Financial statements

Consolidated statement of comprehensive income

For the year ended 30 June 2013

INCOME	Note	Council 30-Jun-13 $	Long Term Plan 30-Jun-13 $	Council 30-Jun-12 $	Consolidated 30-Jun-13 $	Consolidated 30-Jun-12 $
Rates	3	17,402,408	17,022,869	15,773,486	17,402,408	15,773,486
Fees and charges	6	3,934,565	4,227,294	4,419,316	3,744,263	5,517,535
Subsides and grants	4	961,224	1,486,699	952,632	1,188,724	952,632
Revenue from activities		-	-	-	1,584,568	340,569
Finance income	5	2,071,611	2,191,906	1,730,661	2,101,167	2,068,817
Other revenue	6	5,804,579	5,027,737	5,115,270	4,881,666	4,310,759
Other gains	7	1,232,548	71,727	891,281	1,349,881	2,427,978
Share of joint venture revenues		-	-	-	664,013	806,525
Share of associate companies' net surplus		-	-	-	7,846,406	6,485,212
TOTAL INCOME	1	**31,406,935**	**30,028,232**	**28,882,646**	**40,763,096**	**38,683,513**
EXPENDITURE						
Personnel costs	9	10,522,650	10,404,100	9,953,470	11,997,858	11,317,484
Depreciation and amortisation expense	21	986,501	1,067,449	1,030,757	1,079,882	1,124,801
Finance costs	5	98,215	1,000	91,970	112,610	107,758
Other losses	8	1,261,656	-	1,261,494	1,261,656	636,640
Other expenditure on activities	2	16,432,775	16,630,482	14,827,952	19,097,132	17,909,691
TOTAL OPERATING EXPENDITURE	1	**29,301,796**	**28,103,031**	**27,165,643**	**33,549,137**	**31,096,374**
SHARE OF ASSOCIATE'S SURPLUS/(DEFICIT)		-	-	-	-	-
SURPLUS/(DEFICIT) BEFORE TAX		**2,105,139**	**1,925,201**	**1,717,003**	**7,213,959**	**7,587,139**
INCOME TAX CREDIT/(EXPENSE)	10	(33,000)	-	952,158	(669,486)	1,050,453
SURPLUS/(DEFICIT) AFTER TAX		**2,072,139**	**1,925,201**	**2,669,161**	**6,544,473**	**8,637,592**
SURPLUS/(DEFICIT) ATTRIBUTABLE TO:						
Northland Regional Council		2,072,139	1,925,201	2,669,161	3,349,332	4,900,487
Non-controlling interest		-	-	-	3,195,141	3,737,106
OTHER COMPREHENSIVE INCOME						
Items that will be reclassified to surplus/(deficit)						
Financial assets at fair value through other comprehensive income	11	(100,320)	-	(181,133)	(100,320)	(181,133)
Net hedging movement (associate)		-	-	-	263,253	32,844
Items that will not be reclassified to surplus/(deficit)						
Gains/(loss) on property revaluations	11	60,000	-	(25,000)	(699,143)	(2,686,015)
Gains/(loss) on Infrastructure Asset (Awanui River Management) revaluation	11	-	-	-	-	-
TOTAL OTHER COMPREHENSIVE INCOME		**(40,320)**	**-**	**(206,133)**	**(536,210)**	**(2,834,304)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**2,031,819**	**1,925,201**	**2,463,028**	**6,008,263**	**5,803,288**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:						
Northland Regional Council					3,043,165	3,483,335
Non-controlling interest in surplus of Northland Port Corporation (NZ) Limited					2,965,098	2,319,954
					6,008,263	**5,803,288**

Major variances compared to the Long Term Plan:

Revenue variances:

Revenue from rates is $380,000 greater than budget due to:

- Additional rates revenue $50,000, rate penalties (charged for late or non-payment of rates) of $582,000 (of which $168,000 was paid and received by council) less rates remissions of $188,000 and rates discounts of $65,000. This additional rates revenue is more than offset by rate write-offs and the provision for doubtful debts established on unpaid rates.

Revenue from fees and charges is $293,000 less than budget is largely due to:

- Lower than budgeted consents and monitoring fees and charges due to less consenting and monitoring activity than anticipated. Associated costs were also lower than budgeted.
- Lower than budgeted bus fare revenue of $50,000 due to less patronage than anticipated. This was offset by cost savings resulting from rationalising the bus routes.

Revenue from subsidies and grants is $525,000 less than budget is largely due to:

- Lower than budgeted subsidies and grants received from New Zealand Transport Authority for the operation of the bus service and other functions provided by the council. The reduction of subsidies was noted in August/September 2012 following a review by New Zealand Transport Authority on subsidies available nationally.

Revenue from finance income is $120 thousand less than budget by largely due to:

- Interest revenue from the Community Investment Fund being $145,000 less than budget. Other revenue earned on the Community Investment fund is disclosed in separately and Community Investment Fund related income includes interest disclosed in this finance income note (note five) of $536,000, dividend revenue of $130,000, gain on disposal of investments of $438,000 and foreign exchange gain from hedging of investments of $84,000. Community Investment Fund revenue is either capitalised to the Community Investment Fund for future investment or transferred to the Investment and Growth Reserve.

Other revenue is $777,000 greater than budget, due to:

- Dividend income from the Northland Port Corporation (NZ) Limited being $665,000 greater than budget, unbudgeted dividend income from community investments of $130,000.

Other gains are $1.16M greater than budget due to:

- The gains on changes in the fair value and disposal of assets are not budgeted by council due to their high uncertainty and non-cash nature, with the exception of fair value movement on council's forestry asset. Gains and losses resulting from fair value movements do not represent additional cash collected or incurred by council.
- Fair value gains include an increase in value of council's investment property $557,000, an increase in the value of the forestry asset of $153,000 (compared to the budgeted $72,000).
- Other gains also include gain on sale of financial investments (relating to Community Investment Fund investments) of $438,000 and foreign exchange gains on hedging relating to Community Investment Fund investments of $85,000.

Expenditure variances:

Personnel costs are slightly greater than budget ($119,000) largely due to:

- Employing additional staff to undertake work on farm management plans instead of using consultants and due to council recognising a liability for flexi-time accrued.

Depreciation and amortisation expense is $81,000 less than budget mainly due to:

- A delay in purchasing the backup Storage Area Network (SAN) equipment. The variance is not considered to be material.

Finance cost expenditure is $97,000 greater than budget due to:

- Council payment to KiwiRail to reimburse them for the opportunity cost of capital for expenditure incurred to procure the rail designation.

Other losses are $1.3M greater than budget due to:

- The gains and losses on changes in the fair value and disposal of assets are not budgeted by council due to their high uncertainty and non-cash nature, with the exception of fair value movement on council's forestry asset. Gains and losses resulting from fair value movements do not represent additional cash collected or incurred by council.
- The fair value decrease in council owner occupied buildings of $973,000 and the loss on sale of disposal of property plant and equipment of $52,000.

Other expenditure on activities is less than budget by $198,000 primarily due to:

- A saving of $349,000 relating to the administration of the Whāngārei bus service contract, as the bus service was rationalised and reduced in 2012/13 resulting in a reduction in the contract price.
- A saving of $351,000 in relation to the delay in the Rust Ave Bridge replacement project, resulting from tender for the physical works programme only going to the market in May 2013.
- A saving of $142,000 in legal fees relating to the delay in the Rust Ave bridge replacement project.

- A saving of $160,000 in relation to consent applications expenditure due to receiving fewer consent applications and staff managing the existing consents without requiring to consume the legal fees budget or fulfil a vacant budgeted position.
- A saving of $94,000 relating to the Hātea River channel project as the project did not proceeding as planned in the 2012/13 financial year due to a delay in the re-surveying of the river.
- A saving of $93,000 in iwi related projects as a suitable project in line with councils wishes was not identified in the 2012/13 financial year.
- Savings of $90,000 in the Maritime department due to less than anticipated wreckages and debris disposal costs ($22,000), less than anticipated pilotage expenditure as council staff were utilised ($23,000), less than anticipated vessel running costs as councils vessels were deployed close to their Bay of Islands base ($23,000), and less than anticipated overtime associated with oil spills ($22,000).
- A saving of $102,000 in contractor costs due to an increased amount of compliance and coastal monitoring work being performed in house rather than being outsourced to contractors.
- A saving of $98,000 due to the opportunity cost of the capital associated with the Marsden Point rail link joint venture being re-classified and transferred from operating expenditure to finance costs.
- A saving of $146,000 in expenditure associated with computer software maintenance and GIS licensing.
- The provision for doubtful debts being greater than budget by $593,000 and unbudgeted write-offs of bad debts and rates arrears of $162,000.
- Unbudgeted legal and consultancy expenditure of $281,000 in relation to enforcement actions which will ultimately be recovered from fines from prosecutions.
- Unbudgeted expenditure of $250,000 incurred on the eradication of Mediterranean fanworm.
- An additional $111,000 of unbudgeted hearing committee costs and external commissioner costs predominantly incurred in association with the Regional Policy Statement.
- Unbudgeted expenditure of $76,000 incurred in relation to assistance payments made to Kaeo home owners.
- Other miscellaneous savings across the organisation of $46,000.

Taxation expense

The tax expense of $33,000 relates to a previously recognised deferred tax asset that council no longer expects to materialise.

Consolidated statement of changes in equity

For the year ended 30 June 2013

	Note	Council 30-Jun-13 $	Long Term Plan 30-Jun-13 $	Council 30-Jun-12 $	Consolidated 30-Jun-13 $	Consolidated 30-Jun-12 $
Balance at 1 July		119,384,510	119,569,237	116,921,483	237,267,475	232,901,018
Total comprehensive income		2,031,819	1,925,201	2,463,028	6,008,263	5,803,288
Dividends to non-controlling interest		-	-	-	(1,819,987)	(1,436,831)
Loss on disposal of subsidiary					(14,340)	
Balance at 30 June	11	**121,416,329**	**121,494,438**	**119,384,511**	**241,441,411**	**237,267,475**
Total comprehensive income attributable to:		-	-	-	-	-
Northland Regional Council		121,416,329	121,494,438	119,384,511	181,979,250	178,950,426
Non-controlling interest		-	-	-	59,462,161	58,317,050
Balance at 30 June	11	**121,416,329**	**121,494,438**	**119,384,511**	**241,441,411**	**237,267,475**

Major variances compared to the Long Term Plan:

There are no significant variances.

Consolidated statement of financial position

As at 30 June 2013

	Note	Council 30-Jun-13 $	Long Term Plan 30-Jun-13 $	Council 30-Jun-12 $	Consolidated 30-Jun-13 $	Consolidated 30-Jun-12 $
EQUITY						
Retained earnings	11	111,540,028	102,767,362	110,828,307	131,027,281	129,052,707
Other reserves	11	9,876,301	18,727,076	8,556,204	50,951,969	49,897,719
Total equity attributable to Northland Regional Council		**121,416,330**	**121,494,438**	**119,384,511**	**181,979,250**	**178,950,426**
Non-controlling interest in subsidiary companies	11	-	-	-	59,462,160	58,317,049
TOTAL EQUITY		**121,416,330**	**121,494,438**	**119,384,511**	**241,441,411**	**237,267,475**
ASSETS						
Current assets						
Cash and cash equivalents	12	15,889,952	4,347,115	10,249,654	16,984,938	10,770273
Debtors and other receivables	13	4,896,707	5,299,089	4,805,052	5,459,628	5,664,701
Inventories	14	3,127,987	1,528,241	3,108,539	3,127,987	3,108,539
Other financial assets – other investments	20	9,222,258	2,000,000	11,190,362	9,222,258	11,190,362
Tax refundable	10	-	-	33,000	57,112	104,890
Derivative financial instruments	15	-	-	-	-	-
Total current assets		**33,136,903**	**13,174,445**	**29,386,607**	**34,851,922**	**30,838,765**
Non-current assets						
Other receivables	16	5,395,453	5,201,500	5,256,299	5,395,453	5,256,299
Investment property	17	48,296,001	48,320,999	47,674,256	94,296,001	93,174,256
Other financial assets		-	-	-	-	-
Investments in subsidiary – Northland Port Corporation (NZ) Limited and associates	18	7,827,563	7,827,563	7,827,563	46,795,462	44,032,976
Other Investments	20	9,859,589	27,608,367	13,971,405	10,687,181	14,499,047
Investments in CCO's and similar entities	19	753,950	243,753	12,903	753,750	-
Total investment in council-controlled organisations		**18,441,102**	**35,679,692**	**21,811,871**	**58,236,393**	**58,532,023**
Property, plant and equipment	21	20,186,617	21,486,851	18,640,990	53,183,437	53,795,722
Intangible assets	22	1,110,168	2,288,396	460,689	1,110,168	460,690
Forestry assets	23	1,731,775	1,627,263	1,578,975	1,731,775	1,578,975
Capital projects in progress	21	56,420	-	682,177	732,098	760,644
Deferred taxation asset	10	-	-	-	33,465	673,941
Total non-current assets		**95,217,537**	**114,604,701**	**96,105,259**	**214,718,791**	**214,232,530**
TOTAL ASSETS		**128,354,440**	**127,779,146**	**125,491,866**	**249,570,713**	**245,071,316**
LIABILITIES						
Current liabilities						
Bank overdraft		-	-	-	-	44,611
Bank loan		-	-	-	-	502,429
Creditors and other payables	24	5,114,869	4,677,323	4,442,671	6,240,688	5,508,059
Employee benefit liabilities	25	1,787,191	1,556,003	1,616,401	1,845,195	1,687,417
Borrowings	26	-	-	-	4,840	6,865
Provisions	27	-	-	-	1,906	710
Total current liabilities		**6,902,059**	**6,233,326**	**6,059,072**	**8,092,628**	**7,750,091**

	Note	Council 30-Jun-13 $	Long Term Plan 30-Jun-13 $	Council 30-Jun-12 $	Consolidated 30-Jun-13 $	Consolidated 30-Jun-12 $
NON-CURRENT LIABILITIES						
Employee benefit liabilities	25	36,048	51,382	48,283	36,048	48,283
Borrowings	26	-	-	-	625	5,465
Total non-current liabilities		**36,048**	**51,382**	**48,283**	**36,673**	**53,748**
TOTAL LIABILITIES		**6,938,107**	**6,284,708**	**6,107,355**	**8,129,301**	**7,803,839**
NET ASSETS		**121,416,330**	**121,494,438**	**119,384,511**	**241,441,409**	**237,267,475**

Major variances compared to the Long Term Plan:

Assets:

Cash and cash equivalents are higher than budget by $11.5M due to:

- Council holding a higher level of short-term cash investments as at 30 June 2013, due to longer term investments maturing and electing to hold investments on short term deposits rather than reinvesting at the current low interest rates in longer term bonds. The increase is offset by other investments (non-current) being $10.5M less than budget. For further information, refer to the variance explanation for other investments.
- Includes $1.88M of cash and short term deposits relating to Community Investment Fund investments which are budgeted to be in other non-current investments.

Debtors and other receivables are less than budget by $402 thousand due to:

- Prepayments and GST receivables being less than anticipated at year-end.

Inventories are greater than budget by $1.6 million due to:

- The reclassification of the rail corridor land from investment property to inventory at 30 June 2012; however this was budgeted under investment property.

Other receivables is $194,000 greater than budget due to:

- The expenditure incurred by council and KiwiRail, including opportunity cost of interest during the year relating to the Marsden Point rail link corridor. This receivable reflects the amount owed by KiwiRail to council for KiwiRail's 50% share of property acquisitions and costs incurred to date.

Other financial assets (current and non-current) are less than budget by $10M due to:

- Other investments ($10.5M less than budget) – funds being held in short term deposits and recognised in cash and cash equivalents. For further information, refer to the variance explanation for cash and cash equivalents.
- Investment in CCO's and other similar entities ($510,000 greater than budget) – Regional Software Holdings Limited making a call on $4.5M of share capital at its 27 June 2013 board meeting of which councils shareholding or call is 16.75% ($753,720). The share capital relates to the development costs contributed by each council for the development of the Integrated Regional Information System (IRIS) software application. Council had budgeted for the call on funds to take place in the 2013/14 financial year.

Property, plant and equipment and capital projects in progress are less than budget by $1.3M due to:

- The budgeted opening plant, property and equipment balance being less than actual by $1.2M due to capital works being deferred in the 2011/12 financial year; greater than budgeted capital works in the 2012/13 financial year; and revaluation decreases and assets disposals occurring in 2012/13 that were not budgeted for.

Intangible assets are less than budget by $1.18M due to:

- The Integrated Regional Information Systems expenditure being less than anticipated with some cost savings and $300,000 of expenditure deferred to the 2013/14 financial year.
- Regional Software Holdings Limited making a call on funds, resulting in the transfer of $753,720 of IRIS related development costs from intangible assets to investment in Regional Software Holdings Limited. Council has budgeted for the transfer to take place in the 2013/14 financial year.

Liabilities:

Creditors and payables are $438,000 higher than budget due to:

- Due to timing of year-end cut-off.

Employee benefit liabilities (current and non-current) are $215,000 higher than budget due to:

- Staff taking less leave than anticipated due to some heavy workloads on big projects undertaken across the organisation, including the development of the Regional Policy Statement, the go-live implementation of our new core regulatory system (IRIS) and the implementation of our new financial system. In addition council recognised liability for untaken flexi-time leave. Staff with high leave have agreed leave management plans with their managers to ensure leave balances and councils liability for leave is reduced.

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Chairman

8 October 2013

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Chief Executive Officer

8 October 2013

Consolidated statement of cash flows

For the year ended 30 June 2013

	Note	Council 30-Jun-13 $	Long Term Plan 30-Jun-13 $	Council 30-Jun-12 $	Consolidated 30-Jun-13 $	Consolidated 30-Jun-12 $
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from rates revenue		16,945,444	17,022,869	15,691,307	16,945,444	15,691,307
Receipts from customers		7,494,979	7,686,412	7,000,621	11,421,219	9,485,062
Interest received		2,142,447	1,945,814	1,739,607	2,171,980	1,778,242
Dividends received	6	2,233,839	1,439,289	1,660,718	6,881,057	5,286,602
Subsidies and grants received		961,224	1,486,699	952,632	1,288,724	1,600,525
Taxation refund		-	-	999,890	19,258	1,504,079
Payments to suppliers and employees/members		(26,120,957)	(26,921,570)	(23,809,281)	(30,978,984)	(28,152,812)
Interest paid		(98,215)	(1,000)	(91,970)	(88,858)	(107,843)
Income tax paid		-	-	-	(469)	(29,420)
Net goods and services tax received (paid)		213,322	-	371,374	143,029	420,479
NET CASH FROM OPERATING ACTIVITIES		**3,772,084**	**2,658,513**	**4,514,897**	**7,802,472**	**7,476,221**
CASH FLOWS FROM INVESTING ACTIVITIES						
Receipt from sale of property, plant and equipment		75,817	-	197,749	45,647	203,171
Proceeds from the sale of shares in associates and subsidiaries		-	-	-	(35,002)	-
Receipt from the sale of investment stocks and bonds		6,206,994	11,000,000	3,437,678	6,215,894	3,437,678
Purchase of other receivables		-	-	(54,799)	-	(54,799)
Investments withdrawn		-	-	-	-	608,004
Purchase of property, plant and equipment and intangible assets		(4,350,040)	(3,599,071)	(1,280,720)	(4,708,100)	(1,334,819)
Purchase of investment property		(64,556)	-	(83,351)	(732,359)	(4,054,280)
Purchase of investment stocks and bonds		-	(11,000,000)	-	-	(60,903)
NET CASH FROM INVESTING ACTIVITIES		**1,868,214**	**(3,599,071)**	**2,216,557**	**786,059**	**(1,255,948)**
CASH FLOWS FROM FINANCING ACTIVITIES						
Proceeds received from ASB facility		-	-	-	-	502,429
Dividends paid		-	-	-	(1,819,987)	(1,436,831)
Repayments made to ASB facility		-	-	-	(502,429)	-
Settlement of borrowings		-	-	-	(6,865)	(5,490)
NET CASH FROM FINANCING ACTIVITIES		**-**	**-**	**-**	**(2,329,281)**	**(939,892)**
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND BANK OVERDRAFTS		5,640,298	(940,558)	6,731,453	6,259,270	5,280,381
Cash, cash equivalents and bank overdrafts at the beginning of the year	12	10,249,654	5,287,673	3,518,200	10,725,662	5,445,281
CASH, CASH EQUIVALENTS AND BANK OVERDRAFTS AT THE END OF THE YEAR	12	**15,889,952**	**4,347,115**	**10,249,654**	**16,984,932**	**10,725,662**

The financial statements should be read in conjunction with the accounting policies and notes

Reconciliation of net surplus to the cash flows from operations

For the year ended 30 June 2013

	Note	Council 30-Jun-13 $	Council 30-Jun-12 $	Consolidated 30-Jun-13 $	Consolidated 30-Jun-12 $
Net surplus/(deficit) after taxation		**2,072,139**	**2,669,161**	**6,544,473**	**8,637,592**
Add (less) non-cash items					
Depreciation and amortisation	21 & 22	986,501	1,030,757	1,079,882	1,124,801
Deferred taxation		-	-	640,474	(95,028)
Provision for doubtful debts		843,075		843,075	-
Share of associate companies' retained surplus		-	-	(1,133,376)	(1,232,164)
Transfer of net equity of Northland Regional Council Community Trust		-	233,556	-	233,556
Other fair value adjustments		472,948	-	472,948	
Other comprehensive income adjustments		-	(520,193)	(117,333)	(2,030,964)
Impairment loss recognised		12,904	771,555	12,904	152,123
Loss on local government stocks		(437,645)	-	(437,645)	
Other non-cash items		-	-	(12,493)	(5,422)
		1,877,783	**1,515,676**	**1,348,436**	**(1,853,097)**
Movements in working capital					
Decrease (increase) in trade and other receivables		(934,730)	177,453	(414,418)	(88,093
Decrease (increase) in inventories		(19,444)	(96,240)	(19,444)	(96,240)
(Decrease) increase in tax losses carried forward		33,000	47,732	33,000	47,732
Decrease (increase) in income received in advanced		(139,154)	-	(139,154)	-
(Decrease) increase in trade and other payables		672,198	33,701	516,805	319,643
(Decrease) increase in provision for taxation		-	-	14,778	326,941
(Decrease) increase in provisions		-	-	1,196	(24,266)
(Decrease) Increase in employee benefit liabilities	25	158,555	136,242	145,543	179,793
		(229,575)	**298,888**	**138,306**	**665,510**
Movements in other activities					
Realised (gains)/loss on sale of assets/investments	5	51,737	31,172	51,737	31,172
Investment income reinvested		-	-	-	14,134
Non-operating capital items included in working capital movements		-	-	(280,480)	(19,090)
		51,737	31,172	(228,743)	26,216
Net cash flows from operating activities		**3,772,084**	**4,514,897**	**7,802,472**	**7,476,221**

Statement of Accounting Policies

For the year ended 30 June 2013

Reporting entity

Northland Regional Council is a local authority governed by the Local Government Act 2002 and is domiciled in New Zealand.

The council's group comprises the council and its subsidiary entities, namely:

- Northland Port Corporation (NZ) Ltd (53.61% owned) and its subsidiaries.
- Northland Inc. Limited (100% owned).
- Regional Software Holdings Limited (16.75% shareholding).

All Northland Regional Council subsidiaries are incorporated and domiciled in New Zealand.

The primary objective of Northland Regional Council is to provide goods or services for the community or social benefit, rather than making a financial return. Accordingly, Northland Regional Council has designated itself and the group as public benefit entities for the purposes of New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

The financial statements are for the year ended 30 June 2013. The financial statements were authorised for issue by council on 8 October 2013.

Northland Port Corporation (NZ) Limited

The Northland Regional Council owns 22,142,907 25c shares, which is 53.61% of the issued capital of the Northland Port Corporation (NZ) Limited. The shares are recorded at $7,827,563 which is the deemed cost of 21.7 million shares of $5,436,650.25 under the Northland Harbour Board Port Plan 1988, plus the cost of a parcel of shares acquired in May 2005, less the 652,294 shares sold in February 2009 as part of the share buy-back process. The company has several subsidiaries, associate companies and joint venture interests which are detailed in the Notes to the Accounts in the council's Annual Report.

Basis of preparation

The financial statements of Northland Regional Council have been prepared in accordance with the requirements of the Local Government Act 2002: Part 6, Section 98 and Part 3 of Schedule 10, which includes the requirement to comply with New Zealand's generally accepted accounting practice (NZ GAAP).

These financial statements have been prepared in accordance with NZ GAAP. They comply with NZ IFRS, and other applicable Financial Reporting Standards, as appropriate for public benefit entities.

In the interests of transparency we provide two sets of financial information:

1. The usual Generally Accepted Accounting Principles (GAAP) regulated statements of financial position, comprehensive income and the like; and
2. A Funding Impact Statement (FIS).

Key differences between these two sets of information are that the GAAP regulated financial statements – as the name suggests – must adhere to GAAP requirements.

The FIS is intended to make the sources and applications of council funds more transparent to its stakeholders than might be the case if only the usual GAAP financial statements were provided. The FIS is prescribed by the Local Government (Financial Reporting) Regulations 2011 and is required by the Local Government Act 2002. In September 2011, the External Reporting Board issued a position paper and consultation papers proposing a new external reporting framework for Public Benefit Entity (PBE). The papers proposed that accounting standards for PBEs would be based on International Public Sector Accounting Standards, modified as necessary. The proposals in these papers do not provide certainty about any specific requirements of future accounting standards. Therefore, the accounting policies on which the financial information for the year ending 30 June 2013 financial year are based on the current New Zealand equivalents to International Financial Reporting Standards.

Measurement base

The financial statements have been prepared on a historical cost basis, modified by the revaluation of certain property plant and equipment, investment property, forestry assets and available for sale financial assets and financial instruments (including derivative instruments).

Functional and presentation currency

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars ($'000). The functional currency of Northland Regional Council is New Zealand dollars. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income except when deferred in equity as qualifying cash flow hedges. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at balance sheet date.

Changes in accounting policies

There have been no changes in accounting policies during the financial year.

Standards, amendments and interpretations issued that are not yet effective and have not been early adopted.

Standards, amendments, and interpretations issued but not yet effective that have not been early adopted, and which are relevant to the council and group, are:

- **NZ IFRS 9** *Financial Instruments* will eventually replace NZ IAS 39 *Financial Instruments: Recognition and Measurement*. NZ IAS 39 is being replaced through the following three main phases: Phase 1 Classification and Measurement, Phase 2 Impairment Methodology, and Phase 3 Hedge Accounting. Phase 1 has been completed and has been published in the new financial instrument standard NZ IFRS 9. NZ IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in NZ IAS 39. The approach in NZ IFRS 9 is based on how an entity manages its financial assets (its business model) and the contractual cash flow characteristics of the financial assets. The financial liability requirements are the same as those of NZ IAS 39, except for when an entity elects to designate a financial liability at fair value through the surplus or deficit. The new standard is required to be adopted for the year ended 30 June 2016. However, as a new Accounting Standards Framework will apply before this date, there is no certainty when an equivalent standard to NZ IFRS 9 will be applied by public benefit entities.
  The Minister of Commerce has approved a new Accounting Standards Framework (incorporating a Tier Strategy) developed by the External Reporting Board (XRB). Under this Accounting Standards Framework, the council is classified as a Tier 1 reporting entity and it will be required to apply full Public Benefit Entity Accounting Standards (PAS). These standards are being developed by the XRB based on current international Public Sector Accounting Standards. The effective date for the new standards for public sector entities is expected to be for reporting periods beginning on or after 1 July 2014. This means the council expects to transition to the new standards in preparing its 30 June 2015 financial statements. As the standards are still under development, the council is unable to assess the implications of the new Accounting Standards Framework at this time.

