Notes to the Financial Statements

Note 1: General Information

1.1 Reporting Entity

The Hawke's Bay Regional Council (Council) is a regional local authority governed by the Local Government Act 2002 and is domiciled in New Zealand.

The Hawke's Bay Regional Council group (group) consists of the parent, the Council, and its subsidiaries, The Hawke's Bay Regional Investment Company Limited (HBRIC) and the Port of Napier Limited (Port). HBRIC is a 100% owned subsidiary of Council and the Port is a 100% subsidiary of HBRIC. Both companies are incorporated and domiciled in New Zealand.

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

The financial statements of the Council and group are for the year ended 30 June 2013 and were authorised for issue on 25 September 2013 by the Council.

1.2 Basis of Preparation

The financial statements have been prepared in accordance with the Local Government Act 2002, which includes the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP).

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

The statements have been prepared under the historic cost convention, as modified by the revaluation of land and buildings, infrastructure assets, hydrological equipment, investment property, forestry assets and financial instruments.

The group's functional currency is New Zealand dollars and the statements have been presented in thousands of dollars ($'000) exclusive of New Zealand Goods and Services Tax (GST) except for trade accounts payable and receivable, which are stated at GST inclusive amounts.

1.3 New standards and Interpretations issued that are not yet effective and have not yet been adopted

The following new standards are applicable to the group but are not yet effective and have not been early adopted:

- NZ IFRS 9 Financial Instruments (Issued November 2009 to replace NZ IAS 39)

The Group will adopt NZ IFRS 9 for the year ending 30 June 2014. The Group has not yet quantified the potential impact of the changes in those periods.

There are a number of amendments to standards and interpretations that are issued but not yet effective and are not considered to have any significant effect on the group.

Note 2: Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Consolidation

The Port has a financial year ending on 30 September. In order to consolidate the subsidiary, a reporting package with a financial year ending on 31 March is produced so as to avoid peak seasonal work periods. The subsidiary is accounted for using the purchase method, which involves adding together corresponding assets, liabilities, revenues and expenses on a line-by-line basis. All significant inter-entity transactions are eliminated and significant transactions occurring during the period 1 April to 30 June are adjusted for.

2.2 Inventories

Inventories are stated at the lower of cost (using the weighted average cost method) and net realisable value.

2.3 Trade Receivables

Trade receivables are recognised initially at fair value and subsequently remeasured each balance sheet date at amortised cost using the effective interest method less provision for impairment.

2.4 Plant, Property and Equipment

(2.4.1) Operational Assets

Council land and buildings are shown at fair value less subsequent accumulated depreciation, based on periodic, but at least triennial, valuations by independent, professionally qualified valuers

Hydrological equipment is shown at fair value less subsequent accumulated depreciation, based on periodic, but at least triennial, valuations by suitably experienced Council employees, on the basis of depreciated replacement cost. Independent, professionally qualified valuers review all such valuations.

All other operational assets (including Port assets for consolidated financial statements) are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

The costs of asset constructed by the group include the cost of all materials used in construction, direct labour on the project and an appropriate amount of directly attributed costs. Costs cease to be capitalised as soon as the asset is ready for productive use.

(2.4.2) Infrastructure Assets

Infrastructure assets are tangible assets that are necessary to fulfil the Council's obligations in respect of the Soil Conservation and Rivers Control Act 1941 and the Drainage Act 1908. Such assets usually show some or all of the following characteristics:

- They are part of a system or network that could not provide the required level of service if one component was removed.
- They enable the Council to fulfil its obligations to the region's communities in respect of flood control and drainage legislation.
- They are specialised in nature and do not have alternative uses.
- They are subject to constraints on removal.

Infrastructure assets are shown at fair value less subsequent accumulated depreciation, based on periodic, but at least triennial, valuations by suitably experienced Council employees, on the basis of depreciated replacement cost. Independent, professionally qualified valuers review all such valuations.

(2.4.3) Subsequent Costs

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Council or group and the cost can be measured reliably. All other repairs and maintenance are charged to the comprehensive income statement during the financial period in which they are incurred.

(2.4.4) Revaluation Adjustments

Increases in carrying amounts arising from revalued assets are credited to revaluation reserves in equity. Decreases that offset previous increases of the same asset category are charged against revaluation reserves in equity. All other decreases are charged to the comprehensive income statement.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

(2.4.5) Other Adjustments

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the comprehensive income statement. When revalued assets are sold, the amounts included in revaluation reserves are transferred to the accumulated balance in equity.

2.5 Investment Property

Investment property is residential and commercial land and buildings held to earn rental income and for capital appreciation. Such property is initially recognised at cost. At each balance sheet date investment property is measured at fair value, representing open market value determined annually by independent, professionally qualified valuers. A gain or loss in value is recorded in the comprehensive income statement for the period in which it arises.

Under the Hawke's Bay Endowment Land Empowering Act 2002, rental income from endowment land in Hawke's Bay can only be used for the improvement, protection, management or use of Napier Harbour or the Regional Council's coastal marine area as defined in section 2 (1) of the Resource Management Act 1991. Unspent funds are held in the Coastal Marine Area Reserve Fund.

2.6 Forestry Crops

Forestry crops are measured at their fair value less estimated point-of-sale costs each balance sheet date by independent, professionally qualified valuers. Fair value is determined by the present value of expected net cash flows discounted by the current market-determined pre-tax rate. A gain or loss in value is recorded in the comprehensive income statement for the period in which it arises.

2.7 Financial Assets

Financial assets are designated at initial recognition into one of the four following categories set out below depending on the purpose for which the financial asset was acquired. At each balance sheet date, all financial asset designations are re-evaluated.

(2.7.1) Financial Assets at Fair Value through Profit or Loss

Financial assets are classified in this category if acquired principally for the purpose of selling in the short term or are so designated by management. The category includes derivatives and has two sub-categories: financial assets held for trading, and those designated at fair value through the profit and loss at inception. Assets held in this category are classified as current assets if they are either held for trading, or are expected to be realised within 12 months of balance sheet date.

Financial assets in this category, including derivatives, are initially recognised at fair value and are measured at each balance sheet date at fair value. Realised and unrealised gains or losses in value are recorded in the comprehensive income statement for the period in which they arise.

(2.7.2) 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 non-current assets except when maturities are shorter than 12 months from balance sheet date.

Financial assets in this category are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or use. At each balance sheet date these financial assets are measured at amortised cost using the effective interest method. Realised and unrealised gains or losses in value are recorded in the comprehensive income statement for the period in which they arise.

(2.7.3) Held-to-Maturity Investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that management have a positive intention and ability to hold to maturity.

Financial assets in this category are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or use. At each balance sheet date these financial assets are measured at amortised cost using the effective interest method. Realised and unrealised gains or losses in value are recorded in the comprehensive income statement for the period in which they arise.

(2.7.4) Available-for-Sale Assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or are not classified in any of the other categories. They are included in non-current assets unless there is an intention to dispose of the investment within 12 months of balance sheet date.

Available-for-sale financial assets are carried at fair value using a quoted price if an active market exists or using discounted valuation techniques if no active market exists. Any gain or loss in value is recognised directly in equity through the statement of changes in equity for the period in which it arises.

When an available-for-sale financial asset is sold, the accumulated fair value adjustments are included in the comprehensive income statement.

At each balance sheet date, an assessment is made whether there is any objective evidence that a financial assets or group of financial assets is impaired.

If objective evidence of impairment exists for available-for-sale financial assets, then any cumulative loss is transferred from equity to the comprehensive income statement. Such a transfer is not reversible.

2.8 Intangible Assets

Intangible assets comprise acquired computer software licences and development expenditure. All intangible assets with finite lives are carried at the historical cost incurred to acquire and bring into use the specific software less accumulated amortisation.

2.9 Impairment of Non-Financial Assets

Assets that have an indefinite useful life are not subject to amortisation and are tested for impairment at each balance sheet date. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the comprehensive income statement 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. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

2.10 Depreciation and Amortisation

Land, reserves and hard dredging are not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives. Assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Major depreciation and amortisation periods are as follows.

Asset Category	Years
Buildings	10 - 100
Site Improvements	10 - 40
Wharves & Jetties	10 - 80
Vehicles	3 - 10
Plant & Equipment	3 - 25
Computer Equipment	3 - 5
Computer Software & Licences	3 - 10
Infrastructure Assets	10 - 70
Soft Dredging	6 - 8

No depreciation is provided for stop banks, berm edge protection, sea or river groynes, drainage works, sawfly protection, or unsealed roads. These assets are not considered to deteriorate over time and, therefore, will provide a constant level of service unless subjected to a significant flood event.

2.11 Cash and Cash Equivalents

Cash and cash equivalents include 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 balance sheet.

2.12 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the comprehensive income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowing costs are recognised as an expense when incurred except to the extent that they are capitalised. Borrowing costs that are directly attributable to the acquisition, construction or production of an asset are capitalised as a part of the cost of that asset.

2.13 Income Tax

Income tax expense charged to the comprehensive income statement includes both current and deferred tax and is calculated after allowing for non-assessable income and non-deductible costs.

Deferred income tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for where the initial recognition of assets and liabilities does not affect either accounting or taxable profit. The amount of deferred tax provided is based on tax rates enacted or substantively enacted at the balance sheet date and are expected to apply when the related deferred tax liability is settled.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

2.14 Employee Benefits

Short-term employee benefits including salaries and wages, annual leave and contributions to superannuation schemes are recognised when they accrue to employees and are measured at undiscounted cost.

The liability for accumulating sick leave is stated as the cost of sick leave that is expected to be used.

Long-term employee benefits including long service leave and retirement gratuities are recognised at the present value of the Group's obligation at balance sheet date.

2.15 Provisions

Provisions are recognised when:

- the Group has a present legal or constructive obligation as a result of past events, and
- it is more likely than not that an outflow of resources will be required to settle the obligation, and
- the amount has been reliably estimated.

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

Provisions are not recognised for future operating losses.

2.16 Revenue Recognition

Revenue comprises the fair value for the sale of goods and services, net of GST, rebates and discounts and after elimination of sales within the Group. Revenue is recognised as follows:

- Sales of goods are recognised when a product is sold to a customer. The recorded revenue is the gross amount of the sales.
- Sales of services are recognised in the accounting period in which the services are rendered, by reference to the completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total service provided.
- Interest income is recognised on a time proportion basis using the effective interest method.
- Dividend income is recognised when the right to receive payment is established.
- Government grants are recognised as income when eligibility has been established by the grantor agency.
- Rates are recognised as income in the accounting period in which they are set and assessed.

2.17 Leases

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are included in the comprehensive income statement as finance costs.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term.

Leases in which a significant proportion of the risks and benefits of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the comprehensive income statement on a straight-line basis over the period of the lease.

2.18 Financial Risk Management

The Group's activities expose it to a variety of financial risks including:

- Market risk, including currency risk, fair value interest rate risk and price risk;
- Credit risk;
- Liquidity risk; and
- Cash flow interest-rate risk.

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments such as foreign exchange contracts and interest rate swaps to hedge certain exposures.

The Group enters into foreign currency forward exchange contracts to hedge foreign currency transactions, when purchasing major property, plant and equipment and when payment is denominated in foreign currency.

