. Employee entitlements

	2020	2019
	\$	\$
Current		
Accrued salary and wages	47,098	25,198
Provision for Holiday Pay	54,025	35,394
Total	101,123	60,592

Short-term employee entitlements represent the entity's obligation to its current and former employees that are expected to be settled within 12 months of balance date. These mainly consist of accrued holiday entitlements at the reporting date.

13. Loans and borrowings

	2020	2019
	\$	\$
Current		
Northland Regional Council Loan	-	4,754
Total current loans and borrowings	-	4,754
Non-current		
Northland Regional Council Loan	-	-
Total non-current loans and borrowings	-	-
Total loans and borrowings	-	4,754

14. Operating leases

Operating leases are held for premises used for office space and office equipment.

	2020	2019
	\$	\$
<i>Non-cancellable operating leases are payable as follows:</i>		
Less than one year	57,645	90,892
Between one and five years	28,368	86,180
Total	86,013	177,072

15. Financial instruments

(a) Carrying value of financial instruments

The carrying amount of all material financial assets and liabilities are considered to be equivalent to fair value. Fair value is the amount for which an item could be exchanged, or a liability could be settled, between knowledgeable and willing parties in an arm's length transaction.

(b) Classification of financial instruments

All financial assets held by the entity that are classified as "loans and receivables" are carried at cost less accumulated impairment losses.

All financial liabilities held by the Company are carried at amortised cost using the effective interest rate method. The carrying amounts presented in the statement of financial position relate to the following categories of financial assets and liabilities.

2020	Loans and receivables	Held-to-maturity investments	Total
Financial assets			
Cash and cash equivalents	776,724	-	776,724
Trade debtors and other receivables	406,046	-	406,046
Other financial assets	-	-	-
Total	1,182,770	-	1,182,770
Financial liabilities			
Trade creditors and other payables	-	251,723	251,723
Loans and borrowings	-	-	-
Other financial liabilities	-	-	-
Total	-	251,723	251,723
2019	Loans and receivables	Held-to-maturity investments	Total
Financial assets			
Cash and cash equivalents	845,742	-	845,742
Trade debtors and other receivables	160,431	-	160,431
Other financial assets	-	-	-
Total	1,006,172	-	1,006,172
Financial liabilities			
Trade creditors and other payables	-	252,019	252,019
Loans and borrowings	-	4,754	4,754
Other financial liabilities	-	-	-
Total	-	256,773	256,773

These financial statements should be read in conjunction with the notes to the financial statements.

16. Contingent assets and contingent liabilities

Ninc are seeking clarification of the ownership of the assets purchased for the set up of the Kai Hub. The cost of these assets were \$17,827. The entity paid for these assets from the funds they received through their contract with KDC. The contract includes an allowance for set up costs with no mention that ownership will be retained by KDC.

(b) Northland Regional Council

Northland Regional Council owns all 100 shares in Northland Inc Limited and is the ultimate controlling party. During the year Northland Inc Limited received grants from Northland Regional Council. This is included in revenue and income in advance. Total amount of grant/funding received in the year was \$1,803,519 (2019 \$1,983,768). At balance date, Northland Regional Council owes Northland Inc Ltd \$280,057 (2019 \$188)

17. Commitments

The entity has no capital commitments at the end of the reporting period.

18. Events after the reporting period

There were no significant events after the balance date.

19. Related party transactions

Related party transactions arise when an entity or person(s) has the ability to significantly influence the financial and operating policies of the entity.

The entity has a related party relationship with its shareholder Northland Regional Council, its Directors and other key management personnel.

Transactions with related parties

The following transactions were carried out with related parties:

(a) Key management compensation

Key management personnel include the Board of Directors and Senior Management.

	2020	2019
	\$	\$
Salaries and other short-term employee benefits	627,770	629,389
Directors Fees	133,500	135,000
Total remuneration	761,270	764,389
Number of persons recognised as key management personnel	12	14

NorthlandInc

Growing Northland's Economy

Kia tupu ai te ōhanga o Te Tai Tokerau

Phone: +64 9 438 5110

Email: welcome@northlandnz.com

Address:

Level One, corner Cameron
and Walton Streets

Whangarei 0110

PO Box 1762, Whangarei 0140

www.northlandnz.com