Due to the change in the Accounting Standards Framework for public benefit entities, it is expected that all new NZ IFRS and amendments to existing NZ IFRS will not be applicable to public benefit entities. Therefore, the XRB has effectively frozen the financial reporting requirements for public benefit entities up until the new Accounting Standard Framework is effective. Accordingly, no disclosure has been made about new or amended NZ IFRS that exclude public benefit entities from their scope.

Significant accounting policies

Basis of consolidation

The purchase method is used to prepare the consolidated financial statements, which involves adding together like items of assets, liabilities, equity, income and expenses on a line-by-line basis. All significant inter-entity balances, transactions, income and expenses are eliminated on consolidation.

Northland Regional Council's investments in its subsidiaries are carried at cost in the council's own "parent entity" financial statements.

Subsidiaries

Northland Regional Council consolidates as subsidiaries in the group financial statements all entities over which the council may direct the governance policies so as to obtain benefits from the activities of the entity. This power generally exists where Northland Regional Council has an interest of 50% or more of council-controlled organisations or more than one-half of the voting rights on the governing body or where such policies have been irreversibly predetermined by council or where the determination of such policies is unable to materially impact on the level of potential ownership benefits that arise from the activities of the subsidiary.

Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The consideration transferred in an acquisition of a subsidiary reflects the fair value of the assets transferred by the acquirer and liabilities incurred by the acquirer to the former owner.

The council will recognise goodwill where there is an excess of the consideration transferred over the net identifiable assets and liabilities assumed. This difference reflects the goodwill to be recognised by the council. If the consideration transferred is lower than the net fair value of the council's interest in the identifiable assets acquired and liabilities assumed, the difference will be recognised immediately in the surplus or deficit.

Associates

The council's associate investment is accounted for in the group financial statements using the equity method. An associate is an entity over which the council has significant influence and that is neither a subsidiary nor an interest in a joint venture. The investment in an associate is initially recognised at cost and the carrying amount in the group financial statements is increased or decreased to recognise the group's share of the surplus or deficit of the associate after the date of acquisition. Distributions received from an associate reduce the carrying amount of the investment.

If the share of deficits of an associate equals or exceeds its interest in the associate, the group discontinues recognising its share of further deficits. After the group's interest is reduced to zero, additional deficits are provided for, and a liability is recognised, only to the extent that the council has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports surpluses, the group will resume recognising its share of the surpluses only after its share of the surpluses equals the share of deficits not recognised.

When the group transacts with associate, surpluses or deficits are eliminated to the extent of the group's interest in the associate.

Dilution gains or losses arising from investments in associates are recognised in the surplus or deficit.

The investment in the associate is carried at cost in the council's parent entity financial statements.

Joint ventures

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. Northland Port Corporation is party to several joint venture arrangements. For these and council's jointly controlled operations, council recognises in its financial statements the group's share of the assets, liabilities, revenues and expenses using the proportional consolidation method.

Revenue

Revenue is measured at the fair value of the consideration received or receivable.

Rates revenue

Rates are set annually by a resolution from council and relate to a financial year. All ratepayers are invoiced within the financial year to which the rates have been set. Rates revenue is recognised and brought to account when the rates are payable.

Other revenue

User fees and charges

User fees and charges are recognised and brought to account when invoices are issued for services provided and contracts completed. Revenue from the rendering of services is recognised by reference to the stage of completion of the transaction at balance date, based on the actual service provided as a percentage of the total services provided.

Government grants

Government grants and subsidies are recognised as revenue when the primary conditions of entitlement have been met.

Sales of goods

Sale of goods is recognised when a product is sold to a customer. Sales are usually in cash or by credit card. The recorded revenue is the gross amount of the sale, including credit card fees payable for the transaction. Such fees are included in other expenses.

Where revenue is derived by acting as an agent for another party, the revenue that is recognised is the commission or fee on the transaction.

Interest and dividends

Interest income is recognised using the effective interest method.

Dividends are recognised when the right to receive payment has been established. Dividend income is recorded at the cash amount received, being net of taxation imputation credits.

Rental income

Rental income from investment property is recognised in the Statement of Comprehensive Income on a straight-line basis over the term of the lease. Lease incentives are recognised as part of the total rental income.

Funds collected for other organisations

Funds are collected for other organisations, including central government. Any funds held at balance date are included in current liabilities. Amounts collected on behalf of third parties are not recognised as revenue, except for the commissions or fees earned.

Vested assets

Where a physical asset is acquired for nil or nominal consideration, the fair value of the asset received is recognised as revenue. Assets vested in the council are recognised as revenue when control over the asset is obtained.

Construction contracts

Contract revenue and contract costs are recognised as revenue and expenses, respectively, by reference to the stage of completion of the contract as balance date. The stage of completion is measured by reference to the contract costs incurred, up to the balance date, as a percentage of total estimated costs for each contract.

Contract costs include all costs directly related to specific contracts, costs that are specifically chargeable to the customer under the terms of the contract and an allocation of overhead expenses incurred in connection with the group's construction activities in general. An expected loss on construction contracts is recognised immediately as an expense in the surplus or deficit.

Where the outcome of a contract cannot be reliably estimated, contract costs are recognised as an expense as incurred, and where it is probable that the costs will be recovered, revenue is recognised to the extent of costs incurred.

Construction work in progress stated at the aggregate of contract costs incurred, to date, plus recognised profits less recognised losses and progress billings. If there are contracts in which progress billings exceed the aggregate costs incurred, plus profits less losses, the net amounts are presented under as liability.

Expenditure

Expenditure is recognised when goods and services have been received.

Borrowing costs

The council and group have elected to defer the adoption of NZ IAS 23 borrowing costs (revised 2007) in accordance with its transitional provisions that are applicable to public benefit entities. Consequently, all borrowing costs are recognised as an expense in the period in which they are incurred.

Northland Port Corporation (NZ) Limited recognises borrowing costs as an expense when incurred, except for costs associated with eh construction of any qualifying asset which are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale.

Upon consolidation any borrowing costs capitalised by Northland Port Corporation (NZ) Limited, or included in the fair value of their assets, are eliminated.

Grant expenditure

Nondiscretionary grants are those grants that are awarded when the grant application meets the specified criteria and are recognised as expenditure when an application that meets the specified criteria for the grant has been received.

Discretionary grants are those grants where the council has no obligation to award on receipt of the grant application and are recognised as expenditure when a successful applicant has been notified of the council's decision.

Foreign currency transactions

Foreign currency transactions (including those for which forward foreign exchange contracts are held) are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and form the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the surplus or deficit.

Income tax

The income tax expense includes both current and deferred tax.

Current tax is the amount of income tax payable based on the taxable profit for the current year, plus any adjustments to income tax payable in respect of prior years. Current tax is calculated using rates that have been enacted or substantively enacted by balance date.

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable surplus.

Deferred tax is measured at the tax rates that are expected to apply when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at balance date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the entity expects to recover or settle the carrying amount of its assets and liabilities.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset and liability in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting surplus nor taxable surplus.

Current tax and deferred tax is recognised against the surplus or deficit for the period, except to the extent that it relates to a business combination, or to transactions recognised in other comprehensive income or directly in equity.

Leases

Operating leases

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

Finance leases

A finance lease is a lease that transfers to the lessee substantially all the risks and rewards incidental to ownership of an asset, whether or not title is eventually transferred.

At the commencement of the lease term, finance leases are recognised as assets and liabilities on the statement of financial position at the lower of the fair value of the leased item or the present value of the minimum lease payments.

The finance charge is charged to the surplus or deficit over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability.

The amount recognised as an asset is depreciated over its useful life. If there is no certainty as to whether the council will obtain ownership at the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts.

Bank overdrafts are shown within borrowings in current liabilities in the Statement of Financial Position.

Debtors and other receivables

Short term debtors and other receivables are recorded at their face value, less any provision for impairment.

Impairment of a receivable is established when there is objective evidence that the council will not be able to collect amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, receivership or liquidation, and default in payments are considered indicators that the debt is impaired. The amount of the impairment is the difference between the assets carrying amount and the present value of the estimated future cash flows, discounted using the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the surplus or deficit. When the receivable is uncollectable, it is written off against the allowance for receivables. Overdue receivables that have been renegotiated are reclassified as current (that is, not past due).

Derivative financial instruments and hedging accounting

Derivative financial instruments are used to manage exposure to foreign exchange and interest rate risks arising from financing activities. In accordance with its treasury policy, the council does not hold or issue derivative financial instruments for trading purposes.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value at each balance date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and, if so, the nature of the item being hedged.

The associated gains or losses of derivatives that are not hedge accounted are recognised in the surplus or deficit.

The council and group designate certain derivatives as either:

- Hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or
- Hedges of highly probably forecast transactions (cash flow hedge).

The council and group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The council and group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The full fair value of a hedge accounted derivative is classified as a noncurrent asset if the remaining maturity of the hedged item is more than 12 months and as a current asset if the remaining maturity of the hedged item is less than 12 months.

The full fair value of a non-hedge accounted foreign exchange derivative is classified as current if the contract is due for settlement within 12 months of balance date; otherwise, foreign exchange derivatives are classified as non-current. The portion of the fair value of a non-hedge accounted interest rate derivative that is expected to be realised within 12 months of the balance date is classified as current, with the remaining portion of the derivative classified as non-current.

- **Fair value hedge**
  The gain or loss from remeasuring the hedging instrument at fair value, along with the changes in the fair value on the hedged item attributable to the hedged risk, is recognised in the surplus or deficit. Fair value hedge accounting is only applied for hedging fixed interest risk on borrowings.

  If the hedge relationship no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to the surplus or deficit over the period to maturity.
- **Cash flow hedge**
  The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income and the ineffective portion of the gain or loss on the hedging instrument is recognised in the surplus or deficit as part of "finance costs".

  If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains or losses that were recognised directly other comprehensive income are reclassified into the surplus or deficit in the same period or periods during which the asset acquired, or liability assumed, affects the surplus or deficit. However, if the council or the group, expects that all, or a portion of a loss, recognised in other comprehensive income will not be recovered in one or more future periods, the amount that is not expected to be recovered is reclassified in the surplus or deficit.

  When a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, or a forecast transaction for a non-financial asset or a non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, then the associated gains and losses that were recognised in other comprehensive income will be included in the initial cost or carrying amount of the asset or liability.

  If a hedging instrument expires or is sold, terminated, exercised or revoked, or it no longer meets the criteria for hedge accounting, the cumulative gain or loss on the hedging instrument has been recognised in other comprehensive income from the period when the hedge was effective will remain separately recognised in other comprehensive income until the forecast transaction occurs. When the forecast transaction is no longer expected to occur, any related cumulative gain or loss on the hedging instrument that remains recognised in other comprehensive income from the period when the hedge was effective will be from other comprehensive income to the surplus or deficit.

The council's subsidiary, Northland Port Corporation (NZ) Limited, uses derivative financial instruments to hedge exposure to foreign exchange and interest rate risks arising from financing activities.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value at each balance date.

The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The accounting policies detailed above are applied.

Other financial assets

Financial assets are initially recognised at fair value plus transaction costs unless they are carried at fair value through surplus or deficit in which case the transaction costs are recognised in the surplus or deficit.

Purchases and sales of financial assets are recognised on trade-date, the date on which the council commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the council has transferred substantially all the risks and rewards of ownership.

Northland Regional Council classifies its financial assets into the following four categories:

- Financial assets at fair value through surplus or deficit;
- Loans and receivables;
- Held-to-maturity investments; and
- Financial at fair value through other comprehensive income.

The classification depends on the purpose for which the investments were/was acquired.

- ***Financial assets at fair value through surplus or deficit***
  Financial assets at fair value through surplus or deficit include financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of short term profit taking. Derivatives are also categorised as held for trading unless they are designated as hedge accounting relationship for which hedge accounting is applied.

Financial assets acquired principally for the purpose of selling in the short term or part of a portfolio classified as held for trading are classified as a current asset. The current/non-current classification of derivatives is explained in the derivatives accounting policy above.

After initial recognition, financial assets in this category are measured at their fair values. Gains or losses on re-measurement are recognised the surplus or deficit.

Financial assets in this category include investment in quoted shares and interest rate swaps not qualifying as hedges by Northland Port Corporation (NZ) Limited, and investment of the Community Investment Fund.

- ***Loans and receivables***
  Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance date, which are included in noncurrent assets.

  Council's loans and receivables comprise cash and cash equivalents, debtors and other receivables, and term depositions. After initial recognition, they are measured at amortised cost using the effective interest method, less impairment. Loans and receivables issued with duration of less than 12 months are recognised at their nominal value. Gains or losses when the asset is impaired or derecognised are recognised in the surplus or deficit. Loans and receivables are classified as "trade and other receivables" in the Statement of Financial Position.

  Prepayments comprise significant items of expenditure having a benefit to more than one accounting period and are written off over the period to which they relate.

- ***Held to maturity investments***
  Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the council has the positive intention and ability to hold to maturity. They are included in current assets, except for maturities greater than 12 months after the balance date, which are included in noncurrent assets.

  Council does not hold any held-to-maturity investments.

  After initial recognition they are measured at amortised cost using the effective interest method, less impairment. Gains or losses when the asset is impaired or derecognised are recognised in the surplus or deficit.

- ***Financial assets at fair value through other comprehensive income***
  Financial assets at fair value through other comprehensive income are those that are designated into the category at initial recognition or are not classified in any of the other categories above. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance date.

  This category includes:
  - Investments in quoted shares that have been designated in Treasury Management policy as being available for sale;
  - Investments that are intended to be held long term but which may be realised before maturity; and
  - Shareholdings that are held for strategic purposes.

  After initial recognition, these investments are measured at their fair value, with gains and losses recognised directly in equity except for impairment losses, which are recognised in the surplus or deficit.

  On derecognition, the cumulative gain or loss previously recognised in equity is recognised other comprehensive income is reclassified from equity to the surplus or deficit.

Included in this category are the council's investments in Local Authority stocks. Fair value for these investments is provided by ETOS and is determined by reference to published price quotations in an active market.

Impairment of financial assets

At each balance date the council assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the surplus or deficit.

- ***Loans and other receivables, and held-to maturity investments***
  Impairment of a loan or a receivable is established when there is objective evidence that council will not be able to collect amounts due according to the original terms. Significant financial difficulties of the debtor/issuer, probability that the debtor/issuer will enter into bankruptcy, and default in payments are considered indicators that the asset is impaired. The amount of the impairment is the difference between the assets' carrying amount and the

present value of estimated future cash flows, discounted using the original effective interest rates. For debtors and other receivables, the carrying amount is reduced through the use of an allowance account, and the amount of the loss is recognised in the surplus or deficit. When the receivable is uncollectable, it is written off against the allowance account. Overdue receivables that have been renegotiated are reclassified as current (that is, not past due). Impairment in term deposits, local authority stock, government stock and community loans, impairment losses are recognised directly against the instrument's carrying amount.

- ***Financial assets at fair value through other comprehensive income***
  For equity investments, a significant or prolonged decline in the fair value of the investment below its cost is considered objective evidence of impairment.

  For debt investments, significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, and default in payments are considered objective indicators that the asset is impaired.

  If impairment evidence exists for investments at fair value through other comprehensive income, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the surplus or deficit) recognised in other comprehensive income is reclassified from equity to the surplus or deficit.

  Equity instrument impairment losses recognised in the surplus or deficit are not reversed through the surplus or deficit.

  In a subsequent period the fair value of the debt instrument increases and the increase can be objective related to an event occurring after the impairment loss was recognised, the impairment loss is reversed in the surplus or deficit.

Inventories

Inventories (such as stores and materials) held for distribution or consumption in the provision of services that are not supplied on a commercial basis are measured at the lower cost, adjusted when applicable, for any loss of service potential. Where inventories are acquired at no cost or for nominal consideration, the cost is the current replacement cost at the date of acquisition.

Inventories held for use in the production of goods and services on a commercial basis are valued at the lower of cost at net realisable value. The cost of purchased inventory is determined using the FIFO method.

The amount of any write-down for the loss of service potential or from cost to net realisable value is recognised in the surplus or deficit in the period of the write-down.

When land held for development and future resale is transferred from investment property/property, plant and equipment to inventory, the fair value of the land at the date of the transfer is its deemed cost.

Costs directly attributed to the development land are to be capitalised to inventory, with the exception of infrastructural asset costs which are capitalised to property, plant, and equipment.

Marsden to Oakleigh rail corridor designation is made up of the costs directly attributable to securing the rail corridor designation. This inventory asset is held for distribution. The future economic benefit or service potential of this asset is not directly related to council's ability to generate future cash inflows. The value of this inventory is at cost and when applicable, will be adjusted for any loss of service potential. Council will transfer the rail corridor to KiwiRail once KiwiRail has entered into an unconditional contract for the construction of the entire Marsden Point Rail Link.

Non-current assets held for sale

Non-current assets held for sale are classified as held for sale if their carrying amount will be recovered principally through a sale transaction, not through continuing use. Non-current assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Any impairment losses for write-downs of non-current assets held for sale are recognised in the surplus or deficit.

Any increases in fair value (less costs to sell) are recognised up to the level of any impairment losses that have been previously recognised.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale.

Property, plant and equipment

Property, plant and equipment consist of:

Operational assets – these include land, buildings, amenities, plant and equipment, navigational aids, vehicles and vessels and dredging equipment.

Infrastructure assets – infrastructure assets are the assets that comprise the Awanui River flood management system and other river management schemes as they are developed, including stop-banks and floodgates.

Restricted assets –there are no restrictions on the assets of the Northland Regional Council or the Northland Regional Council Community Trust.

Restrictions are outlined in note 21 on the assets of the Northland Port Corporation (NZ) Ltd.

Property, plant and equipment is shown at cost or valuation, less accumulated depreciation and impairment losses.

Revaluation

All assets are initially valued at cost. Those asset classes that are re-valued are re-valued with sufficient regularity to ensure that their carrying amount does not differ materially from fair value. Except for land and buildings and infrastructure assets, all other asset classes are carried at depreciated historical costs.

Land and buildings

Northland Regional Council re-values the land and buildings' asset class annually.

Infrastructure assets

Northland Regional Council re-values infrastructure assets class (River Management Schemes) every three years. Infrastructure assets are valued at replacement cost.

Infrastructure assets components include gates, pipes, outlets and stop banks. Depreciation is not provided for on stop-bank components of the infrastructure assets. An asset management plan has been prepared for this scheme and, in the absence of significant flood events, the stop-banks are not considered to deteriorate. The Awanui River flood management scheme assets are tested annually for impairment. The Awanui River flood management scheme will be revalued again in the financial year ending 30 June 2014.

Northland Port Corporation (NZ) Limited re-values certain classes of asset. Revaluations of property, plant and equipment are accounted for on a class of asset basis. Those asset classes that are re-valued are valued annually, on the basis described below. All other asset classes are carried at depreciated historical cost.

The results of revaluing are credited or debited to Other Comprehensive Income and are accumulated to an asset revaluation reserve in equity for that class of asset. Where this would result in a debit balance in the asset revaluation reserve, this balance is not recognised in Other Comprehensive Income but is recognised in the surplus or deficit. Any subsequent increase on revaluation that reverses a previous decrease in value recognised in the surplus or deficit will be recognised first in the surplus or deficit up to the amount previously expensed, and then recognised in other comprehensive income.

Additions

The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the council and the cost of the item can be measured reliably.

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

Subsequent costs

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to the council and the cost of the item can be measured reliably.

Disposals

Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount of the asset. Gains and losses on disposals are reported in the surplus or deficit. When re-valued assets are sold, the amounts included in asset revaluation reserves in respect of those assets are transferred to accumulated funds.

Depreciation

Depreciation is provided on a straight-line basis on all property, plant and equipment other than land, owner-occupied buildings and infrastructure assets (except for stop-banks as described under the revaluation section), at rates that will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives.

Owner occupied buildings are re-valued annually and no depreciation is charged on these assets.

The useful lives and associated depreciation and amortisation rates of major classes of assets have been estimated as follows:

Buildings	5-100 years	1-20%
Amenities	5-100 years	1-20%
Forest	10 years	10%
Plant and equipment	2-20 years	5-50%
Navigational aids	10 years	10%
Vehicles	7-8 years	12.5- 14.2%
Vessels and dredging equipment	10-25 years	4-10%
Infrastructure assets	50-80 years	1.25-2%
Computer software	4-5 years	20-25%

The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year end.

Operational land and buildings

The freehold port land (excluding land held for resale) owned by Northland Port Corporation (NZ) Limited is re-valued annually at fair value, as determined by market-based evidence, by an independent valuer.

Amenities owned by Northland Port Corporation (NZ) Limited are not re-valued but recorded at a cost which, in the opinion of the directors, approximates fair value.

Land and buildings held by Northland Regional Council are re-valued annually at fair value, as determined by market-based evidence, by an independent valuer.

Capital projects in progress

Capital expenditure projects not completed by balance date are recorded at cost.

Intangible assets

Goodwill

Goodwill on acquisition of businesses and subsidiaries is included in "intangible assets". Goodwill on acquisition of associates is included in "investments in associates" and is tested for impairment as part of the overall investment balance.

Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. An impairment loss recognised for goodwill is not reversed.

Goodwill is allocated to cash-generating units for the purposes of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

Software acquisition and development

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs that are directly associated with the development of software for internal use by council are recognised as an intangible asset. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

Staff training costs are recognised in the surplus or deficit when incurred.

Costs associated with maintaining computer software are recognised as an expense, when incurred.

Amortisation begins when the asset is available for use, and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in the surplus or deficit.

The useful lives and associated amortisation rates for major classes of intangible assets have been estimated as follows:

Impairment of property, plant and equipment and intangible assets

Intangible assets that have an indefinite useful life, or are not yet available for use, are not subject to amortisation and are tested annually for impairment. Assets not yet available for use are recorded at cost in the capital projects in progress account. Assets that have a finite life are reviewed for indicators of impairment at each balance date. When there is an indicator of impairment the asset's recoverable amount is estimated. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value, less costs to sell and value in use.

Value in use is the depreciated replacement cost for an asset where the future economic benefits or service potential of the asset are not primarily dependent on the asset's ability to generate net cash inflows and where the entity would, if deprived of the asset, replace its remaining future economic benefits or service potential.

The value in use for cash-generating assets and cash-generating uses is the present value of expected future cash flows.

If an asset's carrying amount exceeds its recoverable amount, the asset is impaired and the carrying amount is written down to the recoverable amount. For re-valued assets, the impairment loss is recognised against the revaluation reserve for that class of asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in the surplus or deficit.

For assets not carried at a re-valued amount, the total impairment loss is recognised in the surplus or deficit.

The reversal of an impairment loss on a re-valued asset is credited to the revaluation reserve. However, to the extent that an impairment loss for that class of asset was previously recognised in the Statement of Comprehensive Income, a reversal of the impairment loss is also recognised in the surplus or deficit.

For assets not carried at a re-valued amount (other than goodwill), the reversal of an impairment loss is recognised in the surplus or deficit.

Easements

Easements are recognised at cost, being the costs directly attributable to bringing the asset to its intended use. Easements have an indefinite useful life and are not amortised, but are instead tested for impairment annually.

Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight line basis over its useful life.

Forestry assets

Forestry assets are independently re-valued, annually, by Chandler Fraser Keating Ltd at fair value less estimated point-of-sale costs. Fair value is the amount for which the forest asset would be expected to exchange between a willing buyer and a willing seller in an arm's length transaction, after proper marketing, wherein the parties have each acted knowledgeably and without compulsion. Fair value is derived using a combination of the expectation value (or income) approach and the cost-based approach. Under the expectation value approach, the net present value is calculated by discounting to the present day the projected net cash flow of the forest in perpetuity. The calculated net present value is then linked to sales evidence through the application of a discount rate derived from the analysis of actual transactions. The cost-based approach is also employed in the valuation because the tree crop is a young, second rotation forest (80% by value are less than 10 years of age) and this approach better reflects how the market would likely view the tree crop value.

Gains or losses arising on initial recognition of biological assets at fair value less estimated point-of-sale costs, and from a change in fair value less estimated point-of-sale costs, are recognised in the surplus or deficit.

The costs to maintain the forestry assets are included as an expense in surplus or deficit.

New Zealand Units (Forestry) – Emissions Trading scheme

The council has 291 hectares of pre-1990 forest land. This land is subject to the provisions of the New Zealand emissions trading scheme ('ETS"). The implication of this for the financial statements is two-fold:

- Should the land be deforested (that is, the land is changed from forestry to some other purpose), a deforestation penalty will arise; and
- As a result of the deforestation restriction, compensation units are being provided by the Government.

Compensation is to be provided to forestry owners, via the allocation of compensation units, known as New Zealand Units (NZU) in two tranches. Council received the first tranche of 6,693 units in December 2010 and received a further 10,767 NZU in January 2013.

Compensation units are recognised at deemed cost based on the fair value at the date of receipt (that is, historic value). The credits are recognised when they have been received and are recognised as income in the Statement of Comprehensive Income. Gains and losses on disposal are determined by comparing the disposal proceeds with the carrying amount of the NZU. Gains and losses on disposals are reported in the surplus or deficit.

If at the end of any financial year there has been some deforestation (such as harvesting) that is yet to be replanted, a contingent liability will be disclosed until such time as replanting has occurred. Council's Forest Management Plan prescribes replanting will always take place subsequent to any harvest.

After initial recognition, Emission Trading Scheme credits are measured at their fair values with gains or losses on re-measurement recognised in the surplus or deficit.

Investment property

Properties leased to third parties under operating leases are classified as investment property unless the property is held to meet service delivery objectives rather than to earn rentals or for capital appreciation.

Investment property is measured initially at its cost, including transaction costs.

After initial recognition, council measures all investment property at fair value, as determined annually by Telfer Young (Northland) Ltd who are independent valuers, and who have recent experience in the location and category of the investment property being valued and hold a recognised and relevant professional qualification. Fair value is the price at which the property could be exchanged between knowledgeable, willing parties in an arm's length transaction. The fair value of investment property reflects, among other things, rental income from current leases and reasonable and supportable assumptions that represent what knowledgeable, willing parties would assume about rental income from future leases in the light of current conditions.

Gains or losses arising from a change in the fair value of investment property are recognised in the surplus or deficit.

Creditors and other payables

Creditors and other payables are recorded at their face value.

Borrowings

Borrowings are initially recognised at their fair value plus transaction costs. After initial recognition, all borrowings are measured at amortised cost using the effective interest method.
Borrowings are classified as current liabilities unless the council or group has an unconditional right to defer settlement of the liability for at least 12 months after balance sate

Employee entitlements

Short term employee entitlements

Employee benefits that are expected to be settled within 12 months of balance date are measured at nominal values based on accrued entitlements at current rates of pay.

These include salaries and wages accrued up to balance date, annual leave earned to, but not yet taken at balance date, retiring and long service leave entitlements expected to be settled within 12 months, and sick leave.

Council recognises a liability for sick leave to the extent that absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the extent that council anticipates it will be used by staff to cover those future absences.