Interest rate swaps are entered into to manage interest rate risk exposure.

The Group has no significant concentrations of credit risk. It has policies in place to ensure that services are provided to customers with an appropriate credit history.

Collateral or other security in not required for financial instruments subject to credit risk.

2.19 Accounting for Derivative Financial Instruments and Hedging Activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at the fair value at each balance sheet date.

Where the Group determines that it will hedge a transaction the Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as the its risk management objective and strategy for undertaking various hedge transactions.

The Group also documents its assessment, both at 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 of hedged items.

(2.19.1) Cash Flow Hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the comprehensive income statement. The Group accounts for hedges of foreign currency risk of a firm commitment as cash flow hedges.

(2.19.2) Derivatives that Do Not Qualify for Hedge Accounting

Certain derivative instruments do not qualify for hedge accounting and changes in the fair value of these instruments are recognised immediately in the comprehensive income statement.

Any changes in the fair value of interest rate swaps due to changes in interest rates are recognised in the comprehensive income statement in the period in which they occur.

2.20 Foreign Currencies

Transactions in foreign currencies are translated at the New Zealand rate of exchange ruling at the date of the transaction. At balance sheet date foreign monetary assets and liabilities are translated at the closing rate and exchange variations arising from these are included in the comprehensive income statement.

2.21 Basis of Allocation of Council's Indirect Costs

Clearly identifiable costs are directly charged against each activity. Indirect costs are allocated to cost centres in the first instance under a variety of methods including:

- Floor area occupied
- Number of full time equivalent employees
- Assessed use of various services provided.

These costs are then charged to projects on a labour standard costing basis. The allocation unit is each working hour charged by employees at a pre-determined rate. Variances arising from this method will be allocated on the same basis as for costs of a fixed nature referred to above. Project costs are then summarised for each activity and group of activities.

2.22 Changes in Accounting Policies

There have been no changes to accounting policies.

Note 3: Groups of Activities Revenue & Expenditure

	Note	Regional Council Actual 12/13 $000	Regional Council Budget 12/13 $000	Regional Council Actual 11/12 $000	Group Actual 12/13 $000	Group Actual 11/12 $000
Revenue						
Groups of activity						
Strategic Planning		228	-7	59	228	59
Land Drainage & River Control		1,104	683	1,000	1,104	1,000
Regional Resources		1,320	3,092	1,936	1,320	1,936
Regulation		1,106	1,573	1,456	1,089	1,402
Biosecurity		575	558	623	575	623
Hazard Management		191	107	147	191	147
Transport		80	92	4	80	4
Governance & Community Engagement		102	71	238	102	238
Total groups of activity revenue		**4,706**	**6,169**	**5,463**	**4,689**	**5,409**
Less internal revenue		0	0	0	0	0
Total groups of activity revenue		**4,706**	**6,169**	**5,463**	**4,689**	**5,409**
Other activity						
HBRIC Ltd operations					59,947	58,209
Total activity revenue		**4,706**	**6,169**	**5,463**	**64,636**	**63,618**
Expenditure						
Groups of activity						
Strategic Planning		4,533	4,115	3,443	4,453	3,443
Land Drainage & River Control		6,951	6,911	6,592	6,951	6,592
Regional Resources		10,078	9,671	8,715	10,078	8,715
Regulation		2,927	3,292	3,341	2,927	3,318
Biosecurity		3,797	3,662	3,809	3,797	3,809
Hazard Management		1,416	1,787	1,469	1,416	1,469
Transport		4,668	4,474	4,844	4,668	4,844
Governance & Community Engagement		2,413	4,402	4,051	2,413	4,051
Total groups of activity expenditure		**36,783**	**38,314**	**36,264**	**36,703**	**36,241**
Less internal expenditure		-140	-156	-159	-140	-159
Total groups of activity expenditure		**36,643**	**38,158**	**36,105**	**36,563**	**36,082**
Other activities						
Regional income collection		692	2,021	661	692	661
HBRIC Ltd operations					45,754	42,396
Total other activities expenditure		**692**	**2,021**	**661**	**46,446**	**43,057**
Less finance costs		-931	-1,865	-705	-4,401	-4,497
Less depreciation and amortisation expense		-2,134	-2,053	-1,898	-8,940	-7,882
Total activity expenditure		**34,270**	**36,261**	**34,163**	**69,668**	**66,760**
Depreciation and amortisation by groups of activity						
Strategic Planning		0	0	0		
Land Drainage & River Control		557	580	568		
Regional Resources		188	101	92		
Regulation		4	7	6		
Biosecurity		0	0	0		
Hazard Management		62	88	90		
Transport		17	20	17		
Governance & Community Engagement		6	3	9		
Total directly attributable depreciation and amortisation						
Depreciation not direclty realted to groups of activity		1300	1254	1116		
Total depreciation and amortisation expense		**2,134**	**2,053**	**1,898**		

Note 4: Rates Revenue

	Note	Regional Council Actual 12/13 $000	Regional Council Budget 12/13 $000	Regional Council Actual 11/12 $000	Group Actual 12/13 $000	Group Actual 11/12 $000
General funding rates						
Uniform annual general charge		1,511	1,500	2,206	1,511	2,206
General rate on land value		1,106	1,102	1,066	1,106	1,066
Total general funding rates		**2,617**	**2,602**	**3,272**	**2,617**	**3,272**
Targeted rates		11,930	11,793	10,706	11,930	10,706
Total rates revenue	4(a)	**14,547**	**14,395**	**13,978**	**14,547**	**13,978**

Note 4(a)

Under Council's rates remission policy for multiple ownership land, 99 rates remissions were approved, totaling $40,054 (2011/12 96 remissions totaling $43,054).

Note 5: Other Revenue

		Regional Council			Group	
		Actual	Budget	Actual	Actual	Actual
		12/13	12/13	11/12	12/13	11/12
	Note	$000	$000	$000	$000	$000
Subsidies and grants						
Grants	**5(a)**	5,273	4,553	5,961	5,273	5,961
Total subsidies and grants		**5,273**	**4,553**	**5,961**	**5,273**	**5,961**
Other revenue						
Dividend income		5,720	5,800	5,878	20	24
Rental income from investment property	**5(b)**	2,516	2,725	3,223	2,532	3,258
Interest income	**5(c)**	2,520	4,159	1,907	2,546	1,907
Gain / (Loss) on disposal of assets - net	**5(d)**	-4,641	0	-2,523	-4,641	-2,523
Subvention payments		368	350	432	0	0
Miscellaneous income		122	90	175	122	175
Total other revenue		**6,605**	**13,124**	**9,092**	**579**	**2,841**

Note 5(a)

Government grants are received from the New Zealand Transport Agency for bus services and road safety projects, New Zealand Trade and Enterprise for regional development projects, Ministry of Justice for Iwi initiatives, and the Ministry of Primary Industries for afforestation, environmental and water initiative projects. The grants are recognised as revenue upon entitlement, as conditions pertaining to eligible expenditure have been fulfilled. There are no unfulfilled conditions and other contingencies attached to the grants recognised as other revenue.

Note 5(b)

Under the Hawke's Bay Endowment Land Empowering Act 2002, income from leasehold endowment land can only be used for the improvement, protection, management or use of Napier Harbour or the Regional Council's coastal marine area as defined in section 2(1) of the Resource Management Act 1991. Unspent income is held in the Coastal Marine Area Reserve Fund.

Note 5(c)

The 2012/13 budget assumed the sale of Napier leasehold cash flows would take place by 31 December 2012 and interest would be earned of approximately $1.0million on this lump sum. This transaction was not completed in the 2012/13 year and so the interest was not earned.

Note 5(d)

There was a loss on disposal on the sale of endowment leasehold property of $2.2 million due to Council deciding to continue to offer substantial discounts as an incentive for leaseholders to freehold their properties. There was also a loss on disposal of RWS development costs to HBRIC Ltd of $2.4 million. This was due to the grant funding received in the 2011/12 year for the RWS development cost being excluded from the sale price and so needed to be included as a loss on sale.

Note 6: Fair Value Gains & Losses Through the Income Statement

		Regional Council			Group	
		Actual	Budget	Actual	Actual	Actual
		12/13	12/13	11/12	12/13	11/12
	Note	$000	$000	$000	$000	$000
Fair value gains						
Investment property gains	**11**	6,709	2,434	0	6,709	494
Financial asset gains	**13**	0	0	0	0	0
Forestry asset gains	**14**	383	0	868	383	868
Derivative instrument gains	**16**	67	0	0	90	0
Infrastructure asset gains	**10**	0	0	0		
Foreign currency gains		0	0	0	0	0
Total fair value gains		**7,159**	**2,434**	**868**	**7,182**	**1,362**
Fair value losses						
Investment property losses	**11**	0	0	6,455	0	6,455
Financial asset losses	**13**	0	0	0	0	0
Forestry asset losses	**14**	0	0	414	0	414
Derivative instrument losses	**16**	0	0	83	0	183
Infrastructure asset losses	**10**	0	0	0	0	0
Foreign currency losses		0	0	0	0	0
Asset impairment losses	**9 &10**	0	0	0	0	0
Total fair value losses		**0**	**0**	**6,952**	**0**	**7,052**

Note: Fair value gains and losses on trading assets (listed above) are recorded in the Income Statement. In addition, when asset revaluation decrements are greater than the corresponding surplus in the Fair Value Reserve, the excess decrements are also recorded in the Income Statement as an asset impairment.

Note 7: Expense Disclosures

	Note	Regional Council			Group	
		Actual 12/13 $000	Budget 12/13 $000	Actual 11/12 $000	Actual 12/13 $000	Actual 11/12 $000
General disclosures						
Depreciation (refer to Notes 9 & 10)		1,835	1,821	1,716	8,261	7,308
Amortisation (refer to Note 12)		299	232	182	679	574
Employee benefit expense		13,425	13,416	12,770	29,014	27,118
Donations		4	4	5	4	5
Operating lease expense		57	74	37	219	166
Capitalised borrowing costs		0	0	0	0	395
Key management compensation	**7(a)**					
[a] short-term employee benefits		777	758	791	1,649	1,457
[b] post-employment benefits		0	0	0	0	0
[c] other long-term benefits		11	11	11	11	11
[d] termination benefits		0	0	0	0	0
[e] share-based payment		0	0	0	0	0
		788	769	802	1,660	1,468
Fees paid to Council's auditors						
Financial statements audit fee		91	104	87	91	87
Long term plan audit fee		0	0	60	0	60
Assurance & related services fee		0	0	0	0	0
Tax services fee		0	0	0	0	0
Other services fee		0	0	0	0	0
Fees paid to subsidiaries' auditors						
Financial statements audit fee		0	0	0	108	99
Total fees paid to auditors		91	104	147	199	246

Note 7(a)

Key management comprises Councillors and the Chief Executive for Council and Directors and Chief Executive for each subsidiary.

