Financial Management

The Council must under the Local Government Act, mangage its revenues, expenses, assets, liabilities, investments and general financial dealings prudently, and in a manner that sustainably promotes the current and future interests of the Community.

This section includes:

- Statement of Financial Position
- Statement of Comprehensive Income
- Statement of Changes in Equity
- Statement of Cashflows
- Notes to the Financial Statements
- Statement of Accounting Policies.

Financial Statements

STATEMENT OF FINANCIAL POSITION

As at June 30, 2014

	Note	Council Actual 2014 ($000)	Council Budget 2014 ($000)	Council Actual 2013 ($000)	Group Actual 2014 ($000)	Group Actual 2013 ($000)
Assets						
Current assets						
Cash and cash equivalents	9	6,598	2,882	1,435	10,022	6,855
Trade and other receivables	10	10,010	11,259	11,793	8,801	9,128
Tax Receivables		-	-	-	2	-
Inventories	11	670	763	648	1,035	1,313
Other financial assets	18	-	-	-	-	61
Derivative financial instruments		-	-	-	454	-
Total current assets		17,278	14,904	13,876	20,314	17,357
Non-current assets						
Work in progress		4,175	-	10,908	10,838	12,737
Property, plant and equipment	12	647,785	689,875	591,518	737,189	683,125
Intangible assets	13	307	56	273	307	273
Forestry assets	14	2,005	904	1,370	17,453	16,800
Investment property	15	25,538	27,768	24,467	29,618	28,399
Investments in associates and joint ventures	16,17	-	-	-	60,124	45,224
Investments in CCO's and similar entities	18	36,069	-	36,069	-	-
Other financial assets - other investments	18	8,432	45,886	20,237	14,874	21,242
Other financial assets - Derivative financial instruments	18	238	-	171	238	487
Deferred tax asset	23	-	-	-	239	465
Total non-current assets		724,549	764,489	685,013	870,880	808,752
Total Assets		**741,827**	**779,393**	**698,889**	**891,194**	**826,109**
Liabilities						
Current liabilities						
Bank Overdraft	9	-	-	-	-	-
Trade and other payables	19	9,501	9,565	10,635	15,929	14,696
Provisions	20	112	143	112	112	112
Employee benefit liabilities	21	2,028	2,820	2,649	2,092	2,714
Borrowings	22	-	2,920	-	-	-
Tax payable		-	-	-	654	576
Derivative financial instruments	18	7	1,105	38	7	1,608
Total current liabilities		11,648	16,553	13,434	18,794	19,706
Non-current liabilities						
Provisions	20	863	948	906	863	906
Employee benefit liabilities	21	812	696	860	812	860
Borrowings	22	29,716	54,883	40,331	88,377	81,375
Deferred tax liability	23	-	-	-	20,647	20,975
Derivative financial instruments	18	374	-	897	1,129	897
Total non-current liabilities		31,765	56,527	42,994	111,828	105,013
Total liabilities		43,413	73,080	56,428	130,622	124,719
Equity						
Retained earnings	24	402,983	398,115	401,890	439,249	435,256
Other reserves	24	295,431	308,198	240,572	321,323	266,134
Total equity		698,414	706,313	642,462	760,572	701,390
Total liabilities and equity		**741,827**	**779,393**	**698,889**	**891,194**	**826,109**
Total equity attributable to the Council		698,414	706,313	642,462	757,742	698,563
Total equity attributable to Minority Interests		-	-	-	2,830	2,827
Total equity		698,414	706,313	642,462	760,572	701,390

The accompanying notes form an integrated part of these financial statements

STATEMENT OF COMPREHENSIVE INCOME

For the year ended June 30, 2014

	Note	Council Actual 2014 ($000)	Council Budget 2014 ($000)	Council Actual 2013 ($000)	Group Actual 2014 ($000)	Group Actual 2013 ($000)
Income						
Rates excluding targeted water supply rates	1	39,564	38,838	39,009	39,564	39,009
Rates - targeted water supply	1	6,217	6,193	6,197	6,217	6,197
Development and financial contributions		-	-	-	-	-
Subsidies and grants		7,699	7,259	7,190	7,930	7,427
Other revenue	2	25,326	25,612	23,947	53,920	39,550
Other gains/(losses)	3	1,899	835	731	4,711	6,030
Total income		80,705	78,737	77,074	112,342	98,213
Expenditure						
Employee expenses	6	21,517	20,302	20,352	22,542	21,249
Depreciation and amortisation		19,487	19,208	18,844	23,988	23,224
Other expenses		35,284	37,856	35,596	59,511	45,336
Total operating expenditure		76,288	77,366	74,792	106,041	89,809
Results from operating activities		4,417	1,371	2,282	6,301	8,404
Finance income	7	683	425	701	1,021	1,003
Finance expenses	7	2,154	2,986	2,070	4,620	4,297
Less net finance costs		1,471	2,561	1,369	3,599	3,294
Operating surplus (deficit) before tax		**2,946**	**(1,190)**	**913**	**2,702**	**5,110**
Share of associate surplus (deficit)		-	-	(5)	4,617	3,232
Surplus (deficit) before tax		2,946	(1,190)	908	7,319	8,342
Income tax expense	8	-	-	-	1,776	3,026
Surplus (deficit) after tax		**2,946**	**(1,190)**	**908**	**5,543**	**5,316**
Attributable to:						
Invercargill City Council		2,946	(1,190)	908	5,546	5,319
Minority interest		-	-	-	(3)	(3)
		2,946	(1,190)	908	5,543	5,316
Other comprehensive income						
Property, Plant and Equipment Revaluation gains/(losses) - pre tax		52,385	70,117	-	52,385	-
Tax on revaluation equity items		-	-	-	-	-
Cash flow hedges		621	-	854	1,254	1,798
Total other comprehensive income		53,006	70,117	854	53,639	1,798
Total comprehensive income		**55,952**	**68,927**	**1,762**	**59,182**	**7,114**
Total comprehensive income attributable to:						
Equity holders of the Council		55,952	68,927	1,762	59,185	7,117
Minority interest		-	-	-	(3)	(3)
		55,952	68,927	1,762	59,182	7,114

The accompanying notes form an integrated part of these financial statements

STATEMENT OF CHANGES IN EQUITY

For the year ended June 30, 2014

	Note	Council Actual 2014 ($000)	Council Budget 2014 ($000)	Council Actual 2013 ($000)	Group Actual 2014 ($000)	Group Actual 2013 ($000)
Balance at 1 July		642,462	637,386	640,700	701,390	694,276
Total comprehensive income for the year		55,952	68,927	1,762	59,182	7,114
Balance at 30 June	24	**698,414**	**706,313**	**642,462**	**760,572**	**701,390**
Attributable to:						
Invercargill City Council		698,414	706,313	642,462	757,742	698,563
Minority interest		-	-	-	2,830	2,827
Balance at 30 June		698,414	706,313	642,462	760,572	701,390

The accompanying notes form an integrated part of these financial statements

STATEMENT OF CASHFLOWS

For the year ended June 30, 2014

	Note	Council Actual 2014 ($000)	Council Budget 2014 ($000)	Council Actual 2013 ($000)	Group Actual 2014 ($000)	Group Actual 2013 ($000)
Cash flows from operating activities						
Receipts from rates revenue		46,101	45,031	45,031	46,101	45,031
Interest received		745	425	698	1,536	1,120
Dividends received		3,950	4,150	3,450	-	-
Receipts from other revenue		30,306	28,342	26,572	61,717	46,326
Payments to suppliers and employees		(58,561)	(57,779)	(55,153)	(76,782)	(62,253)
Interest paid		(2,154)	(2,986)	(2,122)	(4,687)	(4,633)
Income tax paid (refund)		-	-	-	(2,033)	(2,063)
Goods and services tax (net)		63	-	54	29	(85)
Net cash from operating activities	25	20,450	17,183	18,530	25,881	23,443
Cash flows from investing activities						
Proceeds from sale of property, plant and equipment		297	112	1,197	348	1,260
Proceeds from sale of investment property		132	-	287	132	287
Proceeds from sale of investments		11,785	3,875	-	13,721	-
Advances repayments by subsidiaries/associates		-	-	-	5	2,044
Advances repayments by non subsidiaries		-	-	-	-	5
Purchase of property, plant and equipment		(16,886)	(22,458)	(23,284)	(24,385)	(31,455)
Purchase of investments		-	(2,986)	(8,589)	(1)	(8,591)
Purchase of Biological Assets		-	-	-	(1,623)	(1,466)
Advances made to non subsidiaries		-	-	-	(5,370)	(1,000)
Investments in associates		-	-	-	(44)	-
Net cash from investing activities		(4,672)	(21,457)	(30,389)	(17,217)	(38,916)
Cash flows from financing activities						
Proceeds from borrowings		2,773	6,961	9,767	8,391	15,782
Repayment of borrowings		(13,388)	(2,687)	(2,892)	(13,888)	(4,401)
Net cash from financing activities		(10,615)	4,274	6,875	(5,497)	11,381
Net (decrease) increase in cash, cash equivalents and bank overdrafts		5,163	-	(4,984)	3,167	(4,092)
Cash, cash equivalents and bank overdrafts at the beginning of the year		1,435	2,882	6,419	6,855	10,947
Cash, cash equivalents and bank overdrafts at the end of the year	9	6,598	2,882	1,435	10,022	6,855

The accompanying notes form an integrated part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

1 Rates revenue

	Actual 2014 ($000)	Actual 2013 ($000)
General rates	27,918	27,508
Targeted rates attributable to activities		
Water	6,217	6,197
Sewerage and Drainage	7,343	7,302
Refuse and recycling	3,770	3,649
Rates penalties	622	638
Total revenue from rates	45,870	45,294

Rates remissions

Rates revenue is shown net of rates remissions. The purpose of granting rates remission to an organisation is to:

- assist the organisation's survival, and
- make membership of the organisation more accessible to the general public, particularly disadvantaged groups. These include children, youth, young families, aged people, those with disabilites and economically disadvantaged people.

As required by the Local Government (Rating) Acting 2002, details of rates remitted during the year are as follows:

	Actual 2014 ($000)	Actual 2013 ($000)
Halls, Museums and other similar groups	5	5
Organisations whose object is the health and well-being of the community	21	20
Organisations whose principal object is the promotion of the arts as recreation	39	39
Organisations using premises as a showground or meeting	-	-
Organisations using premises for gaming and sport	9	9
Organisations using premises for branches of the arts	15	15
Total remissions	89	88
Rates revenue net of remissions	45,781	45,206

In accordance with the Local Government (Rating) Act 2002 certain properties cannot be rated for general rates. This includes schools, places of religious worship, public gardens and reserves. These non-rateable properties, where applicable, may be subject to targeted rates in respect of sewerage, water, refuse and sanitation. Non-rateable land does not constitute a remission under the Council's rates remission policy.

Reclassification of Rates and Other Income disclosures

The Council and Group has changed the presentation of items within income to comply with the new presentation requirements of the Local Government (Financial Reporting) Regulations 2011.

The effect of the changes to income are shown in the table below:

Rating Base Information

The following disclosures are made in accordance with the Local Government Act 2002 Amendment Act 2014, clause 31A of schedule 10.

	Actual 2014 ($000)	Actual 2013 ($000)
Number of rating units within the Invercargill City Council	25,022	24,997
Total rateable land value within the Invercargill City Council	6,662,450	6,589,041
Total rateable capital value within the Invercargill City Council	-	-

Invercargill City Council does not rate based on land value, and as such has not recorded land value data within the rating system. Therefore the Council is unable to disclose rating base information related to land value. This puts Council in breach of clause 30A, Schedule 10, Local Government Act 2002.