Council recognises that a liability and an expense are recognised for bonuses where contractually obliged, or where there is a past practice that has created a constructive obligation.

Long-term employee entitlements

Entitlements that are payable beyond 12 months, such as long service leave and retirement leave, have been calculated on an actuarial basis. The calculations are based on:

- Likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement and contractual entitlements information; and
- The present value of the estimated future cash flows.

These estimated amounts are discounted to their present value using the 10-year government bond rate.

Presentation of employee entitlements

Sick leave, annual leave, vested long service leave, and non-vested long service leave and retirement gratuities expected to be settled within 12 months of balance date, are classified as a current liability. All other employee entitlements are classified as a non-current liability.

Superannuation schemes

Obligations for contributions to Kiwi Saver are accounted for as defined contribution superannuation schemes are recognised as an expense in the surplus or deficit when incurred.

Provisions

A provision for future expenditure of uncertain amount or timing is recognised when there is a present obligation (either legal or constructive) as a result of a past event. It is probable that expenditures will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligations. The increase in the provision due to the passage of time is recognised as an interest expense and is included in "finance costs".

Equity

Equity is the community's interest in the Northland Regional Council and is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into a number of reserves.

The components of equity are:

- Accumulated funds;
- Special reserves;
- Restricted reserves;
- Asset revaluation reserves; and
- Fair value through other comprehensive income reserve.

Special reserves are a component of equity generally representing a particular use to which various parts of equity have been assigned. Reserves may be legally restricted or created by the council.

Restricted reserves include the Land Management Reserve, Priority Rivers Reserve, Hātea River Reserve, Recreational Facilities Reserve, Awanui River Management Reserve, Kaihū River Management Reserve, Whāngārei Urban Rivers Reserve, Kaeo River Management Reserve, Infrastructure Facilities Reserve and Environment Fund Reserve. These reserves are restricted by law and reflect targeted rates that must be applied to the specific activities for which the rates were collected. Other reserves are established by the council and may be altered at the discretion of the council.

Goods and services tax (GST)

All items in the financial statements are stated exclusive of GST, except for receivables and creditors and other payables, which are stated on a GST inclusive basis. GST not recoverable as input tax is recognised as part of the related asset or expense.

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.

The net GST paid to, or received from the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the Statement of Cash Flows.

Commitments and contingencies are disclosed exclusive of GST.

Budget figures

The budget figures are those approved by the council in its Long Term Plan 2012-2022. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted by the council for the preparation of the financial statements.

Cost allocation

Northland Regional Council has derived the cost of service for each significant activity of the council using the cost allocation system outlined below.

Direct costs are those costs directly attributable to a significant activity. Indirect costs are those costs, which cannot be identified in an economically feasible manner, with a specific significant activity.

Inter-departmental direct costs are charged to the applicable department at the time the cost is incurred.

Indirect costs are charged to significant operating activities using appropriate cost drivers such as actual usage and staff numbers.

Financial risk management objectives and polices

Council has a series of policies to manage the risks associated with financial instruments. Council is risk averse and seeks to minimise exposure from its treasury activities. Council has established Liability Management and Investment policies. These policies are council approved and were included in the Long Term Plan. These policies do not allow any transactions that are speculative in nature to be entered into.

The group's principal financial instruments comprise the investment portfolio, finance leases and cash and short term deposits. The group has various other financial assets and liabilities such as trade receivables and trade payables which arise directly from its operations. The main risk arising from the group's financial instruments are cashflow interest rate risk, liquidity risk, foreign currency risk and credit risk.

Details of the significant accounting policies and methods adopted include the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset. Financial liabilities are disclosed in the notes to the financial statements.

Financial instrument risk

The Northland Regional Council has policies to manage the risk associated with financial instruments. Council is risk averse and seeks to minimise exposure from its treasury activities. Council has established borrowing and investment policies. These policies do not allow any transactions that are speculative in nature to be entered into.

Market risk

Price risk

Price risk is the risk the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices. Equity securities price risk arises on listed share investments, which are classified as financial assets held at fair value through other comprehensive income. For council this only includes the former Northland Regional Council Community Trust fund investments. This price risk arises due to market movements in listed shares. Equity securities price risk is not managed.

Fair value interest rate risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Northland Regional Council's exposure to fair value interest rate risk is limited to interest-bearing investments within the portfolio.

Northland Port Corporation (NZ) Ltd has risk from its long term debt obligations with a floating interest rate. To mitigate this risk, derivate interest rate swap contracts are periodically entered into under which the company is obligated to receive interest at floating rates and to pay interest at fixed rates.

Cash flow interest rate risk

Cash flow interest rate risk is the risk that the cash flows from a financial instrument will fluctuate because of changes in market interest rates. Investments at variable interest rates expose the Northland Regional Council and group to cash flow interest rate risk.

The policies of the Northland Regional Council require a spread of investment maturity dates to limit exposure to short term interest rate movements.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Council has some exposure to currency risk resulting from $2M (NZD) Community Investment Fund investment in Schroder's Equity Fund. Advice was sought and followed from an independent investment advisor and when deemed appropriate a hedge was taken out to protect council against risk of adverse movements.

Northland Port Corporation (NZ) Ltd foreign exchange risk is considered minimal, therefore, a sensitivity analysis has not been performed.

Credit risk

Credit risk is the risk that a third party will default on its obligation to the council and group, causing it to incur a loss. Due to the timing of its cash inflows and outflows, surplus cash is invested into term deposits, local authority stock, and government bonds which give rise to credit risk.

Northland Regional Council investments are invested in accordance with the Treasury Management Policy which has a low risk profile. Investments are made with creditworthy institutions as determined by their Standard and Poors credit rating. Investment of surplus cash is limited to Local Authority and Government Stock and approved corporate bonds and deposits with New Zealand registered banks.

On 1 July 2012, council took responsibility for the investment of the former Northland Regional Council Community Trust Fund – now referred to as the Community Investment Fund. A Statement of Investment Policies and Objectives (SIPO) The SIPO was approved by council in October 2012. The SIPO ensures investment risk is managed within acceptable parameters.

Northland Port Corporation (NZ) Ltd manages its credit exposure by only trading with recognised, credit worthy parties and by limiting the amount of funds placed with any one financial institute at any one time.

Accordingly, the group has no significant concentrations of credit risk.

Liquidity risk

Liquidity risk is the risk that Northland Regional Council will encounter difficulty raising liquid funds to meet commitments as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and availability of funding through the investment portfolio. The vast majority of the investment portfolio is very liquid and able to be sold on the same day.

Northland Port Corporate (NZ) Limited manages its exposure to liquidity risk by maintaining a balance between continuity of funding and flexibility through the use of bank loans, overdrafts and committed available credit lines.

Capital management

The council's capital is its equity (or ratepayers' funds), which comprises 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. Ratepayers' funds are largely managed as a by-product of managing revenues, expenses, assets, liabilities, investments, and general financial dealings.

The objective of managing these items is to achieve intergenerational equity, which is a principle promoted in the Act and applied by the council. Intergenerational equity requires today's ratepayers to meet the costs of using the council's assets and not expecting them to meet the full costs of long term assets that will benefit ratepayers in future generations. Additionally, the council has in place asset management plans for major classes of assets, detailing renewal and maintenance programmes to ensure ratepayers in future generations are not required to meet the costs of deferred renewals and maintenance.

The Act requires the council to make adequate and effective provision in its Long Term Plan and in its Annual Plan (where applicable) to meet the expenditure needs identified in those plans. The Act also sets out the factors that the council is required to consider when determining the most appropriate sources of funding for each of its activities. The sources and levels of funding are set out under Funding and Financial Policies in council's Long Term Plan.

Reserves for different areas of benefit are used where there is a discrete set of rate or levy payers as distinct from the general rate. Any surplus or deficit relating to these separate areas of benefit is applied to the specific reserves. Self-insurance reserves are built up annually from general or sometimes targeted rates and are made available for specific unforeseen events. The release of these funds is approved by council.

Critical accounting estimates and assumptions

In preparing these financial statements estimates, assumptions have been made concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances.

Notes to the financial statements

For the year ended 30 June 2013

Note 1: Summary of council cost of services	**Note**	**Council 30-Jun-13 $**	**Long Term Plan 30-Jun-13 $**	**Council 30-Jun-12 $**	**Consolidated 30-Jun-13 $**	**Consolidated 30-Jun-12 $**
Income						
Resource management		10,047,854	10,660,474	9,040,856	-	-
Economic development		4,053,958	4,144,462	2,841,645	-	-
Transport		3,627,512	4,016,200	3,625,046	-	-
Hazard management		1,521,948	1,467,547	1,110,884	-	-
River management		2,194,875	2,129,490	2,045,130	-	-
Community representation and engagement		1,420,913	1,445,850	1,009,706	-	-
Support services		14,346,379	12,376,469	14,672,375	-	-
Total activity income and rates as per cost and funding statements		**37,213,438**	**36,240,492**	**34,345,642**	**-**	**-**
Add/(Remove)						
Internal charges and overheads recovered		(7,039,051)	(6,283,987)	(6,354,277)	-	-
Other gains not attributable to an Activity		1,232,548	71,727	891,281	-	-
Total revenue as per statement of comprehensive income		**31,406,935**	**30,028,232**	**28,882,646**	**-**	**-**
Expenditure						
Resource management		14,275,150	13,992,012	13,216,259	-	-
Economic development		3,191,072	3,182,206	2,505,933	-	-
Transport		3,941,885	4,492,360	3,874,526	-	-
Hazard management		1,746,950	1,721,155	1,568,807	-	-
River management		2,214,243	2,136,456	1,341,511	-	-
Community representation and engagement		2,279,835	2,362,838	2,002,270	-	-
Support services		6,443,554	5,432,541	6,718,362	-	-
Total expenditure as per activity cost and funding statements		**34,092,690**	**33,319,569**	**31,227,668**	**-**	**-**
Add/(Remove)					-	-
Internal charges and overheads recovered		(7,039,051)	(6,283,987)	(6,354,277)	-	-
Other losses not attributable to an Activity		1,261,655	-	1,261,494	-	-
Depreciation and amortisation		986,501	1,067,449	1,030,757		
TOTAL EXPENDITURE AS PER STATEMENT OF COMPREHENSIVE INCOME		**29,301,796**	**28,103,031**	**27,165,643**	-	-
Operating expenditure disclosed as:						
Personnel costs	9	10,522,650	10,404,100	9,953,470	11,997,858	11,317,484
Depreciation and amortisation	21 & 22	986,501	1,067,449	1,030,757	1,079,882	1,124,801
Finance costs	5	98,215	1,000	91,970	112,610	107,758
Other expenditure on activities		16,432,775	16,630,482	14,827,952	19,097,132	17,909,691
Other losses		1,261,656	-	1,261,494	1,261,656	636,640
		29,301,796	**28,103,031**	**27,165,642**	**33,549,137**	**31,096,375**

DEPRECIATION AND AMORTISATION EXPENSE BY GROUP OF ACTIVITY	Note	Council 30-Jun-13 $	Long Term Plan 30-Jun-13 $	Council 30-Jun-12 $
Resource management		248,841	280,555	268,822
Economic development		-	-	-
Transport		69,302	149,872	136,647
Hazard management		1,176	16,459	-
River management		24,118	53,916	24,887
Community representation and engagement		1,000	26,601	1,852
Support services		642,064	540,048	598,550
Total directly attributable depreciation and amortisation by group of activity		**986,501**	**1,067,449**	**1,030,757**
Depreciation and amortisation not directly related to group of activities		-	-	-
Total depreciation and amortisation expense		**986,501**	**1,067,449**	**1,030,757**

Note 2: Other expenses	Note	Council 30-Jun-13 $	Long Term Plan 30-Jun-13 $	Council 30-Jun-12 $	Consolidated 30-Jun-13 $	Consolidated 30-Jun-12 $
Operating expenditure includes:						
Audit fees paid to principal auditor:						
Audit fees for financial statement audit of council		126,885	122,000	123,319	233,273	260,759
Audit fees for financial statement audit of CCO		-	-	9,405	-	9,405
Audit fees for Long Term Plan/Annual Plan audit		-	-	71,789	-	71,789
Fees for other services		-	-	-	4,601	18,592
Audit fees paid to other auditors		-	-	-	2,979	1,480
Directors'/councillors' fees and trustee remuneration		514,113	527,791	521,569	696,792	692,853
Donations		750,000	750,000	1,073,121	650,670	871,696
Insurance premiums		166,148	240,516	290,359	166,148	290,359
Operating lease payments		-	-	-	183,600	100,454
Bad debts written off		2,767	-	60,617	2,767	60,617
Rates arrears written off		159,546	-	178,311	159,546	178,311
Impairment of receivables (note 13)		843,075	250,000	659,508	843,075	659,508
Direct operating expenditure on investment properties		507,797	154,332	259,708	994,506	769,929
Operating grant to Northland Inc. Limited		1,000,000	1,000,000	-	-	-
Consultants and contractors		2,926,716	3,196,567	2,616,300	2,987,039	2,616,300
Contracted works		2,895,134	3,220,369	2,780,818	2,895,134	2,780,818
Electricity		123,789	122,000	129,568	123,789	129,568
Environment Fund grants		647,044	570,000	518,156	647,044	518,156
Poisons and field works		427,655	460,000	390,758	427,655	390,758
Commercial testing		413,479	441,330	262,561	413,479	262,561
Rates collections costs paid to territorial authorities		726,789	737,378	721,602	726,789	721,602
Other operating expenses		4,201,838	4,838,199	4,160,482	6,938,245	6,504,175
		16,432,775	**16,630,482**	**14,827,952**	**19,097,132**	**17,909,691**

Note 3: Rates revenue	**Council 30-Jun-13 $**	**Long Term Plan 30-Jun-13 $**	**Council 30-Jun-12 $**	**Consolidated 30-Jun-13 $**	**Consolidated 30-Jun-12 $**
Targeted rates attributable to activities					
Targeted council services rate	7,205,293	7,279,686	6,822,522	7,205,293	6,822,522
Targeted land management rate	5,226,906	5,348,014	4,466,946	5,226,906	4,466,946
Regional recreational facilities rate	1,216,408	1,226,775	1,195,390	1,216,408	1,195,390
Regional infrastructure rate	602,273	593,544	586,094	602,273	586,094
Rescue helicopter service rate	614,587	621,115	607,740	614,587	607,740
Whāngārei transport rate	413,259	415,983	403,219	413,259	403,219
Kāitaiā transport rate	78,227	79,869	-	78,227	-
Awanui River management rate	408,016	422,859	402,022	408,016	402,022
Kaihū River management rate	88,446	78,612	82,701	88,446	82,701
Kaeo River management rate	141,902	130,787	139,029	141,902	139,029
Kerikeri Waipapa river management rate	183,735	182,773	-	183,735	-
Whāngārei urban rivers management rate	641,189	642,852	566,419	641,189	566,419
Rates penalties	582,167	-	501,404	582,167	501,404
Total revenue from rates	**17,402,408**	**17,022,869**	**15,773,486**	**17,402,408**	**15,773,486**

Rates remissions and postponements

Rates revenue is shown net of rates remissions postponements and early payment discounts. Northland Regional Council's rates remission and postponement policy allows it to remit or postpone rates as per the Rates Remission and Postponement Policies of the district councils who collect Northland Regional Council's rates on its behalf. Whāngārei District Council offers an early payment discount if rates are paid in full at the first instalment of 20 August.

	Council 30-Jun-13 $	**Long Term Plan 30-Jun-13 $**	**Council 30-Jun-12 $**	**Consolidated 30-Jun-13 $**	**Consolidated 30-Jun-12 $**
Total rates revenue	**18,248,933**	**17,022,869**	**16,659,627**	**18,248,933**	**16,659,627**
Rates remissions					
Kaipara	2,965	-	11,860	2,965	11,860
Whāngārei	296,725	-	219,107	296,725	219,107
Far North	216,377	-	323,873	216,377	323,873
Rates Postponements					
Kaipara	-	-	-	-	-
Whāngārei	54,581	-	45,533	54,581	45,533
Far North	275,877	-	285,768	275,877	285,768
Total remissions and postponements	**846,525**	**-**	**886,141**	**846,525**	**886,141**
Rates revenue net of remissions and postponements	**17,402,408**	**17,022,869**	**15,773,486**	**17,402,408**	**15,773,486**

Non-rated land

Under the Local Government (Rating) Act 2002 certain properties cannot be rate for generated rates. These properties include schools, places of religious worship, public gardens and reserves.

Non-rateable land does not constitute a remission under the council's rates remission policy.

Note 4: Subsidies and grants	**Council 30-Jun-13 $**	**Long Term Plan 30-Jun-13 $**	**Council 30-Jun-12 $**	**Consolidated 30-Jun-13 $**	**Consolidated 30-Jun-12 $**
Subsidies and grants	961,224	1,486,699	952,632	1,188,724	952,632
Total subsidies and grants	**961,224**	**1,486,699**	**952,632**	**1,188,724**	**952,632**

Government subsidies and grants are principally from New Zealand Transport Agency for passenger services, transport and strategy development and from Maritime New Zealand for oil spill clean-up.

There are no unfulfilled conditions and other contingencies attached to these grants and subsidies.

Note 5: Finance income and finance costs	**Council 30-Jun-13 $**	**Long Term Plan 30-Jun-13 $**	**Council 30-Jun-12 $**	**Consolidated 30-Jun-13 $**	**Consolidated 30-Jun-12 $**
Interest income:					
• Term and bank deposits	552,132	-	204,155	581,688	244,641
• Investment stock and bonds	683,096	1,171,666	1,168,659	683,096	1,466,329
• Community Investment Fund	535,613	680,113	-	535,613	-
• Joint venture	300,770	245,550	296,981	300,770	296,981
• Investment and growth fund	-	94,577	60,867	-	60,867
Total finance income	**2,071,611**	**2,191,906**	**1,730,661**	**2,101,167**	**2,068,817**
Finance costs					
Interest expense	98,215	1,000	91,970	112,610	107,758
Total finance costs	**98,215**	**1,000**	**91,970**	**112,610**	**107,758**
Net finance income	**1,973,396**	**2,190,906**	**1,638,691**	**1,988,557**	**1,961,059**

Note 6: Fees and charges and other revenue	**Council 30-Jun-13 $**	**Long Term Plan 30-Jun-13 $**	**Council 30-Jun-12 $**	**Consolidated 30-Jun-13 $**	**Consolidated 30-Jun-12 $**
Fees and charges	3,934,565	4,227,294	4,419,316	3,744,263	5,517,335
Fees and charges	**3,934,565**	**4,227,294**	**4,419,316**	**3,744,263**	**5,517,535**
Rental income from investment properties	3,570,740	3,588,448	3,454,552	4,676,848	3,908,462
Dividend income – Northland Port Corporation (NZ) Limited	2,103,576	1,439,289	1,660,718	-	240,786
Dividend income – other investments	130,263	-	-	180,520	-
Sundry income	-	-	-	-	612,849
Northland Port Corporation (NZ) Limited:					
• Other income	-	-	_	24,298	21,380
Northland Regional Council Community Trust: • Realised income/(deficit) from equities	-	-	_	-	(472,718)
Other revenue	**5,804,579**	**5,027,738**	**5,115,270**	**4,881,666**	**4,310,759**

Note 7: Gains	**Note**	**Council 30-Jun-13 $**	**Long Term Plan 30-Jun-13 $**	**Council 30-Jun-12 $**	**Consolidated 30-Jun-13 $**	**Consolidated 30-Jun-12 $**
Non-financial instruments						
Gain on changes in fair value of investment property	17	557,182	-	841,648	360,555	2,350,564
Gain on changes in fair value of forestry assets	23	152,800	71,727	23,439	152,800	23,439
Total non-financial instruments gains/(losses)		**709,982**	**71,727**	**865,087**	**513,355**	**2,374,003**
Financial instruments						
Gain/(loss) on disposal of financial Investments		437,645		26,194	751,605	28,049
PIE excluded income		-	-	-	-	28,720
Foreign exchange gains		84,920	-	-	84,920	(2,794)
Total financial instruments gains/(losses)		522,566	-	26,194	836,526	53,975
Total gains/(losses)		**1,232,548**	**71,727**	**891,281**	**1,349,881**	**2,427,978**

The fair value gains and losses on investment property and forestry assets arise from the annual revaluation of these investments.

Note 8: Other losses	**Note**	**Council 30-Jun-13 $**	**Long Term Plan 30-Jun-13 $**	**Council 30-Jun-12 $**	**Consolidated 30-Jun-13 $**	**Consolidated 30-Jun-12 $**
Non-financial instruments						
Net loss on disposal of property, plant and equipment		51,737	-	57,366	51,737	51,944
Net loss on changes in fair value buildings		972,678	-	344,895	972,678	344,895
Total non-financial instruments gains/(losses)		**1,024,415**	**-**	**402,260**	**1,024,415**	**396,838**
Financial instruments						
Loss on changes in fair value of financial investments		210,252	-	-	210,252	-
Impairment loss recognised		12,904	-	771,555	12,904	152,123
Emission Trading Scheme – NZU		14,084	-	87,678	14,084	87,678
Total financial instruments		**237,240**	**-**	**859,233**	**237,240**	**239,801**
Total losses		**1,261,656**	**-**	**1,261,494**	**1,261,656**	**636,640**

Note 9: Personnel costs	**Note**	**Council 30-Jun-13 $**	**Long Term Plan 30-Jun-13 $**	**Council 30-Jun-12 $**	**Consolidated 30-Jun-13 $**	**Consolidated 30-Jun-12 $**
Salaries and wages		10,194,008	10,235,231	9,672,958	11,629,375	11,036,972
Employer contributions to defined contribution plans		170,087	168,869	144,269	170,087	144,269
Increase/(decrease) in employee benefit liabilities	25	158,555	-	136,243	198,396	136,243
Total personnel costs		**10,522,650**	**10,404,100**	**9,953,470**	**11,997,858**	**11,317,484**

Salary and wage costs include salaries, wages, leave and other employee-earned compensation.

Employer contributions to defined contribution plans include contributions to KiwiSaver and the National Provident Fund, Pension National Scheme and Lump Sum National contributions scheme.

Note 10: Taxation

	Note	Council 30-Jun-13 $	Council 30-Jun-12 $	Consolidated 30-Jun-13 $	Consolidated 30-Jun-12 $
Components of tax expense					
Current tax expense /(credit)		-	-	12,774	(162,909)
Adjustments to current tax in prior periods		33,000	(952,158)	33,000	(952,158)
Deferred tax asset		-	-	623,712	64,614
		33,000	**(952,158)**	**669,486**	**(1,050,453)**
Relationship between tax expense and accounting profit					
Surplus/(deficit) before tax		2,105,139	1,717,003	7,213,959	7,587,139
Taxation at 28%		589,439	480,761	2,019,910	2,124,400
Adjusted for tax effects					
Tax paid on associate companies' earnings		-	-	(292,019)	(312,265)
Non-assessable income		246,817	639,809	780,618	658,231
Non-deductible expenses		(182,000)	(1,073,121)	(131,939)	(1,072,849)
Under (over) provision prior year		33,000	(952,158)	33,000	(929,563)
Imputation credits		(836,256)	(711,736)	(2,716,008)	(2,182,693)
Carried forward losses derecognised		-	-	537,488	-
Tax losses not recognised		182,000	664,287	438,436	664,287
Tax expense/(credit)		**33,000**	**(952,158)**	**669,486**	**(1,050,453)**

Deferred tax asset/(liability)	Property plant and equipment $	Financial instrument $	Employee entitlement $	Other provisions $	Losses $	Total $
COUNCIL						
Balance at 30 June 2011	-	-	-	-	-	-
Charged to Statement of Financial Performance	-	-	-	-	-	-
Charged to equity	-	-	-	-	-	-
Balance at 30 June 2012	-	-	-	-	-	-
Charged to Statement of Financial Performance	-	-	-	-	-	-
Charged to equity	-	-	-	-	-	-
Balance at 30 June 2013	-	-	-	-	-	-
GROUP						
Balance at 30 June 2011	**(76,957)**	**-**	**-**	**25,380**	**630,489**	**578,912**
Charged to Statement of Financial Performance	(53,228)	-	-	(11,386)	159,643	95,029
Charged to equity	-	-	-	-	-	-
Balance at 30 June 2012	**(130,185)**	**-**	**-**	**13,994**	**790,132**	**673,941**
Charged to Statement of Financial Performance	(79,303)	-	-	-	(561,173)	(640,476)
Charged to equity	-	-	-	-	-	-
Balance at 30 June 2013	**(209,488)**	**-**	**-**	**13,994**	**228,959**	**33,465**

A deferred tax asset has not been recognised in relation to tax losses in Northland Regional Council of $5,282,414 (2012: $4,632,414).

Northland Inc. Limited has unrecognised taxation losses carried forward of $121,089 (2012: $281,992). As at 30 June 2013, Northland Inc. Limited had no imputation available for use in subsequent periods.

As at 30 June 2013 Northland Port Corporation (NZ) Ltd group has unrecognised taxation losses carried forward amounting to $1,009,539 available for offset against future assessable income (2012 $766,477).