Other Expenditure					
Legal fees for Dalton Street remedial work	105	0	0	105	0
	105	0	0	105	0

Note 8: Income Tax Expense

	Note	Regional Council Actual 12/13 $000	Regional Council Actual 11/12 $000	Group Actual 12/13 $000	Group Actual 11/12 $000
Income tax expense					
Current tax		0	0	3,631	4,429
Deferred tax	**21**	0	0	256	-134
Total income tax expense		**0**	**0**	**3,887**	**4,295**

The tax on the Group's surplus before tax differs from the theoretical amount that would arise using the current corporate rate as follows:

	Regional Council Actual 12/13 $000	Regional Council Actual 11/12 $000	Group Actual 12/13 $000	Group Actual 11/12 $000
Surplus / (deficit) before tax	850	-8,356	9,103	1,569
Tax at domestic rate of 28% (2012 28%)	235	-2,340	2,546	591
Plus / (Less) tax effect of:				
Income not subject to tax	-8,504	-7,593	-8,504	-7,593
Expenses not deductible for tax purposes	10,483	11,442	9,861	11,072
Imputation credits	-2,217	-2,309	0	0
Tax effect of income not recognised for accounting	0	0	0	0
Utilisation of previously unrecognised tax losses	0	0	0	0
Group loss transfer	3	432	0	0
Prior period adjustment	0	0	3	3
Tax losses not recognised/Adjust tax rate changes	0	368	-19	350
Tax on changes to building depreciation rates	0	0	0	-128
Tax charge	**0**	**0**	**3,887**	**4,295**

The Council and Group have unrecognised income tax losses of $10,971 (2011/12 $1,313,296) with a tax effect of $3,072 (2011/12 $367,723) that are available to carry forward, subject to compliance with the Income Tax Act.

Note 9: Property, Plant & Equipment

	Note	Land	Buildings	Plant	Vehicles	Hydrology Equipment	Technical Equipment	Computer Equipment	Other Equipment & Furniture	Capital Work in Progress	Total
		$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
COUNCIL											
At 1 July 2011											
Cost or valuation		6,376	7,381	2,100	2,113	1,035	700	1,152	592	0	21,449
Accumulated depreciation		0	-336	-1,193	-846	-123	-290	-568	-323	0	-3,679
Net book amount		6,376	7,045	907	1,267	912	410	584	269	0	17,770
Year ended 30 June 2012											
Opening net book amount		6,376	7,045	907	1,267	912	410	584	269	0	17,770
Transfers		746	0	-1	0	0	0	-2	2	0	745
Additions		0	140	123	440	417	46	358	75	0	1,599
Disposals		0	0	-2	-10	0	0	0	0	0	-12
Depreciation charges		0	-324	-159	-271	-116	-70	-168	-60	0	-1,168
		7,122	6,861	868	1,426	1,213	386	772	286	0	18,934
At 30 June 2012											
Cost or valuation		7,122	7,520	2,162	2,491	1,453	746	1,512	654	0	23,660
Accumulated depreciation		0	-659	-1,294	-1,065	-240	-360	-740	-368	0	-4,726
Net book amount		7,122	6,861	868	1,426	1,213	386	772	286	0	18,934
Year ended 30 June 2013											
Opening net book amount		7,122	6,861	868	1,426	1,213	386	772	286	0	18,934
Revaluation surplus / (deficit)		-1,443	-1,846	0	0	-103	0	0	0	0	-3,392
Transfers		230	180	0	0	0	0	-1	1	0	410
Additions		0	57	293	578	641	57	287	74	754	2,741
Disposals		-417	0	-71	-181	0	0	-2	0	0	-671
Depreciation charges		0	-346	-170	-286	-162	-71	-198	-65	0	-1,298
		5,492	4,906	920	1,537	1,589	372	858	296	754	16,724
At 30 June 2013											
Cost or valuation	9(a)	5,492	5,910	2,136	2,921	1,992	803	1,787	695	754	22,490
Accumulated depreciation		0	-1,004	-1,216	-1,384	-403	-431	-929	-399	0	-5,766
Net book amount		5,492	4,906	920	1,537	1,589	372	858	296	754	16,724

Note 9(a)

Council land and buildings were valued at 30 June 2013 to fair value on the basis of market value by independent valuer, Telfer Young (Hawke's Bay) Limited. The total fair value of property, plant and equipment valued by Telfer Young (Hawke's Bay) Ltd was $8,255,000.

Land used for forestry in the Lake Tutira Country Park and Tangoio Soil Conservation Reserve was valued at 30 June 2013 by Morice Limited, independent valuers. The total fair value of this land was $808,000.

Land used for carbon sequestration and wastewater disposal was valued at 30 June 2013 by Morice Limited, independent valuers. The total fair value of this land was $1,647,000.

While ownership of the Tangoio Soil Conservation Reserve is not vested in the Council, full managerial and financial control was transferred to Council in 1989 under section 16 of the Soil conservation and Rivers Control Act 1941.

Hydrological equipment was valued at 30 June 2013 on the basis of depreciated replacement value. This valuation was carried out by Dr Jack McConchie, an experienced hydrologist with independent consulting engineers Opus International Consultants Limited.

Note 9: Property, Plant & Equipment continued

	Land	Site Improve-ments	Cargo & Admin. Buildings	Other Buildings	Tugs	Dredging	Wharves & Jetties	Vehicles, Plant & Equipment	Cranes	Sea Defences	Capital Work in Progress	Total
	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
GROUP												
At 1 April 2011												
Cost or valuation	29,943	41,682	13,630	3,537	9,972	4,952	42,360	24,142	13,903	0	18,820	202,941
Accumulated depreciation	0	-11,516	-4,064	-1,431	-1,213	-1,327	-5,015	-12,890	-5,128	0	0	-42,584
Net book amount	29,943	30,166	9,566	2,106	8,759	3,625	37,345	11,252	8,775	0	18,820	160,357
Year ended 31 March 2012												
Opening net book amount	29,943	30,166	9,566	2,106	8,759	3,625	37,345	11,252	8,775	0	18,820	160,357
Revaluation surplus / (deficit)	0	0	0	0	0	0	0	0	0	0	0	0
Additions	0	4,230	0	0	15,908	0	98	3,727	660	0	11,488	36,111
Disposals	0	0	0	0	-1,500	0	0	-292	0	0	-23,593	-25,385
Depreciation charges	0	-1,203	-565	-119	-288	-247	-561	-1,827	-782	0	0	-5,592
	29,943	33,193	9,001	1,987	22,879	3,378	36,882	12,860	8,653	0	6,715	165,491
At 31 March 2012												
Cost or valuation	29,943	45,911	13,630	3,537	24,378	4,952	42,458	27,177	13,562	0	6,715	212,263
Accumulated depreciation	0	-12,718	-4,629	-1,550	-1,499	-1,574	-5,576	-13,317	-5,910	0	0	-46,773
Net book amount	29,943	33,193	9,001	1,987	22,879	3,378	36,882	13,860	7,652	0	6,715	165,490
Year ended 31 March 2013												
Opening net book amount	29,943	33,193	9,001	1,987	22,879	3,378	36,882	13,860	7,652	0	6,715	165,490
Revaluation surplus / (deficit)	0	0	0	0	0	0	0	0	0	72,311	0	72,311
Additions/Transfers	400	1,491	0	0	3	4,475	0	4,170	431	4,216	10,855	26,041
Disposals/Transfers	0	-4,298	-919	0	0	0	0	-44	-350	0	-10,399	-16,010
Depreciation charges	0	-1,210	-693	-118	-396	-484	-554	-1,886	-922	-163	0	-6,426
	30,343	29,176	7,389	1,869	22,486	7,369	36,328	16,100	6,811	76,364	7,171	241,406
At 31 March 2013												
Cost or valuation	30,343	43,034	12,270	3,537	24,100	9,427	42,458	31,223	13,643	76,527	7,171	293,733
Accumulated depreciation	0	-13,858	-4,881	-1,668	-1,614	-2,058	-6,130	-15,123	-6,832	-163	0	-52,327
Net book amount	30,343	29,176	7,389	1,869	22,486	7,369	36,328	16,100	6,811	76,364	7,171	241,406

Note 9(b)

As at 30 September 2012 the Napier Port chose to revalue the sea defences of the Port. The sea defences are classified as specialised assets and as such were valued on a depreciated replacement cost basis. The value increased by $72,311,000 and this valuation was undertaken by independent valuer, Rob Kilgour of AECOM as sub consultant to Darroch Ltd.

GROUP TOTALS			
At 30 June 2012		**At 30 June 2013**	
Cost or valuation	**235,923**	Cost or valuation	**316,223**
Accumulated depreciation	**-51,499**	Accumulated depreciation	**-58,093**
Net book amount	**184,424**	Net book amount	**258,130**

Note 10: Infrastructure Assets (Parent & Group)

	Note	Infrastructure Land $000	Stopbanks $000	Detention Dams $000	Drainage Networks $000	Pump Stations $000	Culverts & Floodgates $000	Bank & Edge Protection $000	River & Sea Groynes $000	Drainage Telemetry $000	Sawfly Works $000	Tutira Reserve $000	River Dredging $000	Wetland Reserve $000	Pathway & Roadway $000	Capital Work in Progress $000	Total $000
At 1 July 2011																	
Cost or valuation		8,990	50,183	1,539	30,143	4,633	7,342	16,980	1,557	69	10,419	757	759	568	0	617	134,556
Accumulated depreciation		0	0	0	0	0	0	0	0	0	0	0	-63	-2	0	0	-65
Net book amount		8,990	50,183	1,539	30,143	4,633	7,342	16,980	1,557	69	10,419	757	696	566	0	617	134,491
Year ended 30 June 2012																	
Opening net book amount		8,990	50,183	1,539	30,143	4,633	7,342	16,980	1,557	69	10,419	757	696	566	0	617	134,491
Revaluation surplus (refer Note 18)		0	0	0	0	25	1	5	25	13	-5	0	-1	28	0	0	91
Additions		69	516	0	281	27	34	246	6	0	148	22	0	0	0	916	2,265
Transfers		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Disposals		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Depreciation charges		0	0	-25	0	-207	-222	0	0	-23	0	0	-63	-8	0	0	-548
Asset impairment		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		9,059	50,699	1,514	30,424	4,478	7,155	17,231	1,588	59	10,562	779	632	586	0	1,533	136,299
At 30 June 2012																	
Cost or valuation		9,059	50,699	1,539	30,424	4,685	7,377	17,231	1,588	82	10,562	779	759	596	0	1,533	136,913
Accumulated depreciation		0	0	-25	0	-207	-222	0	0	-23	0	0	-127	-10	0	0	-614
Net book amount		9,059	50,699	1,514	30,424	4,478	7,155	17,231	1,588	59	10,562	779	632	586	0	1,533	136,299
Year ended 30 June 2013																	
Opening net book amount		9,059	50,699	1,514	30,424	4,478	7,155	17,231	1,588	59	10,562	779	632	586	0	1,533	136,299
Revaluation surplus (refer Note 18)	**10(b)**	0	0	0	0	0	0	0	0	0	0	-103	0	0	0	0	-103
Additions		0	0	0	0	0	0	57	0	0	123	0	0	0	1,588	878	2,646
Transfers		0	0	0	0	0	0	0	0	0	0	0	0	0	0	-1,245	-1,245
Disposals		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Depreciation charges		0	0	-25	0	-197	-221	0	0	-23	0	0	-63	-8	0	0	-537
Asset Impairment		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		9,059	50,699	1,489	30,424	4,281	6,934	17,288	1,588	36	10,685	676	569	578	1,588	1,166	137,060
At 30 June 2013																	
Cost or valuation	**10(a)**	9,059	50,699	1,539	30,424	4,685	7,377	17,288	1,588	82	10,685	676	759	596	1,588	1,166	138,211
Accumulated depreciation		0	0	-50	0	-404	-443	0	0	-46	0	0	-190	-18	0	0	-1,151
Net book amount		9,059	50,699	1,489	30,424	4,281	6,934	17,288	1,588	36	10,685	676	569	578	1,588	1,166	137,060

Note 10(a)

Infrastructure assets were valued by suitably experienced Council employees at 30 June 2011 on the basis of depreciated replacement cost. Significant assumptions used in the methodology include:

- current prices were used for all input costs such as labour rates, plant hire rates, material costs, and contract works rates,
- where current prices were not available, the Capital Good Price Index, published by Statistics New Zealand was used,
- Heretaunga Plains land protected from flooding was valued at $40,000 per hectare,
- Ruataniwha Plains land protected from flooding was valued at $18,000 per hectare,
- floodable land that is grazed was valued at $4,000 per hectare
- floodable land that is not grazed was valued at nil.