2 Other revenue

	Council Actual 2014 ($000)	Council Actual 2013 ($000)	Group Actual 2014 ($000)	Group Actual 2013 ($000)
Sales and Services	19,861	17,976	52,355	37,529
Dividends	3,900	3,950	-	-
Interest	-	-	-	-
Vested Assets	-	324	-	324
Rental income	1,565	1,697	1,565	1,697
	25,326	23,947	53,920	39,550

3 Other gains and losses

	Council Actual 2014 ($000)	Council Actual 2013 ($000)	Group Actual 2014 ($000)	Group Actual 2013 ($000)
Change in fair value and havesting of biological assets (refer note 14)	635	386	3,247	4,975
Change in fair value of investment property	1,172	237	1,320	269
Change in fair value of investments	(20)	5	(20)	5
Net gain/(loss) on sale of property, plant and equipment	112	103	112	103
Rental income from property subleases	-	-	-	-
Reversal of prior impairment loss	-	-	-	777
Gain/(loss) on derivatives - foreign exchange contracts	-	-	62	(62)
Gain/(loss) on foreign exchange rate conversion	-	-	(10)	(37)
	1,899	731	4,711	6,030

4 Reconciliations of Funding Impact Statements to Statement of Comprehensive Income

Rates Revenue reconciliation from Funding Impact Statements to Statement of Comprehensive Income

	Council Actual 2014 ($000)	Council Actual 2013 ($000)
General rates, uniform annual general charges, rates penalties	38,196	37,917
Targeted rates (other than targeted rate for water supply)	7,585	7,289
Per Funding Impact Statement	**45,781**	**45,206**
Rates excluding targeted water supply rates	39,564	39,009
Rates - targeted water supply rates	6,217	6,197
Total rates income - per statement of comprehensive income	**45,781**	**45,206**

Operating Revenue reconciliation from Funding Impact Statements to Statement of Comprehensive Income

	Council Actual 2014 ($000)	Council Actual 2013 ($000)
Total Operating Funding - Per Funding Impact Statement	**75,707**	**73,149**
PLUS: Capital Funding - "subsidies and grants for capital expenditure"		
- Roading activity	3,894	3,674
PLUS - Non cash capital additions		
- Vested assets	-	324
PLUS - Non cash revaluations		
- Investment Property Revaluation Gain/(Loss)	1,172	237
- Biological assets Revaluation Gain/(Loss)	635	386
- Investments Revaluation Gain/(Loss)	(20)	5
Total Revenue Funding - per statement of comprehensive income	**81,388**	**77,775**
Per Statement of Comprehensive Income:		
Rates excluding targeted water supply rates	39,588	39,009
Rates - targeted water supply	6,193	6,197
Development and financial contributions	-	-
Subsidies and grants	7,699	7,190
Other revenue	25,326	23,947
Change in fair value and havesting of biological assets	635	386
Change in fair value of investment property	1,172	237
Change in fair value of investments	(20)	5
Gain on sale of assets	112	103
Finance Income	683	701
Total Revenue	**81,388**	**77,775**

Operating Expenditure reconciliation from Funding Impact Statements to Statement of Comprehensive Income

	Council Actual 2014 ($000)	Council Actual 2013 ($000)
Total Applications of Operating Funding - Per Funding Impact Statement	**58,970**	**58,018**
Per Statement of Comprehensive Income:		
Employee benefit expenses	21,517	20,352
Other expenses	35,284	35,596
Finance expenses	2,154	2,070
	58,955	**58,018**
Plus Depreciation expenses (not in Funding Impact Statement)	19,487	18,844
Total operating expenditure including finance costs - per statement of comprehensive income	**78,442**	**76,862**

5 Administrative expenses

The following items of expenditure are included in administrative expenses:

	Council Actual 2014 ($000)	Council Actual 2013 ($000)	Group Actual 2014 ($000)	Group Actual 2013 ($000)
Directors Fees	-	-	543	521
Donations	19	4	19	4
Bad debts written off	9	8	9	8
Subvention payment	98	89	98	89
Operating lease expenses	-	-	-	1
Revaluation of property, plant and equipment	-	-	192	760
Impairment of property, plant and equipment	-	-	192	760
Auditor's remuneration to Audit New Zealand comprises:				
· audit of financial statements	122	120	199	191
· audit of financial statements - share of joint committees	21	22	21	22
Auditor's remuneration to other auditors comprises:				
· audit of financial statements	-	-	39	39
· other audit-related services	-	-	48	51

Other audit-related services include services for the audit or review of financial and non financial information other than financial reports including the LTP.

6 Employee expenses

	Council Actual 2014 ($000)	Council Actual 2013 ($000)	Group Actual 2014 ($000)	Group Actual 2013 ($000)
Wages and salaries	22,043	20,177	23,068	21,074
Contributions to defined contribution plans	128	248	128	248
Increase/(decrease) in employee benefits	(654)	(73)	(654)	(73)
Total employee expenses	21,517	20,352	22,542	21,249

Employee Severance Payments:

Council made two severance payments during the year ended 30 June 2014 totalling $46,095 comprising of $27,875 and $18,220.

For the year ended 30 June 2013 Council made two severance payments totalling $25,211 comprising of $24,321 and $890.

7 Finance costs

	Council Actual 2014 ($000)	Council Actual 2013 ($000)	Group Actual 2014 ($000)	Group Actual 2013 ($000)
Finance Income				
Interest income on bank deposits	683	701	1,021	1,003
Total finance income	683	701	1,021	1,003
Financial expenses				
Interest expense on financial liabilities measured at amortised cost	2,154	2,070	4,620	4,297
Total finance expenses	2,154	2,070	4,620	4,297
Total financial costs	1,471	1,369	3,599	3,294

8 Income tax expense in the Income Statement

	Council Actual 2014 ($000)	Council Actual 2013 ($000)	Group Actual 2014 ($000)	Group Actual 2013 ($000)
Current tax expense				
Current period	-	-	2,128	2,048
Adjustment for prior periods	-	-	3	4
Total current tax expense	-	-	2,131	2,052
Deferred tax expense				
Origination and reversal of temporary differences	-	-	(505)	1,675
Adjustment for prior periods	-	-	32	(6)
Recognition of previously unrecognised tax losses	-	-	-	7
Other	-	-	118	(702)
Total deferred tax expense	-	-	(355)	974
Total income tax expense	-	-	1,776	3,026
Reconciliation of effective tax rate				
Profit for the period excluding income tax	2,946	908	7,319	8,342
Permanent Differences	-	-	(79)	(79)
Profit excluding income tax	2,946	908	7,240	8,263
Tax at 28%	814	255	2,863	2,306
Non-deductible expenses	(814)	245	(824)	237
Tax exempt income	-	-	-	1
Continuity loss of shareholding change	-	(500)	874	486
Change in recognised permanent differences	-	-	(4)	(4)
Under/(over) provided in prior periods	-	-	(4)	(4)
Total income tax expense	-	-	2,909	3,026

Within the Group; Invercargill City Holdings Limited will transfer tax losses to Electricity Invercargill Limited of $936,010 (2013: $675,908). Invercargill City Forests Limited will transfer tax losses to Electricity Invercargill Limited of $Nil (2013: $102,675).

From the above tax position of loss offsets transferred to other Group companies for the year ended 30 June 2014, there are no unrecognised tax losses of the Group (2013: $Nil).

Imputation credits	Group Actual 2014 ($000)	Group Actual 2013 ($000)
Imputation credits available for use in subsequent periods	8,339	4,078

9 Cash and cash equivalents

	Council Actual 2014 ($000)	Council Actual 2013 ($000)	Group Actual 2014 ($000)	Group Actual 2013 ($000)
Bank balances	6,583	1,421	8,202	3,186
Call deposits	-	-	1,805	3,655
Cash and cash equivalents	15	14	15	14
Cash and cash equivalents in the statement of cash flows	6,598	1,435	10,022	6,855

The carrying value of short-term deposits with maturity dates of three months or less approximates their fair value.

10 Trade and other receivables

	Council Actual 2014 ($000)	Council Actual 2013 ($000)	Group Actual 2014 ($000)	Group Actual 2013 ($000)
Rates receivables	1,997	2,317	1,997	2,317
Other receivables	3,938	5,452	6,104	6,237
Related party receivables	3,956	3,994	496	526
Sundry debtors	-	-	27	2
Prepayments	147	47	205	63
	10,038	11,810	8,829	9,145
Less provision or impairment of receivables	(28)	(17)	(28)	(17)
	10,010	11,793	8,801	9,128

The carrying value of trade and other receivables approximate their fair value.

There is no concentration of credit risk with respect to receivables outside the Group, as the Group has a large number of customers.

The Council does not provide for any impairment on rates receivable as it has various powers under the Local Government (Rating) Act 2002 to recover any outstanding debts. Ratepayers can apply for payment plan options in special circumstances. Where such payment plans are in place debts are discounted to the present value of future repayments.

These powers allow the Council to commence legal proceedings to recover any rates that remain unpaid four months after the due date for payment. If payment has not been made within three months of the Court's judgment, then the Council can apply to the Registrar of the High Court to have the judgment enforced by sale or lease of the rating unit.

	Council Actual 2014 ($000)	Council Actual 2013 ($000)	Group Actual 2014 ($000)	Group Actual 2013 ($000)
Current	10,010	11,793	8,801	9,128
3 to 6 months	-	-	-	-
6 to 9 months	-	-	-	-
9 to 12 months	-	-	-	-
> 12 months	-	-	-	-
Carrying amount	10,010	11,793	8,801	9,128

As of 30 June 2014 and 2013, all overdue receivables, except for rates receivable, have been assessed for impairment and appropriate provisions applied. The Council holds no collateral as security or other credit enhancements over receivables that are either past due or impaired.

The impairment provision has been calculated based on expected losses for the Council's pool of debtors. Expected losses have been determined based on an analysis of the Council's losses in previous periods, and review of specific debtors.

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

	Council Actual 2014 ($000)	Council Actual 2013 ($000)	Group Actual 2014 ($000)	Group Actual 2013 ($000)
At 1 July	(17)	(27)	(17)	(27)
Additional provisions made during the year	-	-	-	-
Receivables written off during period	(28)	10	(28)	10
At 30 June	(45)	(17)	(45)	(17)

11 Inventories

	Council Actual 2014 ($000)	Council Actual 2013 ($000)	Group Actual 2014 ($000)	Group Actual 2013 ($000)
Water and sewerage reticulation spare parts	181	181	181	181
Timber logs	-	-	334	627
Other	489	467	520	505
Total inventories	670	648	1,035	1,313

The carrying amount of inventories held for distribution that are measured at current replacement cost as at 30 June 2014 amounted to $0 (2013 $0)

The write-down of inventories held for distribution amounted to $0 (2013 $0), while reversals of write-downs amounted to $0 (2013 $0).

The carrying amount of inventories pledged as security for liabilities is $0 (2013 $0).

12 Property, plant and equipment

2014 $000	Cost/ revaluation 1-Jul-13	Accumulated depreciation and impairment charges 1-Jul-13	Carrying amount 1-Jul-13	Additions and transfers	Disposals	Current year disposals accumulated depreciation
Council operational assets						
Land	13,369	23	13,392	-	-	-
Buildings	62,096	(3,336)	58,760	279	(156)	14
Library books	7,643	(2,172)	5,471	403	-	-
Plant and equipment	18,013	(11,798)	6,215	907	(76)	55
Motor vehicles	3,597	(2,398)	1,199	420	(244)	191
Furniture and fittings	3,379	(3,167)	212	12	-	-
Total operational assets	108,097	(22,848)	85,249	2,021	(476)	260
Council infrastructural assets						
Roads and bridges	223,706	(16,388)	207,318	7,933	-	-
Stormwater systems	100,247	(3,861)	96,386	985	-	-
Wastewater systems - Treatment Plants & Facilities	18,440	(666)	17,774	371	-	-
Wastewater systems - Other Assets	58,850	(3,061)	55,789	196	-	-
Water systems - Treatment Plant & Facilities	7,614	(608)	7,006	6	-	-
Water systems - Other Assets	70,570	(4,560)	66,010	11,977	-	-
Land under roads	45,009	(4)	45,005	-	-	-
Total infrastructural assets	524,436	(29,148)	495,288	21,468	-	-
Council restricted assets						
Land	7,122	(63)	7,059	-	-	-
Land - Forestry	1,625	-	1,625	-	-	-
Buildings	3,380	(1,189)	2,191	11	-	-
Total restricted assets	12,127	(1,252)	10,875	11	-	-
Share of Joint-Committee assets	303	(197)	106	5	(73)	72
Total Council property, plant and equipment	**644,963**	**(53,445)**	**591,518**	**23,505**	**(549)**	**332**
Subsidiaries property, plant and equipment						
Land	5,562	-	5,562	412	-	-
Gravel and fencing	2,085	(445)	1,640	21	-	-
Buildings, yards and terminals	1,576	(1,527)	49	-	-	-
Network assets	82,702	(8,604)	74,098	1,544	(310)	40
Plant and equipment	2,297	(2,170)	127	203	(2)	-
Motor vehicles	2,645	(2,485)	160	39	(76)	65
Furniture and fittings	526	(499)	27	1	-	-
Runways and taxi ways	14,142	(5,165)	8,977	32	-	-
Roading	1,025	(58)	967	521	-	-
Total subsidiaries	112,560	(20,953)	91,607	2,773	(388)	105
Total group property, plant and equipment	**757,523**	**(74,398)**	**683,125**	**26,278**	**(937)**	**437**

Transfers to Intangibles - cost	Transfers to Intangibles - depreciation	Impairment charges	Depreciation	Revaluation adjustment - cost	Revaluation adjustment - accumulated depreciation	Cost/ revaluation 30-Jun-14	Accumulated depreciation and impairment charges 30-Jun-14	Carrying amount 30-Jun-14
-	-	-	-	1,629	(23)	14,998	-	14,998
-	-	-	(1,721)	6,197	5,043	68,416	-	68,416
-	-	-	(1,067)	(3,245)	3,239	4,801	-	4,801
-	-	-	(1,147)	-	-	18,844	(12,890)	5,954
-	-	-	(437)	-	-	3,773	(2,644)	1,129
-	-	-	(22)	-	-	3,391	(3,189)	202
-	-	-	(4,394)	4,581	8,259	114,223	(18,723)	95,500
-	-	-	(8,396)	(21,953)	24,784	209,686	-	209,686
-	-	-	(1,970)	4,232	5,831	105,464	-	105,464
-	-	-	(338)	(739)	1,004	18,072	-	18,072
-	-	-	(1,571)	2,513	4,632	61,559	-	61,559
-	-	-	(305)	(220)	913	7,400	-	7,400
-	-	-	(2,315)	11,669	6,875	94,216	-	94,216
-	-	-	-	-	4	45,009	-	45,009
-	-	-	(14,895)	(4,498)	44,043	541,406	-	541,406
-	-	-	(11)	-	-	7,122	(74)	7,048
-	-	-	-	-	-	1,625	-	1,625
-	-	-	(85)	-	-	3,391	(1,274)	2,117
-	-	-	(96)	-	-	12,138	(1,348)	10,790
-	-	-	(21)	-	-	235	(146)	89
-	**-**	**-**	**(19,406)**	**83**	**52,302**	**668,002**	**(20,217)**	**647,785**
-	-	-	-	-	-	5,974	-	5,974
-	-	-	(67)	-	-	2,106	(512)	1,594
-	-	-	(4)	-	-	1,576	(1,531)	45
-	-	(74)	(3,498)	-	-	83,936	(12,136)	71,800
-	-	-	(51)	-	-	2,498	(2,221)	277
-	-	(20)	(21)	-	-	2,608	(2,461)	147
-	-	(98)	(3)	-	-	527	(600)	(73)
-	-	-	(781)	-	-	14,174	(5,946)	8,228
-	-	-	(76)	-	-	1,546	(134)	1,412
-	-	(192)	(4,501)	-	-	114,945	(25,541)	89,404
-	**-**	**(192)**	**(23,907)**	**83**	**52,302**	**782,947**	**(45,758)**	**737,189**