Note 11: Equity

	Council 30-Jun-13 $	Council 30-Jun-12 $	Consolidated 30-Jun-13 $	Consolidated 30-Jun-12 $
Accumulated funds is made up of:				
As at 1 July	110,828,306	110,137,253	129,052,706	125,932,262
Surplus/ (deficit) for year	2,072,139	2,669,161	3,349,332	5,098,430
Transfers from special reserves	2,648,304	506,028	2,648,304	506,028
Transfers to special reserves	(4,008,721)	(2,484,136)	(4,008,721)	(2,484,136)
Dividends Paid	-	-	-	122
Share buyback	-	-	-	-
Loss on disposal of subsidiary	-	-	(14,340)	-
As at 30 June	**111,540,028**	**110,828,307**	**131,027,281**	**129,052,707**
Other reserves				
Asset revaluation reserve				
As at 1 July	2,000,201	2,025,201	43,609,080	45,060,650
Revaluation gains/(losses) - buildings	-	-	-	-
Revaluation gains/(losses) - land	60,000	(25,000)	(346,977)	(1,451,570)
Revaluation gains/(losses) - infrastructure assets	-	-	-	-
Transfer to retained earnings on disposal of land, buildings and infrastructure assets	-	-	-	-
As at 30 June	**2,060,201**	**2,000,201**	**43,262,103**	**43,609,080**
Asset revaluation reserve consists of:				
Land	953,790	893,790	42,155,692	42,502,669
Buildings	-	-	-	-
Infrastructure assets	1,106,411	1,106,411	1,106,411	1,106,411
Total	2,060,201	2,000,201	43,262,103	43,609,080
Financial assets at fair value through comprehensive income				
As at 1 July	238,079	419,212	238,079	419,212
Transfer to/(from) accumulated funds	(100,320)	(181,133)	(100,320)	(181,133)
As at 30 June	**137,759**	**238,079**	**137,759**	**238,079**
Special reserves				
Land Management reserve				
As at 1 July	**1,357,847**	**1,392,847**	**1,357,847**	**1,392,847**
Transfer to/(from) accumulated funds	280,192	(35,000)	280,192	(35,000)
As at 30 June	**1,638,039**	**1,357,847**	**1,638,039**	**1,357,847**
Awanui River reserve				
As at 1 July	**14,934**	**90,316**	**14,934**	**90,316**
Transfer to/(from) accumulated funds	(78,216)	(75,382)	(78,216)	(75,382)
As at 30 June	**(63,282)**	**14,934**	**(63,282)**	**14,934**
Kaihū River reserve				
As at 1 July	**5,330**	**(9,453)**	**5,330**	**(9,453)**
Transfer to/(from) accumulated funds	45,692	14,783	45,692	14,783
As at 30 June	**51,022**	**5,330**	**51,022**	**5,330**
Kaeo Whangaroa River reserve				
As at 1 July	**69,523**	**63,900**	**69,523**	**63,900**
Transfer to/(from) accumulated funds	(42,391)	5,623	(42,391)	5,623
As at 30 June	**27,132**	**69,523**	**27,132**	**69,523**
Whāngārei Urban River reserve				
As at 1 July	**381,699**	**-**	**381,699**	**-**
Transfer to/(from) accumulated funds	(2,001,813)	381,699	(2,001,813)	381,699
As at 30 June	**(1,620,114)**	**381,699**	**(1,620,114)**	**381,699**

Note 11: Equity continued

	Council 30-Jun-13 $	Council 30-Jun-12 $	Consolidated 30-Jun-13 $	Consolidated 30-Jun-12 $
Kerikeri Waipapa River reserve				
As at 1 July	-	-	-	-
Transfer to/(from) accumulated funds	132,296	-	132,296	-
As at 30 June	**132,296**	**-**	**132,296**	**-**
Priority Rivers reserve				
As at 1 July	**(140,553)**	**(258,470)**	**(140,553)**	**(258,470)**
Transfer to/(from) accumulated funds	120,000	117,917	120,000	117,917
As at 30 June	**(20,553)**	**(140,553)**	**(20,553)**	**(140,553)**
Infrastructure Facilities reserve				
As at 1 July	**(1,274,248)**	**(1,383,832)**	**(1,274,248)**	**(1,383,832)**
Transfer to/(from) accumulated funds	144,340	109,584	144,340	109,584
As at 30 June	**(1,129,908)**	**(1,274,248)**	**(1,129,908)**	**(1,274,248)**
Recreational Facilities reserve				
As at 1 July	**(6,775,370)**	**(7,073,303)**	**(6,775,370)**	**(7,073,303)**
Transfer to/(from) accumulated funds	1,744,157	297,933	1,744,157	297,933
As at 30 June	**(5,031,213)**	**(6,775,370)**	**(5,031,213)**	**(6,775,370)**
Investment Fund reserve				
As at 1 July	**8,335,297**	**8,335,297**	**8,335,297**	**8,335,297**
Transfer to/(from) accumulated funds	-	-	-	-
As at 30 June	**8,335,297**	**8,335,297**	**8,335,297**	**8,335,297**
Forest income equalisation fund				
As at 1 July	**2,351,748**	**2,401,748**	**2,351,748**	**2,401,748**
Transfer to/(from) accumulated funds	(398,972)	(50,000)	(398,972)	(50,000)
As at 30 June	**1,952,776**	**2,351,748**	**1,952,776**	**2,351,748**
Hātea River Maintenance reserve				
As at 1 July	**70,575**	**127,189**	**70,575**	**127,189**
Transfer to/(from) accumulated funds	66,980	(56,614)	66,980	(56,614)
As at 30 June	**137,555**	**70,575**	**137,555**	**70,575**
Environment Fund reserve				
As at 1 July	**130,051**	**117,473**	**130,051**	**117,473**
Transfer to/(from) accumulated funds	(126,912)	12,578	(126,912)	12,578
As at 30 June	**3,139**	**130,051**	**3,139**	**130,051**
Investment and Growth reserve				
As at 1 July	**1,544,019**	**-**	**1,544,019**	**-**
Transfer to/(from) accumulated funds	1,316,978	1,544,019	1,316,978-	1,544,019
As at 30 June	**2,860,997**	**1,544,019**	**2,860,997**	**1,544,019**
Kaitaia Bus Reserve				
As at 1 July	**-**	**-**	-	**-**
Transfer to/(from) accumulated funds	7,158	-	7,158	-
As at 30 June	**7,158**	**-**	7,158	**-**
Approved carry forwards - general funds				
As at 1 July	**247,072**	**536,104**	**247,072**	**536,104**
Transfer to/(from) accumulated funds	150,928	(289,032)	150,928	(289,032)
As at 30 June	**398,000**	**247,072**	**398,000**	**247,072**

Note 11: Equity continued	Council 30-Jun-13 $	Council 30-Jun-12 $	Consolidated 30-Jun-13 $	Consolidated 30-Jun-12 $
Hedging reserve				
As at 1 July	-	-	(267,364)	(284,972)
Gains/losses recognised	-	-	141,130	17,608
Transfer to/(from) accumulated funds	-	-	-	(284,972)
As at 30 June	**-**	**-**	**(126,234)**	**(267,364)**
Total other reserves at 30 June	**9,876,301**	**8,556,204**	**50,951,969**	**49,897,719**
Non-controlling interest	**-**	**-**	**59,462,161**	**58,317,050**
TOTAL EQUITY AT 30 JUNE	**121,416,330**	**119,384,511**	**241,441,411**	**237,267,473**

Reconciliation of non-controlling interest	Consolidated 30-Jun-13 $	Consolidated 30-Jun-12 $
Balance at 1 July	**58,317,050**	**57,434,049**
Share of surplus/(deficit)	2,965,098	2,319,954
Dividends paid	(1,819,987)	(1,436,953)
Balance at 1 July	**59,462,161**	**58,317,050**

Section 112(b)(iii) of the Local Government Act defines borrowing as the use for any purpose, of funds received or invested by the local authority for any other purpose. Schedule 10 (27) requires council to disclose internal borrowing, including the amount of the borrowings, funds borrowed and repaid during the year and the amount of any interest paid (if any) in relation to the internal borrowing by each group of activity. The special reserves listed above show the net movement and net/(deficit) balance of each reserve. Council recognises a number of reserves and the purpose of these reserves is provided in the table overleaf.

A summary of internal borrowing by each group of activity is provided in the following table:

Internal borrowings	Opening Balance 1-Jul-2012 $	2012-2013 Funds Borrowed $	2012-2013 Funds Repaid $	Closing Balance 30-Jun-2013 $	2012-2013 Interest Charged $
Economic development	8,049,618	-	(1,892,519)	6,157,099	694,733
River management	(396,633)	2,080,029	-	1,683,396	30,205
Hazard management	140,553		(120,000)	20,553	3,000
Total	**7,793,538**	**2,080,029**	**(2,012,519)**	**7,861,048**	**727,938**

Information about council reserve funds held for a specific purpose is provided in the following table:

Reserve name	Purpose	Activities that may be funded from reserve
Land Management Reserve	This reserve was created to set aside Land Management Rates collected but not fully used in any given year. The reserve is to be maintained at a targeted fund of $1.5M. The reserve reduces the need for borrowing in the event of an emergency and may also be used for internally loaning/borrowing for advancing operating and capital activities for which the Land Management rate is collected and targeted River Management Schemes. The Land Management Reserve can be used to fund emergency events such as remedial storm expenditure on a case-by-case basis. The Chief Executive Officer has delegation to incur expenditure of up to $500,000 to enable the council to fund agreed expenditure from this reserve. The criteria for acceptable expenditure are as follows: 1. Matching of government and district contributions to provide financial assistance for repair work for significant events; 2. Restoration work affecting one or more rivers, following a major flooding event; 3. Urgent work to reduce the immediate flood risk; 4. Storm damage repairs within a special rating area under the relevant Flood Management Plans.	Civil defence and emergency management, natural hazard management, river management, land and biodiversity, biosecurity
Priority Rivers Reserve	This reserve was created to account for an accelerated or advance spending on the Priority Rivers Project.	Natural hazard management
Awanui River Scheme Reserve	This reserve was created to hold any Targeted Awanui River Management Rates collected and unspent in any given year to cover any future funding shortfalls of river works required as part of the Awanui River Flood Management Scheme.	River management
Kaeo-Whangaroa River Scheme Reserve	This reserve was created to hold any Targeted Kaeo-Whangaroa River Management Rates collected and unspent in any given year to cover any future funding shortfalls of river works required as part of the Kaeo-Whangaroa River Flood Management Scheme.	River management
Kaihū River Scheme Reserve	This reserve was created to hold any Targeted Kaihū River Management Rates collected and unspent in any given year to cover any future funding shortfalls of river works required as part of the Kaihū River Flood Management Scheme.	River management
Kerikeri-Waipapa River Scheme Reserve	This reserve was created to hold any Targeted Kerikeri-Waipapa River Management Rates collected and unspent in any given year to cover any future funding shortfalls of river works required as part of the Kerikeri-Waipapa River Flood Management Scheme.	River management
Whāngārei Urban Rivers Scheme Reserve	This reserve is to be created to hold any Targeted Whāngārei Urban Rivers Management Rates collected and unspent in any given year to cover any future funding shortfalls of river works required as part of the Whāngārei Urban Rivers Management Scheme.	River management
Hātea River Maintenance	This reserve was created to set aside a component of the Council Services Rate specifically levied across the Whāngārei constituency to ensure funding is immediately available in the event dredging of the Hātea river is required. The funds may be applied to the following: 1. Ongoing maintenance and dredging; 2. Disposal of dredged spoil material; 3. The provision of an annual hydrographic survey of the river. The reserve is to be maintained at a targeted fund of $200,000.	Harbour safety and navigation
Kaitaia Bus Reserve	This reserve is to be created to hold any targeted Kaitaia Transport Rates collected and unspent in any given year to cover any future funding shortfalls of Kaitāia bus service.	Transport

Reserve name	Purpose	Activities that may be funded from reserve
Recreational Facilities Reserve	This reserve was established to set aside any targeted Regional Recreational Facilities Rates collected and not fully used in any given year for the purpose of funding the Events Centre. This reserve represents the internal borrowing associated with $13M contribution made by council towards the establishment of the Northland Events Centre. The rate was levied from 1 July 2006 and it is expected to continue from approximately 15 years.	Economic development
Investment Fund Reserve	This reserve was established to hold the proceeds of a commercial property and special dividend (capital) payment made by the Northland Port Corporation (NZ) Limited. The funds are general funds and are set aside to be reinvested in income producing assets. The funds are currently invested in cash, stocks and bonds and the revenue is treated as general investment income..	All
Investment and Growth Reserve	The reserve was created to set aside the investment income redirected to be made available for activities and projects that contribute towards economic well-being. Council will allocate monies from the reserve to projects in accordance with set criteria.	Economic development
Infrastructure Facilities Reserve	This reserve was created to set aside any targeted Infrastructure Rates collected and not fully used in any given year for the purpose of funding future infrastructure projects.	Economic development
Forest Income Equalisation Reserve	This reserve was created to set aside 50% of council's forestry net income arising in any harvesting year. This reserve is intended to provide future funding of council's general operating activities by allowing council to use these funds for any council activity to smooth future rating increases. It is further intended that this fund be used to fund the cost of forestry operations in non-harvesting years. Where a high degree of uncertainty exists around activity expenditure requirements, council has agreed to budget conservatively on the basis that if a budget overrun eventuates, these overruns can be funded from the Forest Equalisation Reserve. Council considers that funding contingent expenditure and one-off spikes in expenditure from this reserve to be fairer on ratepayers as it can be used to reduce the effects of rates increases that are not required to be sustained. During the Long Term Plan 2012-2022, council proposes to fund the following expenditure from this reserve: • triennial election costs of approximately $140,000 per election; • the further call from Riskpool of $44,000 expected in the 2013/14 financial year; • provision for doubtful debts (rates) of $250,000 for years one to five of the plan; • software maintenance for IRIS of $72,240 in year two.	All
Environment Fund Reserve	This reserve was created to set aside any rates revenue collected specifically for the Environment Fund that is not incurred in any single financial year. This fund allows council to make available any unspent funds in subsequent financial years.	Land and biodiversity
Asset Revaluation Reserves	Asset revaluation reserves represent the unrealised gains in the value of assets owned by Northland Regional Council.	All
Community Investment Fund Reserve	This reserve was created for the establishment of the Community Investment Fund from its transfer from NRCCT and for the transfers of the inflation adjustment for the capital sum of the Fund.	Economic development
Approved carry forwards	Approved carry forwards are amounts approved to be carried forward from one financial year to the next to enable specific work programmes to be completed. All carry forwards are approved by way of council resolution.	All

Information about Northland Port Corporation (NZ Limited) reserve funds held for a specific purpose is provided in the following table.

Reserve name	Purpose	Activities that may be funded from reserve
Hedging reserve (associate)	The hedging reserve represents hedging gains and losses recognised on the effective portion of cash flow hedges. The cumulative deferred gain or loss on the hedge is recognised in profit or loss when the hedged transaction itself impacts project or loss. The current year movements in the hedging reserve relate to the associate entity Northport Limited including its 50% holding in North Tugz Limited. The amounts reflected in this note are net of tax (if any).	N/A

Note 12: Cash and cash equivalents	Council 30-Jun-13 $	Council 30-Jun-12 $	Consolidated 30-Jun-13 $	Consolidated 30-Jun-12 $
Cash on hand at trading banks	2,001,118	1,549,654	2,097,145	2,070,273
Term deposits with maturities less than 3 months	12,000,000	8,700,000	12,998,959	8,700,000
Community Investment Fund – term deposits with maturities less than 3 months	1,888,833	-	1,888,833	-
Total cash and cash equivalents	**15,889,952**	**10,249,654**	**16,984,938**	**10,770,273**

The carrying value of cash at bank and term deposits, with maturities less than three months, approximate their fair value.

There were no cash or cash equivalent balances held at 30 June 2013 that were not available for use by the group.

Northland Port Corporation (NZ) Limited

Term Deposits

Current account deposits held with the ASB Bank are non-interesting bearing. At balance date, funds held on call deposit with the ASB Bank yield interest at 3.15% (June 2012: 2.5%).

Bank Overdraft

At balance date, the interest rate on the overdraft for Northland Port Corporation (NZ) Limited Group's $400,000 overdraft facility was 9.55% (June 2012: $400,000, 9.30%).

Bank Loan

ASB Bank has registered a mortgage over certain land owned by the company. The subject land is situated at 711 Marsden Point Highway, Marsden Point and has current carrying value of $1,000,000.

Note 13: Debtors and other receivables	Note	Council 30-Jun-13 $	Council 30-Jun-12 $	Consolidated 30-Jun-13 $	Consolidated 30-Jun-12 $
Rates receivables		5,349,204	3,791,216	5,349,204	3,791,216
Other receivables		2,047,895	2,037,759	2,330,098	2,814,207
GST receivable		158,052	371,374	366,758	383,503
Related party receivables	33	48,346	311,189	95,780	356,238
Prepayments		63,543	220,773	88,121	246,796
Gross debtors and other receivables		7,667,041	6,732,311	8,229,962	7,591,960
Less provision for impairment of receivables		(2,770,334)	(1,927,259)	(2,770,334)	(1,927,259)
Total trade and other receivables		**4,896,707**	**4,805,052**	**5,459,628**	**5,664,701**

Fair value

Trade and other receivables are non-interest bearing and receipt is normally on 30-day terms, therefore the carrying value of trade and other receivables approximates their fair value.

There is no concentration of credit risk outside the group, as the group has a large number of customers which spreads the risk.

Note 13: Debtors and other receivables continued

Impairment

As of 30 June 2013 and 2012, all overdue rates receivables have been assessed for impairment and appropriate provisions applied. Northland Regional Council holds no collateral as security or other credit enhancements over receivables that are either past due or impaired.

The impairment provision has been calculated based on expected losses for Northland Regional Council's rates debtors. Expected losses have been determined based on an analysis of the Council's individual receivables, based on objective evidence.

	2013			2012		
Movements in the provision for impairment of receivables are as follows:	Gross $	Impairment $	Net $	Gross $	Impairment $	Net $
Council						
Not past due	3,126,566	-	3,126,566	4,608,197	-	4,608,197
Past due 1-60 days	20,197	-	20,197	33,202	-	33,202
Past due 61-120 days	84,661	-	84,661	163,653	-	163,653
Past due > 120 days	4,435,617	(2,770,334)	1,665,284	1,927,259	(1,927,259)	-
TOTAL	**7,667,041**	**(2,770,334)**	**4,896,707**	**6,732,311**	**(1,927,259)**	**4,805,052**
Group						
Not past due	3,689,487	-	3,689,487	5,467,846	-	5,467,846
Past due 1-60 days	20,197	-	20,197	33,202	-	33,202
Past due 61-120 days	84,661	-	84,661	163,653	-	163,653
Past due > 120 days	4,435,617	(2,770,334)	1,665,283	1,927,259	(1,927,259)	-
TOTAL	**8,229,962**	**(2,770,334)**	**5,459,628**	**7,591,960**	**(1,927,259)**	**5,664,701**

The impairment provision has been calculated based on expected losses for council's pool of receivables. Expected losses have been determined based on an analysis of council's losses in previous periods, and a review of specific receivables, as detailed below.

	Council 30-Jun-13 $	Council 30-Jun-12 $	Consolidated 30-Jun-13 $	Consolidated 30-Jun-12 $
Individual impairment	21,237	19,257	21,237	19,257
Collective impairment	2,749,096	1,908,002	2,749,096	1,908,002
Total provision for impairment	**2,770,334**	**1,927,259**	**2,770,334**	**1,927,259**

Individually impaired receivables have been determined to be impaired because of the significant financial difficulties being experienced by the debtor. An analysis of these individually impaired debtors are as follows.

	Council 30-Jun-13 $	Council 30-Jun-12 $	Consolidated 30-Jun-13 $	Consolidated 30-Jun-12 $
Past due 1-60 days	-	-	-	-
Past due 61-120 days	-	-	-	-
Past due > 120 days	21,237	19,257	21,237	19,257
Total individual impairment	**21,237**	**19,257**	**21,237**	**19,257**
Movements in the provision for impairment of receivables are as follows:				
At 1 July	**1,927,259**	**1,267,711**	1,927,259	**1,267,711**
Additional provisions made during the year	1,005,388	898,476	1,005,388	898,476
Receivables written off during the period	(162,313)	(238,928)	(162,313)	(238,928)
At 30 June	**2,770,334**	**1,927,259**	**2,770,334**	**1,927,259**

Northland Regional Council holds no collateral as security or any other credit enhancements over receivables that are either past due or impaired.

Note 14: Inventories

	Council 30-Jun-13 $	Council 30-Jun-12 $	Consolidated 30-Jun-13 $	Consolidated 30-Jun-12 $
Stores and materials	92,121	124,129	92,113	124,121
Marsden to Oakleigh Rail Corridor Designation	3,035,866	2,984,409	3,035,866	2,984,409
	3,127,987	**3,108,539**	**3,127,979**	**3,108,531**

Stores and materials

Inventories are made up of consumables and inventories held for resale. Consumables are materials or supplies which will be consumed in conjunction with the delivery of services. These predominantly comprise poisons and traps used in the eradication of pests to the environment. Inventories held for resale within the council also comprise mainly poisons and traps sold to the general public.

Marsden to Oakleigh Rail Corridor Designation

Marsden to Oakleigh Rail Corridor Designation relates to council's share of the designation costs incurred by KiwiRail and the rail corridor component of the acquired land. The rail corridor will be transferred to KiwiRail once KiwiRail has entered into an unconditional contract for the construction of the entire Marsden Point Rail Link. It is expected council will vest the rail corridor to KiwiRail at no cost. KiwiRail is continuing to review its rail corridors and the Marsden Point Rail Link is not expected to be built in the foreseeable future. This accounting treatment is in accordance with Accounting Standard NZ IAS 2: Inventories. Refer to Note 29 for further information on the joint venture between council and KiwiRail.

There has been no write-down of inventory. No inventory is pledged as security for liabilities.

Note 15: Derivative financial instruments

The group is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in interest rates and foreign exchange rates in accordance with its financial risk management policies. Associates of the Group periodically enter into interest rate swap contracts under which they are obliged to receive interest at floating rates and to pay interest at fixed rates.

At 30 June 2013, the associate entity Northport Limited, together with its associate North Tugz Ltd, were party to fixed interest swap contracts with principal amounts totalling $40,000,000 and $4,000,000 respectively (2012 - $57,000,000 and $8,950,000).

Note 16: Other receivables

	Council 30-Jun-13 $	Council 30-Jun-12 $	Consolidated 30-Jun-13 $	Consolidated 30-Jun-12 $
Other receivables	5,395,453	5,256,299	5,395,453	5,256,299
	5,395,453	**5,256,299**	**5,395,453**	**5,256,299**

Other receivables relate to the outstanding amount owed to council from KiwiRail relating to the NRC/KiwiRail Unincorporated Joint Venture. Refer to Note 29 for further information on the Joint venture between council and KiwiRail.

In January 2009 KiwiRail and Northland Regional Council entered into a Rail Corridor Acquisition Agreement to secure the Marsden Point rail corridor.

In the agreement, it was agreed that council would acquire the land and KiwiRail would procure the designation for the Marsden Point rail link.

The parties agreed to share equally in the cost of acquiring and holding and managing the land, the cost of subdividing the rail corridor, the cost of obtaining the designation, the income from leasing the land and the costs and proceeds arising from disposing of the surplus land.

There were no impairment provisions for other receivables.

Note 17: Investment property	Note	Council 30-Jun-13 $	Council 30-Jun-12 $	Consolidated 30-Jun-13 $	Consolidated 30-Jun-12 $
Balance at 1 July		47,674,257	48,321,000	93,174,257	88,321,000
Additions from acquisitions		64,562	83,348	761,189	4,074,432
Transfers to property inventory asset (rail corridor)		-	(1,571,740)	-	(1,571,740)
Fair value gains/(losses) on valuation	7	557,182	841,648	360,555	2,350,564
Balance at 30 June		**48,296,001**	**47,674,256**	**94,296,000**	**93,174,256**

Council

Investment properties are stated at fair value, effective 30 June 2013. The valuation has been undertaken by Telfer Young (Northland) Ltd who are independent valuers that hold a recognised and relevant professional qualification and who have recent experience. Values for investment properties valued under NZ IAS 40 have been assessed primarily on a market related basis where sufficient data is available. For commercial properties, rentals, investment return rates and land improvement levels have been related directly to a wide range of Northland sales evidence while for rural blocks direct sales analysis has been used.

The council's investment properties comprise ground leases of $36,865,000 (2012: $36,990,000) and land and buildings held for investment purposes of $9,216,000 (2012: $8,526,000) and properties purchased along the proposed Marsden Point rail corridor of $2,215,000 (2012: $2,158,253). Ground leases are parcels of land owned by the council, while the buildings on the ground leases are owned by other parties (building owners). The land has been leased to the building owners mostly for 21 years, but includes five and seven year perpetuity renewable terms. The land and buildings are held for investment purposes are properties that are not held for operational purposes and are leased to external parties. The properties purchased in the Oakleigh to Marsden Point area contain land and some residential buildings. The properties include land that is to be designated for the proposed rail corridor and subdivided to secure the route of the proposed Oakleigh to Marsden Point rail link. A total of eight properties have been purchased. Seven of these properties were purchased during 2007/08 and 2008/09 and one further property was purchased in 2010/11. The total acquisition cost of these properties is $11,322,000 with council’s half share being an inventory asset (made up of the land comprising the rail corridor) of $1,571,739 (2012: $1,571,739) and investment property $2,215,000 (2012: $2,158,253).

A Joint Venture has been established between Northland Regional Council and KiwiRail, to advance the proposed rail corridor. In accordance with the Joint Venture agreement, council has purchased a number of properties along the proposed rail corridor. While council has full legal title and full ownership rights to these properties, the accounting treatment must be based on the economic substance of the agreement. The land is deemed to be a jointly controlled asset, therefore, council and KiwiRail will each recognise a 50% share of the land. Council will have a receivable from KiwiRail to account for the remaining 50% share of security interest held in the ownership of the land. Council has recognised the liability owed by KiwiRail for their 50% share of the cost of the properties and their 50% share of all other associated costs as Other Receivables, refer note 16. Following approval of the rail designation in May 2012, the value of the acquired properties relating to the rail corridor and the injurious affection impact to the residual land is transferred to the rail designation and corridor inventory asset. The residual land available once the rail corridor is severed off is categorised as Investment Property and the value reflects the value on the basis the rail corridor is removed.

Refer to Note 28 for further information on the joint venture between council and KiwiRail.

Northland Port Corporation (NZ) Limited

Investment properties are carried at fair value which has been determined based on valuations performed in accordance with NZ IAS 40 as at 30 June 2013, by Mark Aslin of Telfer Young (Northland) Limited, an industry specialist in valuing these types of asset. The 'fair value', highest and best use approach has been adopted. The valuation was assessed in accordance with NZ IAS 40 which defines 'fair value' as being the amount at which as asset could be exchanged between knowledgeable, willing parties in arm's length transaction. Investment property has been valued using valuation differentiation to adjust for lot size and reducing value rates beyond Northport's port operations area.

The valuation has been prepared after considering various market drivers for land in the Marsden Point area together with limited, recent sales evidence for the area. Having established site values (as if fully leased), a discount factor of

Note 17: Investment property continued

30% has then been applied to reflect that much of this land has yet to be tenanted. With the exception of a portion of land designated for a transport corridor, the group has no restrictions on the reliability of its investment property and no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance and enhancement.

	Note	Council 30-Jun-13 $	Council 30-Jun-12 $	Consolidated 30-Jun-13 $	Consolidated 30-Jun-12 $
Rental income		3,570,740	3,454,552	4,405,515	3908,462
Expenses from investment property generating income		507,797	259,708	994,954	769,929
Expenses from investment property not generating income		-	-	-	-
Contractual obligations for capital expenditure		-	-	-	-
Contractual obligations for operating expenditure		-	-	-	-

Note 18: Investments in subsidiary and associates

	Council 30-Jun-13 $	Council 30-Jun-12 $	Consolidated 30-Jun-13 $	Consolidated 30-Jun-12 $
Council				
Investment in Northland Port Corporate (NZ) Limited associates			46,795,462	44,032,975
Shares in Northland Port Corporation (NZ) Limited (22.14 million shares)	7,827,563	7,827,563	-	-
Total investments in subsidiaries and associates	**7,827,563**	**7,840,467**	**46,795,462**	**44,032,976**

The investment in the subsidiary entity is carried at cost (subject to impairment) in the Northland Regional Council's (parent entity) balance sheet.

Northland Port Corporation (NZ) Limited

Northland Port Corporation (NZ) Limited is a listed company. The fair value of these shares, as per the market price at 30 June 2013, is $2.76 per share (2012: $1.89 per share). The shares are held at historical cost of $0.35 cents per share. Council shareholding in North Port Corporation (NZ) Ltd is 53.61%.

Shares in Northland Port Corporation (NZ) Limited - Investments in associate companies

The Northland Port Corporation (NZ) Limited's investment in its associates is accounted for using the equity method of accounting in the consolidated financial statements. Associate companies include, North Port Coolstores (1989) Limited, Northport Limited, Northland Stevedoring Services Limited, Marsden Point Stevedoring Services Limited.