The depreciated replacement cost valuation methodology was reviewed by Gary Williams, an independent registered engineer, while the land values were assessed by G S Morice, a registered valuer with Morice Ltd.

Note 10(b)

The Tutira Reserve Assets were valued at 30 June 2013 by M H Morice, a registered valuer of Morice Ltd, on the basis of fair value. The total value of assets valued was $676,000.

Note 11: Investment Property

		Regional Council		Group	
		Actual	Actual	Actual	Actual
		12/13	11/12	12/13	11/12
	Note	$000	$000	$000	$000
At beginning of year		67,890	91,680	74,175	98,421
Additions		0	0	0	0
Fair value gains / (losses) (included in income statem	**11(a)**	6,709	-6,455	6,709	-5,961
Disposals		-14,494	-17,335	-14,494	-18,285
Transfers		-410	0	-410	0
Reclassified as Forestry Assets		0	0	0	0
Movement during the year		-8,195	-23,790	-8,195	-24,246
At end of year		**59,695**	**67,890**	**65,980**	**74,175**
Investment property includes:					
Endowment leasehold land	**11(b)**	48,000	56,100	54,285	62,385
Other leasehold land		11,350	11,000	11,350	11,000
Rental Property		345	790	345	790
		59,695	**67,890**	**65,980**	**74,175**

Note 11(a)

Wellington leasehold land was valued as portfolio at 30 June 2013 to fair value on the basis of the discounted rental cash flows from the perpetual leasehold properties by Martin J Veale, registered valuer of Telfer Young (Wellington) Ltd. The discount rate used was between 7.75% and 8.25%. The total fair value of the twelve properties valued by Martin J Veale as an independent valuer was $11,350,000.

Napier leasehold endowment land was valued as a portfolio at 30 June 2013 to fair value on the basis of the discounted rental cash flows from the perpetual leasehold properties by Trevor W Kitchin, registered valuer of Telfer Young (Hawke's Bay) Ltd. The discount rate used was 7.75%. The total fair value of property, valued by Trevor W Kitchin as an independent valuer, was $48,000,000.

The Council owned property at 77 Raffles street was transferred from investment property to property, plant and equipment during the year as Council staff now use this property as office space. It was transferred at the fair value amount as at 30 June 2012.

Property at Tutira was valued at 30 June 2013 to fair value on the basis of market value by M H Morice, registered valuer of Morice Ltd. The total fair value of property valued by M H Morice as an independent valuer was $345,000.

At 30 September 2012 the Napier Port's interest in investment properties was valued at $6,285,000, resulting in no movement in the last 12 months. This valuation was undertaken by Frank Spencer, a registered valuer with Logan Stone Ltd, using the fair value basis under the highest and best use scenario. Mr Spencer is a member of the New Zealand Institute of Valuers.

The following amounts have been recognised in the comprehensive income statement.

		Regional Council		Group	
	Note	Actual 12/13 $000	Actual 11/12 $000	Actual 12/13 $000	Actual 11/12 $000
Rental income	5	2,516	3,223	2,532	3,258
Direct operating expense arising from investment properties that generate rental income		-50	-141	-65	-170
		2,466	**3,082**	**2,467**	**3,088**

Note 11(b)

Under the Hawke's Bay Endowment Land Empowering Act 2002, residential leasehold endowment land can only be sold, using a specified valuation methodology, to the current lessee, or to a person nominated by that lessee.

Note 12: Intangible Assets

	Note	Computer Software $000	Development Expenditure $000	Work-in Progress $000	Council Total $000	Group Actual $000
At 1 July 2011						
Cost or valuation		1,624	1,534	303	3,461	6,729
Accumulated amortisation		-649	0	0	-649	-3,157
Net book amount		975	1,534	303	2,812	3,572
Year ended 30 June 2012						
Opening net book amount		975	1,534	303	2,812	3,572
Transfers		303	0	-303	0	0
Additions		810	3,466	0	4,276	4,411
Disposals		0	0	0	0	0
Amortisation charges		-182	0	0	-182	-574
		1,906	5,000	0	6,906	7,409
At 30 June 2012						
Cost or valuation		2,736	5,000	0	7,736	11,069
Accumulated amortisation		-830	0	0	-830	-3,660
Net book amount		1,906	5,000	0	6,906	7,409
Year ended 30 June 2013						
Opening net book amount		1,906	5,000	0	6,906	7,409
Transfers		0	0	0	0	0
Additions		825	579	0	1,404	7,104
Disposals	**12(b)**	0	-5,579	0	-5,579	-5,579
Amortisation charges		-299	0	0	-299	-679
		2,432	0	0	2,432	8,255
At 30 June 2013						
Cost or valuation	**12(a)**	3,561	0	0	3,561	12,594
Accumulated amortisation		-1,129	0	0	-1,129	-4,339
Net book amount		2,432	0	0	2,432	8,255

Note 12(a)

In accordance with Note 2.9 assets, such as Development Expenditure, that have an indefinite life are tested for impairment at each balance sheet date. If the asset is considered to be impaired, it must be written down to its recoverable value immediately against income.

Note 12(b)

The development costs for the RWS feasibility was sold to HBRIC Ltd during the year.

Note 13: Financial Assets & Investment in Council-controlled organisations

		Regional Council		Group	
		Actual	Actual	Actual	Actual
		12/13	11/12	12/13	11/12
	Note	$000	$000	$000	$000
Financial assets					
Available for sale financial assets	**13(a)**	56,054	44,526	56,054	44,526
Loans & receivables	**13(b)**	5,012	2,770	5,012	2,770
Total	**13(c)**	**61,066**	**47,296**	**61,066**	**47,296**
Less current portion		-43,625	-40,165	-43,625	-40,165
Non-current portion		**17,441**	**7,131**	**17,441**	**7,131**
13(a) Available-for-sale financial assets					
At beginning of year		44,526	158,749	44,526	-18,751
Additions		11,465	6,472	11,465	6,472
Revaluation surpluses / (deficits)		63	56,805	63	56,805
(Transfers)		0	-177,500	0	0
At end of year		**56,054**	**44,526**	**56,054**	**44,526**
Less current portion		-43,124	-39,888	-43,124	-39,888
Non - current portion		**12,930**	**4,638**	**12,930**	**4,638**
Available-for-sale financial assets include:					
Publicly listed shares		1,167	1,027	1,167	1,027
Civic Assurance shares		19	0	19	0
Government stock		3,507	3,611	3,507	3,611
Bank deposits with terms greater than 365 days		8,237	0	8,237	0
Bank deposits with terms greater than 91 days but less than equal to 365 days		43,124	39,888	43,124	39,888
		56,054	**44,526**	**56,054**	**44,526**

Note 13(a) Available-for-sale financial assets

The effective interest rate on government stock was 5.63% (2011/12 5.63%). This stock has an average maturity of 3 years (2011/12 4 years).

The effective interest rate on bank deposits with terms greater than 91 days but less than 365 days was 4.08% (2011/12 4.04%). These deposits have an average maturity of 64 days (2011/12 81 days).

Note 13(b) Loans & receivable financial assets

		Regional Council		Group	
		Actual	Actual	Actual	Actual
		12/13	11/12	12/13	11/12
	Note	$000	$000	$000	$000
13(b) Loans & receivable financial assets					
At beginning of year		2,770	1,368	2,770	1,368
Additions		2,624	1,561	2,624	1,561
Repayments		-382	-159	-382	-159
At end of year		**5,012**	**2,770**	**5,012**	**2,770**
Less current portion		-501	-277	-501	-277
Non - current portion		**4,511**	**2,493**	**4,511**	**2,493**
Loans & receivable financial assets include:					
Clean Heat Insulation Ratepayer loans	**13(d)**	5,012	2,770	5,012	2,770
		5,012	**2,770**	**5,012**	**2,770**

Note 13(c)

There were no impairment provisions on investment financial assets in current or prior years.

Note 13(d)

The Council has provided loans to ratepayers for the installation of clean heat and insulation. The loans are repayable by a targeted rate over a 10 year period. Interest is charged on Insulation loans at between 6% - 7.02% and on Clean heat loans at between 3% - 3.51% at the inception of the loan.

Investments in Council-controlled organisations				
Shares in Hawke's Bay Regional Investment Company	177,500	177,500	0	0
	177,500	**177,500**	**0**	**0**

Council's shareholding in the Port of Napier Ltd was valued to fair value on 31 March 2012 by the Corporate Finance Division of Deloitte. These revalued shares were transferred to Hawke's Bay Regional Investment Company on 28 June 2012.

Note 14: Forestry Assets

		Regional Council		**Group**	
		Actual	**Actual**	**Actual**	**Actual**
		12/13	**11/12**	**12/13**	**11/12**
	Note	**$000**	**$000**	**$000**	**$000**
At beginning of year		3,356	2,645	3,356	2,645
Additions		413	586	413	586
Fair value gains (included in income statement)		383	868	383	868
Fair value (losses) (included in income statement)		0	-414	0	-414
Disposals		0	0	0	0
Reclassification to Plant, Property & Equipment		0	-329	0	-329
Movement during the year		796	711	796	711
At end of year		**4,152**	**3,356**	**4,152**	**3,356**
Forestry assets include:					
Lake Tutira Country Park Forestry Crop	**14(a)**	1,585	1,343	1,585	1,343
Waihapua Carbon Sequestration Forestry Crop	**14(b)**	124	169	124	169
Rural Waste Water Disposal Forestry Crops	**14(c)**	161	215	161	215
Tutira Manuka Honey Forestry	**14(d)**	217	59	217	59
Tangoio Soil Conservation Reserve Forestry Crop	**14(e)**	2,063	1,568	2,063	1,568
Joint Venture Forestry Rights	**14(f)**	2	2	2	2
		4,152	**3,356**	**4,152**	**3,356**

Council's forestry assets comprise a total of 497 hectares of mixed forestry crops situated in the Lake Tutira Country Park (114 ha), Mahia (36 ha), Waihapua (174 ha) and Central Hawke's Bay (173 ha). During the period no forest crops were logged (2011/12 Nil ha).