12 Property, plant and equipment

2013 $000	Cost/ revaluation	Accumulated depreciation and impairment charges	Carrying amount	Additions and transfers	Disposals	Current year disposals accumulated depreciation
	1-Jul-12	1-Jul-12	1-Jul-12			
Council operational assets						
Land	14,379	23	14,402	10	(1,020)	-
Buildings	60,558	(1,670)	58,888	1,538	-	-
Library books	7,256	(1,160)	6,096	387	-	-
Plant and equipment	17,083	(10,736)	6,347	939	(9)	7
Motor vehicles	3,369	(2,328)	1,041	701	(473)	375
Furniture and fittings	3,355	(3,145)	210	24	-	-
Total operational assets	106,000	(19,016)	86,984	3,599	(1,502)	382
Council infrastructural assets						
Roads and bridges	216,478	(8,383)	208,095	7,228	-	-
Stormwater systems	98,501	(1,927)	96,574	1,746	-	-
Wastewater systems - Treatment Plants & Facilities	18,079	(333)	17,746	361	-	-
Wastewater systems - Other Assets	58,025	(1,517)	56,508	825	-	-
Water systems - Treatment Plant & Facilities	7,614	(304)	7,310	-	-	-
Water systems - Other Assets	69,683	(2,272)	67,411	887	-	-
Land under roads	45,009	-	45,009	-	-	-
Total infrastructural assets	513,389	(14,736)	498,653	11,047	-	-
Council restricted assets						
Land	7,122	(47)	7,075	-	-	-
Land - Forestry	1,625	-	1,625	-	-	-
Buildings	3,368	(1,104)	2,264	12	-	-
Total restricted assets	12,115	(1,151)	10,964	12	-	-
Share of Joint-Committee assets	276	(183)	93	27	-	6
Total Council property, plant and equipment	**631,780**	**(35,086)**	**596,694**	**14,685**	**(1,502)**	**388**
Subsidiaries property, plant and equipment						
Land	4,834	-	4,834	728	-	-
Gravel and fencing	2,063	(380)	1,683	22	-	-
Buildings, yards and terminals	1,576	(718)	858	-	-	-
Network assets	79,005	(5,139)	73,866	4,028	(331)	32
Plant and equipment	2,288	(2,114)	174	9	-	-
Motor vehicles	2,645	(2,464)	181	-	-	-
Furniture and fittings	526	(494)	32	-	-	-
Runways and taxi ways	10,462	(4,516)	5,946	2,903	-	-
Roading	286	(20)	266	739	-	-
Total subsidiaries	103,685	(15,845)	87,840	8,429	(331)	32
Total group property, plant and equipment	**735,465**	**(50,931)**	**684,534**	**23,114**	**(1,833)**	**420**

Transfers to Intangibles - cost	Transfers to Intangibles - depreciation	Impairment charges	Depreciation	Revaluation adjustment - cost	Revaluation adjustment - accumulated depreciation	Cost/ revaluation	Accumulated depreciation and impairment charges	Carrying amount
						30-Jun-13	30-Jun-13	30-Jun-13
-	-	-	-	-	-	13,369	23	13,392
-	-	-	(1,666)	-	-	62,096	(3,336)	58,760
-	-	-	(1,012)	-	-	7,643	(2,172)	5,471
-	22	-	(1,091)	-	-	18,013	(11,798)	6,215
-	-	-	(445)	-	-	3,597	(2,398)	1,199
-	-	-	(22)	-	-	3,379	(3,167)	212
-	22	-	(4,236)	-	-	108,097	(22,848)	85,249
-	-	-	(8,005)	-	-	223,706	(16,388)	207,318
-	-	-	(1,934)	-	-	100,247	(3,861)	96,386
-	-	-	(333)	-	-	18,440	(666)	17,774
-	-	-	(1,544)			58,850	(3,061)	55,789
-	-	-	(304)	-	-	7,614	(608)	7,006
-	-	-	(2,287)			70,570	(4,560)	66,010
-	-	-	(4)	-	-	45,009	(4)	45,005
-	-	-	(14,412)	-	-	524,436	(29,148)	495,288
-	-	-	(16)	-	-	7,122	(63)	7,059
-	-	-	-	-	-	1,625	-	1,625
-	-	-	(85)	-	-	3,380	(1,189)	2,191
-	-	-	(101)	-	-	12,127	(1,252)	10,875
-	-	-	(20)	-	-	303	(197)	106
-	**22**	**-**	**(18,769)**	**-**	**-**	**644,963**	**(53,445)**	**591,518**
-	-	-	-	-	-	5,562	-	5,562
-	-	-	(65)	-	-	2,085	(445)	1,640
-	-	(760)	(49)	-	-	1,576	(1,527)	49
-	-	-	(3,947)	-	-	82,702	(8,604)	74,098
-	-	-	(56)	-	-	2,297	(2,170)	127
-	-	-	(21)	-	-	2,645	(2,485)	160
-	-	-	(5)	-	-	526	(499)	27
-	-	-	(649)	777	-	14,142	(5,165)	8,977
-	-	-	(38)	-	-	1,025	(58)	967
-	-	(760)	(4,830)	777	-	112,560	(20,953)	91,607
-	**22**	**(760)**	**(23,599)**	**777**	**-**	**757,523**	**(74,398)**	**683,125**

12 Property, plant and equipment

The net carrying amount of plant and equipment held under finance leases is nil, (2013: nil).

No depreciation is charged on land and there have been no impairments throughout the period.

The value of the land owned by Invercargill City Forests Limited, had it been carried at the cost model, would be $3,940,788 at 30 June 2014 ($3,528,348 at 30 June 2013).

Forestry land is revalued with sufficient regularity to ensure carrying value does not differ materially from that which would be determined as fair value. It is anticipated that the land revaluation will occur every three years, unless circumstances require otherwise. The last valuation was performed by Thayer Todd valuers (independent valuers) as at 30 June 2012. The fair value was determined on the highest and best use of the land. The valuation was carried out on sales of comparable land, based on the Valuers sales database. Invercargill City Council has assessed the carrying value of the forestry land for impairment as at 30 June 2014. The assessment has shown the fair value of the land to be not materially different than the carrying amount shown in these financial statements.

The value of the network assets owned by Electricity Invercargill Limited, had it been carried at the cost model, would be $47,092,000 at 30 June 2014 ($49,316,000 at 30 June 2013).

The network assets of Electricity Invercargill Limited were revalued to fair value using discounted cash flow methodology on 1 April 2011 by Ernst & Young, who is an independent valuer. This resulted in a revaluation increase movement of $9,259,000.

The following valuation assumptions were adopted;

• The free cash flows is based on the company's five year business plan and asset management plan adjusted for non-recurring or non-arms length transactions and for transactions that arise from expansionary growth in the network after the date of the valuation.

• The corporate tax rate used is 28%.

• The weighted average cost of capital (WACC) used is 7.9%.

• The sustainable growth adjustment used is 0%.

The terminal building asset of Invercargill Airport Limited was tested for impairment at 30 June 2014 as the Company has commenced replacing the current terminal building. There was no further impairment as the carrying amount of the asset was fully impaired at June 2013. At June 2013 the asset was assessed at its fair value using cash flow methodology based on the expected cashflows over the next year. This resulted in an impairment decrease movement of ($760,000).

The runway/taxiway assets of Invercargill Airport Limited were revalued to fair value using discounted cash flow methodology on 30 June 2014 by the company. This resulted in a revaluation decrease movement of ($98,000).

The following valuation assumptions were adopted;

• The free cash flows are based on the Company's 20 year business plan, based on the business plan inflationary adjusted and asset management plan information for major capital expenditure required for replacement over the twenty years. The Gordon Growth has been used to calculate the terminal value of the assets. A terminal growth rate of 2% and an average terminal capex of $1.2m per annum has been assumed.

• The free cash flows are also based on receiving funding for the major capital expenditure required over the twenty one years from operational revenue.

• The corporate tax rate used is 28%.

• The weighted average cost of capital (WACC) used is 10.2%.

For 2013 the runway/taxiway assets of Invercargill Airport Limited were revalued to fair value using discounted cash flow methodology on 30 June 2014 by the company with the valuation methodology reviewed by Ernst & Young Transactional Advisory Services Limited, who is an independent valuer. This resulted in a revaluation increase movement of $777,000.

The following valuation assumptions were adopted:

• The free cash flows are based on the company's 20 year business plan, based on the business plan inflationary adjusted and asset management plan information for major capital expenditure required for replacement over the twenty years. The Gordon Growth has been used to calculate the terminal value of the assets. A terminal growth rate of 2% and average terminal capex of $1.3m per annum has been assumed.

• The free cash flows are also based on receiving funding for the major capital expenditure required over the twenty one years from operational revenue.

• The corporate tax rate used is 28%.

• The weighted average cost of capital (WACC) used is 10.2%.

Insurance of Assets

The following disclosures are made in accordance with the local Government Act 2002 Amendment Act 2014, clause 31A of Schedule 10.

	Council Actual 2014 ($000)	Council Actual 2013 ($000)
Total Value of all assets that are covered by insurance contracts	893,367	865,215
Maximum amount to which these assets are insured	932,614	883,697
Total value of all assets that are covered by financial risk sharing arrangements	-	-
Maximum amount available to Council under those arrangements	-	-
Total value of all assets that are self -insured	-	-
Value of any fund maintained by Council for that purpose*	-	-

* Although Council does not have a specific self-insurance fund, council has a number of reserves available that could be used for this purpose.

13 Intangible assets

	COUNCIL Computer Software $000	COUNCIL Goodwill $000	COUNCIL Total $000
Cost			
Balance at 1 July 2012	988	-	988
Balance at 30 June 2013 (Restated)	988	-	988
Balance at 1 July 2013	988	-	988
Reclassifications	104	-	104
Additions	55	-	55
Disposals	(45)	-	(45)
Balance at 30 June 2014	1,102	-	1,102
Amortisation and impairment charges			
Balance at 1 July 2012	617	-	617
Reclassifications	22	-	22
Amortisation for the year	76	-	76
Balance at 30 June 2013 (Restated)	715	-	715
Balance at 1 July 2013	715	-	715
Reclassifications	44	-	44
Amortisation for the year	81	-	81
Disposals	(45)	-	(45)
Balance at 30 June 2014	795	-	795
Carrying amounts			
Balance at 1 July 2012	371	-	371
Balance at 30 June 2013 (Restated)	273	-	273
Balance at 1 July 2013	273	-	273
Balance at 30 June 2014	307	-	307

	GROUP Computer Software $000	GROUP Goodwill $000	GROUP Total $000
Cost			
Balance at 1 July 2012	989	-	989
Balance at 30 June 2013 (Restated)	989	-	989
Balance at 1 July 2013	989	-	989
Reclassifications	104	-	104
Additions	55	-	55
Disposals	(45)	-	(45)
Balance at 30 June 2014	1,103	-	1,103
Amortisation and impairment charges			
Balance at 1 July 2012	618	-	618
Reclassifications	22	-	22
Amortisation for the year	76	-	76
Balance at 30 June 2013 (Restated)	716	-	716
Balance at 1 July 2013	716	-	716
Reclassifications	44	-	44
Amortisation for the year	81	-	81
Disposals	(45)	-	(45)
Balance at 30 June 2014	796	-	796
Carrying amounts			
Balance at 1 July 2012	371	-	371
Balance at 30 June 2013 (Restated)	273	-	273
Balance at 1 July 2013	273	-	273
Balance at 30 June 2014	307	-	307

14 Biological assets

	COUNCIL Forestry $000	GROUP Forestry $000
Balance at 1 July 2012	984	12,503
Acquisitions	-	1,383
Forest Assets logged at cost	-	(1,434)
Forest Assets held in Inventory	-	(627)
Change in fair value less estimated point-of-sale costs	386	4,975
Balance at 30 June 2013 (Restated)	1,370	16,800
Balance at 1 July 2013	1,370	16,800
Acquisitions	-	1,623
Forest Assets logged at cost	-	(3,883)
Forest Assets held in Inventory	-	(334)
Change in fair value less estimated point-of-sale costs	635	3,247
Balance at 30 June 2014	2,005	17,453

At 30 June 2014, standing timber comprised approximately 488 hectares of plantations at one location, which range from newly established plantations to plantations that are 50 years old. The Council's group includes a further 2,120 hectares at seven different locations.