	Note	Consolidated 30-Jun-13 $	Consolidated 30-Jun-12 $
Current assets		4,610,628	4,898,518
Non-current assets		129,746,114	127,176,884
Current liabilities		35,856,889	5,351,551
Non-current liabilities		1,501,730	35,069,800
Net assets		**96,998,123**	**91,654,051**
Group share of net assets (50%)		48,499,062	45,827,026
Land revaluation not recognised by Northport Limited		-	-
Other consolidation adjustments		(1,703,738)	(1,794,189)
Total investment in associate companies		**46,795,323**	**44,032,837**

	Note	30-Jun-13 $	30-Jun-12 $
Opening carrying value		44,032,837-	42,078,845
Share of after tax surplus		7,846,406,-	6,485,212
Dividends paid		(6,713,030)	(5,253,048)
Share of land revaluation movement		1,365,856-	688,985
Share of hedge reserve movement	11	263,253-	32,843
		46,795,323-	44,032,837

Note 18: Investments in subsidiary and associates continued

Extract From Associates Statement of Comprehensive Income:

	Note	30-Jun-13 $	30-Jun-12 $
Revenue		36,047,444	32,119,302
Net surplus		15,450,036	12,736,559

The lease of reclaimed land at Marsden Point, which is the land upon which Northport's Marsden Point facilities are sited, expired on 30 September 2011. In September 2011 the Minister of Conservation made a conditional decision to vest a leasehold interest in the company. Negotiations continue with the Crown to secure a long term lease arrangement for this land but without prejudicing the company's right to apply for freehold title. Negotiations however are taking longer than originally anticipated. The valuation of reclaimed land includes an adjustment to reflect the uncertainty related to the nature and term of the tenure.

Joint venture commitments and contingencies

Details of any commitments and contingent liabilities arising from the group's involvement in associated companies are disclosed separately in notes 30 and 31.

Note 19: Investment in council-controlled organisations and similar entities

Investments in CCOs and similar entities	Council 30-Jun-13 $	Council 30-Jun-12 $	Consolidated 30-Jun-13 $	Consolidated 30-Jun-12 $
Investment in Northland Regional Council Community Trust	-	12,903	-	-
Investment in Northland Inc. Limited	200	-	-	-
Investment in Regional Software Holdings Limited	753,750	-	753,750-	-
	753,950	**12,903**	**753,750-**	**-**

Regional Software Holdings Limited

Regional Software Holdings Limited (RSHL) is a council controlled organisation established on 1 January 2013. Council has a 16.75% shareholding. RSHL was established to own and manage the on-going IRIS (software) development. Each of the six participating councils (Northland Regional Council, Waikato Regional Council, Horizons Regional Council, Taranaki Regional Council, West Coast Regional Council and Environment Southland) is able to appoint one director to the board and each director has equal voting rights. Regional Software Holdings Limited is accounted for an investment in associate.

On 27 June 2013 the board approved a partial calling up of share capital totalling $4.5 million of which councils 16.75% share totalled $753,750. In effect council transferred 753,750 in value of its IRIS development asset and took an ownership stake of the same value in RSHL.

Summarised financial information of associated presented on a gross basis:

Investment in Regional Software Holdings Limited	Council 30-Jun-13 $	Council 30-Jun-12 $
Assets	753,750	-
Liabilities	-	-
Share of associates contingent liabilities incurred jointed with other investors	-	-
Contingent liabilities that arise because of several liability	-	-
	753,750	**-**

Regional software Holdings is an unlisted company.

Northland Regional Council Community Trust (disestablished 30 June 2012)

Following extensive consultation carried out with the wider public and directly with the incumbent trustees, a change in structure was agreed for the NRCCT and its subsidiaries, Destination Northland Limited and Enterprise Northland Trust.

The key driver behind the restructure was the council's desire to improve Northland's economic performance, community well-being and engage in projects that generate profit. The council considered that the current structure – with the NRCCT delivering economic development through controlled / subsidiary organisations was not best suited to achieve this.

Note 19: Investment in council-controlled organisations and similar entities continued

In accordance with the Local Government Act and the relevant Trust Deed and Company Constitution requirements, council resolved at its Long Term Plan deliberations on 25 May 2012, and later confirmed on 26 June 2012 when it formally adopted its Long Term Plan, the following:

- To disestablish the Northland Regional Council Community Trust and to bring the fund in-house and manage this directly with the assistance of one or more external advisers.
- To retain Enterprise Northland Trust – a registered Charitable Trust and to maintain its charitable status to be available for use when an appropriate charitable opportunity with public benefit arises.
- Destination Northland Limited is to become council's "new" council-controlled organisation to be named Northland Inc. Limited, through which economic development programmes and projects are facilitated. Council will hold shares in Destination Northland, previously held by the Northland Regional Council Community Trust.

As at 1 July 2013 the Northland Regional Council Community Trust ceased to exist.

In 2006 council vested $12.140 million to NRCCT to establish a Trust Fund. The accounting policy of council is to carry its subsidiaries at cost.

In accordance with NZ IAS 36 council is required to impair this asset to the estimated recoverable amount.

The following impairment/reversal of impairment has been made:	Council 30-Jun-13 $	Council 30-Jun-12 $
Opening value of investment in subsidiary - Northland Regional Council Community Trust	**12,904**	**12,139,523**
Impairment made in 2009	-	(2,431,369)
Impairment reversed in 2010	-	429,966
Impairment reversed in 2011	-	358,821
Impairment made in 2012	-	(619,432)
Transfer of trust fund to council investments - refer Note 20	-	(9,864,606)
Impairment of Investment in Subsidiary – Northland Regional Council Community Trust	(12,904)	-
Closing value of investment in subsidiary - Northland Regional Council Community Trust	**-**	**12,904**

Northland Regional Council Community Trust	Council 30-Jun-13 $	Council 30-Jun-12 $
Current assets	-	709,263
Non-current assets	-	49,487
Current liabilities	-	740,382
Non-current liabilities	-	5,465
Net assets	**-**	**12,904**
Total investment at cost	**-**	**12,904**

Note 20: Other investments	Council 30-Jun-13 $	Council 30-Jun-12 $	Consolidated 30-Jun-13 $	Consolidated 30-Jun-12 $
Current portion				
Term deposits,	6,000,000	11,190,362	6,000,000	11,190,362
Local authority and government stock and other securities	2,022,392		2,022,392	
Community Investment Fund – call and term deposits stock and other securities	1,199,866	-	1,199,866	-
Total current portion	**9,222,258**	**11,190,362**	**9,222,258**	**11,190,362**
Non-current portion				
Term deposits, local authority and government stock and other securities	2,330,125	4,446,967	3,157,717	4,974,609
Advances	-	-	-	-
Community Investment Fund	7,498,036	9,478,926	7,498,036	9,478,926
Emission Trading Scheme - NZU	31,428	45,512	31,428	45,512
Total non-current portion	**9,859,589**	**13,971,405**	**10,687,181**	**14,499,047**
BALANCE OF OTHER INVESTMENTS AT 30 JUNE	**19,081,847**	**25,161,767**	**19,909,439**	**25,689,409**
Term deposits, local authority and government stock and other securities				
Term deposits, local authority and government stock	10,352,517	15,637,329	10,352,517	15,637,329
Fonterra Co-operative Group Limited - shares	-	-	826,270	499,817
Balance Agri-Nutrients Limited - shares	-	-	1,125	27,825
	10,352,517	**15,637,329**	**11,180,109**	**16,164,971**

Fair value

Term deposits

The carrying amount of term deposits approximates their fair value.

Local authority, and government stock and other securities - investments held by council

Fair value has been determined using cash flows discounting cash flows from the stocks using a discount derived from relevant market inputs. The discount rates range between 3.08 and 6.35 % (2012: 3.1 and 7.05%). Fair value for the council's investments in Local Authority stocks is provided by ETOS Ltd and is determined by reference to published price quotations in an active market. The cost of these investments at 30 June 2013 is $4,214,758 (2012: $15,435,132).

Local authority, and government stock and other securities - investments in the Community Investment Fund

Fair value has been determined using cash flows discounting cash flows from the stocks using a discount derived from relevant market inputs. The discount rates range between 3.3 and 7 %. Fair value for the council's investments in Local Authority stocks is provided by ETOS Ltd and is determined by reference to published price quotations in an active market. The cost of these investments at 30 June 2013 is $2,450,000.

Emission Trading Scheme

The council has 291 hectares of pre 1990 forest land. This land is subject to the provisions of the New Zealand emissions trading scheme ("ETS"). Council will recognise credits received at deemed cost based on the fair value at the date of receipt. Council received the first tranche of 6,693 units in December 2010 and the second tranche of 10,767 units in January 2013. The shares had a market value of $1.80 at 30 June 2013 (2012: 6.80).

Other investments

Community Investment Fund Investment

Investments previously held by Northland Regional Council Community Trust. The value of the Investment at 1 July 2012 was $9,631,048 with an impairment provision of $152,122, bringing the market value recognised in council's accounts to $9,478,926. During the year council engaged an independent advisor, Eriksen and Associates and adopted a Statement of Policy and Objectives (SIPO) to provide overreaching investment guidelines and criteria for investing these funds. Throughout the year council has amended the SIPO to ensure it remains relevant and is keeping pace with the market conditions. The SIPO establishes the fund is to be managed 60% income assets and 40% growth assets.

Note 20: Other investments continued

At the end of the financial year, after capitalising all of the investment income the value of the fund is $10.59 million and is invested as follows.

Asset class	Asset type	Note	Council 30-Jun-13 $	Council 30-Jun-12 $
Cash, term deposits	Income asset		1,914,355	-
Cash and fixed interest - Milford income fund	Income asset		2,019,050	-
Stocks and bonds	Income asset		2,512,596	-
Australian equities – Schroder's Investment fund	Growth asset		1,951,867	-
New Zealand equities – Milford Growth fund	Growth asset		2,179,315	-
Mezzanine funds	Legacy from NRCCT		9,552	-
			10,586,735	**9,478,926**

The Community Investment Fund is disclosed in the notes to the financial statements as follows.

Asset class	Note	Council 30-Jun-13 $	Council 30-Jun-12 $
Cash and Cash equivalents	12	1,888,833	
Other financial assets - current	20	1,199,866	9,478,926
Other financial assets – non current	20	7,498,036	
		10,586,735	**9,478,926**

Fonterra Co-operative Group Limited shares

As at 30 June 2013, Northland Port Corporation (NZ) Limited and its group held 113,343 co-operative shares in Fonterra Co-operative Group Limited having a disclosed fair value of $7.29 per share (2012: total holding of 110,579 shares at an average of $4.52 per share). The group recognised a fair value movement of $313,960 (2012: $1,855) being the movement in the disclosed fair value of shares held in Fonterra Co-operative Group Limited. The movement is derived from the movement per share from $4.52 to $7.29 over the financial year multiplied by the number of shares held at 30 June 2013.

Balance Agri-Nutrients Limited shares

As at 30 June 2013, the Northland Port Corporation (NZ) Limited and its group held 150 shares in Balance Agri-Nutrients Limited with a disclosed fair value of $7.50 per share and a total fair value of $1,125 (2012: 3,710 shares at $7.50 per share).

Interest rates

The weighted average effective interest rates on investments (current and non-current) and the associated re-pricing maturities were:

Weighted average effective interest rates	Council 30-Jun-13	Council 30-Jun-12	Consolidated 30-Jun-13	Consolidated 30-Jun-12
Term deposits	4.18%	2.6%	4.18%	2.6%
Other securities	6.18%	6.5%	6.18%	9.5%

Note 21: Property, plant and equipment

	Council 30-Jun-13 $	Council 30-Jun-12 $	Consolidated 30-Jun-13 $	Consolidated 30-Jun-12 $
Freehold land				
Freehold land - at cost - opening balance				
Freehold land - at valuation - opening balance	1,585,000	1,610,000	1,585,000	1,610,000
Less accumulated depreciation	-	-	-	-
Total freehold land - opening balance	**1,585,000**	**1,610,000**	**1,585,000**	**1,610,000**
Additions	-	-	-	-
Disposals	-	-	-	-
Accumulated depreciation on disposals	-	-	-	-
Transfer between asset classes	(185,000)	-	(185,000)	-
Revaluation movement	60,000	(25,000)	60,000	(25,000)
Depreciation expense		-	-	-
Total freehold land - closing balance	**1,460,000**	**1,585,000**	**1,460,000**	**1,585,000**
Land at cost – closing balance	-	-	-	-
Land at valuation – closing balance	1,460,000	1,585,000	-	1,585,000
Less accumulated depreciation	-	-	-	-
Total freehold land – closing balance	**1,460,000**	**1,585,000**	**-**	**1,585,000**
Other land				
Other land - at cost - opening balance	706,856	706,856	706,856	706,856
Other land - at valuation - opening balance	-	-	-	-
Less accumulated depreciation	-	-	-	-
Total other land - opening balance	**706,856**	**706,856**	**706,856**	**706,856**
Additions	-	-	-	-
Disposals	-	-	-	-
Accumulated depreciation on disposals	-	-	-	-
Transfer between asset classes	-	-	-	-
Revaluation movement	-	-	-	-
Depreciation expense	-	-	-	-
Total other land - closing balance	**706,856**	**706,856**	**706,856**	**706,856**
Land at cost - closing balance	706,856	706,856	706,856	706,856
Land at valuation - closing balance	-	-	-	-
Less accumulated deprecation	-	-	-	-
Total other land - closing balance	**706,856**	**706,856**	**706,856**	**706,856**

Note 21: Property, plant and equipment continued

	Council 30-Jun-13 $	Council 30-Jun-12 $	Consolidated 30-Jun-13 $	Consolidated 30-Jun-12 $
Freehold land - port				
Freehold land port - at cost - opening balance	-	-	-	-
Freehold land port - at valuation - opening balance	-	-	34,850,000	38,200,000
Less accumulated depreciation	-	-	-	-
Total freehold land port - opening balance	-	**-**	**34,850,000**	**38,200,000**
Additions	-	-	-	-
Disposals	-	-	-	-
Accumulated depreciation on disposals	-	-	-	-
Transfer between asset classes	-	-	-	-
Revaluation movement	-	-	(2,125,000)	(3,350,000)
Depreciation expense	-	-	-	-
Total freehold land port - closing balance	-		**32,725,000**	**34,850,000**
Land at cost - closing balance	-	-	-	-
Land at valuation - closing balance	-	-	32,725,000	34,850,000
Less accumulated deprecation	-	-	-	-
Total freehold land port - closing balance	**-**		**32,725,000**	**34,850,000**
Buildings				
Buildings - at cost	-	-	-	-
buildings - at valuation	4,830,000	5,160,000	4,830,000	5,160,000
Total buildings cost/valuation	**4,830,000**	**5,160,000**	**4,830,000**	**5,160,000**
Accumulated depreciation	-	-	-	-
Total buildings - opening balance	**4,830,000**	**5,160,000**	**4,830,000**	**5,160,000**
Additions	32,678-	14,895	32,678-	14,895
Disposals	-	-	-	-
Accumulated depreciation on disposals	-	-	-	-
Transfer between asset classes	-	-	-	-
Revaluation movement	(972,678)	(344,895)	(972,678)	(344,895)
Depreciation expense	-	-	-	-
Total buildings - closing balance	**3,890,000**	**4,830,000**	**3,890,000**	**4,830,000**
Buildings at cost - closing balance	-	-	-	-
Buildings at valuation - closing balance	3,890,000	4,830,000	3,890,000	4,830,000
Total cost/valuation	**3,890,000**	**4,830,000**	**3,890,000**	**4,830,000**
Accumulated deprecation	-	-	-	-
Total buildings - closing balance	**3,890,000**	**4,830,000**	**3,890,000**	**4,830,000**

Note 21: Property, plant and equipment continued

	Council 30-Jun-13 $	Council 30-Jun-12 $	Consolidated 30-Jun-13 $	Consolidated 30-Jun-12 $
Infrastructure				
Infrastructure - at cost - opening balance	-	-	-	-
Less accumulated depreciation	(20,210)	-	(20,210)	-
Infrastructure - at valuation - opening balance	8,001,961	8,001,961	8,001,961	8,001,961
Total infrastructure opening balance	**7,981,751**	**8,001,961**	**7,981,751**	**8,001,961**
Additions	2,081,479	-	2,081,479	-
Disposals	-	-	-	-
Accumulated depreciation on disposals	-	-	-	-
Transfer between asset classes	185,000	-	185,000	-
Revaluation movement	-	-	-	-
Depreciation expense	(24,118)	(20,210)	(24,118)	(20,210)
Total infrastructure closing balance	**10,224,112**	**7,981,751**	**10,224,112**	**7,981,751**
Infrastructure - at cost	2,266,479	8,001,961	2,266,479	8,001,961
Infrastructure at valuation - closing balance	8,001,961	-	8,001,961	-
Total cost/valuation	**10,268,440**	**8,001,961**	**10,268,440**	**8,001,961**
Accumulated depreciation	(44,328)	(20,210)	(44,328)	(20,210)
Total infrastructure closing balance	**10,224,112**	**7,981,751**	**10,224,112**	**7,981,751**
Amenities				
Amenities - at cost - opening balance	-	-	756,124	756,124
Less accumulated depreciation	-	-	(593,248)	(546,532)
Total amenities opening balance	**-**	**-**	**162,876**	**209,592**
Additions	-	-	4,680	-
Disposals	-	-	-	-
Accumulated depreciation on disposals	-	-	-	-
Transfer between asset classes	-	-	-	-
Revaluation movement	-	-	-	-
Impairment Loss	-	-	-	-
Depreciation expense	-	-	(46,068)	(46,716)
Total amenities closing balance	**-**	**-**	**121,488**	**162,876**
Amenities - at cost	-	-	760,804	756,124
Less impairment loss	-	-	-	-
Less accumulated depreciation	-	-	(639,316)	(593,248)
Total amenities closing balance	**-**	**-**	**121,488**	**162,876**

Note 21: Property, plant and equipment continued

	Council 30-Jun-13 $	Council 30-Jun-12 $	Consolidated 30-Jun-13 $	Consolidated 30-Jun-12 $
Plant and equipment				
Plant and equipment - at cost - opening balance	5,650,181	5,853,501	6,383,413	6,549,827
Less accumulated depreciation	(3,792,697)	(3,785,710)	(4,415,039)	(4,375,812)
Total plant and equipment opening balance	**1,857,483**	**2,067,790**	**1,968,373**	**2,174,014**
Additions	816,493	422,027	874,116	458,933
Disposals	(273,424)	(625,347)	(295,981)	(625,347)
Accumulated depreciation on disposals	253,496	555,866	267,335	555,866
Transfer between asset classes	(69,857)	-	(69,857)	-
Revaluation movement	-	-	-	-
Depreciation expense	(528,030)	(562,853)	(562,634)	(595,093)
Total plant and equipment closing balance	**2,056,161**	**1,857,483**	**2,181,352**	**1,968,373**
Plant and equipment - at cost	6,123,393	5,650,181	6,891,691	6,383,413
Less accumulated depreciation	(4,067,231)	(3,792,697)	(4,710,338)	(4,415,039)
Total plant and equipment closing balance	**2,056,161**	**1,857,483**	**2,181,352**	**1,968,373**
Leased equipment				
Leased equipment - at cost - opening balance	-	-	54,481	44,123
Less accumulated depreciation	-	-	(44,674)	(37,625)
Total leased equipment opening balance	**-**	**-**	**9,807**	**6,498**
Additions	-	-	5,145	10,358
Disposals	-	-	(10,521)	-
Accumulated depreciation on disposals	-	-	5,376	-
Transfer between asset classes	-	-	-	-
Revaluation movement	-	-	-	-
Depreciation expense	-	-	(5,157)	(7,049)
Total leased equipment closing balance	**-**	**-**	**4,650**	**9,807**
Leased equipment - at cost	-	-	49,105	54,481
Less accumulated depreciation	-	-	(44,455)	(44,674)
Total leased equipment closing balance	**-**	**-**	**4,650**	**9,807**

Note 21: Property, plant and equipment continued	Council 30-Jun-13 $	Council 30-Jun-12 $	Consolidated 30-Jun-13 $	Consolidated 30-Jun-12 $
Navigational aids				
Navigational aids - at cost - opening balance	547,578	526,699	547,578	526,699
Less accumulated depreciation	(357,302)	(329,154)	(357,302)	(329,154)
Total navigational aids opening balance	**190,276**	**197,545**	**190,276**	**197,545**
Additions	48,603	21,674	48,603	21,674
Disposals	-	(795)	-	-795
Accumulated depreciation on disposals	-	124	-	124
Transfer between asset classes	69,857	-	69,857	-
Revaluation movement	-	-	-	-
Depreciation expense	(50,922)	(28,272)	(50,922)	(28,272)
Total navigational aids closing balance	**257,814**	**190,276**	**257,814**	**190,276**
Navigational aids - at cost	666,038	547,578	666,038	547,578
Less accumulated depreciation	(408,224)	(357,302)	(408,224)	(357,302)
Total navigational aids closing balance	**257,814**	**190,276**	**257,814**	**190,276**
Vehicles				
Vehicles - at cost - opening balance	1,633,174	1,560,685	1,710,006	1,637,517
Less accumulated depreciation	(637,633)	(602,304)	(693,306)	(649,938)
Total vehicles opening balance	**995,541**	**958,381**	**1,016,700**	**987,579**
Additions	442,431	351,765	470,474	351,765
Disposals	(258,240)	(279,276)	(335,072)	(279,276)
Accumulated depreciation on disposals	120,076	130,855	175,749	130,855
Transfer between asset classes	-	-	-	-
Revaluation movement	-	-	-	-
Depreciation expense	(189,760)	(166,184)	(197,312)	(174,223)
Total vehicles closing balance	**1,110,048**	**995,541**	**1,130,539**	**1,016,700**
Vehicles - at cost	1,817,365	1,633,174	1,845,408	1,710,006
Less accumulated depreciation	(707,317)	(637,633)	(714,869)	(693,306)
Total vehicles closing balance	**1,110,048**	**995,541**	**1,130,539**	**1,016,700**
Vessels and Maritime equipment				
Vessels and dredging equipment - at cost - opening balance	1,175,914	1,129,837	1,175,914	1,129,837
Less accumulated depreciation	(681,831)	(667,461)	(681,831)	(667,461)
Total vessels and Maritime equipment opening balance	**494,083**	**462,376**	**494,083**	**462,376**
Additions	5,925	102,617	5,925	102,617
Disposals	-	(56,540)	-	(56,540)
Accumulated depreciation on disposals	-	46,218	-	46,218
Transfer between asset classes	-	-	-	-
Revaluation movement	-	-	-	-
Depreciation expense	(18,380)	(60,588)	(18,380)	(60,588)
Total vessels and Maritime equipment closing balance	**481,628**	**494,083**	**481,628**	**494,083**
Vessels and dredging equipment - at cost	1,181,839	1,175,914	1,181,839	1,175,914
Less accumulated depreciation	(700,210)	(681,831)	(700,210)	(681,831)
Total vessels and Maritime equipment closing balance	**481,628**	**494,083**	**481,628**	**494,083**

Note 21: Property, plant and equipment continued	**Council 30-Jun-13 $**	**Council 30-Jun-12 $**	**Consolidated 30-Jun-13 $**	**Consolidated 30-Jun-12 $**
Total assets				
Total assets - at cost	9,713,702	9,777,577	49,266,961	49,550,982
Total assets - at valuation	14,416,961	14,771,961	11,334,371	14,771,961
Total assets cost/valuation	**24,130,663**	**24,549,538**	**60,601,332**	**64,322,943**
Accumulated depreciation	(5,489,673)	(5,384,629)	(6,805,610)	(6,606,522)
Total assets - opening balance	**18,640,990**	**19,164,909**	**53,795,722**	**57,716,421**
Additions	3,427,609	912,978	3,523,100	960,242
Disposals	(531,664)	(961,958)	(641,574)	(961,958)
Accumulated depreciation on disposals	373,572	733,063	448,460	733,063
Transfer between asset classes	-	-	-	-
Revaluation movement	(912,678)	(369,895)	(3,037,678)	(3,719,895)
Impairment loss	-	-	-	(20,967)
Depreciation expense	(811,210)	(838,107)	(904,591)	(932,151)
Total assets - closing balance	**20,186,619**	**18,640,990**	53,183,439	**53,774,755**
Total assets at cost - closing balance	12,761,969	17,715,663	14,368,219	19,336,332
Total assets at valuation - closing balance	13,351,961	6,415,000	46,076,961	41,265,000
Total cost/valuation	**26,113,930**	**24,130,663**	**60,445,180**	**60,601,332**
Impairment loss	-	-	-	-
Accumulated deprecation	(5,927,311)	(5,489,673)	(7,261,741)	(6,805,610)
Total assets - closing balance	**20,186,619**	**18,640,990**	**53,183,439**	**53,795,722**
Capital work in progress	**56,420**	**682,177**	**732,098**	**760,644**
Total fixed assets	**20,243,040**	**19,323,167**	**53,915,538**	**54,556,366**
Depreciation and amortisation expense:				
Property, plant and equipment	811,210	838,107	904,591	932,151
Intangibles	175,291	192,651	175,291	192,651
Forest (on Forest Harvesting Strategy)	-	-	-	-
	986,501	**1,030,757**	**1,079,882**	**1,124,801**

Note 21: Property, plant and equipment continued

Northland Regional Council

Northland Regional Council land and buildings as at 30 June 2013 have been revalued by Telfer Young (Northland) Limited and stated at the "fair value" of $5,350,000 (2012: $6,415,000). The valuation was conducted in accordance with NZIAS 16 - Property, Plant & Equipment which defines "fair value" as being the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.

"Fair Value" is the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm’s length transaction.

"Fair Value" requires the consideration of "market-based" evidence for the determination of the value where such evidence exists and can be used to reliably determine the value. The "Fair Value" is assessed with reference to the "highest and best use" being defined as "the most probably use of an asset that is physically possible, appropriately justified, legally permissible, financially feasible and results in the highest value".

Where the fair value of an asset can be determined by reference to price in an active market for the same or similar asset, the fair value of the asset is determined using this information.

Where fair value of the asset is not able to be reliably determined using market based evidence, optimised depreciated replacement cost (ODRC) is considered the most appropriate basis for determination of fair value. This situation usually occurs where the asset is specialised in nature. Specialised assets are those that are rarely, if ever, sold on the open market, (except by way of a sale of the business of which they are art), due to their uniqueness, which may rise form the specialised nature of the design of the buildings, their configuration, size or location or other factors.

Key characteristics of specialised assets are that they:

- Are useful to a limited number of users or uses;
- Rarely, if ever, sell on the open market, except as part of the business entity;
- Are generally specialised structures; and
- Earn revenue that has not been derived from an open market and for which market -based evidence does not exist.

In general, specialised assets are those that, due to some specialised physical or geographical factor, offer very little utility for any purpose other than that for which they were originally designed.

The market based approach has been applied to those properties where market evidence can be reliably analysed to assess open market rentals for the buildings or land. Therefore, buildings and land identified in the property schedule has been assessed utilising a market based approach whereby we have capitalised potential market rentals to derive a market value of the property. The prevailing land value as at 30 June 2013 has then been deducted to provide an indicated value of improvements. Adjustment has been made where appropriate for site improvements to provide the residual building value. We have also undertaken an optimised depreciated replacement cost analysis as a check method.

Council has now received the results of the further seismic structural analysis on the 36 Water Street building. This included 3D models utilising a structural engineering programme to apply relevant gravity and seismic loadings with specific reference to the structural ductility factor. The main Water Street structure is essentially two buildings, the road front two-storey building and the rear four-storey building.