Council owned forestry assets were fair valued to $1,870,000 at 30 June 2013 (2011/12 $1,727,000) by M H Morice, a registered valuer of Morice Ltd. The valuation assumed discount rates of 7.0%

Note 14(a)

Lake Tutira Country Park Forestry Corp consists of radiata plantings on 114 hectares situated at Tutira Country Park. These forestry assets were valued to $1,585,100 by Morice Limited, independent valuers at 30 June 2013 (2011/12 $1,343,000). The valuation assumed a discount rate of 7%.

Note 14(b)

Council's carbon sequestration forestry assets consist of 174 hectares of mixed plantings situated at Waihapua. These forestry assets were fair valued to $124,500 by Morice Limited, independent valuers at 30 June 2013 (2011/12 $168,000). The valuation assumed a discount rate of 7.0%.

Note 14(c)

Council's wastewater disposal forestry assets consist of eucalyptus and radiata pine plantings on 69 hectares at Pourere Road Waipawa, and 104 hectares at Mangatarata Road Waipukurau, and 36 hectares at Kinikini Road Mahia. These forestry assets were fair valued to $160,700 by M H Morice of Morice Limited, independent valuers, at 30 June 2013 (2011/12 $214,000). The valuation assumed a discount rate of 7.0%.

Note 14(e)

Council is developing 50 hectares of manuka forestry at Tutira for honey production. The plantings of seedlings and other development costs totalling $217,000 were not valued this year.

Note 14(e)

Council does not own the land at the Tangoio Soil Conservation Reserve, but in 1989 full managerial and financial control of the Tangoio Soil Conservation Reserve was transferred from central government to the Council under section 16 of the Soil Conservation and Rivers Control Act 1941. The matter of who has rights to the logging income remains to be fully clarified. Council includes the value of the Reserve’s forestry crop as it considers that its control of the Reserve entitles it to income flow from the crop. This will be determined once treaty settlement legislation is completed.

Note 14(f)

Council has entered into eleven joint ventures under the Forestry Rights Agreement Act 1983 under which Council provided grants to farmers to plant and maintain to maturity soil conservation forestry crops on marginal land. In return, Council has a right to a percentage of the profits on harvest. A nominal value of $10 per hectare planted has been ascribed to these rights.

Note 14(g)

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

Note 14(h)

Council has 14,907 NZ emission units for carbon credits. As at 18 July 2013 these were valued between $1.90-$2.05 a unit, giving a value of between $28,323 and $30,559. These values have not been included in these financial statements.

Note 15: Trade & Other Receivables

		Regional Council		Group	
		Actual	Actual	Actual	Actual
		12/13	11/12	12/13	11/12
	Note	$000	$000	$000	$000
Trade receivables	**15(a)**	3,428	3,499	11,571	12,642
Less: provision for impairment of receivables	**15(b)**	-257	-241	-257	-241
Trade receivables - net		**3,171**	**3,258**	**11,314**	**12,401**
Prepayments		427	346	1,050	823
Accrued income		2,811	1,765	3,691	1,765
Work-in-progress		141	243	141	243
Advances to Council controlled organisations		5,857	0	0	0
Trade & other receivables	**15(d)**	**12,407**	**5,612**	**16,196**	**15,232**

Note 15(a)

Trade receivables are non-interest bearing and are generally on 30 day terms.

Note 15(b)

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

	Note	Regional Council Actual 12/13 $000	Regional Council Actual 11/12 $000	Group Actual 12/13 $000	Group Actual 11/12 $000
At beginning of year		241	241	241	241
Additional provisions made during the year		55	36	55	36
Receivables written off during the year		-39	-36	-39	-36
		16	0	16	0
At end of year		**257**	**241**	**257**	**241**

Note 15(c)

The carrying amount of trade and other receivables approximates their fair value.

Note 15(d)

The status of trade receivables at reporting dates is:

	Regional Council Gross $000	Regional Council Impairment $000	Regional Council Net $000	Group Gross $000	Group Impairment $000	Group Net $000
12/13						
Not past due	2,321	-55	2,266	9,467	-55	9,412
Past due 1 - 60 days	738	0	738	1,658	0	1,658
Past due 61 - 90 days	30	0	30	107	0	107
Past due > 90 days	339	-202	137	339	-202	137
	3,428	-257	3,171	11,571	-257	11,314
11/12						
Not past due	3,070	-36	3,034	10,833	-36	10,797
Past due 1 - 60 days	25	0	25	1,334	0	1,334
Past due 61 - 90 days	0	0	0	71	0	71
Past due > 90 days	404	-205	199	404	-205	199
	3,499	-241	3,258	12,642	-241	12,401

Note 16: Derivative Financial Instruments

	Note	Regional Council Actual 12/13 $000	Regional Council Actual 11/12 $000	Group Actual 12/13 $000	Group Actual 11/12 $000
Assets					
Interest rate swaps at fair value	**16(a)**	0	0	37	0
Forward exchange contracts at fair value		0	0	0	0
Total		**0**	**0**	**37**	**0**
Less Non-current portion:					
Interest rate swaps at fair value		0	0	0	0
Forward exchange contracts at fair value		0	0	0	0
		0	**0**	**0**	**0**
Current portion		**0**	**0**	**37**	**0**
Liabilities					
Interest rate swaps at fair value	**16(a)**	-91	-158	-3,470	-3,151
Forward exchange contracts at fair value		0	0	-463	0
Total		**-91**	**-158**	**-3,933**	**-3,151**
Less Non-current portion:					
Interest rate swaps at fair value		-91	-158	-2,400	-2,049
Forward exchange contracts at fair value		0	0	0	0
		-91	**-158**	**-2,400**	**-2,049**
Current portion		**0**	**0**	**-1,533**	**-1,102**

Note 16(a)

The notional principal amounts of the outstanding interest rate swap contracts at 31 March 2013 were $60,500,000 (2011/12 $60,500,000). $45,500,000 of these swaps were active at 31 March 2013. The remaining $15,000,000 are forward starting, future dated swaps.

At 31 March 2013, the various interest rates were in the range of 4.53% to 5.34% (2011/12 4.53% to 6.60%).

Note 17: Cash & Cash Equivalents

		Regional Council		Group	
		Actual	Actual	Actual	Actual
		12/13	11/12	12/13	11/12
	Note	$000	$000	$000	$000
Cash at bank and in hand	17(a)	1,268	3,082	1,891	3,183
Short-term bank deposits	17(b)	3,000	11,829	3,000	11,829
		4,268	**14,911**	**4,891**	**15,012**

Note 17(a)

Cash at bank earns interest at floating rates based on daily bank deposit rates.

Note 17(b)

Short term deposits are made for varying periods up to 91 days depending on the immediate cash requirements of the Group, and earn interest at the respective short term deposit rates.

The effective interest rate on short-term bank deposits was 2.80% (2011/12 3.39%). These deposits have an average maturity of 2 days (2011/12 34 days).

Note 17(c)

Cash, cash equivalents and bank overdrafts included the following for the purposes of the Cash Flow Statement

Bank overdrafts	0	0	-14	-2,726
Cash and cash equivalents	4,268	14,911	4,891	15,012
	4,268	**14,911**	**4,877**	**12,286**

Note 17(d) Reconciliation of Surplus after Tax to Net Cash Flows from Operations

		Regional Council		Group	
		Actual	Actual	Actual	Actual
		12/13	11/12	12/13	11/12
	Note	$000	$000	$000	$000
Net Surplus on Operations		850	-8,356	5,216	-2,726
Add (Less) Non-Cash Items:					
Fair value gains		-7,159	-868	-7,001	-1,185
Fair value losses		0	6,952	0	10,194
Depreciation		2,134	1,898	8,940	4,846
(Loss) on disposal of leasehold land		4,641	2,522	4,641	2,522
Deferred tax		0	0	41	-184
Add (Less) Movement in Working Capital Items:					
(Increase)/decrease in inventories		-1	3	34	82
(Increase)/decrease in trade & other receivables		-946	471	2,550	-1,473
(Increase)/decrease in tax receivables		0	0	-109	0
(Decrease)/increase in trade & other payables		317	-2,623	-352	-3,626
(Decrease)/Increase in employee entitlement liabilities		-110	93	-834	-198
Add (Less) Items Classified as Investing or Financing Activities:					
Movement in non-current provisions		262	-129	303	-145
Net (Gain) / Loss on sale of non-current assets		0	0	850	16
Net Cash Inflow from Operating Activities		**-12**	**-37**	**14,279**	**8,123**

Note 18: Fair Value Reserves

		Parent						Parent	Group
		Land	Buildings	Hydrological Assets	Infrastructure Assets	Available-for-Sale Financial Assets	Investment Properties	Total	Total
	Note	$000	$000	$000	$000	$000	$000	$000	$000
COUNCIL Only									
At 1 July 2011	**18(b)**	1,560	878	175	66,646	92,183	255	161,697	68,467
Year ended 30 June 2012									
Reclassification transfer	**18(c)**	0	0	0	0	-148,800	0	-148,800	0
Revaluation - gross		0	0	0	91	56,804	0	56,895	-689
		0	0	0	91	-91,996	0	-91,905	-689
At 30 June 2012		1,560	878	175	66,737	187	255	69,792	67,778
Year ended 30 June 2013									
Reclassification transfer		0	0	0	0	0	0	0	2,014
Revaluation - gross		-1,442	-1,844	-101	-103	63	0	-3,427	57,978
		-1,442	-1,844	-101	-103	63	0	-3,427	59,992
At 30 June 2013		118	-966	74	66,634	250	255	66,365	127,770

Note 18(a)

Revaluation increments and decrements on operating and financial assets (listed above) are recorded in the Statement of Changes in Equity. However, if revaluation decrements are greater than the corresponding surpluses in the Fair Value Reserve, the excess decrements are recorded in the Note 6, Fair Value Gains and Losses through the Income Statement, as an asset impairment.

Note 18(b)

The property at 77 Raffles Street, Napier, was transferred from property, plant & equipment as at 1st October 2006 after being leased to a third party. In accordance with NZ IAS 40, Investment Property, the property was revalued at the date of transfer and any associated fair value surpluses were reclassified as Investment Properties. This property was transferred back to property, plant & equipment as at 9th January 2013 as it ceased being a investment property and is being used as Council offices. The fair value amount was used as the transfer amount.

Note 18(c)

On 28 June 2012, Council transferred its shareholding in the Port of Napier Limited to the Hawke's Bay Regional Investment Company in exchange for 177,400,000 shares. At the same time, Council transferred the remaining fair value reserve component of its Port shareholding to its Accumulated Balance.