At 30 June 2013, standing timber comprised approximately 483 hectares of plantations at one location, which range from newly established plantations to plantations that are 50 years old. The Council's group includes a further 1,993 hectares at seven different locations.

The forests were revalued as at 30 June 2014 by an independent valuer, Mr Geoff Manners of Chandler Fraser Keating Limited. The analysis includes taxation as a cost. The discount rate is the mid-point of pre-tax discount rates published by the New Zealand Institute of Forestry adjusted for any valuer determined specific forest risk. The pre-tax discount rate chosen for the 2014 valuations is 9.5% for the Invercargill City Forests Limited's forests, and 12% for the Council's forests.

The Council and Group is exposed to a number of risks related to its forestry assets, refer further details at the end of this note.

Emissions Trading Scheme

Pre-1990 Forest:

Pre-1990 forests are forests that were established before 1 January 1990. NZUs cannot be earned for an increase in the carbon stock (through forest growth) in a pre-1990 forest, but NZU's are allocated based on the size of the forested area in three tranches. Provided that pre-1990 forests are re-established after harvesting (by replanting or regeneration), there are no liabilities or obligations under the ETS. Landowners of pre-1990 forests must surrender NZUs equivalent to the carbon emissions from any deforestation.

Post-1989 Forests:

Post-1989 forests are exotic or indigenous forests established after 31 December 1989 on land that was not forest land on 31 December 1989. These forests earn credits under the Kyoto Protocol rules. Therefore, they are also known as "Kyoto Protocol-compliant" forests. Participating in the ETS is voluntary for post-1989 forest owners. If they are part of the ETS, then they earn NZUs for the carbon sequestered in the forest from 1 January 2008, but will need to surrender NZUs to the Crown when the carbon held in their trees decreases, whether through harvest or natural causes (such as by fire or storm). Any liability for post-1989 participants is capped at the amount of NZUs previously claimed for that area of forest land.

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Pre-1990 forests are forests that were established before 1 January 1990. NZUs cannot be earned for an increase in the carbon stock (through forest growth) in a pre-1990 forest, but NZU's are allocated based on the size of the forested area in three tranches. Provided that pre-1990 forests are re-established after harvesting (by replanting or regeneration), there are no liabilities or obligations under the ETS. Landowners of pre-1990 forests must surrender NZUs equivalent to the carbon emissions from any deforestation.

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Council

Invercargill City Council has harvested a total of 172 hectares of pre-1990 forest. Of this harvested land 29 hectares has not yet been replanted at 30 June 2014 and carries a potential deforestation liability. Deforestation liability from pre-1990 land at 30 June 2014, if the land is not replanted is $96,788. It is Invercargill City Council's intention that these harvested area's will be re-established to ensure no obligation to surrender units.

Invercargill City Council has received and sold the following carbon credits:

	2014	2014	2013	2013
	Units	**$000**	**Units**	**$000**
Received:				
Post 1989	-	-	-	-
Pre 1990	-	-	35,580 units	102
		-		102
Sold:				
Post 1989		-		-
Pre 1990	3,370 units	-		-
		-		-

As at 30 June 2014 there are 32,210 carbon credits units on hand (30 June 2013: 35,580).

Invercargill City Forests Limited

Invercargill City Forests has harvested a total of 264 hectares of pre-1990 forest in Dunrobin Forest. It is Invercargill City Forests Limited's intention to replant all forests.

Invercargill City Forest Limited has received and sold the following carbon credits:

	2014 Units	2014 $000	2013 Units	2013 $000
Received:				
Post 1989	33,831 units	131	66,526 units	192
Pre 1990		-	28,564 units	79
		131		271
Sold:				
Post 1989	100,357 units	253	20,356 units	56
Pre 1990		-	28,564 units	79
		253		135

As at 30 June 2014 there are nil carbon credit units on hand (30 June 2013: 66,526).

Future expected allocations are as follows:	2014 Units	2014 $000	2013 Units	2013 $000
2012 Post 1989		-		-
2013 Pre 1990		-	-	-

Supply and demand risk

The Council is exposed to risks arising from fluctuations in the price and sales volume of pine. Where possible the Company manages this risk by aligning its harvest volume to market supply and demand.

The Group is exposed to movements in the price of NZU's to the extent that, the Group has insufficient NZU's to offset a deforestoration liability and has to purchase NZU's on the market.

Management performs regular industry trend analysis to ensure that the Council's pricing structure is in line with the market and to ensure that projected harvest volumes are consistent with the expected demand.

Climate and other risks

The Council's pine plantations are exposed to the risk of damage from climatic changes, diseases, forest fires and other natural forces.

The Council has extensive processes in place aimed at monitoring and mitigating those risks, including regular forest health inspections and industry pest and disease surveys.

The Council also insures itself against natural disasters such as floods and snow damage.

15 Investment property

	Council Actual 2014 ($000)	Council Actual 2013 ($000)	Group Actual 2014 ($000)	Group Actual 2013 ($000)
Balance at 1 July	24,467	24,289	28,399	28,189
Acquisitions	-	202	-	202
Disposals	(100)	(261)	(100)	(261)
Transfer from property, plant and equipment	-	-	-	-
Change in fair value	1,171	237	1,319	269
Balance at 30 June	25,538	24,467	29,618	28,399

Investment property comprises a number of commercial properties that are leased to third parties.

The Council's investment properties are valued annually at fair value effective 30 June. All investment properties were valued based on open market evidence. The 2014 valuation was performed by Trevor Thayer, an independent valuer from Thayer Todd Valuations Limited. The valuer is an experienced valuer with extensive market knowledge in the types of investment properties owned by the Council.

The Group's investment properties are valued annually at fair value effective 30 June. All investment properties are related to Invercargill Airport Limited and were valued based on open market evidence except for two properties being less than 20% of the portfolio value. These two properties are planned to be replaced within the next two years, hence the open market evidence valuation has been adjusted by management to be valued on a discounted cash flow basis of their remaining expected earnings. The 2014 open market evidence valuation was performed by Trevor Thayer, an independent valuer from Thayer Todd Valuations Limited. The valuer is an experienced valuer with extensive market knowledge in the types of investment properties owned by the Group.
This is consistent with the 2013 year.

16 Equity accounted associates

	Percentage Held by Group 2014	Percentage Held by Group 2013	Balance Date
Associate Companies			
Power Services Limited	-	49%	31-Mar
Electricity Southland Limited	50%	50%	31-Mar
Otago Power Services Limited	24.5%	24.5%	31-Mar
Peak Power Services Limited	-	25%	31-Mar
Forest Growth Holdings Limited	49%	-	31-Mar

On 2 December 2013 Powernet Limited, a joint venture of the Group, acquired 100% of the share capital of Power Services Limited. Power Services Limited was then amalgamated into PowerNet Limited. PowerNet Limited has from that date a 51% shareholding in Peak Power Service Limited.

Summary financial information for equity accounted associates, not adjusted for the percentage ownership held by the Group:

	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities
2014	**$000**	**$000**	**$000**	**$000**	**$000**
Power Services Limited, Electricity Southland Limited, Otago Power Services Limited, Peak Power Services Ltd and Forest Growth Holdings	4,091	14,842	18,933	3,532	3,957
2013					
Power Services Limited, Electricity Southland Limited, Otago Power Services Limited and Peak Power Services Ltd	6,971	20,566	27,537	3,937	8,038

Forest Growth Holdings Limited has a 31 March balance date. An adjustment has been made to the group statement of comprehensive income for significant forestry transactions for the three month period to 30 June, which had the effect of increasing the Group profit by $3,328,000.

Total liabilities	Revenues	Expenses	Profit / (loss)
$000	**$000**	**$000**	**$000**
7,489	34,711	30,424	4,287
11,975	26,964	25,275	1,689

Movements in carrying value of equity accounted associates

	Group 2014 $000	Group 2013 $000
Balance at 1 July	7,715	7,426
Investments in associates	49	-
Share of profit/(loss)	1,954	523
Increase in advance to Associate	10,421	-
Distributions from associates	(269)	(234)
Disposal of associates	(2,217)	-
Balance at 30 June	17,653	7,715

17 Equity Accounted Joint Ventures

Joint Ventures	Percentage Held by Group 2014	Percentage Held by Group 2013	Balance date
PowerNet Limited Group	50%	50%	31 March
OtagoNet Joint Venture	24.5%	24.5%	31 March

On 2 December 2013 Powernet Limited acquired 100% of the share capital of Power Services Limited and immediately entered into a Short Form Vertical Amalgamation with Power Services Limited. Power Services Limited owned 51% of Peak Power Services Limited and PowerNet Limited took over the shareholding on the amalgamation. The 2014 PowerNet Limited group results reflect these changes.

Summary financial information for equity accounted joint ventures not adjusted for the percentage ownership held by the Group:

	Current assets	Non-current assets	Total assets	Current liabilities
2014	**$000**	**$000**	**$000**	**$000**
PowerNet Limited Group and OtagoNet Joint Venture	33,222	159,630	192,852	15,650
2013				
PowerNet Limited and OtagoNet Joint Venture	22,258	148,107	170,365	13,977

Non-current liabilities	Total liabilities	Revenues	Expenses	Profit / (loss)
$000	$000	$000	$000	$000
25,976	41,626	81,652	70,288	11,364
10,424	24,401	126,642	114,203	12,439

Movements in carrying value of equity accounted joint ventures:

	Group 2014 $000	Group 2013 $000
Balance at 1 July	37,509	37,110
Investments in Joint Ventures	1,990	-
Share of profit/(loss)	2,663	2,714
Increase in advance to Joint Ventures	3,005	-
Distributions from Joint Ventures	(2,695)	(2,315)
Balance at 30 June	42,472	37,509

There are no public prices available to value these investments.

18 Other financial assets

	Council Actual 2014 ($000)	Council Actual 2013 ($000)	Group Actual 2014 ($000)	Group Actual 2013 ($000)
Current investments				
Investments in other entities				
Short term investments	-	-	-	61
Total current investments	-	-	-	61
Non-current investments				
Investments in CCO's and similar entities				
Investment in subsidiary	36,069	36,069	-	-
	36,069	36,069	-	-
Investments in other entities				
Loans and receivables	7,958	19,752	7,958	19,757
Loans to non subsidiaries	-	-	6,370	1,000
Other	-	-	72	-
Available-for-sale financial assets	474	485	474	485
	8,432	20,237	14,874	21,242
Total non-current investments	44,501	56,306	14,874	21,242
Current financial instruments				
Interest rate swaps (cash flow hedges) - assets	-	-	454	-
Interest rate swaps (cash flow hedges) - liabilities	(7)	(38)	(7)	(1,546)
Foreign exchange contracts (cash flow hedges) - liabilities	-	-	-	(62)
	(7)	(38)	447	(1,608)
Non-current financial instruments				
Interest rate swaps (cash flow hedges) - assets	238	171	238	487
Interest rate swaps (cash flow hedges) - liabilities	(374)	(897)	(1,129)	(897)
	(136)	(726)	(891)	(410)
Total financial instruments	(143)	(764)	(444)	(2,018)

19 Trade and other payables

	Council Actual 2014 ($000)	Council Actual 2013 ($000)	Group Actual 2014 ($000)	Group Actual 2013 ($000)
Trade payables	4,816	6,412	6,024	8,883
Directors fee payable	-	-	3	8
Accrued expenses	4,325	3,795	7,204	3,849
Amounts due to related parties	12	127	2,202	1,660
Income in advance	348	301	407	314
Goods and services tax	-	-	89	(18)
Total trade and other payables	9,501	10,635	15,929	14,696

Trade and other payables are non-interest bearing and are normally settled on 30-day terms, therefore the carrying value of trade and other payables approximate their fair value.

20 Provisions

Landfill aftercare provision

	Council Actual 2014 ($000)	Council Actual 2013 ($000)	Group Actual 2014 ($000)	Group Actual 2013 ($000)
Balance 1 July	1,018	1,127	1,018	1,127
Additional provisions made in the year	-	112	-	112
Amounts used in the year	(43)	(40)	(43)	(40)
Unused amounts reversed in the year	-	(181)	-	(181)
Balance at 30 June	975	1,018	975	1,018
Non-current	863	906	863	906
Current	112	112	112	112
	975	1,018	975	1,018

Landcare aftercare provision

The Council's current resource consent for the operation of its landfill expired in 2006. The Council has responsibility under the resource consent to provide maintenance and monitoring of the landfill after the site is closed. There are closure and part-closure responsibilities such as the following:

Closure responsibilities

- Site
- Planting and maintenance of vegetation
- Development of roading and walking tracks

Post closure responsibilities

- Ongoing maintenance of roading and walking tracks
- Treatment and monitoring of leachate

The management of the landfill will influence the timing of the recognition of some liabilities. The current site did close in 2006.

The cash outflows for landfill post-closure are expected to occur between 2007 and 2027. The long term nature of the liability means that there are inherent uncertainties in estimating costs that will be incurred. The provision has been estimated taking into account existing technology and is discounted using a discount rate of 7%.