The seismic review results are reported as a percentage of the National Building Standard (NBS). Whāngārei District Council is the Building Consent Authority with jurisdiction and pursuant to the Building Act 2004, it has adopted a Dangerous, Insanitary and Earthquake Prone Buildings Policy. The policy states that buildings assessed as being more than 33.3% NBS (i.e. over 33.3% as strong as a building of similar type, designed with the requirements of the current building code) are not considered earthquake prone.

Note 21: Property, plant and equipment continued

The district council's policy further states that:
"Should an earthquake prone building be upgraded to a level that satisfies the NZSEE requirements, (67% of the current standard), then any change to building codes or standards is unlikely to affect those buildings for a considerable time, and achieving the NZSEE level should have the effect of prolonging the possibility of the need for further upgrading."

The NZ Society of Earthquake Engineers (NZSEE) have recommended that all buildings should meet at least 67% of NBS, and this recommendation has been adopted by some building lessees including government departments, banks and insurance companies.

The results of the Water Street building assessment are that in current conditions, the four-storey building is 58% NBS and the two-storey building 34% NBS. The engineers have reported that the cantilever column in the two-storey building could be strengthened to achieve 58% NBS for that building also.

The engineers have been requested to design the strengthening required to achieve 58% NBS for the two storey building as well as provide details and cost estimates on strengthening options to achieve the 67% NBS. Council is expecting to receive the engineering design to have the two storey strengthened to at least 58% NBS in late September 2013 and work is expected to be undertaken shortly thereafter. Therefore no adjustments to valuations have been made.

There are no restricted assets.

Northland Port Corporation (NZ) Limited

At 30 June 2013 Freehold Land has been re-valued and stated at 'fair value' being $32,725,000 (2012: $34,850,000). The valuation was undertaken by independent valuer Mark Aslin of Telfer Young (Northland) Ltd. Mr Aslin is a registered valuer, a member of the New Zealand Institute of Valuers and the Property Institute of New Zealand and holds a current practising certificate. The valuation was prepared having regard to the requirement for a compliance statement in terms of internal Valuation Standard 3 of the Australian and New Zealand Property standards. The 'fair value', highest and best use approach has been adopted.

Freehold land has been valued on the basis of valuation differentiation, being an adjustment for lot size and reducing value rates beyond Northport's port operations area. The valuation has been prepared after considering various market drivers for land demand in the Marsden Point area together with limited, recent sales evidence for the area. The group's freehold land holdings in the Marsden Point area, comprising 115.24ha (excluding that held as Investment Property) have been valued at between approximately $220,000/ha and $350,000/ha depending on the specific location and characteristics of each property.

The valuation was assessed in accordance with NZ IAS 16 which defines 'fair value' as being the amount which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction. The effective valuation date was 30 June 2013. With the exception of a portion of land designated for a transport corridor, the group has no restrictions on the reliability of its freehold land.

The majority of Northport Ltd's land holdings pertain to an area of reclamation for which freehold title or another long term beneficial interest has yet to be established. The third party valuation of this reclaimed area assumes that a long term beneficial interest will be granted but incorporates a discount for uncertainty related to this process. Management considers this approach to be appropriate for the circumstances.

Impairment

There has been no impairment losses recognised during the year.

Leasing

The net carrying amount of the PPE under the finance lease is $4,662 (2012: $9,807).

Note 22: Intangible assets	**Council 30-Jun-13 $**	**Council 30-Jun-12 $**	**Consolidated 30-Jun-13 $**	**Consolidated 30-Jun-12 $**
Computer software				
Cost - opening balance	2,379,966	2,361,217	2,423,733	3,099,846
Accumulated amortisation	(1,919,276)	(1,770,393)	(1,963,044)	(2,509,021)
Computer software opening carrying amount	**460,689**	**590,823**	**460,689**	**590,823**
Additions	1,578,103	62,542	1,578,103	62,542
Net disposals *	(583)	(25)	(583)	(25)
Transfer of IRIS asset to Regional Software Holdings Limited	(753,750)	-	- (753,750)	-
Impairment losses	-	-	-	-
Amortisation charge	(175,291)	(192,651)	(175,291)	(192,651)
Total computer software - closing balance	**1,110,168**	**460,689**	**1,110,170**	**460,690**
Cost	3,014,660	2,379,966	3,248,505	3,162,363
Accumulated amortisation	(1,904,492)	(1,919,276)	(2,138,335)	(2,701,672)
Total computer software - closing balance	**1,110,168**	**460,689**	**1,110,170**	**460,690**

Disposals are reported net after accumulated depreciation.

Regional Software Holdings Limited (RSHL) is a council-controlled organisation formed on 1 January 2013 to manage the on-going development of the IRIS software application. On 27 June 2013 the board approved a partial calling up of share capital totalling $4.5 million of which council has a 16.75% stake of the shareholding. In effect council transferred 753,750 in value of its IRIS development asset and took an ownership stake of the same value in RSHL. Refer note 19 for further information.

Note 23: Biological assets	**Note**	**Council 30-Jun-13 $**	**Council 30-Jun-12 $**	**Consolidated 30-Jun-13 $**	**Consolidated 30-Jun-12 $**
Balance at 1 July		1,578,975	1,555,536	1,578,975	1,555,536
Gains arising from changes in fair values less estimated point-of-sale costs	7	152,800	23,439	152,800	23,439
Depreciation on biological asset excluded from valuation		-	-	-	-
Balance at 30 June		**1,731,775**	**1,578,975**	**1,731,775**	**1,578,975**

Northland Regional Council owns 317 hectares of radiata pine forest which are at varying stages of maturity, ranging from 3 to 28 years.

Valuation assumptions

Independent registered forestry industry consultants, Chandler Fraser Keating Ltd, have valued forestry assets at fair value and provided estimated point-of-sale costs as at 30 June 2013. The valuation has been undertaken in accordance with the New Zealand equivalent to International Standard 41 (NZ IAS 41). The purpose is to assess a "fair" (i.e. market) value of the tree crop asset exclusive of land. Only the current existing tree crop is valued. Fair value is derived using a combination of the expectation value (or income) approach and the cost-based approach. Under the expectation value approach, the net present value is calculated by discounting to the present day projected net cash flow of the forest. The calculated net present value is then linked to sales evidence through the application of a discount rate of 11% (2012: 11%) derived from the analysis of actual transactions. No allowance for inflation has been provided. The cost-based approach is also employed in the valuation because the tree crop is a young, second rotation forest (55% by value are less than 10 years of age) and this approach better reflects how the market would likely view the tree crop value. A compounding rate of 0% (2012: 0%) was used in the 2013 cost based approach.

Financial risk management strategies

The council is exposed to financial risks arising from changes in timber prices. The council is a long term forestry investor and does not expect timber prices to decline significantly in the foreseeable future. Therefore, council has not taken any measures to manage the risk of a decline in timber prices. The council reviews its outlook for timber process regularly, by considering the need for active financial risk management.

Note 24: Creditors and other payables	Note	Council 30-Jun-13 $	Council 30-Jun-12 $	Consolidated 30-Jun-13 $	Consolidated 30-Jun-12 $
Trade creditors		3,009,556	2,528,964	4,071,399	3,586,964
Accrued expenses		800,744	654,829	800,744	654,829
Revenue received in advance		1,295,402	1,258,303	1,295,402	1,258,303
Related parties trade and other payables	33	9,167	575	73,143	7,963
Total trade and other payables		**5,114,869**	**4,442,671**	**6,240,688**	**5,508,059**

Trade and other payables are non-interest bearing and are normally settled on terms varying between seven days and the 20th of the month following the invoice date. Therefore, the carrying value of trade and other payables approximates their fair value.

Note 25: Employee benefit liabilities	Note	Council 30-Jun-13 $	Council 30-Jun-12 $	Consolidated 30-Jun-13 $	Consolidated 30-Jun-12 $
Annual leave		1,061,482	1,131,878	1,101,142	1,164,128
Accrued pay		430,370	370,606	448,714	409,372
Sick leave		62,353	52,218	62,353	52,218
Flexi-time leave		156,282	-	156,282	-
Retirement gratuities		112,751	109,982	112,751	109,982
		1,823,239	**1,664,684**	**1,881,243**	**1,735,700**
Represented by:					
Current benefit liabilities		1,787,191	1,616,401	1,845,195	1,687,417
Non-current benefit liabilities		36,048	48,283	36,048	48,283
		1,823,239	**1,664,684**	**1,881,243**	**1,735,700**

Retirement gratuities depend on a number of factors that are determined on an actuarial basis. The key assumptions used in calculating this liability include the individual's salary and salary inflation factor, time to retirement and discount rate.

Note 26: Borrowings	Consolidated 30-Jun-13 $	Consolidated 30-Jun-12 $
Current		
Secured loans	-	-
Lease liabilities	4,840	6,865
Total current borrowings	**4,840**	**6,865**
Non-current		
Secured loans	-	-
Lease liabilities	625	5,465
Total non-current borrowings	**625**	**5,465**

Finance lease arrangements

Northland Inc. Limited has entered into finance leases for various items of office equipment. The net carrying amount of the leased items is shown in the note above. There are no restrictions over the title of Northland Inc. Limited property, plant and equipment, other than leased assets that are pledged as security for lease liabilities until paid in full. Assets that are pledged as security for lease liabilities until paid in full.

Note 26: Borrowings continued

Maturity analysis and effective interest rates

	Secured Loans Group $	Lease Group $
2013		
Less than one year	-	4,840
Later than one year but not more than five years	-	625
	-	**5,465**
2012		
Less than one year	-	6,865
Later than one year but not more than five years	-	5,465
	-	**12,330**

Note 27: Provisions

	Consolidated 30-Jun-13 $	Consolidated 30-Jun-12 $
Current provisions are represented by:		
Sundry provisions	1,906	710
	1,906	**710**
Non-current provisions are represented by:		
Sundry provisions	**-**	**-**

Council and group	Onerous Lease Provision 2013	Payroll Related Provisions 2013	Sundry Provisions 2013	Onerous Lease Provision 2012	Payroll Related Provisions 2012	Sundry Provisions 2012
Opening balance	-	-	710	-	-	24,976
Additional provisions made during the year	-	-	1,196	-	-	-
Amounts used during the year	-	-	-	-	-	(24,266)
Unused amounts reversed during the year	-	-	-	-	-	-
Closing balance	**-**	**-**	**1,906**	**-**	**-**	**710**

Sundry provisions

Sundry provision relate to Northland Port Corporation (NZ) Limited comprises an allowance for the group's share of possible cargo damages claims against the joint venture operation, Northland Stevedoring Services.

Note 28: Joint Venture - Northland Port Corporation (NZ) Limited

NPC Corporate Services Ltd (a 100% owned subsidiary of Northland Port Corporation (NZ) Ltd and SSA JV Holdings Ltd) together operate an unincorporated joint venture, Northland Stevedoring Services (UJV), to undertake stevedoring and other cargo-related operations. Each participant has an equal stake holding in the joint venture. The Group's share of revenue and expenses from its joint venture interest in Northland Stevedoring Services has been included in the Statement of Comprehensive Income (refer below for details), whilst the group's share of assets and liabilities from its joint venture interest have been incorporated in the Consolidated Balance Sheet.

Share of net assets	30-Jun-13 $	30-Jun-12 $
Current assets	168,222	224,138
Non-current assets	44,585	60,921
Current liabilities	91,691	74,716
Non-current liabilities	1,906	710

The Northland Port Corporation (NZ) Ltd share of expenses from its joint venture interests in Northland Stevedoring Services has been included in the Statement of Comprehensive Income as follows:

Note 28: Joint Venture - Northland Port Corporation (NZ) Limited continued

Share of revenue and expenses	**30-Jun-13 $**	**30-Jun-12 $**
Operational expenses	541,885	588,966
Land rates and lease expenses	24,691	24,643
Administrative expenses (including audit fees)	47,474	47,803
Depreciation	16,336	17,810

Joint venture commitments and contingencies

Details of any commitments and contingent liabilities arising from the group's involvement in the joint ventures are disclosed separately in notes 30 and 31.

Note 29: Joint venture - between Northland Regional Council and KiwiRail (Unincorporated)

Share of net assets	**30-Jun-13 $**	**30-Jun-12 $**
Current assets	-	-
Non-current assets	-	-
Current liabilities	-	-
Non-current liabilities	-	-

In January 2009, the council entered into a Memorandum of Understanding with ONTRACK (now known as KiwiRail) to create a Joint Venture and establish the obligations of each entity, in order to advance the proposed Oakleigh to Marsden Point rail link. Council entered into voluntary negotiations with land owners who owned land along the proposed corridor, and in the 2007/08 and 2008/09 financial years secured seven properties at total cost of $6.872 million. In the 2010/11 financial year, council and KiwiRail agreed to acquire one final property, costing $4.45 million. This brings the total properties acquired to eight and the total cost of acquisition to $11.32 million. In accordance with the Joint Venture agreement, while council has full legal title and full ownership rights to these properties, the accounting treatment must be based on the economic substance of the agreement. The land is deemed to be a jointly controlled asset; therefore, council and KiwiRail will each recognise a 50% share of the land. Council will have a receivable from KiwiRail to account for the remaining 50% share of the security interest held in the ownership of the land.

The agreement between council and KiwiRail requires each organisation to incur expenditure in their own right, but for each entity to recognise a 50% share of the combined expenditure, with an expectation that both parties will be reimbursed from the annual contribution and from the proceeds from the sale of the surplus land acquired. The agreement requires each entity to contribute $500,000 cash per annum to the Joint Venture, for approximately six years. Council funded the purchase of the land, and the agreement requires the Joint Venture to reimburse council for the opportunity cost of capital (interest income) as the first priority.

KiwiRail commenced the designation process in March 2009, the application was heard in September 2009 and consent was granted, subject to certain conditions in October 2009.

The consent and designation was approved in May 2012. In the current financial year, the total net operating expenditure incurred by council in relation to the joint venture is $196,000 including $33,000 for the fair value decrease in land and buildings and $98,000 for opportunity cost of interest payable to Kiwirail. Council recognised $301,000 as income relating to KiwiRail's 50% share of the council's opportunity cost of capital incurred. KiwiRail incurred approximately $103,000 in costs in relating to the designation for invoices previously in dispute (2012: $192,000). Council's 50% share of the designation costs are recognised as an Inventory, refer note 14.

As at 30 June 2013, KiwiRail has a liability of $5.395 million to council (2012: $5.25 million). The liability largely relates to KiwiRail's share of the acquisition cost of purchased properties. Council has recognised the liability owed by KiwiRail for their 50% share of the cost of the properties and their 50% share of all other associated costs as Other Receivables, refer note 16.

Council will only transfer the rail corridor to KiwiRail once KiwiRail has entered into an unconditional contract for the construction of the entire Marsden Point rail link.

As at 30 June 2013, the Joint Venture had no assets and liabilities. Council's share of properties acquired are included in council's Investment Properties, refer note 17.

Note 30: Capital commitments and operating leases	**Council 30-Jun-13 $**	**Council 30-Jun-12 $**	**Consolidated 30-Jun-13 $**	**Consolidated 30-Jun-12 $**
Capital commitments				
Committed grant funding	-	30,000	-	30,000
Property, plant and equipment	53,533	477,491	53,533	477,491
	53,533	**507,491**	**53,533**	**507,491**

Northland Port Corporation (NZ) Limited capital commitments: commitments for capital expenditure at 30 June 2013 are $1,135,456 (June 2012: nil), in respect to the construction of the company's new office premises. The group's share of committed capital expenditure in respect of its associate interest also amounts to nil (June 2012: nil).

Northland Inc. Limited has no capital commitments at 30 June 2013.

Operating leases commitments

The group leases property, plant and equipment in the normal course of business. The majority of these leases have a non-cancellable term of 36 months. The future aggregate minimum lease payments to be collected under non-cancellable operating leases are as follows.

The council has no lease commitments	**NPC 2013**	**NPC 2012**	**Northland Inc. 2013**	**NRCCT 2012**	**Consolidated 2013**	**Consolidated 2012**
Not later than one year	204,774	220,614	60,081	33,060	264,855	253,674
Later than one year and not later than five years	591,514	630,674	113,538	13,020	705,052	643,694
Later than five years	769,261	907,341	-	-	769,261	907,341
Total operating leases	**1,565,549**	**1,758,629**	**173,619**	**46,080**	**1,739,168**	**1,804,709**

Operating leases as lessor

Operating leases relate to investment properties owned by Northland Regional Council. The majority of council's investment portfolio is made up of leasehold properties. These properties have lease terms of between five to 21 years with options to extend at the completion of each lease. All leasehold lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period. Council owns some farms and dwellings. These properties generally have lease terms of around 12 months. Council also owns four freehold properties which have lease terms of between one and 19 years.

	Council 2013	**Council 2012**	**Consolidated 2013**	**Consolidated 2012**
Not later than one year	3,144,983	3,096,996	3,993,891	3,604,886
Later than one year and not later than five years	8,077,143	8,660,751	10,451,972	10,032,866
Later than five years	11,104,805	12,990,330	15,383,849	16,254,608
Total operating leases	**22,326,931**	**24,748,077**	**29,829,712**	**29,892,360**

Note 31: Contingent liabilities	**Council 30-Jun-13 $**	**Council 30-Jun-12 $**	**Consolidated 30-Jun-13 $**	**Consolidated 30-Jun-12 $**
Bonds	-	-	75,000	75,000
Share of associated companies' contingent liabilities	-	-	675,000	675,000
Rates postponed	-	-	252,242	206,762
	-	**-**	**1,002,242**	**956,762**

Council

KiwRail

KiwiRail, the requiring authority responsible for the Marsden Point rail link designation, may be approached by landowners seeking the acquisition of their properties. There is specific provision within the Resource Management

Note 31: Contingent liabilities continued

Act 1991 that allows landowners to seek and order from the Environment Court the requiring authority to acquire a particular landowner's property. There is provision within the Rail Corridor Acquisition Agreement between

council and KiwiRail for council to provide assistance to KiwiRail if KiwiRail is approached by a landowner wanting to sell their properties.

Oyster Project

On 10 August 2013council took over Project Management of the Ministry for Environment (MfE) funded Waste Minimisation Fund Project (WMF-184). The project was previously managed by Northland Inc (formerly Destination Northland, having been transferred from Enterprise Northland). A key aim of the oyster shell project is to clean up and remove waste shell and timber from 24 marine oyster farms located in the Waikare Inlet that were in a state of disrepair.

Following completion of the second year of the oyster shell project, which included the trialing of different methods for waste removal, MfE and council are now working together to review the various contracts and deliverables going forward, with a view to completing the key project goals within the available funding allocated for the project by MfE.

Council took over the management of the project in August 2013 on the basis it would not be liable for any historic matters. The MfE have agreed and advised they consider the project to be 'on hold' pending receipt of the re-scope documents. The Ministry is satisfied with the approach being taken to address a number of issues and is not currently considering the clawback of WMF funding awarded to date.

Council has reviewed the agreements relating to the project and has sought appropriate professional advice and is satisfied the risk of any liability by council (or the previous project manager Northland Inc.) to any of the parties as a result of legal arrangements in place and work undertaken to date to be very low. However until such time as the contract Mfe is re-scoped, some contingent risk may exist. Council has not provided an undertaking to Northland Inc to meet any financial obligations under these contracts which are not able to be quantified at this time.

Other legal claims

At year end there were a number of legal claims against council that had not been heard before the court which may result in a liability should council not successfully defend the claims. The amount claimed or the maximum potential exposure for the council is not considered material, and excludes any interest or costs that may be claimed if these cases were decided against the council.

Northland Inc. Limited

Northland Inc. Oyster Project

On 10th of August, following completion of the second year of the Ministry for Environment (MfE) funded Waste Minimisation Fund Project (WMF-184), council took over project management of the project from Northland Inc. (formerly Destination Northland, having been transferred from Enterprise Northland).

A key aim of the oyster shell project is to divert 25000m^3 of waste shell and timber from land fill from 24 marine oyster farms located in the Waikere Inlet that were in a state of disrepair.

The project involved trialing four different methods of extracting the waste and at the end of year two Northland Inc. notified the MfE and the council that a review would be required to achieve key goals within allocated funding. The review of the trials identified that the project would likely need additional funding to fully clean up all the oyster farms, and furthermore the appropriate skill set for such a project lay within the regional council and not Northland Inc. On this basis the council agreed to take over the project on this basis and assume liabilities incurred from August 2013. MfE has agreed the project is 'on hold' pending re-scoping and is satisfied with the approach being taken. All payments made by MfE to Northland Inc. Limited prior to August 2013 were subject to MfE being satisfied in all respects with Northland Inc. Limited's use of funding and agreement on deliverables.

MfE is satisfied with the approach being taken to address a number of issues and have advised they are not currently considering the clawback of WMF funding awarded to date. All payments made by MfE were subject to MfE being satisfied in all respects with Northland Inc. Limited's use of funding and agreement on deliverables.

Note 31: Contingent liabilities continued

There is a parallel project funded by the MPI regarding cleaning up eight forfeiture farms in the same estuary as part of the above 24 farms and this project has also been transferred to the council for completion.

Northland Inc. Limited and the council have reviewed the agreements relating to the project and have sought appropriate professional advice. Northland Inc. Limited recognises it continues to be liable for any historic obligations and responsibilities in respect of Project Oyster Shell project that relate to activity completed prior to 10 August 2013. Northland Inc. Limited is satisfied the risk of any liability to any of the parties as a result of legal arrangements in place and work undertaken to date to be very low. However until such time as the contract with MfE is re-scoped, some contingent risk may exist.

Northland Port Corporation (NZ) Limited

- Bank of New Zealand - a bond given by them to the New Zealand Stock Exchange - $75,000 (2012: $75,000).
- To the Whāngārei District Council in respect of postponed land rates on company-owned farmland in accordance with the council's postponed rates policy – $252,242 (June 2012: $206,762). This amount becomes payable immediately if the said land ceases to be farmland or is sold.
- To Westpac New Zealand Ltd in respect of a guarantee provided on behalf of North Port Coolstores (1989) Ltd - $675,000 (2012: $675,000).

Note 32: Contingent assets	Council 30-Jun-13 $	Council 30-Jun-12 $	Consolidated 30-Jun-13 $	Consolidated 30-Jun-12 $
Emission Trading Scheme - New Zealand Units	-	73,269	-	73,269

At 30 June 2013 there were a number of prosecutions that had been heard before the court and it is likely the court will impose a fine or require the defendant to pay costs for remedial work. It is not possible to reasonably estimate the value of fines or costs that may be imposed.

In in 2013 received 10,767 New Zealand Units resulting from its ownership of pre-1990 forest holdings. The value of the New Zealand Units at 30 June 2013 was $1.80 per unit was (2012: $6.80).

Note 33: Related party transactions

Northland Regional Council is the ultimate parent of the group and has control over three entities – Northland Port Corporation (NZ) Limited (53.61% owned), Northland Inc. Limited (CCO - 100% owned) and Regional Software Holdings Ltd (CCO 16.75%). It also has significant influence over a number of other entities by way of direct investments in these entities by its subsidiary, Northland Port Corporation (NZ) Limited.

The following transactions were carried out with related parties:	**Council 30-Jun-13 $**	**Council 30-Jun-12 $**
Northland Port Corporation (NZ) Limited		
Dividend received by council	2,103,576	1,660,718
Services provided by the council in the normal course of business	2,022	3,923
Services provided to the council in the normal course of business	Nil	Nil
Accounts receivable from the council for services provided in the normal course of business	Nil	282
Accounts payable to the council for services provided in the normal course of business	Nil	Nil
North Port Cool Stores (1989) Limited	Nil	Nil
North Tugz Limited		
Services provided by the council in the normal course of business	82	80
Services provided to the council in the normal course of business	12,251	17,490
Accounts receivable from the council for services provided in the normal course of business	Nil	Nil
Accounts payable to the council for services provided in the normal course of business	Nil	Nil
Northland Regional Council Community Trust		
Accounts payable to the council for services provided in the normal course of business	Nil	Nil
Grant received from the council	Nil	Nil
Accounts payable to the council to wind up the residual assets and liabilities of the trust	Nil	233,556
Enterprise Northland		
Services provided to the council in the normal course of business	7,760	35,044
Grant received from the council	Nil	201,520
Accounts payable to the council for services provided in the normal course of business	Nil	70,000
Destination Northland Limited		
Services provided to the council in the normal course of business	Nil	500
Grant received from the council	Nil	100,000
Accounts payable to the council for services provided in the normal course of business	Nil	Nil
Northland Inc. Limited		
Services provided by the council in the normal course of business	37,265	
Services provided to the council in the normal course of business	16,043	
Grants received from council	1,100,000	
Accounts payable to the council for services provided in the normal course of business	41,895	
Accounts receivable from the council for services provided in the normal course of business	Nil	
Northport Limited		
Services provided by the council in the normal course of business	121,156	121,100
Services provided to the council in the normal course of business	17,526	17,120
Accounts payable to the council for services provided in the normal course of business	6,451	7,388
Accounts receivable from the council for services provided in the normal course of business	9,167	575
Northland Stevedoring Services (UJV)		
Services provided by the council in the normal course of business	Nil	Nil
Services provided to the council in the normal course of business	Nil	Nil
Accounts payable to the council for services provided in the normal course of business	Nil	Nil
Accounts receivable from the council for services provided in the normal course of business	Nil	Nil

From 1 July 2012 the company formerly known as Destination Northland become Northland Inc. Limited.

The above entitles, councillors and key management personal may pay rates to the council. The amount of rates has not been included in the disclosure above or for councillors and key management personal for the year ended 30 June 2013 (2012: nil). All rates are calculated on an arm's length basis.

Note 33: Related party transactions continued

All members of the group are considered to be related parties of Northland Regional Council. Details of investment in, financial assistance to, and transactions with these entities are summarised in the respective notes.

During the period, certain transactions that were not material in nature took place between Northland Port Corporation (NZ) Limited and companies in which some of the directors have an interest or association.

For these transactions, the particular directors involved abstained from voting at the time, in accordance with the Company's Constitution.

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

Northland Inc. Limited were located in council's Water Street offices from 1 July 2012 to February 2013. The office space made available to Northland Inc. Limited has an estimated market value of $3,500.

Council did not invoice Northland Inc. Limited for this space and therefore the financial value is not recognised in the disclosure as it is not considered material to warrant recognition.

Related Party Transactions with Key Management Personnel

During the year, key management personnel, as part of normal local authority relationships were involved in transactions of a minor and routine nature.

Councillor Joe Carr is a director of Carwin Farming Limited. During the year the company was invoiced $95 (including GST) (2012: $207) and nil was outstanding as a current receivable at 30 June 2013 (2012: $104).

Councillor Tony Davies-Colley is a director of Marine Park Limited (Port Nikau Joint Venture). During the year the company was invoiced $8,313 (including GST) (2012: $8,831).

Councillor Tony Davies-Colley is a director of Park Point Limited (park Point Joint Ventrue). During the year the company was invoiced $372 (including GST) (2012: $184).

Councillor Tony Davies-Colley is director of Pipiwai Investments Limited. During the year the company was invoiced $95 (including GST) (2012: $245).

Councillor Tony Davies-Colley is director of Westpoint Farms Limited. During the year the company was invoiced $491 (including GST) (2012: $587).

Councillor Tony Davies-Colley is director of Westpoint Management Limited. During the year the company was invoiced $892 (including GST) (2012 $1,806).