Note 19: Other Reserves (Parent & Group)

	Note	Operating Reserve (1) $000	Net Fair Value Gains (1a) $000	Infrastructure Asset Renewal (2) $000	Wairoa Rivers & Streams (3) $000	Special Scheme (4) $000	Port Dividend Equalisation (5) $000	Coastal Marine Area (6) $000	Specific Regional Projects (7) $000	Asset Replacement (8) $000	Regional Disaster Damage (9) $000	Scheme Disaster Damage (10) $000	Clive River Dredging (11) $000	Tangoio Reserve Fund (12) $000	Sale of Land Invmnt (13) $000	Sale of Land Non-Invmnt (14) $000	Rabbit Reserve (15) $000	Total $000
At 1 July 2011		26,411	1,450	2,520	663	2,535	3,392	0	45	769	3,325	2,209	85	3,234	19,932	1,856	121	68,547
Net surplus		-8,356																-8,356
Net fair value gains		6,084	-6,084															0
Interest income / (expense)		-458			20	86			1	24		96	3	159		62	7	0
Rental income - net		-2,523						2,523										0
Depreciation transfers		-1,890		540						1,350								0
Trading gain / (loss)		-14,823									11				14,812			0
Transfers / (use of) reserves		8,066		-352		-579	-611	-2,523	-1			55	50	-213	-4,198	301	5	0
Asset purchases - net		2,347								-2,347								0
Borrowings - net		-418								418								0
		-11,971	-6,084	188	20	-493	-611	0	0	-555	11	151	53	-54	10,614	363	12	-8,356
At 30 June 2012		14,440	-4,634	2,708	683	2,042	2,781	0	45	214	3,336	2,360	138	3,180	30,546	2,219	133	60,191
Net surplus		850																850
Net fair value gains / (losses)		-7,159	7,159															0
Interest income / (expense)		-696			20	403			2	9		106	8	144		0	4	0
Rental income - net		-2,523						2,523										0
Depreciation transfer - gross		-2,126		528						1,598								0
Trading gain / (loss)		-12,596								257	-3				12,342			0
Transfers / (use of) reserves		11,406		-2,711		-713	-1,818	-2,523	0	1,212		14	50	-308	-4,320	-189	-100	0
Asset purchases - net		3,164								-3,164								0
Borrowings - net		-376								376								0
		-10,056	7,159	-2,183	20	-310	-1,818	0	2	288	-3	120	58	-164	8,022	-189	-96	850
At 30 June 2013		4,384	2,525	525	703	1,732	963	0	47	502	3,333	2,480	196	3,016	38,568	2,030	37	61,041

Nature and purpose of reserves

[1] Operating reserve

A reserve established to fund the day to day cash flow and working capital requirements of Council.

[1a] Net fair value gains

Net fair value gains records the fair value (non-cash) component of the operating reserve.

[2] Infrastructure asset depreciation reserve

A reserve established to fund the renewal of scheme infrastructure assets as required by the Local Government Act 2002.

[3] Wairoa rivers & streams reserve

A reserve established to fund flood mitigation and recovery work within the Wairoa District.

[4] Special flood & drainage scheme reserves
Reserves established for each scheme to account for rating balances that arise each year as a consequence of the actual income and expenditure incurred in any one year.

[5] Port dividend equalisation reserve
A reserve established to smooth out the dividend receipts from the Port so that fluctuations in Council's general funding rates are minimised.

[6] Coastal marine area reserve
A reserve established to meet the statutory requirements on the use of rental income earned on Council's endowment leasehold land.

[7] Specific regional projects reserve
A reserve established to meet the statutory requirements on the use of 50% of rental income on Council's endowment leasehold land received prior to 1st July 2003.

[8] Asset replacement reserve
A reserve established to fund the replacement of operating property, plant and equipment, which are not scheme based.

[9] Regional disaster damage reserve
A reserve established to meet the commercial insurance excess of $3.0 million on each event, the uninsured 60% of edge protection damage and the costs of managing the response and recovery for a disaster event.

[10] Scheme disaster damage reserve
Reserves established to meet each scheme's share of Local Authority Protection Programme (LAPP) insurance excess and other costs to restore scheme assets that are not recoverable from other sources.

[11] Clive river dredging reserve
A reserve established to meet the expenditure of dredging requirements on the Clive River.
[12] Tangoio soil conservation reserve
A reserve established to separate the revenues and expenses associated with the Tangoio Soil Conservation Reserve as this reserve is managed and overseen by Council on behalf of the Crown.

[13] Sale of land investment reserve
A reserve established to hold the proceeds of endowment leasehold land sales to be reinvested in accordance with Council's policy on "Evaluation of Investment Opportunities" approved on 30 April 2008.

[14] Sale of land non-investment reserve
A reserve established to hold transfers from the Sale of Land Investment Reserve to be invested in accordance with Council's policy on "Open Space Investment" approved on 25 June 2008 and Council's Investment Policy set out in the 2009/19 10 Year Plan.

[15] Rabbit reserve
A reserve established to fund costs expected to be incurred with growing rabbit populations.
The reserve is limited to a maximum balance of $133,000.

Note 20: Borrowings

	Note	Regional Council Actual 12/13 $000	Regional Council Actual 11/12 $000	Group Actual 12/13 $000	Group Actual 11/12 $000
Non-current					
Bank borrowings		10,938	12,904	69,238	73,604
Finance lease obligations		0	0	0	0
		10,938	**12,904**	**69,238**	**73,604**
Current					
Bank overdrafts		0	0	14	2,726
Bank borrowings		1,967	1,967	1,967	1,967
Finance lease obligations		0	0	0	0
		1,967	**1,967**	**1,981**	**4,693**
Total borrowings		**12,905**	**14,871**	**71,219**	**78,297**

20(a) Security

Council bank loans are secured over the rating base of the Council.
The Napier Port operates two multi-option credit facilities with Westpac Banking Corporation secured by a negative pledge. These facilities have been extended until 1 October 2014.

20(b) Maturity analysis of borrowings

The exposure of the Group's borrowings to interest-rate changes and the contractual repricing dates or maturity dates at the balance sheet date are:

	Regional Council		Group	
	Actual 12/13 $000	Actual 11/12 $000	Actual 12/13 $000	Actual 11/12 $000
6 months or less	28	0	58,342	63,426
Between 6 and 12 months	0	0	0	0
Between 1 and 2 years	57	55	57	55
Between 2 and 5 years	2,570	2,476	2,570	2,476
Over 5 years	10,250	12,340	10,250	12,340
	12,905	**14,871**	**71,219**	**78,297**

20(c) Effective interest rates

The effective interest rates at the balance sheet date were:

			Group	
	Actual 12/13	Actual 11/12 %	Actual 12/13 %	Actual 11/12 %
Effective interest rate ranges	5.75 - 8.41	5.75 - 8.41	6.60 - 3.50	6.85 - 3.50

20(d) Fair values

The carrying amount for the fair value of non-current borrowings is:

	Regional Council		Group	
	Actual 12/13 $000	Actual 11/12 $000	Actual 12/13 $000	Actual 11/12 $000
Bank borrowings	11,260	13,273	69,560	73,973
	11,260	**13,273**	**69,560**	**73,973**

The fair values as based on cash flows discounted using a rate based on the borrowing rate of 5.75% (2011/12 5.75%).
The carrying amount of borrowings repayable within one year approximate their fair value.

20(e) Undrawn facilities

The Group has the following undrawn borrowing facilities:

	Regional Council		Group	
	Actual 12/13 $000	Actual 11/12 $000	Actual 12/13 $000	Actual 11/12 $000
Bank overdraft	0	0	986	800
Bank borrowings	0	0	21,700	19,300
	0	**0**	**22,686**	**20,100**

20(f) Internal Borrowings

The following internal borrowings have been funded by Council reserves:

	Regional Council		Group	
	Actual 12/13 $000	Actual 11/12 $000	Actual 12/13 $000	Actual 11/12 $000
Internal Loan Balance as at 30 June 2013				
Venture Hawkes Bay	233	289	233	289
Clean Heat	1,000	0	1,000	0
Dalton Street Building Remediation	855	0	855	0
Computer Equipment	600	0	600	0
Hydrology Equipment	600	0	600	0
	3,288	**289**	**3,288**	**289**
Internal Loans Borrowed during the year				
Venture Hawkes Bay	0	0	0	0
Clean Heat	1,000	0	1,000	0
Dalton Street Building Remediation	855	0	855	0
Computer Equipment	600	0	600	0
Hydrology Equipment	600	0	600	0
	3,055	**0**	**3,055**	**0**
Internal Loans Repaid during the year				
Venture Hawkes Bay	56	59	56	59
Clean Heat	0	0	0	0
Dalton Street Building Remediation	0	0	0	0
Computer Equipment	0	0	0	0
Hydrology Equipment	0	0	0	0
	56	**59**	**56**	**59**
Interest Paid during the year				
Venture Hawkes Bay	0	0	0	0
Clean Heat	0	0	0	0
Dalton Street Building Remediation	0	0	0	0
Computer Equipment	0	0	0	0
Hydrology Equipment	0	0	0	0
	0	**0**	**0**	**0**

Loans for Clean Heat, Dalton Street Building remediation, Computer and Hydrology Equipment were borrowed at 30 June 2013 there have been no principle repayments or interest for the 2012/13 financial year.

The loan to the Heat Smart project is a temporary loan facility until external borrowing is completed in the 2013/14 financial year.

Note 21: Deferred Income Tax (Group)

	Note	Property, Plant & Equipment $000	Derivatives $000	Other $000	Total $000
Balance at 1 July 2011		**-7,904**	**516**	**873**	**-6,515**
Charged to income re current year		48	0	-182	-134
Adjustment prior year provision		0	0	0	0
Charged to income		48	0	-182	-134
Charges to equity		0	268	0	268
Balance at 30 June 2012		**-7,856**	**784**	**691**	**-6,381**
Charged to income re current year		-188	0	-68	-256
Adjustment prior year provision			0		0
Charged to income		-188	0	-68	-256
Charges to equity		-10,230	234	-41	-10,037
Balance at 30 June 2013		**-18,274**	**1,018**	**582**	**-16,674**

Note 22: Employee Benefit Liabilities

		Regional Council		Group	
		Actual	Actual	Actual	Actual
		12/13	11/12	12/13	11/12
	Note	$000	$000	$000	$000
Annual leave		850	944	2,294	2,469
Long service leave		275	249	544	502
Sick leave		131	106	131	106
Retirement gratuities		480	390	498	407
Other short term benefits		0	0	125	768
Total employee benefit liabilities	**22(a)**	**1,736**	**1,689**	**3,592**	**4,252**
Disclosed as:					
Non-current		835	678	1,122	948
Current		901	1,011	2,470	3,304
		1,736	**1,689**	**3,592**	**4,252**

Note 22(a) Movement in employee benefit liability

	Regional Council		Group	
	Actual	Actual	Actual	Actual
	12/13	11/12	12/13	11/12
	$000	$000	$000	$000
At beginning of year	**1,689**	**1,725**	**4,252**	**4,595**
Additional provisions	1,313	1,275	3,475	3,584
Unused amounts reversed	-77	-44	-77	-44
Used during the year	-1,189	-1,267	-4,058	-3,883
Movement during the year	47	-36	-660	-343
At end of year	**1,736**	**1,689**	**3,592**	**4,252**

Note 23: Trade & Other Payables

		Regional Council		Group	
		Actual	Actual	Actual	Actual
		12/13	11/12	12/13	11/12
	Note	$000	$000	$000	$000
Trade payables		2,512	2,396	5,407	4,974
Accrued expenses		1,565	1,537	4,211	3,639
Deposits & advances		1,303	364	1,303	364
Intrabusiness payables		80	0	0	0
		5,460	**4,297**	**10,921**	**8,977**

Trade payables are non-interest bearing and are generally on 30 day terms.

The carrying amount of trade and other payables approximates their fair value.