21 Employee benefit liabilities

	Council Actual 2014 ($000)	Council Actual 2013 ($000)	Group Actual 2014 ($000)	Group Actual 2013 ($000)
Accrued pay	-	383	18	399
Annual leave	1,820	1,872	1,866	1,921
Long service leave	347	454	347	454
Retirement gratuities	673	800	673	800
	2,840	3,509	2,904	3,574
Comprising:				
Current	2,028	2,649	2,092	2,714
Non-current	812	860	812	860
Total employee benefit liabilities	2,840	3,509	2,904	3,574

22 Borrowings

	Council Actual 2014 ($000)	Council Actual 2013 ($000)	Group Actual 2014 ($000)	Group Actual 2013 ($000)
Non-current				
Secured loans	29,716	40,194	88,377	81,238
Forestry encouragement loans	-	137	-	137
Total non-current borrowings	29,716	40,331	88,377	81,375

Secured loans of the parent are secured by a special rate over the rateable land value of the Invercargill City area. Loans are financed by a Multi Option facility. The borrowing facility of $50 million expired and was renewed for a further 3 years on 12 November 2012.

In addition to the loans held by the Council, Invercargill City Holdings Limited holds a multi-option note facility for $45 million at 30 June 2012. This borrowing is secured against the assets and undertakings of the Group. The Invercargill City Holdings Limited facility of $45 million expired on 2 July 2012. A new facility was renewed for $50m for 3 years on 2 July 2012, and replaced with a renewed $60m facility on 6 September 2013 for 3 years. Debt may be raised by a committed cash advance facility or by the issuance of promissory notes upon the multi-option note facility for a term of 90 days before being re-tendered.

Internal loans and borrowing

Below are the internal loans and interest charged used for the purpose of the relevant activities that have borrowed funds internally, per the disclosure requirements of the Local Government (Financial Reporting) Regulations 2011.

	Council Actual 2014 ($000)	Council Actual 2014 ($000)	Council Actual 2014 ($000)	Council Actual 2014 ($000)
Loans - per Activity borrowing funds internally	Opening Balance	Loans drawn	Loans repaid	Closing Balance
Water	498	1,291	31	1,758
Investment Property	1,906	6,760	-	8,666
Theatre Services	2,544	1,949	156	4,337
Other	-	-	-	-
Total	4,948	10,000	187	14,761

	Council Actual 2014 ($000)	Council Actual 2013 ($000)
Interest paid by Activity		
Water	76	17
Investment Property	492	62
Theatre Services	239	87
Total	807	166

22 Borrowings

Maturity analysis and effective interest rates

The following is a maturity analysis of the Council's borrowings (excluding finance leases, which are shown separately below). There are no early repayment options.

Council — **2014**

	Overdraft $000	Secured Loans $000	Forestry Encouragement Loan $000	Total $000
Less than one year	-	-	-	-
Later than one year but not more than five years	-	29,716	-	29,716
Later than five years	-	-	-	-
	-	29,716	-	29,716

Council — **2013 (Restated)**

	Overdraft $000	Secured Loans $000	Forestry Encouragement Loan $000	Total $000
Less than one year	-	-	-	-
Later than one year but not more than five years	-	40,194	137	40,331
Later than five years	-	-	-	-
	-	40,194	137	40,331

Council and Group — **2014**

	Overdraft $000	Secured Loans $000	Forestry Encouragement Loan $000	Total $000
Less than one year	-	-	-	-
Later than one year but not more than five years	-	88,377	-	88,377
Later than five years	-	-	-	-
	-	88,377	-	88,377

Interest rates on these Council secured loans had a weighted average interest rate for the multi-option note facility of 5.54% (2012: 5.88%) with hedging refer note 31. Other Group loans had a weighted average interest rate for the multi-option note facility of 5.74% (2012: 5.33%) with hedging refer note 31.

Group — **2013 (Restated)**

	Overdraft $000	Secured Loans $000	Forestry Encouragement Loan $000	Total $000
Less than one year	-	-	-	-
Later than one year but not more than five years	-	81,238	137	81,375
Later than five years	-	-	-	-
	-	81,238	137	81,375

The fair values of the borrowings approximate to their carrying values.

23 Deferred tax liabilities/(assets) - GROUP

Movements in temporary differences during the year

	Balance at 1 July 2012	Recognised in profit or loss	Recognised in equity
	$000	**$000**	**$000**
Property, plant and equipment	18,330	424	-
Biological assets	1,725	1,285	-
Investment property	756	(13)	-
Derivatives	(701)	(17)	367
Other items	(16)	(12)	-
Tax losses	(924)	(694)	-
Total movements	19,170	973	367

Balance at 30 June 2013	Recognised in profit or loss	Recognised in equity	Balance at 30 June 2014
$000	**$000**	**$000**	**$000**
18,754	(531)	-	18,223
3,010	(3)	-	3,007
743	13	-	756
(351)	17	247	(87)
(28)	10	(10)	(28)
(1,618)	154	-	(1,464)
20,510	(340)	237	20,407

24 Equity

	Council Actual 2014 ($000)	Council Actual 2013 ($000)	Group Actual 2014 ($000)	Group Actual 2013 ($000)
Retained earnings				
As at 1 July	401,890	399,271	435,256	428,096
Transfers to:				
Restricted reserves	(4,570)	(5,649)	(4,370)	(5,649)
Transfers from:				
Restricted reserves	2,717	7,360	2,717	7,360
Transfer of Revaluation Reserve to retained earnings	-	-	103	133
Surplus/(deficit) for the year	2,946	908	5,543	5,316
As at 30 June	402,983	401,890	439,249	435,256
Restricted and non restricted reserves				
As at 1 July	21,450	23,161	21,997	23,708
Transfers to:				
Retained earnings	(2,717)	(7,360)	(2,717)	(7,360)
Transfers from:				
Retained earnings	4,570	5,649	4,370	5,649
As at 30 June	23,303	21,450	23,650	21,997
Hedging Reserve				
As at 1 July	(764)	(1,618)	(1,622)	(3,420)
Effective portion of changes in fair value of cashflow hedges	621	854	1,254	1,798
As at 30 June	(143)	(764)	(368)	(1,622)
Asset revaluation reserves				
As at 1 July	219,886	219,886	245,760	245,893
Revaluation gains/(losses) - pre tax	52,385	-	52,385	-
Transfer of revaluation reserve of subsidiary, now associate, to retained earnings	-	-	(103)	(133)
Transfer of revaluation reserve to retained earnings due to asset disposal	-	-	-	-
As at 30 June	272,271	219,886	298,042	245,760
Asset revaluation reserves consist of:				
Land and buildings	43,887	31,041	45,382	32,536
Library books	7,831	7,837	7,831	7,837
Infrastructural assets	220,553	181,008	244,932	205,387
Total	272,271	219,886	298,145	245,760
Total other reserve	295,231	240,572	321,324	266,135

	Opening Balance Actual 2014 ($000)	Transfers In Actual 2014 ($000)	Transfers Out Actual 2014 ($000)	Closing Balance Actual 2014 ($000)
Restricted Reserves The reserves can only be used for the purpose designated.				
Category A (Legal Restriction) The restriction is designated from a statute or legal document. These reserves restrictions include the capital and interest or income generated. This reserve is related to the Parks activity and is to maintain the Feldwick Gates at Queens Park.	112	3	-	115
Category B (Capital only restriction) These reserves are invested in property that provides a financial return to ratepayers (Investment Property, Library and Infrastructure activities)	5,990	148	-	6,138
Non Restricted Reserves The reserves can be used for purposes other than the purpose currently specified.				
Loss of Service Potential To set aside funds for the replacement of assets in the future (all activities).	5,708	2,009	(1,520)	6,197
Development To maintain and provide assets in identifiable areas. (Parks, Roading, and Water activities)	2,068	538	(190)	8,816
Property To provide for the purchase of properties. (Investment Property, and Infrastructure activities)	1,001	25	-	1,026
Amenities To provide funding for the ongoing operations of amenity areas. (Library, Museum, Pools, and Parks activities)	477	263	(31)	709
Financial To provide ongoing funding in a consistent manner for Council operations. (all activities)	5,045	1,530	(527)	6,048
Community Board To provide funding for Community Board areas for their activities and development of assets. (Democratic Process activity)	82	27	-	109
Economic Development To develop economic growth in the city which will be funded by future activity (Investment Property activity)	(7,501)	-	(362)	(7,863)
Sinking Funds	-	-	-	-
	21,450	4,570	(2,717)	23,303

	Opening Balance Actual 2013 ($000)	Transfers In Actual 2013 ($000)	Transfers Out Actual 2013 ($000)	Closing Balance Actual 2013 ($000)
Restricted Reserves The reserves can only be used for the purpose designated.				
Category A (Legal Restriction) The restriction is designated from a statute or legal document. These reserves restrictions include the capital and interest or income generated. This reserve is related to the Parks activity and is to maintain the Feldwick Gates at Queens Park.	110	2	-	112
Category B (Capital only restriction) These reserves are invested in property that provides a financial return to ratepayers (Investment Property, Library and Infrastructure activities)	5,854	136	-	5,990
Category C (specific purpose) These reserves are to maintain and provide for improvements to separately identifable areas. (Parks Crematorium and Cemetary, Community Centres, Waste and Infrastructure activities)	7,933	721	(186)	8,468
Non Restricted Reserves The reserves can be used for purposes other than the purpose currently specified.				
Loss of Service Potential To set aside funds for the replacement of assets in the future (all activities).	5,354	2,057	(1,703)	5,708
Development To maintain and provide assets in identifiable areas. (Parks, Roading, and Water activities)	1,199	985	(116)	2,068
Property To provide for the purchase of properties. (Investment Property, and Infrastructure activities)	1,007	24	(30)	1,001
Amenities To provide funding for the ongoing operations of amenity areas. (Library, Museum, Pools, and Parks activities)	475	26	(24)	477
Financial To provide ongoing funding in a consistent manner for Council operations. (all activities)	4,808	1,698	(1,461)	5,045
Community Board To provide funding for Community Board areas for their activities and development of assets. (Democratic Process activity)	82	-	-	82
Economic Development To develop economic growth in the city which will be funded by future activity (Investment Property activity)	(3,661)	-	(3,840)	(7,501)
Sinking Funds	-	-	-	-
	23,161	5,649	(7,360)	21,450

25 Reconciliation of net surplus (deficit) to net cash inflows (outflows) from operating activities

	Council Actual 2014 ($000)	Council Actual 2013 ($000)	Group Actual 2014 ($000)	Group Actual 2013 ($000)
Net surplus/(deficit) after taxation	2,946	908	5,543	5,316
Add non-cash items:				
Depreciation and Amortisation of Intangibles	19,487	18,844	23,987	23,224
(Gain)/loss on sale of assets	(112)	(103)	117	132
(Gain)/loss on revaluation of assets	-	-	-	(777)
Net (profit)/loss on expensing capital work in progress	-	-	-	165
Net (profit)/loss on derivatives	-	-	(62)	62
Change in fair value of Investment property	(1,172)	(237)	(1,320)	(269)
Change in fair value of Biological assets	(635)	(386)	(3,247)	(4,975)
Change in fair value of Investment	20	(6)	20	(6)
Biological assets - Cost of Goods Sold	-	-	4,509	1,434
Increase/(decrease) in deferred taxation	-	-	(335)	977
Increase/(decrease) in current taxation	-	-	-	-
Impairment of investments	-	5	192	765
Associate post-acquisition profits	-	-	(4,617)	(3,236)
Loss on sale of associate	-	-	342	-
Vested Assets	-	(324)	-	(324)
	20,534	18,701	25,129	22,488
Add/(less) movements in other working capital items:				
(Increase)/decrease in stock, receivables and WIP	1,761	(1,088)	457	(667)
Increase/(decrease) in sundry creditors	(1,845)	930	295	1,780
(Increase)/decrease in GST and taxation	-	(13)		(158)
	(84)	(171)	752	955
Net cash from operating activities	20,450	18,530	25,881	23,443

26 Related party transactions

The following are details of related party transactions that took place with the Council and subsidiaries, and other related parties. The Council is the beneficial owner of Invercargill City Holdings Limited, Electricity Invercargill Limited, Invercargill City Forests Limited and Invercargill City Property Limited and holds a 97% stake in Invercargill Airport Limited. All transactions with the subsidiaries have been eliminated upon consolidation.