Councillor Ian Walker is a director of Kaikora Farms Limited. During the year the company was invoiced $527 (including GST) (2012 $271)

Councillor Graeme Ramsey is a shareholder of Anglesea Consulting Limited. During the year the company was invoiced $625 (including GST) (2012: $1,192)

Lisa Aubrey, General Manager –Finance and IT, deemed to be a key management personnel, partner was a Partner at Thomson Wilson for the reporting period 1 July 2012 to 28 November 2012. During the period 1 July 2012 to 28 November 2012 payments made from the council for services provided in the normal course of business totalled $17,128 (2012: $107,300) (including GST).

Malcolm Nicolson, Chief Executive Officer, deemed to be a key management personal paid a mooring fee to council of $161 for a mooring in Paihia.

Except for these transactions, no key management personnel have entered into related party transactions with the Group (2012: Nil).

Key management personnel comprises the councillors and chair, the chief executive, and the management team. All the relevant information relating to remuneration is disclosed in Note 34.

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

Note 34: Remuneration

Chief executive

The chief executive of the council was appointed in accordance with section 42 of the Local Government Act. The total cost to the council (including fringe benefit tax), of the remuneration package for the year ended 30 June 2013 was $223,065 for the year (2012: $261,187).

	Council 30-Jun-13 $	Council 30-Jun-12 $
Salary	215,067	252,178
Vehicle - FBT cost	7,998	9,009
Total remuneration	**223,065**	**261,187**

Malcolm Nicolson commenced employment on 23 January 2012. Tony Phipps - Operations Director was acting Chief Executive from 9 July 2011 to 22 January 2012.

Directors' remuneration

Directors' remuneration is any money, consideration or benefit received, receivable or otherwise made available, directly or indirectly to a director during the reporting period. Councillors, including the chair, are considered to be directors as they occupy the position of a member of the governing body of the council reporting entity. The disclosures for the group include remuneration of the councillors in their role as directors within the group. The aggregate remuneration paid to the councillors, directors and the chair totalled $534,913 (2012: 541,769).

Council member	Monetary Remuneration Salary $	Monetary Remuneration Non-salary $	Total Council Remuneration $	Director/ Trustee Fees $	Total Remuneration 30-Jun-13	Total Remuneration 30-Jun-12
Chair, Craig Brown	102,163	-	102,163	-	102,163	104,317
Deputy Chair - John Bain	55,549	1,370	56,919	-	56,919	56,591
Chair, Regional Policy Development Committee - Ian Walker	55,549	2,681	58,230	20,800	79,030	82,138
Chair, Audit and Finance Committee - Bill Rossiter	55,549	967	56,516	-	56,516	56,704
Chair, Environmental Management Committee - Joe Carr	55,549	6,228	61,776	-	61,776	63,009
Tony Davies-Colley	55,549	1,565	57,114	-	57,114	56,299
Graeme Ramsey	55,549	4,836	60,385	-	60,385	60,680
Bronwyn Hunt	55,549	5,460	61,009	-	61,009	62,031
	491,006	**23,107**	**514,113**	**20,800**	**534,913**	**541,769**

Councillor Walker is also a director of Northland Port Corporation (NZ) Limited.

Salary

With the enactment of the Local Government Act 2002, the Remuneration Authority is responsible for setting the remuneration levels for elected members. The council monetary remuneration (salary) detail above was determined by the Remuneration Authority.

Non-salary

The determination issued by the Remuneration Authority also provides for the payment of hearing fees for those councillors who sit as members on hearings of resource consent applications lodged under the Resource Management Act 1991. The fees for members who act in this capacity are paid at the rate of $100 per hour for the chair and $80 per hour for other members of the committee. The level of fees received by councillors who have sat on resource consent hearings for the 2012-2013 financial year is included under the heading Monetary Remuneration - Non-salary.

Councillors are also able to claim an allowance for mileage. This allowance is also set by the Remuneration Authority and is paid to councillors using their personal vehicle to travel from their normal place of residence to official Council meetings. The mileage allowance paid to councillors is also included under the heading Monetary Remuneration - Non-salary.

Note 34: Remuneration continued

Key management personnel

	Council 30-Jun-13 $	Council 30-Jun-12 $
Remuneration paid to key management personnel	1,510,474	1,498,618
Post-employment benefits	16,190	13,494
Other long terms benefits	-	-
Termination benefits	-	-
Share-based payments	-	-
	1,526,664	**1,512,112**

Key management personnel include the chair, councillors, chief executive and other senior management personnel.

During the year, councillors and senior management, as part of a normal customer relationship, were involved in minor transactions with the council (such as payment of rates).

Remuneration salary bands for employees

The number of employees who received remuneration at 30 June are detailed below. For those receiving remuneration of $60,000 or more, they are grouped into $20,000 bands as presented below. For any $20,000 bands with five or fewer employees in the band, they are combined upwards with the next banding as stipulated in the Local Government Act 2002.

Total annual remuneration by band for employees at 30 June	Council 30-Jun-13 $	Council 30-Jun-12 $
<$60,000	98	100
$60,000 - $79,999	54	46
$80,000 - $99,000	20	18
$100,000 - $119,999	5	3
$120,000 - $139,999	-	-
$140,000 - $229,000	4	5
Total employees	**181**	**172**

Total remuneration includes non-financial benefits provided to employees. At balance date council employed 139 (2012: 134) full-time employees, with the balance of staff representing 15.75 (2012: 13.62) full-time equivalent employees. A full-time employee is determined on the basis of a 37.5 hour working week.

Note 35: Severance payments

In accordance with Schedule 10, section 19 of the Local Government Act 2002, the council is required to disclose the number of employees who received severance payments during the year, and the amount of each severance payment made. Severance payments include any consideration (monetary and non-monetary) provided to any employee in respect of the employee's agreement to the termination of their employment with council. Severance payments exclude any final payment of salary, holiday pay and superannuation contributions.

For the year ending 30 June 2013 no severance payments were made (2012: nil).

Note 36: Events after balance sheet date

Subsequent to balance date, Northland Port Corporation (NZ) Limited declared a fully imputed dividend of 5.5 cents per share was declared on 23 August 2013.

Northland Inc. Limited

Northland Inc. Limited is heavily reliant on council to provide ongoing operational funding. Without council funding, Northland Inc. Limited would most likely cease to operate. To enable Northland Inc. Limited financial statements to be prepared on the basis of Northland Inc. Limited being a “going concern”, the board needs to be satisfied that Northland Inc. Limited will be able to meet its operational day to day commitments and ongoing liabilities in the foreseeable future. To this end, council has provided Northland Inc. Limited with a letter of comfort setting out that while it is not possible to commit council beyond the current Annual Plan 2013/14, council does reasonably expect to fund Northland Inc. Limited as signaled in its Long Term Plan 2012-2022 ($1.1 million annually). Council has also given an undertaking that should operating funding reduce or cease beyond 2013/14 as a result of future council decision making, that council would meet known outstanding financial commitments as included in Northland Inc. Limited’s Annual Report at 30 June 2013 and arising from the implementation of the 2013/14 Statement of Intent.

Note 36: Events after balance sheet date continued

There were no other significant events after balance date.

Note 37: Breach of legislation

In preparing the Draft Annual Plan 2013/14, council did not provide the 2012/13 budget figures for the Funding Impact Statements for each group of activity. In failing to do so council did not fully comply with Schedule 10 (part 2) of the Local Government Act 2002. It should be noted, there was significant confusion across the sector on understanding the requirements and clarification was achieved after council had printed the draft plans for distribution. The 2012/13 budget information was available in the Long Term Plan 2012-2022 and the final adopted Annual Plan 2013/14 included the information.

There were no other significant breaches of legislation during the year.

Note 38: Segment reporting

Northland Regional Council is a public benefit entity and is therefore not required to present segment information under NZ IAS 14 (4.1) Segment Reporting. The council's subsidiary, Northland Port Corporation (NZ) Limited, is an entity whose securities are publicly traded, and it will therefore present segment information in its own separate financial report.

Note 38A: Financial instrument categories

		Council 30-Jun-13 $	Council 30-Jun-12 $	Consolidated 30-Jun-13 $	Consolidated 30-Jun-12 $
FINANCIAL ASSETS					
Loans and receivables					
Cash and cash equivalents	9	15,889,952	10,249,654	16,984,938	10,770,273
Term Deposits	20	6,000,000		6,000,000	
Debtors and other receivables	10	4,896,707	4,805,052	5,459,628	5,664,701
Other receivables (long term)	14	5,395,453	5,256,299	5,395,453	5,256,299
Total loans and receivables		32,182,112	20,311,005	33,840,019	21,691,273
Financial assets at fair value through profit and loss					
Other financial assets:					
Term deposits, local authority and government stock		2,538,132	5,083,568	2,538,132	5,083,568
Income funds		2,019,050	-	2,019,050	-
Equity funds		4,131,168	-	4,131,168	-
Listed shares		-	3,555,736	827,395	4,083,378
Private equity		9,552	367,579	9,552	367,579
Property trusts		-	472,042	-	472,042
Emission Trading Scheme – NZU's		31,428	45,512	31,428	45,512
Total financial assets at fair value through surplus/(deficit)		8,729,330	9,524,438	9,556,725	10,052,080
Fair value through other comprehensive income					
Other financial assets:					
Local authority and government stock		4,352,517	15,637,329	4,352,714	15,637,329
Listed shares		-	-	-	-
Total fair value through equity		4,352,517	15,637,329	4,352,714	15,637,329
FINANCIAL LIABILITIES					
Financial liabilities measured at amortised cost					
Creditors and other payables	21	5,114,869	4,442,671	6,240,688	5,508,059
Borrowings:					
Bank overdraft		-	-	-	44,611
Bank loan		-	-	-	502,429
Lease liability		-	-	5,465	12,330
Total financial liabilities measured at amortised cost		**5,114,869**	**4,442,671**	**6,246,153**	**6,067,429**

Note 38B: Fair value hierarchy disclosures

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

Note 38B: Fair value hierarchy disclosures continued

- 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 all significant inputs are observable.
- 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 the valuation of classes of financial instruments measured at fair value in the statement of financial position.

		Valuation techniques		
30 June 2013 – council	**Total $000**	**Quoted market price $000**	**Observable Inputs $000**	**Significant non-observable inputs $000**
Financial assets				
Local authority stock	2,022,392	2,022,392	-	-
Emission Trading Scheme - NZU's	31,428	31,428	-	-
Shares	-	-	-	-
Income funds	2,019,050	2,019,050	-	-
Equity funds	4,131,168	4,131,168	-	-
Private equity	9,552	-	-	9,552
Property trusts	-	-	-	-
Other stocks and bonds	4,868,256	4,868,256	-	-
Financial liabilities				
Derivatives	-	-	-	-
30 June 2013 - group				
Financial assets				
Derivatives	-	-	-	-
Local authority stock	2,022,392	2,022,392	-	-
Emission Trading Scheme - NZU's	31,428	31,428	-	-
Shares	827,395	827,395	-	-
Income funds	2,019,050	2,019,050	-	-
Equity funds	4,131,168	4,131,168	-	-
Private equity	9,552		-	9,552
Other stocks and bonds	4,868,256	4,868,256	-	-
Financial liabilities				
Derivatives	-	-	-	-
30 June 2012 - council				
Financial assets				
Derivatives	-	-	-	-
Local authority stock	15,637,329	-	15,637,329	-
Emission Trading Scheme - NZU's	45,512	45,512	-	-
Shares	3,555,736	3,555,736	-	-
Private equity	367,579	-	-	367,579
Private equity	472,042	472,042	-	-
Other stocks and bonds	5,083,568	-	5,083,568	-
Financial liabilities				
Derivatives	-	-	-	-
30 June 2012 - group				
Financial assets				
Derivatives	-	-	-	-
Local authority stock	15,637,329	-	15,637,329	-
Emission Trading Scheme - NZU's	45,512	45,512	-	-
Shares	4,083,378	4,083,378	-	-
Private Equity	367,579	-	-	367,579
Property Trusts	472,042	472,042	-	-
Other stocks and bonds	5,083,568	-	5,083,568	-
Financial liabilities				
Derivatives	-	-	-	-

Note 38B: Fair value hierarchy disclosures continued

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

Note 38C: Financial instrument risks

Valuation techniques with significant non-observable inputs (Level 3)

The table below provides a reconciliation from the opening balance to the closing balance for the level 3 fair value measurements.

	30-Jun-13 $	30-Jun-12 $
Balance at 1 July	367,579	-
Gain and losses recognised in the surplus or deficit	-	-
Gain and losses recognised in other comprehensive income	-	-
Purchases	-	367,579
Sales	(358,027)	-
Transfers into level 3	-	-
Transfers out of level 3	-	-
Balance at 30 June	9,552	367,579

Northland Regional Council has a series of policies to manage the risk associated with financial instruments. Council is risk averse and seeks to minimise exposure from its treasury activities. Council has established council-approved Liability Management and Investment policies. These policies do not allow any transactions that are speculative in nature to be entered into.

Council also manages the Community Investment Fund (formerly known as the Northland Regional Council Community Trust Fund) and does so in accordance with the Statement of Investment Policies and Objectives (SIPO). The SIPO and any changes to it are approved by council. Quarterly performance reporting is prepared by independent investment advisor Eriksen and Associates.

Maximum exposure to credit risk

Council's maximum credit exposure for each class of financial instrument are as follows.

	Council 30-Jun-13 $	Council 30-Jun-12 $	Consolidated 30-Jun-13 $	Consolidated 30-Jun-12 $
Cash at bank and term deposits	15,889,952	10,249,654	16,984,938	10,770,273
Debtors and other receivables	4,896,707	4,805,052	5,459,628	5,664,701
Other receivables	5,395,453	5,256,299	5,395,453	5,256,299
Term deposits, local authority and government stock	10,352,517	15,637,329	10,352,714	15,637,329
Other stocks, bonds	2,538,132	5,083,568	2,538,132	5,083,568
Emission Trading Scheme – NRU's	31,428	45,512	31,428	45,512
Shares	-	3,555,736	827,395	4,083,378
Income funds	2,019,050	-	2,019,050	-
Equity funds	4,131,182	-	4,131,168	-
Private equity	9,552	367,579	9,552	367,579
Property trusts	-	472,042	-	472,042
	45,263,973	**45,472,771**	**47,749,457**	**47,380,681**

Note 38C: Financial instrument risks continued

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 counterparty default rates.

COUNTERPARTIES WITH CREDIT RATINGS	Council 30-Jun-13 $	Council 30-Jun-12 $	Consolidated 30-Jun-13 $	Consolidated 30-Jun-12 $
Cash at bank and current term deposits				
AA	15,889,952	10,249,654	16,984,938	10,770,273
BBB+	-	-	-	-
Total cash at bank and current term deposits	**15,889,952**	**10,249,654**	**16,984,938**	**10,770,273**
Term deposits, local authority and government stock				
A+	2,251,632	2,324,516	2,251,632	2,324,516
AA	6,000,000	-	6,000,000	-
A	-	-	-	-
AA-	-	10,181,825	-	10,181,825
BBB+	-	-	-	-
Unrated - local authority	2,022,392	2,550,739	2,022,392	2,550,739
Unrated	78,493	580,504	78,493	580,504
Total local authority and government stock	**10,352,517**	**15,637,584**	**10,352,517**	**15,637,584**
Other stocks, bonds (Community Investment Funds)				
A+	-	-	-	-
AA	-	-	-	-
A	-	-	-	-
AA-	686,318	1,723,505	686,318	1,723,505
BBB+	713,553	1,136,100	713,553	1,136,100
Unrated	1,112,726	1,383,460	1,112,726	1,383,460
Cash or cash equivalent	25,535	840,503	25,535	840,508
	2,538,132	5,083,568	2,538,132	5,083,568
Derivative financial instrument assets				
AA	-	-	-	-
AA-	-	-	-	-
Total derivative financial instrument assets	**-**	**-**	**-**	**-**

COUNTERPARTIES WITHOUT CREDIT RATINGS	Council 30-Jun-13 $	Council 30-Jun-12 $	Consolidated 30-Jun-13 $	Consolidated 30-Jun-12 $
Emission Trading Scheme - NZU's	31,428	45,512	31,428	45,512
Shares	-	3,555,736	827,395	4,083,378
Income funds	2,019,050	-	2,019,050	-
Equity Funds	4,131,182	-	4,131,168	-
Private Equity	9,552	367,579	9,552	367,579
Property Trusts	-	472,042	-	472,042
	6,191,212	**4,440,869**	**7,018,593**	**4,968,511**

Note 38C: Financial instrument risks continued

Debtors and other receivables arise mainly from the councils statutory functions. Therefore, there are no procedures in place to monitor or report the credit quality of debtors and other receivables with reference to internal or external credit ratings. The council has no significant concentrations of credit risk in relation to debtors and other receivables, as it has a large number of credit customers, mainly ratepayers, and the council has powers under the Local Government (Rating) Act 2002 to recover outstanding debts from ratepayers.

The council's primary investment objective is to protect capital value to minimise the risk of capital loss. Credit risk is minimised by setting maximum portfolio limits on each class of investment and specific limits on each investee. Where relevant, the minimum long term credit rating is BBB+.

During 2005/06 council's Treasury Management Policy allowed council to invest in unrated investments, if strongly recommended by expert financial advisers. Investments in unrated investments were undertaken in the 2005/06 financial year. There have been no further investments in unrated institutions since this time.

The Treasury Management Policy requires council to reduce the credit exposure to zero (or minimise it by taking into account maturity dates and the costs of (losses on redemption). Council has sought independent investment advice and is continuing to monitor the credit worthiness of these investments.

On 30 June 2012, council took responsibility for the former Northland Regional Council Community Trust Fund. A Statement of Investment Policies and Objectives has been developed for the investment of these assets.

Contractual maturity of financial liabilities

The table below analyses council and group's financial liabilities into relevant maturity groupings, based on the remaining period at the balance date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

	Carrying Amount $	Contractual Cash Flows $	Less than 1 Year $	1 - 2 Years $	2 - 5 Years $	More than 5 Years $
Council 2013						
Creditors and other payables	**5,114,869**	**5,114,869**	**5,114,869**	**-**	**-**	**-**
Group 2013						
Creditors and other payables	6,240,688	6,240,688	6,240,688	-	-	-
Bank overdraft	-	-	-	-	-	-
Secured loans	-	-	-	-	-	-
Debentures	-	-	-	-	-	-
Finance leases	5,465	5,465	4,840	625	-	-
Finance guarantees	-	-	-	-	-	-
Total	**6,246,153**	**6,246,153**	**6,245,528**	**625**	**-**	**-**
Council 2012						
Creditors and other payables	**4,442,671**	**4,442,671**	**4,442,671**	**-**	**-**	**-**
Group 2012						
Creditors and other payables	5,508,059	5,508,059	5,508,059	-	-	-
Net settled derivative liabilities	-	-	-	-	-	-
Bank overdraft	44,611	44,611	44,611	-	-	-
Secured loans	502,429	502,429	502,429	-	-	-
Debentures	-	-	-	-	-	-
Finance leases	12,330	12,330	6,865	5,465	-	-
Finance guarantees	-	-	-	-	-	-
Total	**6,067,429**	**6,067,429**	**6,061,964**	**5,465**	**-**	**-**

The table below analyses council's financial assets into relevant maturity groupings, based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed are the contractual, undiscounted cash flows.

Note 38C: **Financial instrument risks** continued

Contractual maturity analysis of financial assets

	Carrying Amount $	Contractual Cash Flows $	Less than 1 Year $	1 - 2 Years $	2 - 5 Years $	More than 5 Years $
Council 2013						
Cash and cash equivalents	15,889,952	16,009,126	16,009,126	-	-	-
Debtors and other receivables	4,896,707	4,896,707	4,896,707	-	-	-
Other receivables	5,395,453	5,395,453		-	5,395,453	-
Other financial assets:						
Term deposits, local authority and government stock	10,352,517	11,676,152	8,350,168	2,548,303	777,681	-
Term deposits, stocks and bonds (former NRCCT Trust Fund)	2,538,132	3,603,185	1,491,883	537,338	1,241,071	332,894
Emission Trading Scheme – NRU's	31,428	31,428	31,428	-	-	-
Income funds	2,019,050	2,019,050	2,019,050	-	-	-
Equity funds	4,131,182	4,131,182	4,131,182	-	-	-
Private equity	9,552	9,552	9,552	-	-	-
Property trusts	-	-	-	-	-	-
Total	**45,263,972**	**47,771,835**	**36,939,096**	**3,085,641**	**7,414,205**	**332,894**
Group 2013						
Cash and cash equivalents	16,984,938	17,112,325	17,112,325	-	-	-
Debtors and other receivables	5,459,628	5,459,628	5,459,628	-	-	-
Other receivables	5,395,453	5,395,453	-	-	5,395,453	-
Other financial assets:						
Term deposits, local authority and government stock	10,352,714	11,676,152	8,350,168	2,548,303	777,681	-
Term deposits, stocks and bonds (former NRCCT Trust Fund)	2,538,132	3,603,185	1,491,883	537,338	1,241,071	332,894
Emission Trading Scheme – NZU's	31,428	31,428	31,428	-	-	-
Listed shares	827,395	827,395	827,395	-	-	-
Income equity	2,019,050	2,019,050	2,019,050	-	-	-
Equity funds	4,131,182	4,131,182	4,131,182	-	-	-
Private equity	9,552	9,552	9,552	-	-	-
Total	**47,749,471**	**50,265,530**	**39,432,611**	**3,085,641**	**7,414,205**	**332,894**
Council 2012						
Cash and cash equivalents	10,249,654	10,249,654	10,249,654	-	-	-
Debtors and other receivables	4,805,052	4,805,052	4,805,052	-	-	-
Other receivables	5,256,299	5,256,299	-	-	5,256,299	-
Other financial assets:						
Term deposits, local authority and government stock	15,637,329	21,087,793	11,790,856	6,137,126	3,159,811	-
Term deposits, stocks and bonds (former NRCCT Trust Fund)	5,083,568	5,083,568	5,083,568	-	-	-
Emission Trading Schemed – NZU's	45,512	45,512	45,512	-	-	-
Listed shares	3,555,736	3,555,736	3,555,736	-	-	-
Private equity	367,579	367,579	367,579	-	-	-
Property Trusts	472,042	472,042	472,042	-	-	-
Total	**45,427,260**	**50,923,236**	**36,370,000**	**6,137,126**	**8,416,110**	**-**
Group 2012						
Cash and cash equivalents	10,770,273	10,827,433	10,827,433	-	-	-
Debtors and other receivables	5,664,701	5,664,701	5,664,701	-	-	-
Other receivables	5,256,299	5,256,299	-	-	5,256,299	-

Note 38C: Financial instrument risks continued

Other financial assets:						
Term deposits, local authority and government stock	15,637,329	21,087,793	11,790,856	6,137,126	3,159,811	-
Term deposits, stocks and bonds (former NRCCT Trust Fund)	5,083,568	5,083,568	5,083,568	-	-	-
Emission Trading Schemed – NZU's	45,512	45,512	45,512	-	-	-
Listed shares	4,083,378	4,083,378	4,083,378	-	-	-
Private equity	367,579	367,579	367,579	-	-	-
Property trusts	472,042	472,042	472,042	-	-	-
Total	**47,380,681**	**52,888,304**	**38,335,069**	**6,137,126**	**8,416,110**	**-**

Sensitivity analysis

The table below illustrates the potential effect on the surplus/(deficit) and equity (excluding retained earnings) impact for reasonable possible market movements, with all other variables held constant, based on council's financial instrument exposures at the balance date.

	2013				**2012**			
	+100bps		**-100bps**		**+100bps**		**-100bps**	
	Profit $	**Other Equity $**	**Profit $**	**Other Equity $**	**Profit $**	**Other Equity $**	**Profit $**	**Other Equity $**
COUNCIL								
INTEREST RATE RISK								
Financial assets								
Cash and cash equivalents	158,900	-	(158,900)	-	102,497	-	(102,497)	-
Other financial assets:								
Term deposits, local authority and government stock	103,525	-	(103,525)	-	156,373	-	(156,373)	-
Community Investment Fund	86,979	-	(86,979)	-				
Financial liabilities								
Borrowings:								
Bank overdraft	–	–	–	–	-	-	-	-
Term loans	–	–	–	–	-	-	-	-
Total sensitivity to interest rate risk	**349,404**	**-**	**(349,404)**	**-**	**258,870**	**-**	**(258,870)**	**-**

Explanation of sensitivity analysis – council

Cash and cash equivalents: Cash and cash equivalents include deposits, at call, totalling $15,889,952 (2012: $10,249,654) which are at floating rates. A movement in interest rates of plus or minus 1% has an effect on interest income of $158,900 (2012: $102,497).

Term deposits, local authority and government stock: A total of $10,352,517 (2012: $15,637,329) of investment in local authority stock is classified at fair value through equity. A movement in interest rates of plus or minus 1% has an effect of $103,525 (2012: $156,373) on the fair value through equity reserve.

Community Investment Fund: A total of $8,697,902 of Community Investment Fund is classified through surplus or deficit (total fund is $10,586,735 with $1,888,833 included in cash and cash equivalents (note 12). A movement in interest rates of plus or minus 1% has an effect of $86,979 on the surplus or deficit. The portfolio is subject to fair value interest rate risk, cash flow interest rate risk and currency risk. As this is a long-term investment the cash flows from the investment are expected to be receivable in more than five years. Council has established and approved a Statement of Investment Policies and Objectives for the investment of these monies.

Listed Shares: Council holds listed equity instruments in Northland Port Corporation (NZ) Ltd, which are publicly traded and included in the New Zealand Stock Exchange. The Northland Regional Council's investment in the Northland Port Corporation (NZ) Ltd is carried at cost.

Note 38C: Financial instrument risks continued

	2013				2012			
	+100bps		-100bps		+100bps		-100bps	
	Profit $	Other Equity $	Profit $	Other Equity $	Profit $	Other Equity $	Profit $	Other Equity $
GROUP								-
Financial assets								
Cash and cash equivalents	169,849	-	(169,849)	-	107,703	-	(107,703)	-
Derivatives – held for trading								
Derivatives – hedge accounted					-	-	-	-
Other financial assets:								
Term deposits, local authority and government stock	103,527	-	(103,527)	-	161,650	-	(161,650)	-
Community Investment Fund	86,979	-	(86,979)	-	-	-	-	-
Financial liabilities	-	-	-	-	-	-	-	-
Derivatives - hedge accounted								
Borrowings:								
Bank overdraft	-	-	-	-	446	-	(446)	-
Term loans	-	-	-	-	5,024	-	(5,024)	-
Total sensitivity to interest rate risk	**360,356**	**-**	**(360,356)**	**-**	**274,823**		**(274,823)**	**-**

Explanation of sensitivity analysis - group

Cash and cash equivalents: Cash and cash equivalents include deposits, at call, totalling $16,984,938 (2012: $10,770,273) which are at floating rates. A movement in interest rates of plus or minus 1% has an effect on interest income of $169,849 (2012: $107,703).

Term deposits, local authority and government stock: A total of $10,352,517 (2012: $15,637,329) of investment in local authority stock are classified at fair value through equity. A movement in interest rates of plus or minus 1% has an effect of $105,867 (2012: $156,373) on the fair value through equity reserve.

Community Investment Fund: A total of $8,697,902 of Community Investment Fund is classified through surplus or deficit (total fund is $10,586,735 with $1,888,833 included in cash and cash equivalents (note 12). A movement in interest rates of plus or minus 1% has an effect of $86,979 on the surplus or deficit. The portfolio is subject to fair value interest rate risk, cash flow interest rate risk and currency risk. As this is a long-term investment the cash flows from the investment are expected to be receivable in more than five years.