Note 24: Related-Party Disclosures (Group)

Note 24(a) The following transactions were carried out with subsidiaries

	Note	Actual 12/13 $000	Actual 11/12 $000
(i) Sales of services			
By parent		5,528	54
By subsidiary		184	23
		5,712	77
(ii) Purchases of services			
By parent		184	23
By subsidiary		5,528	54
		5,712	77
(iii) Subvention payments			
Received by parent		368	432
Paid by subsidiary		368	432
		736	864
The subvention payment is the tax effect of total losses transferred from Council to Napier Port during the year.			
(iv) Dividends (net)			
Received by parent		5,700	5,854
Paid by subsidiary		5,700	5,854
		11,400	11,708
(v) Share capital			
Paid by parent		0	100
Received by subsidiary		0	100
		0	200

Note 24(b) Transactions with key management personnel

During the year Councillors and key management personnel, as a part of normal customer relationship, were involved in minor transactions with Group (such as payment of rates, purchases of small amounts of goods and services).

Note 24(c) Year-end balances arising from sales/purchases of goods and services

	Note	Actual 12/13 $000	Actual 11/12 $000
Receivables from related parties			
Parent		1,147	55
Subsidiary		162	2
		1,309	57
Payables to related parties			
Parent		162	2
Subsidiary		1,147	55
		1,309	57

Note 24(d) Terms and conditions of transactions with related parties

Sales to and purchases from related parties are made in arm's length transactions at both normal market prices and normal commercial terms.

Outstanding balances at year end are unsecured and settlement occurs in cash.

There have been no guarantees provided or received for any related party receivables.

At year end, there is no impairment relating to amounts owed by related parties (2011/12 $nil).

Note 25: Commitments & Contingencies

Note 25 (a) Capital commitments

Capital expenditure contracted for at balance sheet date but not yet incurred is:

		Regional Council		Group	
		Actual	Actual	Actual	Actual
		12/13	11/12	12/13	11/12
	Note	$000	$000	$000	$000
Property, plant & equipment		0	0	0	127
Intangible assets		0	0	0	0
Financial Assets - (Clean Heat Loans)		0	161	0	161
Investment property		0	0	0	0
Dalton Street remedial work		657	0	657	0
		657	**161**	**657**	**288**

Council has agreed to fund clean heat and insulation loans to ratepayers which are to be repaid by a targeted rate over ten years. At balance date the value of approved applications that had been accepted by the client, but for which approval from EECA had not yet been received was $NIL (2011/12; $161,000).

On 29 October 2012 the Napier Port entered into a contract with Gottwald Port Technology GmbH for the purchase and supply of two mobile harbour cranes at a cost of $10,016,452. These cranes will be delivered to the Napier Port in September 2013 and go into service by December 2013. The Napier Port has put in place foreign exchange contracts to mitigate exchange rate risk.

Note 25 (b) Operating lease commitments

The Group has entered into commercial leases for certain offices, plant and equipment under non-cancellable operating lease agreements. The leases have varying terms and conditions.

Future aggregate minimum lease payments under non-cancellable operating leases are:

		Regional Council		Group	
		Actual	Actual	Actual	Actual
		12/13	11/12	12/13	11/12
	Note	$000	$000	$000	$000
Not later than one year		16	16	16	120
Later than one year but not later than five years		16	30	16	49
Later than five years		0	0	0	0
		32	**46**	**32**	**169**

Note 25 (c) Contingencies

In respect of the Council only:

The Dalton Street building owned by the Council is undergoing remedial work as a result of water ingress. This was started during the 2012/13 financial year and is programmed to be completed December 2013. The estimated cost of the project including associated legal action aimed at recovering the cost of the remedial work is $2.2 million with $855,000 being paid during the 2012/13 year. Legal action is continuing. It is yet to be determined what compensation will be recovered.

The Tangoio Soil Conservation Reserve fund contains the proceeds from the Reserve since management and control of the Reserve was vested in Council in 1985, less the cost of managing the Reserve. This fund is held by Council on behalf of the Crown. The value of the funds at 30 June 2013 is $3,017,079 (2011/12 $3,179,559).

At balance date Council has a provision of $272,808 in respect of the New Zealand Mutual Liability Riskpool calls to cover the costs of leaky building existing claims for the five years to 30 June 2014. Riskpool did not cover new claims on leaky buildings from 1 July 2009. This provision was based on the best information from the Board of Riskpool, but may not be sufficient to cover all claims eventually settled. In the three year period to 30 June 2013 Council has paid out calls totalling $412,889.

In respect of the Napier Port only:

This year and last year Napier Port recorded no contingent liabilities or assets.

Note 25 (d) Contractual Obligations Under LAPP Arrangements

As a part of Council's insurance programme covering damage to Council's infrastructure assets in the event of a natural disaster, Council has insurance cover above a deductible of $1,128,000 for 40% of the cost of repair with the Local Authority Protection Programme (LAPP).

LAPP is a mutual scheme involving approximately 57 local authority members. This scheme has an obligation on all members for a payment of up to five times Council's annual premium, payable in any one event impacting on any of the LAPP members. In any one year Council's exposure is to cover a maximum of two events.

Council's annual premium covering the financial year 2012/13 equals $195,600 excluding GST, which means that Council's maximum obligation would amount to $1,956,000 in the event of two very large natural disasters in any one year.

Note 26 Local Government Act 2002 Disclosures

Note 26(a) Remuneration of Chairman and Elected Members of Council

Remuneration of Elected Members of the Council includes salary, vehicle allowance, meeting and hearing fees that, during the year, were paid or payable to the Councillor by the Council or any council organisation. Remuneration levels are set each year for all local authorities by the Remuneration Authority.

Current Elected Members	Appointments from the October 2010 Election	Length of Elected Term	Number of Meetings Attended 12/13
Fenton Wilson	Chair	Full Year	58 out of 59
Ewan McGregor	Deputy Chair	Full Year	48 out of 50
Alan Dick	Chair Regional Land Transport Committee	Full Year	57 out of 62
Christine Scott	Chair of Hearings Committee	Full Year	69 out of 74
Kevin Rose	Chair Asset Management & Biosecurity Committee	Full Year	40 out of 43
Eileen von Dadelszen	Chair Environmental Management Committee	Part Year	39 out of 45
Neil Kirton	Elected Member	Full Year	43 out of 50
Liz Remmerswaal	Elected Member	Full Year	46 out of 53
Tim Gilbertson	Elected Member	Full Year	43 out of 47
Murray Douglas	Elected Member (replaced Eileen von Dadelzen - June 2013)	Part Year	5 out of 5

Note that the number of meetings attended above report elected members' attendance at advertised meetings of the Regional Council, Council Committees, Council lead stakeholder groups, Hawkes Bay Regional Investment Company Limited, Council workshops and Hearing panels (excludes paid consent hearings).

Current Elected Members	Salary 12/13 $	Meeting Fees 12/13 $	Hearing Fees 12/13 $	Councillor Allowances 12/13 $	Total Remuneration 12/13 $
Fenton Wilson	105,715	*Ineligible*	*Ineligible*	0	105,715
Ewan McGregor	50,330			1,183	51,513
Alan Dick	50,330			1,035	51,365
Christine Scott	50,330			750	51,080
Kevin Rose	50,330			1,520	51,849
Eileen von Dadelszen	43,987			1,099	45,086
Neil Kirton	45,829			750	46,579
Liz Remmerswaal	45,829			1,046	46,875
Tim Gilbertson	45,829			2,863	48,693
Murray Douglas	2,511			78	2,589
	491,021	**0**	**0**	**10,325**	**501,345**

The Chairman is provided with a vehicle to use on Council business. Use of a vehicle reduces the Chairman's salary in accordance with Remuneration Authority policy.

	Salary 11/12 $	Meeting Fees 11/12 $	Hearing Fees 11/12 $	Councillor Allowances 11/12 $	Total Remuneration 11/12 $
Fenton Wilson	105,715	*Ineligible*	*Ineligible*	0	105,715
Ewan McGregor	50,193			1,358	51,552
Alan Dick	50,193			790	50,984
Christine Scott	50,193		9,716	750	60,660
Kevin Rose	50,193			1,620	51,813
Eileen von Dadelszen	50,193		240	1,374	51,807
Neil Kirton	45,691			750	46,442
Liz Remmerswaal	45,691			1,180	46,871
Tim Gilbertson	45,691			2,677	48,369
	493,756	**0**	**9,956**	**10,500**	**514,211**

Note 26(b) Remuneration of Chief Executive

The Chief Executive of the Hawke's Bay Regional Council receives a salary of $264,423 per annum (2011/12; $264,423).

For the year ended 30 June 2013, the value of the total remuneration package received (including the value of non-financial benefits) was $293,172 (2011/12; $288,041).

Note 26(c) Severance Payments

During the year four severance payments were made to council employees. (2011/12; Four payments totaling $96,822)

2,074
20,195
7,469
71,508
101,246

Note 26(d) Council Employees

Total Annual Remuneration by band for Employees as at 30 June	12/13	11/12
< $60,000	71	79
$60,000 - $79,999	45	53
$80,000 - $99,999	29	22
$100,000 - $119,999	14	10
$120,000 - $299,999	12	13
Total Employees (headcount)	**171**	**177**

Total remuneration includes non-financial benefits provided to employees.

At balance date, the Council employed 154 (2012 159) full-time employees, with the balance of staff representing 10.5 (2012 11.4) full-time equivalent employees. A full-time employee is determined on the basis of a 40-hour working week.

Note 27: Major Budget Variances (Parent)

The council published prospective financial information in relation to the 2012/13 year in its 2012/13 Annual Plan.

Explanations for the major variances from the forecast figures published in the Annual Plan are set out below:

27 (i) Comprehensive Income Statement

Revenue from Council activities is $1.4 million or 24% less than budgeted due to:

- Regulation income is down $0.6 million. Consent processing income was down on budget as a result of low numbers of consent applications and some staff vacancies not being filled. Also the recoverable time for compliance monitoring was adversely impacted by staff having to spend time on non-recoverable low flow related projects due to the summer drought.
- Regional Resources income is down $0.6 million. The Huatokitoki SFF project was deferred to next year as was the expected income of $240,000 and Section 36 charges across Regional Resources project were down from projections.

Other revenue is $5.8 million or 33% less than budget due to:

- Rental income is $0.2 million or 7.67% less than budgeted due to much larger sales of endowment leasehold land than budgeted resulting in lower leasehold land rentals.
- Interest income is $1.6 million or 39% less than budget as the injection of cash from the sale of leasehold property cash flows and Wellington Lease property did not take place in the 2012/13 year as budgeted and will now occur in 2013/14.
- Grant income is $0.7 million or 15.8% more than budget due to Council receiving funding for projects not budgeted for.
- Losses on disposal occurred from the sale of endowment leasehold property and amounted to $2.2 million due to Council deciding to offer substantial discounts as an incentive for leaseholders to freehold their properties.
- There was also a loss on disposal of RWS development costs to HBRIC Ltd of $2.4 million. This was due to the grant funding received in the 2011/12 year for the RWS development cost being excluded from the sale price and so needed to be included as a loss on sale.

Fair value gains are $4.7 million or 194% above budget mainly due to a significant increase in the value of leasehold land.