	Council Actual 2014 ($000)	Council Actual 2013 ($000)	Group Actual 2014 ($000)	Group Actual 2013 ($000)
(a) Invercargill City Holdings Limited				
Revenue				
Provision of services	105	55	-	-
Expenditure				
Provision of goods and services	30	30	-	-
Dividend from Subsidiary to Parent	3,900	3,950		
Outstanding at balance date by Parent and Group	-	-	-	-
Outstanding at balance date to Parent and Group	3,900	3,950	-	-
(b) Electricity Invercargill Limited				
Revenue				
Provision of services	-	-	-	-
Expenditure				
Provision of goods and services	3	-	-	-
Outstanding at balance date by Parent and Group	-	-	-	-
Outstanding at balance date to Parent and Group	-	-	-	-
(c) Invercargill City Forests Limited				
Revenue				
Provision of services	57	6	-	-
Expenditure				
Provision of goods and services	-	-	-	-
Outstanding at balance date by Parent and Group	-	-	-	-
Outstanding at balance date to Parent and Group	4	-	-	-
(d) Invercargill Airport Limited				
Revenue				
Provision of services	220	70	-	-
Expenditure				
Provision of goods and services	-	-	-	-
Outstanding at balance date by Parent and Group	-	-	-	-
Outstanding at balance date to Parent and Group	2	1	-	-
(e) Invercargill City Property Limited				
Revenue				
Provision of services	5	5	-	-
Expenditure				
Provision of goods and services	100	100	-	-
Outstanding at balance date by Parent and Group	-	-	-	-
Outstanding at balance date to Parent and Group	-	-	-	-

	Council Actual 2014 ($000)	Council Actual 2013 ($000)	Group Actual 2014 ($000)	Group Actual 2013 ($000)
(f) AWS Legal				
Revenue				
Provision of services	5	-	5	-
Expenditure				
Provision of goods and services	-	-	40	152
Outstanding at balance date by Parent and Group	-	-	-	9
Outstanding at balance date to Parent and Group	-	-	-	-
(g) Crowe Horwath (formerly WHK)				
Revenue				
Provision of services	4	-	4	-
Expenditure				
Provision of goods and services	-	-	-	6
Outstanding at balance date by Parent and Group	-	-	-	-
Outstanding at balance date to Parent and Group	-	-	-	-
(h) Venture Southland				
Revenue				
Provision of services	2	5	2	5
Expenditure				
Provision of grant and services	977	970	977	970
Outstanding at balance date by Parent and Group	6	-	6	-
Outstanding at balance date to Parent and Group	-	-	-	-
(i) Southland Regional Heritage Committee				
Revenue				
Provision of services	-	-	-	-
Expenditure				
Provision of grant and services	258	245	258	245
Outstanding at balance date by Parent and Group	-	-	-	-
Outstanding at balance date to Parent and Group	-	-	-	-
(j) Emergency Management Southland				
Revenue				
Provision of services	3	-	3	-
Expenditure				
Provision of grant and services	163	156	163	156
Outstanding at balance date by Parent and Group	-	-	-	-
Outstanding at balance date to Parent and Group	-	-	-	-

	Council Actual 2014 ($000)	Council Actual 2013 ($000)	Group Actual 2014 ($000)	Group Actual 2013 ($000)
(k) Anderson Park Museum and Art Gallery				
Revenue				
Provision of services	-	12	-	12
Expenditure				
Provision of grant and services	172	130	172	130
Outstanding at balance date by Parent and Group	-	-	-	-
Outstanding at balance date to Parent and Group	-	2	-	2
(l) SBS Bank				
Revenue				
Provision of services	-	-	53	94
Expenditure				
Provision of goods and services	-	-	-	-
Outstanding at balance date by Parent and Group	-	-	-	-
Outstanding at balance date to Parent and Group - Bank deposits	-	-	790	2,466
(m) AJO Management Limited				
Revenue				
Provision of services	1	-	1	-
Expenditure				
Provision of goods and services	-	-	44	36
Outstanding at balance date by Parent and Group	-	-	3	3
Outstanding at balance date to Parent and Group	-	-	-	-
(n) PowerNet Limited				
Revenue				
Provision of services	11	9	167	10,388
Expenditure				
Provision of goods and services	19	13	8,455	4,194
Outstanding at balance date by Parent and Group	-	-	2,155	1,529
Outstanding at balance date to Parent and Group	-	-	358	509
(o) Electricity Southland Limited				
Revenue				
Provision of services	-	-	21	8
Expenditure				
Provision of goods and services	-	-	-	-
Outstanding at balance date by Parent and Group	-	-	-	-
Outstanding at balance date to Parent and Group	-	-	7	2

	Council Actual 2014 ($000)	Council Actual 2013 ($000)	Group Actual 2014 ($000)	Group Actual 2013 ($000)
(p) Otago Power Services Limited				
Revenue				
Provision of services	-	-	14	14
Expenditure				
Provision of goods and services	-	-	-	-
Outstanding at balance date by Parent and Group	-	-	-	-
Outstanding at balance date to Parent and Group	-	-	4	3
(q) Power Services Limited				
Revenue				
Provision of services	2	-	24	33
Expenditure				
Provision of goods and services	-	-	40	37
Outstanding at balance date by Parent and Group	-	-	-	-
Outstanding at balance date to Parent and Group	-	-	-	8
(r) R M Walton				
Revenue				
Provision of services	-	-	-	-
Expenditure				
Provision of goods and services	-	-	10	13
Outstanding at balance date by Parent and Group	-	-	-	5
Outstanding at balance date to Parent and Group	-	-	-	-
(s) Invercargill Community Recreation and Sport Trust				
Revenue				
Provision of services	-	-	-	-
Expenditure				
Provision of goods and services	-	3	-	-
Outstanding at balance date by Parent and Group	-	3	-	-
Outstanding at balance date to Parent and Group	-	-	-	-
(t) Invercargill City Charitable Trust				
Revenue				
Provision of services	3	3	-	-
Expenditure				
Provision of goods and services	28	30	-	-
Outstanding at balance date by Parent and Group	-	2	-	-
Outstanding at balance date to Parent and Group	-	-	-	-

	Council Actual 2014 ($000)	Council Actual 2013 ($000)	Group Actual 2014 ($000)	Group Actual 2013 ($000)
(u) Bluff Maritime Museum				
Revenue				
Provision of services	1	1	1	1
Expenditure				
Provision of goods and services	30	30	30	30
Outstanding at balance date by Parent and Group	-	-	-	-
Outstanding at balance date to Parent and Group	-	-	-	-
(v) Invercargill Venue & Events Management Limited				
Revenue				
Provision of goods and services	440	37	-	-
Expenditure				
Provision of grants, goods and services	1,521	152	-	-
Outstanding at balance date by Parent and Group	3	1	-	-
Outstanding at balance date to Parent and Group	42	41	-	-
(w) Invercargill Licensing Trust				
Revenue				
Provision of goods and services	47	28	47	28
Expenditure				
Provision of grants, goods and services	45	46	45	46
Outstanding at balance date by Parent and Group	3	3	3	3
Outstanding at balance date to Parent and Group	6	2	6	2
(x) Southland Electronics Limited				
Revenue				
Provision of goods and services	11	-	11	-
Expenditure				
Provision of grants, goods and services	6	1	6	1
Outstanding at balance date by Parent and Group	-	-	-	-
Outstanding at balance date to Parent and Group	-	-	-	-

	Council Actual 2014 ($000)	Council Actual 2013 ($000)	Group Actual 2014 ($000)	Group Actual 2013 ($000)
(y) Southland Warm Homes Trust				
Revenue				
Provision of goods and services	-	-	-	-
Expenditure				
Provision of grants, goods and services	50	50	50	50
Outstanding at balance date by Parent and Group	-	-	-	-
Outstanding at balance date to Parent and Group	-	-	-	-
(z) Anderson Park Art Gallery Society				
Revenue				
Provision of goods and services	11	12	11	12
Expenditure				
Provision of grants, goods and services	172	130	172	130
Outstanding at balance date by Parent and Group	-	-	-	-
Outstanding at balance date to Parent and Group	2	2	2	2
(aa) Citizens Advice Bureau (Invercargill)				
Revenue				
Provision of goods and services	-	-	-	-
Expenditure			-	
Provision of grants, goods and services	24	29	24	29
Outstanding at balance date by Parent and Group	-	-		-
Outstanding at balance date to Parent and Group	-	-	-	-
(ab) Archdraught Limited				
Revenue				
Provision of goods and services	12	-	12	-
Expenditure				
Provision of goods and services	-	-	-	-
Outstanding at balance date by Parent and Group	-	-	-	-
Outstanding at balance date to Parent and Group	-	-	-	-

Electricity Invercargill Limited through its joint venture interest in PowerNet Limited, uses AWS Legal as its solicitors. A B Harper is a Partner of AWS Legal, A B Harper is a Director of PowerNet Limited.

R Smith who is a Director of Electricity Invercargill Limited is a Director and Chief Executive Officer of Southland Building Society with which Electricity Invercargill Limited and OtagoNet Joint Venture holds term investments.

P Mulvey who is a Director of Electricity Invercargill Limited, is Chief Executive Officer of Crowe Horwath (formerly WHK) with which Electricity Invercargill Limited uses for tax advice.

N Boniface is a Council appointee to the Anderson Park Museum and Art Gallery, a Director in Electricity Invercargill Limited, and is a councillor for Invercargill City Council.

L Esler is a Council appointee to the Bluff Maritime Museum, and is a councillor for Invercargill City Council.

During the year Invercargill Airport Limited purchased services from AJO Management Limited, a management company, in which AJ O'Connell is the Director. These services included director fees, and were supplied on normal commercial terms.

Invercargill Venue and Events Management Limited's revenues are collected by Invercargill City Council ticketing service on its behalf and are paid on to the company (2014 $1.39 million, 2013: $1.11 million).

Refer note 8 for details on tax loss offsets between group companies.

No debt has been written off or forgiven during the period and all transactions are at arms - length. The outstanding balances are not subject to interest and are repayable on demand.

Key management personnel

During the year councillors and key management, as part of a normal customer relationship, were involved in minor transactions with Invercargill City Council (such as payment of rates, purchase of rubbish bags etc).

Key management personnel compensation comprises:	Council 2014 $000	Council 2013 $000
Salaries and other short term employee benefits (including accumulated leave paid on finishing employment with Council)	1,570	1,156
Retirement benefits	26	9

Key management personnel include:

Council senior management team: the Chief Executive and four directors. This excludes councillors who are separately disclosed in note 29.

Venture Southland Joint Committee senior management team: of the Directorate, Chief Executive and four group managers.

Key management personnel compensation comprises:	Group 2014 $000	Group 2013 $000
Short term employment benefits	2,509	2,095
Retirement benefits	26	9
Directors Fees	652	652

Short term employee benefits relate to:

Invercargill City Holdings Limited, and consist of salaries.

Invercargill City Forests Limited, and consist of salaries.

Invercargill City Property Limited, and consist of salaries.

Invercargill Airport Limited, and consist of salaries and does not include any costs for the following: post employment benefits, other long term benefits and termination benefits as they are not provided for by Invercargill Airport Limited.

Electricity Invercargill Limited group, and consist of salaries and other short term benefits.
2013 does not include accumulated leave or superannuation contributions.

27 Capital commitments and operating leases

Commitments

	Council Actual 2014 ($000)	Council Actual 2013 ($000)	Group Actual 2014 ($000)	Group Actual 2013 ($000)
Capital Expenditure - Infrastructural	3,589	2,610	3,589	2,610
Signed commitments for operating expenditure	29,564	11,971	29,564	11,971
Capital expenditure contracted for at balance date but not yet incurred for property, plant and equipment	-	-	9,577	1,608

Operating leases as lessee

Non-cancellable operating leases as lessee	Council Actual 2014 ($000)	Council Actual 2013 ($000)	Group Actual 2014 ($000)	Group Actual 2013 ($000)
Not later than one year	-	-	71	54
Later than one year and not later than five years	-	-	81	100
Later than five years	-	-	4	6
Total non-cancellable operating leases	-	-	156	160

The operating leases consist of vehicle leases, office equipment leases and tenancy leases.

Operating leases as lessor

The Council leases its investment property under 56 operating leases. There are 38 leases that have a non-cancellable term of 21 years, 6 leases that range between 5 and 11 years, 2 leases over 3 to 4 years, nil leases over 1 to 3 years and 10 annual leases.

The Group leases its investment property under operating leases. The majority of these leases have a non-cancellable term of 36 months. The future aggregate minimum lease payments to be collected under non- cancellable operating leases are as follows:

Non-cancellable operating leases as lessor	Council Actual 2014 ($000)	Council Actual 2013 ($000)	Group Actual 2014 ($000)	Group Actual 2013 ($000)
Not later than one year	706	542	961	820
Later than one year and not later than five years	1,824	1,441	2,213	1,832
Later than five years	1,947	1,793	2,296	2,136
Total non-cancellable operating leases	4,477	3,776	5,470	4,788

No contingent rents have been recognised in the statement of financial performance during the period.

Leases can be renewed at the Council's option, with rents set by reference to current market rates for items of equivalent age and condition. The Council does have the option to purchase the asset at the end of the lease term.

There are no restrictions placed on the Council by any of the leasing arrangements.

28 Contingent liabilities

The following contingent liabilities exist:

20 Spey Street property

A contamination issue has been identified at the Spey Street site. In depth investigations and analysis by an environmental consultant have confirmed that the problem is below ground and contained within a small portion of the site. As a consequence, no immediate remedial action is deemed necessary, but restrictions should be applied to any future site development. Due to a lack of certainty as to what the long term remedial action will be, it is not possible to quantify the likely expenditure (2001 issue unchanged).

Stadium Southland

Southland Indoor Leisure Centre Charitable Trust (the owners of Stadium Southland), acting on behalf of NZI the stadium's insurers, have issued proceedings against Council with a value of approximately $22 million plus damages in respect of the collapsed Stadium Southland. This issue is being dealt with by Council's insurers. The maximum extent of Council liability is the excess on the insurance policy.