Council has established and approved a Statement of Investment Policies and Objectives for the investment of these monies.

Interest rate risk: The Northland Port Corporation is exposed to changes in interest rate of its long term debt obligations, as these are based on floating interest rates. To mitigate this risk, derivative interest rate swap contracts are periodically entered into under which the group is obliged to receive interest at floating rates and to pay interest at fixed rates. The group constantly analyses its interest rate exposure. Within this analysis, consideration is given to potential renewals of existing positions, alternative hedging positions and the mix of fixed and variable interest rates.

Note 38C: Financial instrument risks continued

Creditors and other payables: The Northland Port Corporation (NZ) Ltd's exposure to foreign exchange risk is considered to be minimal. Where relevant, this risk is managed through the use of forward foreign exchange contracts.

Listed Shares: Council holds listed equity instruments in Northland Port Corporation (NZ) Ltd, which are publicly traded and included in the New Zealand Stock Exchange. The Northland Regional Council's investment in the Northland Port Corporation (NZ) Ltd is carried at cost. At 30 June 2012, council took responsibility for managing the investment of the former Northland Council Community Trust fund, now known as the Community Investment Fund. At 30 June 2013 the fund did not hold any shares. At 30 June 2012 the fund was valued at $9,478,920 was held with Goldman Sachs JBWere (NZ) Limited. The fund contains investments in cash, NZ and offshore companies, NZ and offshore bonds and property. At 30 June 2012 the fund held $3.55 million in shares.

Note 39: Reclassification

The council and group have changed the presentation of items within income to comply with the new presentation requirements of the Local Government (Financial Reporting) Regulations 2011. Council has also split the disclosure of gains and losses, into income and expenditure respectively. These were previously shown on the net basis.

The effect of the changes to the income and expenditure are shown in the table below.

For the year ended 30 June 2013

Council

INCOME	Note	Before Reclassification $	Actual 2012 Reclassification $	After Reclassification $
Rates		15,773,486	-	15,773,486
Fees and charges		-	4,419,316	4,419,316
Subsides and grants		-	952,632	952,632
Revenue from activities		5,371,948	(5,371,948)	-
Finance income		1,730,661	-	1,730,661
Other revenue		5,115,270	-	5,115,270
Other gains		(370,212)	1,261,494	891,282
Share of Joint Venture Revenues		-	-	-
Share of Associate Companies' Net Surplus		-	-	-
TOTAL INCOME		**27,621,152**	**1,261,494**	**28,882,646**
EXPENDITURE				
Personnel costs		9,953,470	-	9,953,470
Depreciation and amortisation expense		1,030,757	-	1,030,757
Finance costs		91,970	-	91,970
Other losses		-	1,261,494	1,261,494
Other expenditure on activities		14,827,952	-	14,827,952
TOTAL OPERATING EXPENDITURE		**25,904,149**	**1,261,494**	**27,165,643**
SURPLUS/(DEFICIT) BEFORE TAX		**1,717,003**	**-**	**1,717,003**

Group

INCOME	Note	Before Reclassification $	Actual 2012 Reclassification $	After Reclassification $
Rates		15,773,486	-	15,773,486
Fees and charges		-	5,517,535	5,517,535
Subsides and grants		-	952,632	952,632
Revenue from activities		6,810,735	(6,470,166)	340,569
Finance income		2,068,817	-	2,068,817
Other revenue		4,310,759	-	4,310,759
Other gains		1,791,339	636,639	2,427,978
Share of Joint Venture Revenues		806,525	-	806,525
Share of Associate Companies' Net Surplus		6,485,212	-	6,485,212

Note 39: Reclassification continued

TOTAL INCOME	**38,046,874**	**636,640**	**38,683,513**
EXPENDITURE			
Personnel costs	11,317,484	-	11,317,484
Depreciation and amortisation expense	1,124,801	-	1,124,801
Finance costs	107,758	-	107,758
Other losses	-	636,640	636,640
Other expenditure on activities	17,909,691	-	17,909,691
TOTAL OPERATING EXPENDITURE	**30,459,734**	**636,640**	**31,096,374**
	-	-	-
SURPLUS/(DEFICIT) BEFORE TAX	**7,587,139**	**-**	**7,587,139**

Council policies

Council policies

Human resources

Our vision
Creating a region of choice

Our mission
Through growth, putting Northland first by providing regional leadership, environmental protection, economic opportunities and integrated infrastructure.

Our motto
Putting Northland first

Our values in action
Put our community and region first
Provide regional leadership, focussed on working towards strategies and action which will make a positive difference to Northland's communities and people.

Be a champion for our natural environment
We will provide policies, guidance and resources to enable our community to manage and enhance its environmental sustainability.

Be forward thinking and innovative
We will always look long term at issues facing our region and seek innovative solutions.

Be flexible and open
We will adapt to change quickly, listen carefully to our communities and act fairly and openly in everything we do.

Be responsive and deliver value
We are committed to understanding what is important to Northlanders and take action to deliver value to them.

Be professional and accountable
We strive to deliver the highest levels of professionalism and we are responsible to the people and ratepayers of Northland.

Work with others
We will work together and in partnership with others to achieve the most effective and affordable outcome for Northland.

Performance management
The council has extensive systems in place to assist performance management and continuous improvement and these link to our values.

Employment agreements
The council employed 154 permanent staff as at 30 June 2013. Of these, 6.5% were employed under the Northland Regional Council Collective Employment Agreement, with the balance employed on individual agreements.

Year	12/13	11/12	10/11
Male	81	80	75
Female	73	79	78

Equal employment opportunities

Policy
The Northland Regional Council and its management are committed to providing equal employment opportunities. Its policy is to support successful performance in staff by recognising their diverse backgrounds and needs, and having a system with the flexibility to meet that diversity.

2012/13 Programme
- Recruitment policies and procedures select from the widest possible cross section in a non-discriminatory way, with all staff considered for employment of their choice.
- All staff have the opportunity to participate in training and educational opportunities with a mandatory minimum amount allocated in specific departmental training budgets for all staff.
- The council provides flexible working conditions to meet both the needs of the employer and personal needs of the staff.
- There is provision for paid parental leave in the council's employment agreements and flexible return to work from parental leave programmes are provided.
- An employee assistance programme is available to recognise a diverse range of needs within the staff.
- The functions of the council and the skills required of its staff will continue to be promoted to secondary and tertiary schools, by supporting appropriate work experience programmes and providing cadetships and scholarships.

Council policies continued

Actual performance to 30 June 2013

Programmes and procedures to meet the above equal employment opportunities policy were in place and observed by all departments throughout the year.

Health and safety

Policy

The Northland Regional Council and its management are committed to providing a safe and healthy working environment for all staff members, visitors and contractors. This commitment is reflected in the council's achievement of tertiary level status in ACC's Workplace Safety Management Programme.

The 2012/13 programme consists of:

- Hazard management;
- Accident/incident reporting and investigation;
- Recruitment and new employee induction;
- Training;
- Health and safety procedures and policy;
- Personal protective equipment;
- Employee participation and communications;
- Occupational health monitoring;
- Audits and workplace inspections;
- Wellness programmes; and
- Working safely with Northland Regional Council programme for contractors.

Actual performance to 30 June 2013

Programmes and procedures to meet the above Health and Safety policy were in place and observed by all departments throughout the year. An external audit carried out by ACC in August 2012 approved continuation of tertiary standards in the ACC WSMP Programme for Northland Regional Council. Our next external audit will be done in August 2014.

Year	12/13	11/12	10/11	09/10
Lost Time	2	3	0	1
Incidents	32	42	42	53

Training and experience

The council is committed to ensuring that its staff are appropriately qualified, experienced and trained. The council employs staff with many qualifications to undertake its wide range of duties and responsibilities.

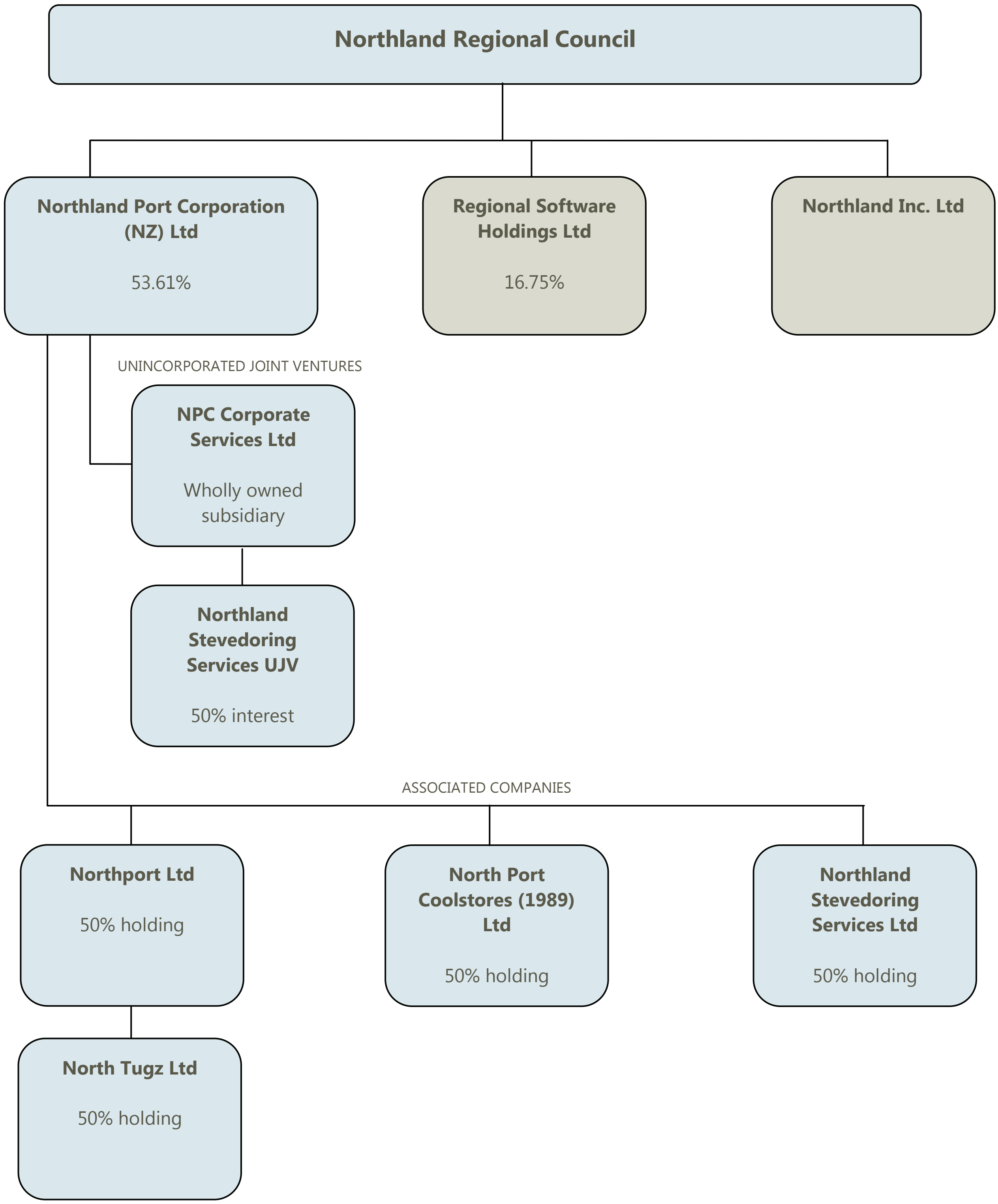
Training is an investment in our employees. The council is committed to maintaining continuing professional development.

Experienced, as well as well qualified and trained staff, are critical to the success of council.

Year	12/13	11/12	10/11	09/10
Turnover	11.7%	14.07%	14.02%	15.8%
Average length service	7.05yrs	6.36yrs	6.54yrs	7.21yrs

Council entities

Group structure



* Activity Support Services

Northland Port Corporation (NZ) Limited

Port ownership

The Northland Regional Council owns 53.61% (22.1 million shares) of the issued capital of the Northland Port Corporation (NZ) Ltd, which is presently 41,300,651 ordinary shares of 25 cents each. The balance of shares is held by the public and all shares are listed on the New Zealand Stock Exchange.
The council reviews its shareholding in the company during the triennial review of its strategic plan.

There are eight directors of the Northland Port Corporation (NZ) Ltd. One-third of the directors retire by rotation each year. The following are the directors confirmed at the 2012 Annual General Meeting of shareholders:
Sir John Goulter, Chairman
Mr Colin Mitten
Mr Ross Blackmore
Mr Peter Griffiths
Ms Susan Huria
Mr David Keys
Ms Elena Trout
Mr Ian C Walker

Company operations

Over the last few years the company has rationalised its operations and is now essentially an investment company with holdings in the following companies:

- Northport Ltd (operates a deep water port facility at Marsden Point).
- North Port Coolstores (1989) Ltd.
- Northland Stevedoring Services Ltd.

The company also owns approximately 180 hectares of industrially zoned land in the Marsden Point area which is being progressively developed for industry and utilises the port at Marsden Point.

Company financial data

As a listed company, the Northland Port Corporation (NZ) Ltd is not required to publish a Statement of Corporate Intent nor provide budget estimates to the council, its major shareholder. The corporation is exempt from the council-controlled organisations provisions of the Local Government Act 2002.

Company	**Holding**	**Main activity**
Northport Ltd	50.0%	Port operating company
Northland Stevedoring Services Ltd	50.0%	Stevedores
North Port Coolstores (1989) Ltd	50.0%	Coolstore operators

Northland Inc. Limited

Introduction

A council-controlled organisation (CCO) is a company or organisation in which a council or councils hold 50% or more of the voting rights or can appoint 50% or more of the trustees, directors or managers. A council-controlled trading organisation (CCTO) is a company or organisation that operates a trading operation for the purpose of making a profit. Northland Regional Council has responsibilities for two organisations within these categories:

- Northland Inc. Limited (CCO)
- Regional Software Holdings Limited (CCTO)

(Northland Port Corporation (NZ) Limited also a subsidiary organisation but is exempt from the CCO provisions of the Local Government Act 2002 and is not required to publish a statement of intent. Our port ownership is addressed in the previous section.)

CCOs and CCTOs are required to complete a Statement of Intent (SOI) and report against their policies, objectives and performance in council's Annual Report unless an exemption has been granted.

This section provides the information required under the Local Government Act 2002 for Northland Inc. Limited and Regional Software Holdings Limited.

Northland Inc. Limited

About this CCO

Northland Inc. Limited is the Northland region's economic development agency. Northland Inc. Limited (formerly Destination Northland) formed in July 2012 as a result of decisions taken in our Long Term Plan 2012-2022 (see page 144).

Northland Inc. Limited is funded by an operational contribution from the Northland Regional Council and is project funded through other public and private agencies, with central government being the next largest contributor. The organisation has a governance board of professional directors each appointed for a three year term by the council and operational activity is led by a chief executive officer.

Policies and objectives

Council's Long Term Plan 2012-2022 also provided the framework for Northland Inc. Limited. The activities and functions of the new economic development organisation include:

- Finding economic development projects for the council (and others) to invest in (initially using the Investment and Growth Reserve).
- Helping put together business cases for economic development projects.
- Assessing economic development projects (and their business cases) for the council (and others) to invest in.
- Directly assisting projects though business incubation, removing (some) risk (e.g. by getting resource consents, securing land, securing partners).
- Advising council on opportunities and barriers to economic development in Northland.
- Delivering the business grow and skills development service provision, funded by central government.
- Collaborating with industry sector groups, Māori development groups and supporting regional forums e.g. Northland Energy Forum, Digital Forum, rail project, oyster shell project.
- Regional promotion including tourism promotion and destination marketing.
- Promoting Northland as a place to live, work, invest and visit.

Key performance measures and targets

Northland Inc. Limited's key performance measures and targets are:

- Employment rate – increases annually
- Business growth – increases annually
- GDP of Northland – increases annually
- Visitor numbers – increases annually

Investment and Growth Reserve

Northland Inc. Limited's activities include a focus on finding economic development projects that qualify for funding through council's Investment and Growth Reserve. The reserve is to be used to fund specific projects that will increase jobs and economic performance in Northland. The council adopted criteria for determining eligible projects to be funded from the reserve (see Long Term Plan 2012-2022, pages 120-121). The main points are as follows:

- The reserve's objective is to increase Northland's jobs numbers, average weekly household income and GDP (gross domestic product) by investing in economic projects/ventures.

- The reserve will provide operational expenditure for Northland Inc. Limited to identify, progress and monitor projects.
- The reserve will provide loan funding or directly invested funds for capital expenditure on new ventures or expanding existing businesses, and operating expenditure (for a finite period and with conditions).
- Loaned funds or directly invested funds will deliver an appropriate rate of return, taking into account the level of risk and revenue flows.
- Any project that is determined to potentially have significant adverse impacts on social, environmental, economic, or cultural well-being will not be eligible for funding, regardless of the positive impacts.
- All projects will be assessed for funding eligibility against a business case assessment tool.
- Only projects recommended for funding by the Northland Inc. Limited will be considered by the council.
- Council will decide on the allocation of all reserve funds.

A year in review

Northland Inc. Limited was established in July 2012 and spent some of the 2012/13 reporting year establishing itself, confirming its delivery mechanisms and developing its first Statement of Intent (SOI). The SOI is the guiding document for the activities of the organisation and is developed by the board in conjunction with council to ensure the CCO is focussed on the objectives and performance targets and measures that are provided by the council through the Long Term Plan.

The following report provides a summary overview of the key activities and achievements of the CCO for the 2012/13 year and is grouped into three key areas; Stakeholder Engagement, Sector Growth and Investment and Funding; all of which are aligned to the policies and objectives as described in the LTP.

Stakeholder engagement

2012 Northland competitive tender process

New Zealand Petroleum & Minerals invited companies to take part in a competitive tender for metallic mineral 'Exploration Permits' over a prescribed area (covering ~5,537 km2) of the Northland region. This tender was supported by the data acquired during the aeromagnetic survey undertaken over Northland in 2011. An announcement was made on 13 June 2013, awarding five permit areas to three different exploration companies. Northland Inc. Limited supported the Ministry with the announcement phase and will extend its assistance to any of the successful tenderers should they so choose to engage.

2013 Petroleum block offer

Scientific evidence shows that Northland and Reinga are potentially highly prospective. Offering these basins in the 2013 block offer is part of New Zealand Petroleum & Minerals' strategy to offer a range of opportunities to attract different types of operators to explore in New Zealand. Northland Inc. Limited has been and will continue to work with Ministry of Business, Innovation & Employment personnel to implement the latters' Stakeholder Engagement Strategy and Work Plan.

Northland Economic Action Group (NEAG)

Two 'Whole of Northland Economic Summits' were held in June and July 2012 at Waitangi and Whāngārei respectively, convened by the Member of Parliament for Northland, Mike Sabin. The aim of the summits was to provide a platform for regional wide growth across the Northland economy by developing a cohesive, overarching strategy to better enable the region to achieve its true economic potential. Northland Inc. Limited supplied secretariat, data and organisational services to the associated monthly meetings and assisted with the arranging of the summits.

Northland Intersectoral Forum (NIF)

NIF is a collective of local and central government agencies and organisations who network, share information and work collaboratively to address collective priorities to make a positive difference on the wellbeing of Northlanders. NIF is committed to continue to influence policy and decision-makers as a collective. Northland Inc. Limited provided a base for the NIF Coordinator, and led the Economic Development Strategy Group.

Tourism promotion and destination marketing

- Visitor Guide
  The Visitor Guide is Northland's number one promotional opportunity for tourism businesses. The 2013 edition had 100,000 copies distributed nationally and internationally.
- Trade & Conference Guide
  Produced annually by Northland Inc. Limited. This guide is widely used as a reference manual for transport, accommodation and activities.
- Domestic campaign
  The autumn campaign ran from the beginning of March through to mid-April 2013 incorporating Easter and the April school holidays. Including operator buy-in and prizes, Northland Inc. Limited budget and negotiated media benefits, the campaign had an overall value of $230,000.

- Australia campaign
  A joint venture campaign targeting the Australian market ran from September to December 2012. The campaign value exceeded $1.8m made up of added media value, operator input and dollar commitments from Auckland, Waikato, Rotorua, Taupo and Northland regional tourism offices, Tourism New Zealand, Qantas and Flight Centre.
- Tradeshows attended
  Australia Market Insights
  TRENZ
  CONVENE
  RTONZ Inbound Training Event
- Assisted trade visits
  A total of 138 travel trade agent itineraries were co-ordinated and hosted to the region, with especially strong representation from the UK, USA & Australia as part of the Tourism NZ Mega visits in April and May 2013.
- Assisted media V=visits
  58 International media have been hosted across the year hosted from high circulation, high value print and online media from Australia, Germany, UK, USA, Japan, India and China resulting in an equivalent advertising value of nearly $4.5m.

Sector growth

Business capability funding (New Zealand Trade & Enterprise) and research and development funding (MSI, now Callaghan Innovation) is delivered in Northland through the Regional Business Partnership at Northland Inc. Limited. The Northland Chamber of Commerce partners with Northland Inc. Limited to deliver the NZTE contract for small businesses.

Business capability

In total 166 contacts were made with 95 Northland businesses. Assessments were carried out with 83 of those businesses. These included 27 reassessments of businesses that had accessed some training and that were ready to take a further business development step.

Innovation and R&D

By the end of the financial year, 12 Northland firms had received over $500,000 of Callaghan Innovation funding.

Investment and funding

Following some months of feasibility and due diligence activity, five proposals have been prepared for presentation to the Northland Inc. Limited board as applications to the Investment and Growth Reserve. Two of the projects were presented to the June 2013 board meeting and three of the projects will be presented to the July 2013 board meeting.

While no specific projects for funding from the Investment and Growth Reserve were approved by council during 2012/13, a number of projects are expected to be presented to council for consideration early in the next financial year.

The Northland Inc. Limited team has been working with the initiators and principals of a number of projects seeking to attract new business (and technologies) to Northland and or grow existing business entities and it is anticipated that some are on track to work-up applications to the Investment and Growth Fund in the near future.

Results against key performance measures and targets

As reported under the council's economic group of activities, the target that:

- The GDP of Northland increases annually **was achieved**;
- Business Growth increases annually **was not achieved**;
- The employment rate increases annually **was not achieved**.

In addition the target that visitor numbers increases annually **was not achieved**. Specific figures were:

- Visitor Arrivals: 746,410 -2.8% compared to 2012;
- Visitor Nights: 1,557,533 -1.4% compared to 2012.

Regional Software Holdings

Regional Software Holdings Limited ('RSHL') is a major shared services undertaking by the Northland, Waikato, Taranaki, Horizons, West Coast and Southland regional councils. It is responsible for the long-term maintenance and development of the IRIS (Integrated Regional Information System) product as developed for and by the shareholding councils.

Over the last few years, the six regional councils have developed a leading edge software solution (IRIS) for the regional council specific functions undertaken by those councils. The development project has been a remarkable success with the project being delivered to specification and within budget. Two regional councils are now live with the IRIS solution and the other four councils will go-live in the next few months.

RSHL was incorporated in 17 October 2012 with the objective of holding, maintaining and developing the IRIS product. In June 2013, the first call of shares was made. This was accompanied with a transfer of the software from the regional councils to the company.

Each council contributed financially to the development cost of IRIS based on their shareholding in RSHL. At the time of formation the following shareholding was agreed:

Shareholder percentage

Environment Waikato	32.75%
Northland Regional Council	16.75%
Horizons Regional Council	15.50%
Taranaki Regional Council	15.50%
Southland Regional Council	15.50%
West Coast Regional Council	4.00%

Each council has the ability to appoint one director to the board. Each member of the board has equal voting rights.

Nature and scope of activities to be undertaken

RSHL provides a framework for collaboration between the shareholders. It supports the procurement or development of shared software resource projects and services in a manner that provides a more cost effective alternative than individual councils can achieve on their own.

The company operates through managed contractual arrangements, and by facilitating collaborative initiatives between shareholder councils' staff. Shareholder councils could be both customers of RSHL and providers of service to RSHL.

The scope of activities for RSHL is not necessarily limited to the IRIS application suite. Future activities will be identified by shareholder councils. New opportunities will be identified, and priorities set in the business plan, and other opportunities may arise and be investigated on a case by case basis. New activities will require explicit board approval.

Collaborative approach

The success of the software development is due to the collaborative approach of the six regional councils. The richness of the IRIS product is a reflection of the contribution, expertise, and commitment of a team of well over 100 people from all the shareholding councils, in a variety of roles and the professional work of the project management office.

Our councils experience

This council was the first to implement the IRIS application in May 2013 delivering a solution that was highly integrated with other core applications such as Document Management, Geographic and Financial Information Systems. A key success factor of the implementation was the high level of participation made by our staff during the design sessions, paying dividends with their level of ownership, knowledge and support of the system.

For Northland, the collaborative approach to the project has brought together the best ideas and aspirations, practices and experiences into a solution that is fit for purpose, performs well and is well received by users. A high level of integration between core business systems has been achieved providing users a rich experience.

Staff enjoy using the new system and are embracing the opportunities and new capabilities provided by the IRIS application, previously unavailable in legacy systems.

The IRIS solution now provides a platform that can leverage new technologies e.g. mobility and integration from web based applications to back end systems that was previously unachievable.

Statement of Intent and Performance Targets

Section 64 of the Local Government Act 2002 (LGA) requires organisations that become council-controlled organisations (CCO) before 31 December to prepare a statement of intent (SOI) for that financial year. RSHL is in breach of this section of the Act as it did not prepare a SOI for the nine months to June 2013. Therefore, RSHL is unable to meet the requirements of section 68 of the LGA, which requires a CCO to compare the organisation's actual performance with the planned performance as contained in its SOI and explain any variance between the reported performance and the SOI.

This situation arose because while the company was formed on 17 October 2012, no activity took place in the company until its share capital was called up and licence fees invoiced three days before balance date. The performance during this period was measured against targets set out in the company's business plan for the period 1 December 2012 to 30 June 2014.

While RSHL did not formally prepare an SOI as required by the LGA, RSHL has reported a statement of service performance (SSP) in its Annual Report. The performance measures included in the SSP have been derived from RSHL's business plan and RSHL considers the performance contained and reported on in the SSP are the same as those measures that would have agreed upon and approved if a 2012/13 SOI had been adopted under the LGA. RSHL has prepared an SOI for year ending 30 June 2014.

NORTHLAND REGIONAL COUNCIL

Contact us:

Main Office
36 Water Street, Whāngārei.
Private Bag 9021, Whāngārei
Mail Centre, Whāngārei 0148.

Ōpua Office
Unit 10, Ōpua Marine Park,
Ōpua 0200.
T: 09 402 7516 | F: 09 402 7510

Kaitāia Office
192 Commerce Street,
Kaitāia 0410.
T: 09 408 6600 | F: 09 408 6601

Dargaville Office
61B Victoria Street,
Dargaville 0310.
T: 09 439 3300 | F: 09 439 3301

Telephone: 09 470 1200 **Facsimile:** 09 470 1202

Email: mailroom@nrc.govt.nz

Freephone: 0800 002 004

24/7 Environmental Hotline: 0800 504 639

Website: www.nrc.govt.nz

Facebook: www.facebook.com/NorthlandRegionalCouncil

Twitter: www.twitter.com/NRCExpress