Expenses from Council activities is $2.0 million or 5.5% less than budgeted due to:

- Governance and Community Engagement expenditure is down $2.0 million due to the targeted assistance for regional hockey facilities, Te Mata Park Visitor Centre and the upgrade of the Wairoa Community Centre not being drawn down in the 2012/13 year and has been carried forward to the 2013/14 year. This has also seen a reduction in finance costs during the year.
- Finance costs are down $0.9 million due to the delay in the sale of leasehold property cash flows which meant that Council did not have to pay the annuity expense to the purchaser of the cash flows.

Other comprehensive income is $4.6 million less than budget due to a write-down in the value land and buildings. The major movements were $1.9 million for the Dalton Street building to reflect remedial work and $1.3 for wastewater and carbon land.

27 (ii) Operating Surplus / (Deficit) & Statement of Changes in Equity

The operating surplus / (deficit) (total recognised revenue and expenses) is $4.2 million more than budget. The major causes for this are set-out above.

27 (iii) Balance Sheet

Equity is $13.0 million or 2.79% less than budget due to fair value reserve fluctuations.

Property, plant & equipment assets are $4.6 million less than budget due to the fair value write down of $3.5 million on property, plant & equipment assets and the deferral of the $650,000 to be spent on the Guppy Road property.

Infrastructure assets are $4.4 million less than budget due mainly to a lower construction costs of river control assets during the year.

Investment property is $2.7 million (4%) less than budget due to actual sales of endowment leasehold property substantially exceeding those forecast.

Intangible assets are $4.6 million less than budget as a result of the sale of the development expenditure on the RWS irrigation water augmentation projects to HBRIC Ltd during the year.

Trade and other receivables are $6.3 million more than budget mainly due to $5.9 million advanced to HBRIC Ltd.

Cash, cash equivalents and financial assets are $66.9 million less than budget as the $51 million to be received from the sale of leasehold property cash flows and the $13 million to be received from the sale of Wellington lease property did not take place in the 2012/13 year as budgeted.

Current and Non-current borrowings taken together are $3.5 million less than budget because loan funding for thepurchase of land for Regional Park Reserves, Regional Infrastructure and Solar Hot Water were not drawn down this financial year.

Provisions for other liabilities and charges are $51 million less due to the sale of leasehold property cash flows not taking place in the 2012/13 year.

Trade and other payables are $1.5 million or 21% less than budgeted mainly due to increased efficiency processing of Council's trade accounts processing at year end.

27 (iv) Cash flow statement

Net cash out flows from operating activities are $0.1 million less than budget mainly due to a decrease in interest and a fall in receipts from customers.

Net cash outflows from investing activities are $9.1 million less than budget. The main reasons for this are the $13 million increase in financial assets being the increase in bank deposits from the sale of leasehold land. This is offset by $2.8 million decrease in the construction of infrastructure assets and the $2.0 million decrease in advances to HBRIC Ltd.

Net cash inflows from financing activities was $58 million less than budget due to $51 million less due to the sale of leasehold property cash flows and $7.0 million of loans not drawn down.

27 (v) Significant asset acquisitions or replacements

There were no other significant asset acquisitions or replacements.

Note 28: Financial Risk Management

Introduction

The Group's principal financial instruments comprise bank loans, government stock, shares in listed companies and the Hawke's Bay Regional Investment Company, cash and bank term investments. The main purposes of these financial instruments are to raise finance for the Group's operations and to generate income.

The Group also enters into derivatives, consisting principally of interest rate swaps and forward currency contracts. The purpose is to manage interest rate and currency risks arising from the Group's operations and its sources of finance.

The Group has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations.

Other than government stock and shares in listed companies, the Group does not trade in financial instruments.

Market Risk

Price Risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices. The Group is exposed to equity and securities price risk on its investments, which are classified as available for sale and held to maturity financial assets. The Group manages price risk by diversification of its investment portfolio in accordance with limits set out in its investment policy.

The Group holds shares in companies listed on various world stock exchanges. If these exchanges at 30 June 2013 had fluctuated by plus or minus 0.5% and the value of the shareholdings had moved proportionately the effect would have been to increase or decrease the fair value through equity reserve by $5,835 (2011/12 $5,135).

Currency Risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. From time to time the Group enters into transactions denominated in foreign currencies and uses forward and spot foreign exchange contracts to manage its exposures to currency fluctuations.

If the currencies in which the Group has contract exposures at 30 June 2013 had fluctuated by plus or minus 0.5%, the effect would have been to increase or decrease profit or loss by $43,135 (2011/12 $NIL).

Interest Rate Risk

The interest rates on the Group's investments are show at Note 13 and on borrowings at Note 20.

Fair Value Interest Rate Risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to change in market interest rates. Borrowing and investing at fixed rates exposes the Group to fair value interest rate risk. The Group does not usually hedge against this risk.

If interest rates on borrowings at 30 June 2013 had fluctuated by plus or minus 0.5%, the effect would have been to increase or decrease the fair value through equity reserves by $346,000 (2011/12 $371,000).

If interest rates on government and local body stock at 30 June 2013 had fluctuated by plus or minus 0.5%, the effect would have been to increase or decrease the fair value through equity reserves by $17,600 (2011/12 $18,100).

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 to market interest rates. Borrowing at variable interest rates exposes the Group to cash flow interest rate risk.

The Group manages its cash flow interest rate risk on borrowings by using interest rate caps and floating to fixed interest rate swaps.

If interest rates on borrowings at 30 June 2013 had fluctuated by plus or minus 0.5%, the effect would have been to increase or decrease the surplus after tax by $346,200 (2011/12 $370,700) as a result of higher or lower interest expense on variable rate borrowings.

Credit Risk

Credit risk is the risk that a third party will default on its obligation to the Group, causing it to incur a loss. The Group has no significant concentrations of credit risk, as it has a large number of credit customers, mainly ratepayers. Under the Local Government (Rating) Act 2002, the Council has powers to recover outstanding debts from ratepayers. The Group has a policy of assessing the credit risk of significant new customers and monitors the credit quality of existing customers.

The Group invests funds only with registered banks, government stock and its investment policy limits the amount of credit exposure to any one institution or organisation.

Investments in other local authorities are secured by charges over rates. The Group only invests in other entities with a minimum credit rating from Standard & Poors (or other credit agency of similar reputation) of A1 for short term debt (up to twelve months) or A+ for term debt (more than twelve months).

Maximum Exposure to Credit Risk

	Regional Council		Group	
	Actual 12/13 $000	Actual 11/12 $000	Actual 12/13 $000	Actual 11/12 $000
Cash and cash equivalents	4,268	14,911	4,891	15,012
Bank deposits with terms greater than 91 days	51,361	39,888	51,361	39,888
Hawke's Bay Regional Investment Company	177,500	177,500	0	0
Publicly listed shares	1,167	1,027	1,167	1,027
Civic Assurance shares	19		19	0
Government stock	3,507	3,611	3,507	3,611
Community loans	5,012	2,770	5,012	2,770
Trade & other receivables	12,407	5,612	16,276	15,232
Derivative financial instruments	0	0	37	0
	255,241	245,319	82,270	77,540

Note 28 (a): Financial Risk Management

Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty raising liquid funds to meet commitments as they fall due.

The Council maintains a level of cash operating balances sufficient to meet its commitments as they fall due as well as managing its borrowings in accordance with its funding and financial policies. Napier Port operates a multi-option credit facility with its bank as set out in Note 20.

Set out below is a contractual maturity analysis of financial liabilities as at balance sheet date. The contractual amount includes scheduled interest payments.

Contractual Maturity Analysis	**Carrying Amount $000**	**Contractual Carrying Amount $000**	**Less than 1 Year $000**	**1 - 2 Years $000**	**2 - 5 Years $000**	**More than 5 Years $000**
Council at 30 June 2013						
Creditors and other payables	5,460	4,613	4,613	0	0	0
Bank borrowings	12,905	15,982	1,967	765	7,166	6,084
Bank overdraft	0	0	0	0	0	0
Finance lease	0	0	0	0	0	0
	18,365	20,595	6,580	765	7,166	6,084
Council at 30 June 2012						
Creditors and other payables	4,297	4,297	4,297	0	0	0
Bank borrowings	14,871	18,831	2,811	2,770	7,166	6,084
Bank overdraft	0	0	0	0	0	0
Finance lease	0	0	0	0	0	0
	19,168	23,128	7,108	2,770	7,166	6,084
Group at 30 June 2013						
Creditors and other payables	11,001	10,154	10,154	0	0	0
Bank borrowings	71,205	77,657	4,217	60,190	7,166	6,084
Bank overdraft	14	14	14	0	0	0
Finance lease	0	0	0	0	0	0
	82,220	87,825	14,385	60,190	7,166	6,084
Group at 30 June 2012						
Creditors and other payables	8,903	8,903	8,903	0	0	0
Bank borrowings	75,571	84,843	4,936	4,895	68,928	6,084
Bank overdraft	2,726	2,726	2,726	0	0	0
Finance lease	0	0	0	0	0	0
	87,200	96,472	16,565	4,895	68,928	6,084

Foreign Exchange Risk

The Group enters into transactions denominated in foreign currencies from time to time and is thereby exposed to the risk that movements in foreign currency rates may cause a financial loss to the Group.

The Group uses forward and spot foreign exchange contracts to manage its exposure. The contract amounts of foreign exchange instruments outstanding at balance date are:

Forward Foreign Exchange Contracts	**Carrying Amount NZD $000**	**Currency Amount $000**	**Less than 1 Year $000**	**1 - 2 Years $000**	**2 - 5 Years $000**	**More than 5 Years $000**
Group at 30 June 2013						
Euro	7,917	4,838	4,838	0	0	0
Australia dollar	710	564	564	0	0	0
United States of America dollar	0	0	0	0	0	0
Singapore dollar	0	0	0	0	0	0
	8,627	5,402	5,402	0	0	0
Group at 30 June 2012						
Euro	0	0	0	0	0	0
Australian dollar	0	0	0	0	0	0
United States of America dollar	0	0	0	0	0	0
Singapore dollar	0	0	0	0	0	0
	0	0	0	0	0	0

Note 28 (b): Capital Management

Council's capital is its equity (or ratepayers' funds), which comprise accumulated funds and reserves. Equity is represented by net assets.

The Local Government Act 2002 (the Act) requires 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 ratepayers to meet the costs of utilising the Council's assets and not expecting them to meet the full cost 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 that 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 (LTP) and in its Annual Plan (where applicable) to met the expenditure needs identified in those plans, and the Act 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 in the funding and financial policies in the Council's most recent LTP (2012/2022 Long Term Plan).

HBRC has the following Council-created reserves:

- reserves for different areas of benefit, and
- self-insurance reserves.

Reserves for different areas of benefit are used where there is a discrete set of rate of levy payers as distinct from payers of general rates. 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 rates and are made available for specific unforeseen events.

The release of these funds can generally be approved only by Council.

Note 29 Non-current assets held for sale

		Regional Council		Group	
		Actual	Actual	Actual	Actual
		12/13	11/12	12/13	11/12
	Note	$000	$000	$000	$000
Property, plant & equipment		0	0	0	1,500
Investment property		0	0	0	0
		0	**0**	**0**	**1,500**

Note 30 Events After Balance Sheet Date (Parent & Group)

There were no significant events after balance date.