Forestry

Invercargill City Council has harvested a total of 172 hectares of pre-1990 forest. Of this harvested land 29 hectares has not yet been replanted at 30 June 2014 and carries a potential deforestation liability. Deforestation liability from pre-1990 land at 30 June 2014, if the land is not replanted is $96,788. It is Invercargill City Council's intention that these harvested area's will be reestablished to ensure no obligation to surrender units.

Invercargill City Forests has harvested a total of 264 hectares of pre-1990 forest in Dunrobin Forest. This harvested land will be replanted but at balance date carried a potential deforestation liability of $722,374. At 30 June 2013 Invercargill City Forests had harvested a total of 216 hectares of pre-1990 forest in Dunrobin Forest and all of this had been replanted. It is Invercargill City Forests Limited's intention to replant all forests. Refer note 14.

Electricity Invercargill Limited

Electricity Invercargill Limited has a contingent liability as at 31 March 2014 of $415,000 (31 March 2013: $860,000). This liability relates to an agreement with Smart Co for the Company to provide a subordinated loan to Smart Co once a number of terms have been met.

Contingent assets (Forestry related):

2014 Year: Pre-1990 Carbon Credits: Invercargill City Council - nil. (2013 Year: Nil).

2014 Year: Pre-1990 Carbon Credits: Invercargill City Forests Limited - nil. (2013 Year: Nil).

2014 Year: Post-1989 Carbon Credits: Invercargill City Forests Limited - nil. (2013 Year: Nil).

29 Remuneration

Chief Executive

The Chief Executive of the Council appointed under section 42 of the Local Government Act 2002 received a salary of $288,458 (2013: $268,163). The 2013/14 salary included annual leave which has been paid out during the year. In terms of his/her contract, the Chief Executive also received the following additional benefits:

Cost during the financial year	2014 $	2013 $
Vehicle (market value plus FBT)	14,698	19,094

For the year ended 30 June 2014, the total annual cost including fringe benefit tax to the Council of the remuneration package being received by the Chief Executive is calculated at $303,156 (2013: $287,257).

Elected representatives

Detailed below are gross remuneration figures for Council representatives during the year:

Member	2014 $	2013 $
T R Shadbolt (Mayor)	102,471	98,167
Councillors		
N D Boniface	38,991	40,828
N J Elder	7,121	24,924
G J Sycamore	29,524	25,984
A G Dennis	29,164	25,124
D J Ludlow	48,309	45,002
L S Thomas	34,610	20,541
L Abbott	38,991	40,255
T Buck	7,121	24,924
C Dean	11,881	41,215
I L Esler	29,164	24,924
I R Pottinger	34,095	32,589
G Lewis	34,095	32,589
R Amundsen	22,043	-
K Arnold	22,043	-
P Kett	22,042	-
	511,665	477,066
Community Boards		
Bluff:		
J M Mitchell	3,417	10,540
P Coote	1,256	3,875
B Proctor	1,256	3,875
C T Te Au	1,256	3,875
G Laidlaw	4,113	3,705
R Fife	5,472	-
W Glassey	2,857	-
G Henderson	2,857	-
P Young	2,857	-
	25,341	25,870

Council Employees

Total annual remuneration by band for employees as at 30 June:

	2014
< $60,000	365
$60,000 - $79,999	48
$80,000 - $99,999	12
$100,000 - $119,999	10
$120,000 - $139,999	6
$140,000 - $279,999	5
$280,000 - $319,999	1
	447

	2013
< $60,000	366
$60,000 - $79,999	44
$80,000 - $99,999	13
$100,000 - $119,999	7
$120,000 - $139,999	10
$140,000 - $299,999	4
	444

Total remuneration includes non-financial benefits provided to employees.

At balance date, the Council employed 249 (2013: 243) full-time employees, with the balance of staff representing 57 (2013: 64) full-time equivalent employees. A full-time employee is determined on the basis of a 40-hour working week.

30 Events after the balance sheet date

In September 2014 Electricity Invercargill Limited, with The Power Company were successful in purchasing the remaining 51% of OtagoNet from Marlborough Lines bringing their combined shareholding to 100%. Whilst Electricity Invercargill Limited only purchased 3.2%, bringing their shareholding of OtagoNet up to 27.7%.They have an option to take their shareholding up to 50% over the next six months.

In order to support this option together with the current operations, Invercargill City Holdings Limited has recommended to Council that up to $132,250,000 of uncalled capital be issued. Council is currently consulting with the community on this with a decision to be made by the end of November 2014.

31 Financial instrument risk

The Council and Group has exposure to the following risks from its use of financial instruments:

- **Credit risk**
- **Liquidity risk**
- **Market risk.**

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

• Credit risk

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

The Council invests funds only in deposits with registered banks and local authority 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. Other than other local authorities, the Group only invests funds with those entities, which have a Standard and Poor's credit rating of at least A2 for short term and A – for long-term investments. Accordingly, the Group does not require any collateral or security to support these financial instruments.

The Group manages its exposure to credit risk from trade receivables by performing credit evaluations on all customers requiring credit whenever possible, and continuously monitoring the outstanding credit exposure to individual customers. The Group does not generally require or hold collateral against credit risk.

The Electricity Invercargill Limited group is exposed to a concentration of credit risk with regards to the amounts owing by energy retailers for line charges. However, these entities are considered to be high credit quality entities. An amount of $1,511,000 (2013: $2,165,000) is owed by energy retailers at balance date.

For counterparties with credit ratings the cash at bank and deposits are held in banks with credit ratings from BBB to AA-. Derivative financial instruments assets are held with banks with credit ratings of AA-. For counterparties without credit ratings the community (non subsidiary) and related party loans are with parties that have had no defaults in the past.

• Liquidity risk

Liquidity risk is the risk that the Council will encounter difficulty raising liquid funds to meet commitments as they fall due. Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Council aims to maintain flexibility in funding by keeping committed credit lines available.

In meeting its liquidity requirements, the Council maintains a target level of investments that must mature within the next 12 months.

The Council manages its borrowings in accordance with its funding and financial policies, which includes a Liability Management Policy. These policies have been adopted as part of the Council's Long Term Plan.

The following table details the exposure to liquidity risk as at 30 June:

Group Consolidated 2014			Maturity Dates			
	Carrying Amount	Contractual cash flows	< 1 year $000	1-3 years $000	> 3 years $000	Total $000
Financial Assets						
Cash and cash equivalents and bank overdrafts	10,022	10,022	10,022	-	-	10,022
Trade and other receivables	8,630	8,630	8,630	-	-	8,630
Advances	7,833	7,833	366	732	6,735	7,833
Available-for-sale financial assets	474	474	-	-	474	474
Investments - Loans and receivables	7,958	7,958	-	-	7,958	7,958
Short term investments	-	-	-	-	-	-
	34,917	34,917	19,018	732	15,167	34,917
Financial Liabilities						
Trade and other payables, provisions and employee benefit liabilities	19,658	19,664	17,989	1,675	-	19,664
Borrowings - secured loans	88,377	102,152	4,104	66,869	31,179	102,152
	108,035	121,816	22,093	68,544	31,179	121,816

Council 2014			Maturity Dates			
	Carrying Amount	Contractual cash flows	< 1 year $000	1-3 years $000	> 3 years $000	Total $000
Financial Assets						
Cash and cash equivalents and bank overdrafts	6,598	6,598	6,598	-	-	6,598
Trade and other receivables	5,963	5,963	5,963	-	-	5,963
Dividends receivable	3,900	3,900	3,900	-	-	3,900
Available-for-sale financial assets	474	474	-	-	474	474
Investments - Loans and receivables	7,958	7,958	-	-	7,958	7,958
	24,893	24,893	16,461	-	8,432	24,893
Financial Liabilities						
Trade and other payables, provisions and employee benefit liabilities	13,316	13,316	11,641	1,675	-	13,316
Borrowings - secured loans	29,716	35,684	1,502	3,003	31,179	35,684
	43,032	49,000	13,143	4,678	31,179	49,000

The tables below analyse the Council and Group's deriviative financial assets and liabilities that are settled on a net basis into their relevant maturity groupings based on the remaining period at balance date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

Group Consolidated 2013 (Restated)			**Maturity Dates**			
	Carrying Amount	**Contractual cash flows**	**< 1 year $000**	**1-3 years $000**	**> 3 years $000**	**Total $000**
Financial Assets						
Cash and cash equivalents and bank overdrafts	6,855	6,855	6,855	-	-	6,855
Trade and other receivables	10,915	10,915	10,915	-	-	10,915
Dividends receivable	-	-	-	-	-	-
Capital work in progress	-	-	-	-	-	-
Advances	-	-	-	-	-	-
Available-for-sale financial assets	485	485	-	-	485	485
Investments - Loans and receivables	20,757	20,757	5	1,000	19,752	20,757
Short term investments	61	61	61	-	-	61
	39,073	39,073	17,836	1,000	20,237	39,073
Financial Liabilities						
Trade and other payables, provisions and employee benefit liabilities	19,790	19,790	18,024	1,766	-	19,790
Dividends payable	-	-	-	-	-	-
Finance Lease Payable	-	-	-	-	-	-
Advances	-	-	-	-	-	-
Borrowings - secured loans	81,375	81,375	-	81,375	-	81,375
Borrowings - redeemable preference shares	-	-	-	-	-	-
	101,165	101,165	18,024	83,141	-	101,165

Council 2013 (Restated)			**Maturity Dates**			
	Carrying Amount	**Contractual cash flows**	**< 1 year $000**	**1-3 years $000**	**> 3 years $000**	**Total $000**
Financial Assets						
Cash and cash equivalents and bank overdrafts	1,435	1,435	1,435	-	-	1,435
Trade and other receivables	7,796	7,796	7,796	-	-	7,796
Dividends receivable	3,950	3,950	3,950	-	-	3,950
Capital work in progress	-	-	-	-	-	-
Advances	-	-	-	-	-	-
Available-for-sale financial assets	485	485	-	-	485	485
Investments - Loans and receivables	19,752	19,752	-	-	19,752	19,752
	33,418	33,418	13,181	-	20,237	33,418
Financial Liabilities						
Trade and other payables	15,162	15,162	13,396	1,766	-	15,162
Borrowings - secured loans	40,331	47,252	1,731	3,460	42,061	47,252
	55,493	62,414	15,127	5,226	42,061	62,414

The maturity profiles of the Council's interest bearing borrowings are disclosed in note 22.

Group Consolidated 2014

	Carrying Amount	Contractual cash flows	Maturity Dates < 1 year $000	1-3 years $000	> 3 years $000	Total $000
Financial Assets						
Derivative financial instruments	692	324	-	-	86	86
	692	324	-	-	86	86
Financial Liabilities						
Derivative financial instruments	1,136	1,899	14	584	1,301	1,899
	1,136	1,899	14	584	1,301	1,899

Council 2014

	Carrying Amount	Contractual cash flows	Maturity Dates < 1 year $000	1-3 years $000	> 3 years $000	Total $000
Financial Assets						
Derivative financial instruments						
Financial Liabilities	238	-	-	-	-	-
Derivative financial instruments	238	-	-	-	-	-
	381	801	7	330	464	801
	381	801	7	330	464	801

Group Consolidated 2013 (Restated)

	Carrying Amount	Contractual cash flows	Maturity Dates < 1 year $000	1-3 years $000	> 3 years $000	Total $000
Financial Assets						
Derivative financial instruments	487	183	12	-	171	183
	487	183	12	-	171	183
Financial Liabilities						
Derivative financial instruments	2,505	3,293	16	609	2,668	3,293
	2,505	3,293	16	609	2,668	3,293

Council 2013 (Restated)

	Carrying Amount	Contractual cash flows	Maturity Dates < 1 year $000	1-3 years $000	> 3 years $000	Total $000
Financial Assets						
Derivative financial instruments						
Financial Liabilities	171	-	-	-	-	-
Derivative financial instruments	171	-	-	-	-	-
	935	1,870	12	471	1,387	1,870
	935	1,870	12	471	1,387	1,870

• **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 Council is exposed to equity securities price risk on its investments, which are classified as financial assets held at fair value through equity. This price risk arises due to market movements in listed securities. This price risk is managed by diversification of the Council's investment portfolio in accordance with the limits set out in the Council's Investment policy.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates the Council is not exposed to currency risk, as it does not enter into foreign currency transactions.

Interest rate risk

Fair value interest rate risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Borrowing issued at fixed rates expose the Council to fair value interest rate risk. The Council's Liability Management policy outlines the level of borrowing that is to be secured using fixed rate instruments. Fixed to floating interest rate swaps are entered into to hedge the fair value interest rate risk arising where the Council has borrowed at fixed rates. In addition, investments at fixed interest rates expose the Council to fair value interest rate risk.

The interest rates on the Council's borrowings are disclosed in note 22.

The financial assets and liabilities are exposed to interest rate risk as follows:

Financial Assets	
Cash and cash equivalents	Variable interest rates
Trade and other receivables	Non interest bearing
Dividends receivable	Non interest bearing
Derivative financial instruments (interest rate swaps)	Variable interest rates
Advances	Variable interest rates
Short term investments	Variable interest rates
Financial Liabilities	
Trade and other payables	Non interest bearing
Dividends payable	Non interest bearing
Advances	Variable interest rates
Borrowings - secured loans	Variable interest rates
Derivative financial instruments (interest rate swaps)	Non interest bearing
Derivative financial instruments	Variable interest rates

Cash flow interest rate risk

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

The Council manages its cash flow interest rate risk on borrowings by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings at floating rates and swaps them into fixed rates that are generally lower than those available if the Council borrowed at fixed rates directly. Under the interest rate swaps, the Council agrees with other parties to exchange, at specified intervals, the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional principal amounts.

The notional principal outstanding in regard to the interest rate swaps is as follows:

	Council Actual 2014 ($000)	Council Actual 2013 ($000)	Group Actual 2014 ($000)	Group Actual 2013 ($000)
	Liability	Liability	Liability	Liability
Maturity < 1 year	4,000	7,170	8,000	12,970
Maturity 1-2 years	4,000	4,000	10,800	8,000
Maturity 2-3 years	4,000	4,000	14,300	7,800
Maturity 3-4 years	-	4,000	1,700	14,300
Maturity 4-5 years	3,000	3,000	6,500	4,700
Maturity 5-6 years	5,000	-	5,000	3,500
Maturity 6-7 years	3,000	-	8,000	-
Maturity 7-10 years	-	-	9,000	4,000
	23,000	22,170	63,300	55,270

- Effectiveness of Cash Flow Hedges

The matched terms method is used in applying hedges. In all cases the terms of both the hedge instrument (Interest rate swap derivative) and the underlying transaction are matched.

	Parent 2014	2013	Consolidated 2014	2013
	%	%	%	%
Effectiveness	100	100	100	100

- Sensitivity analysis on Financial Instruments

Investments: If interest rates on investments at 30 June 2013 had fluctuated by plus or minus 0.5%, the effect would have been to decrease/increase the surplus after tax by $118,713 (2013: $105,402).

Borrowings: If interest rates on borrowings at 30 June 2014 had fluctuated by plus or minus 0.5%, the effect would have been to decrease/increase the surplus after tax. This is as a result of higher/lower interest expense on floating rate borrowings for Council by $102,457 (2013: $58,619 and for Invercargill City Holdings Limited $52,451 (2013: $45,046).

Cash and cash equivalents included deposits at call which are at floating interest rates. Sensitivity to a 0.5% movements in rates is immaterial as these cash deposits are very short term.

Derivative Asset: Cash Flow hedge

The derivatives are hedge accounted and managed by the company to be 100% effective and thus there is no sensitivity to the profit and loss to change in the interest rates.

Sensitivity to a 0.5% movements in rates is as follows and affect the equity balance of the Group:

Derivative financial asset (Cashflow Hedge) held by:

	Carrying amount	Equity change	
	Year 2014	+0.5%	-0.5%
	$000	$000	$000
Council	(143)	87	(87)
Invercargill City Holdings Limited	(311)	243	(243)
	(454)	330	(330)
	Year 2013	+0.5%	-0.5%
	$000	$000	$000
Council	(764)	187	(187)
Invercargill City Holdings Limited	(1,192)	452	(452)
	(1,956)	639	(639)

Fair Value measurements recognised in the Statement of Comprehensive Income

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 - fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2 - fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3 - fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Fair Value Measurement

	Group 2014			
	Level 1 ($000)	Level 2 ($000)	Level 3 ($000)	Total ($000)
Assets at Fair Value				
Derivatives	-	682	-	682
Biological Assets	-	-	17,453	17,453
Network Assets	-	-	610,375	610,375
Investment Property	-	-	29,618	29,618
Runway Asset	-	-	8,130	8,130
Land and Buildings	-	-	83,414	83,414
Library Books	-	-	4,801	4,801
Total Assets at Fair Value	-	682	753,791	754,473
Liabilities at Fair Value				
Derivatives	-	1,136	-	1,136
Total Liabilities at Fair Value	-	1,136	-	1,136

	Group 2013			
	Level 1 ($000)	Level 2 ($000)	Level 3 ($000)	Total ($000)
Assets at Fair Value				
Derivatives	-	487	-	487
Biological Assets	-	-	16,800	16,800
Network Assets	-	-	566,170	566,170
Investment Property	-	-	28,399	28,399
Runway Asset	-	-	8,977	8,977
Land and Buildings	-	-	72,152	72,152
Library Books	-	-	5,471	5,471
Total Assets at Fair Value	-	487	697,969	698,456
Liabilities at Fair Value				
Derivatives	-	2,505	-	2,505
Total Liabilities at Fair Value	-	2,505	-	2,505

	Council 2014			
	Level 1 ($000)	Level 2 ($000)	Level 3 ($000)	Total ($000)
Assets at Fair Value				
Derivatives	-	238	-	238
Biological Assets	-	-	2,005	2,005
Network Assets	-	-	541,406	541,406
Investment Property	-	-	25,538	25,538
Land and Buildings	-	-	83,414	83,414
Library Books	-	-	4,801	4,801
Total Assets at Fair Value	-	238	657,164	657,402
Liabilities at Fair Value				
Derivatives	-	381	-	381
Total Liabilities at Fair Value	-	381	-	381

	Council 2013			
	Level 1 ($000)	Level 2 ($000)	Level 3 ($000)	Total ($000)
Assets at Fair Value				
Derivatives	-	171	-	171
Biological Assets	-	-	1,370	1,370
Network Assets	-	-	495,288	495,288
Investment Property	-	-	24,467	24,467
Land and Buildings	-	-	72,152	72,152
Library Books	-	-	5,471	5,471
Total Assets at Fair Value	-	171	598,748	598,919
Liabilities at Fair Value				
Derivatives	-	935	-	935
Total Liabilities at Fair Value	-	935	-	935

	Council 2014 ($000)	Council 2013 ($000)	Group 2014 ($000)	Group 2013 ($000)
Opening Balance/Closing Balance Level 3 Fair Value Measurements				
Balance at Beginning of year	598,748	603,312	697,969	695,207
Unrealised net change in value of assets	54,191	623	56,951	6,021
Purchases	22,150	13,184	25,295	21,236
Sales	(256)	(1,281)	(4,783)	(3,673)
Depreciation and impairment	(17,669)	(17,090)	(21,641)	(20,822)
Balance at the end of the year	657,164	598,748	753,791	697,969

The Council and Group carries interest rate swaps (derivative financial instruments) at fair value. These instruments are included in Level 2 of the fair value measurement hierarchy. Interest rate swaps are held with financial institutions with investment grade credit ratings. Interest rate derivative fair values are valued using swap model valuation techniques using present value calculations. The key inputs include interest rate curves and forward rate curves.

The Council and Group's biological assets were valued by external valuation on the basis of fair value in accordance with The New Zealand Institute of Forestry (NZIF) valuation guidelines. The discounted cash flow (DCF) method is used with the exception of development forests where a compound cost basis is used. The valuation excludes funding and taxation. The discount rate is based on the mid-point of the valuers analysis of the implied pre-tax discount rates from actual transactions. The pre-tax discount rate chosen for the Council's 2014 valuation is 12% (2013: 12%). The pre-tax discount rate chosen for the Group's 2014 valuation is 9.5% (2013: 9.5%). The cash flow term for the valuation is 12 years (Council) and 32 years (Group).

The Council's network assets (roads and bridges) and valued three yearly by staff of the Council and reviewed by AECOM NZ Ltd, an independent valuer. The depreciated replacement cost method is used based on the current age profile compared to useful life.

The Council's network assets (stormwater, wastewater and water systems) and valued three yearly by staff of the Council and reviewed by Maunsell Ltd, an independent valuer. The depreciated replacement cost method is used based on the current age profile compared to useful life.

The Group's network assets are valued by external valuation on the basis of fair value using the discounted cash flow (DCF) method. The network assets are revalued every five years. The key inputs include discount rate, growth rate and future cash flows. The cash flow term for the valuation is 5 years.

The Council's and Group's investment properties are valued annually by external valuation at fair value effective 30 June. All Council investment properties were valued based on open market evidence. The Group's investment properties were valued based on open market evidence with the exception of two properties that are planned to be replaced within the next two years, where a discounted cash flow (DCF) method is used.

The Group's runway assets are valued on the basis of fair value using the discounted cash flow (DCF) method. The runway assets are valued annually. The key inputs include WACC rate and future cash flows. The WACC rate used for 2014 valuation is 10.2% (2013: 10.2%). The cash flow term for the valuation is 20 years.

The Council's operational land and buildings are valued three yearly at fair value by Quotable Value New Zealand, independent valuers.

The Council's library books are valued three yearly by staff of the Council on the basis of depreciated replacement cost.

32 Capital management

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

The Local Government Act 2002 [the Act] requires the Council to manage its revenues, expenses, assets, liabilities, investments, and general financial dealings prudently and in a manner that promotes the current and future interests of the community. Ratepayer's funds are largely managed as a by-product of managing revenues, expenses, assets, liabilities, investments, and general financial dealings.

The objective of managing these items is to achieve intergenerational equity, which is a principle promoted in the Act and applied by the Council. Intergenerational equity requires today's ratepayers to meet the costs of 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 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 meet 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 LTP.

The Council has the following Council created reserves:

- reserves for different areas of benefit;
- self-insurance reserves; and
- trust and bequest reserves.

Reserves for different areas of benefit are used where there is a discrete set of rate or levy payers as distinct from the general rate. Any surplus or deficit relating to these separate areas of benefit is applied to the specific reserves.

Self-insurance reserves are built up annually from general rates and are made available for specific unforeseen events. The release of these funds generally can only be approved by the Council.

Trust and bequest reserves are set up where the Council has been donated funds that are restricted for particular purposes. Interest is added to trust and bequest reserves where applicable and deductions are made where funds have been used for the purpose they were donated.

33 Explanation of major variances against budget

Statement of comprehensive income

		Council Actual 2014 ($000)	Council Budget 2014 ($000)	Council Restated 2013 ($000)	Council Variance 2014 ($000)	Council Variance to 2013 Actual ($000)
Income						
Rates excluding targeted water supply rates		39,564	38,838	39,009	726	555
Rates - targeted water supply		6,217	6,193	6,197	24	20
Development and financial contributions		-	-		-	-
Subsidies and grants		7,699	7,259	7,190	440	509
Other revenue	1	25,326	25,612	23,947	(286)	1,379
Other gains/(losses)	2	1,899	835	731	1,064	1,168
Expenditure						
Employee expenses	3	21,517	20,302	20,352	1,215	1,165
Depreciation and amortisation		19,487	19,208	18,844	279	643
Other expenses	4	35,284	37,856	35,596	(2,572)	(312)
Net finance costs						
Finance income		683	425	701	258	(18)
Finance expenses	5	2,154	2,986	2,070	(832)	84
Total non-current assets						
Property, Plant and Equipment Revaluation gains/(losses) - pre tax		52,385	70,117	-	(17,732)	52,385
Cash flow hedges		621	-	854	621	(233)
						-
Total variance in statement of comprehensive income		55,952	68,927	1,762	(12,975)	54,190

2014 variance analysis against 2014 Budget

2 - Other gains/(losses) were higher than budget due to the Investment Property & Biological asset revaluations being higher than anticipated. These valuations were provided by independent valuers.

3 - Employee expenses were higher than budget due to Venture Southland wages not included in Council budgets.

4 - Other expenses are lower than budget due to a number of maintenance, consultants and contractor expenses being lower than anticipated, particularly across the infrastructure activities.

5 - Finance expenses are lower than budget due to market interest rates remaining lower for a longer period than was anticipated.

2014 variance analysis against 2013 actuals

1 - Other revenue was higher than 2013 due to increased income generated from external sales and services. Included in this was increased revenue from Dairy farm operations at Awarua, as well as increases in timber sales from city forestry operations.

2 - Other gains/losses were higher than 2014 due to the revaluation of investment property and biological assets being greater than 2013.

3 - Employee expenses were higher than 2013 due to a number of reasons. Market rate increases accounted for approximately half of this increase. A small increase in the number of full time equivalents during the 2013/14 years also effected the increase, as did changes performance based pay.

4 - Borrowings are less than budget due to $10 million of investments being used to reduce external borrowings during 2014.

The above comments have focused on major variances only

Statement of financial position

	Note	Council Actual 2014 ($000)	Council Budget 2014 ($000)	Council Restated 2013 ($000)	Council Variance 2014 ($000)	Council Variance to 2013 Actual ($000)
Current assets						
Cash and cash equivalents	1	6,598	2,882	1,435	3,716	5,163
Trade and other receivables		10,010	11,259	11,793	(1,249)	(1,783)
Inventories		670	763	648	(93)	22
Non-current assets						
Work in progress		4,175	-	10,908	4,175	(6,733)
Property, plant and equipment	2	647,785	689,875	591,518	(42,090)	56,267
Intangible assets		307	56	273	251	34
Forestry assets		2,005	904	1,370	1,101	635
Investment property		25,538	27,768	24,467	(2,230)	1,071
Other financial assets - other investments	3	7,975	45,886	56,306	(37,911)	(48,331)
Other financial assets - Derivative financial instruments		238	-	171	238	67
Current liabilities						
Trade and other payables		9,501	9,565	10,635	(64)	(1,134)
Provisions		112	143	112	(31)	-
Employee benefit liabilities		2,028	2,820	2,649	(792)	(621)
Borrowings		-	2,920	-	(2,920)	-
Derivative financial instruments		7	1,105	-	(1,098)	7
Non-current liabilities						
Provisions		863	948	906	(85)	(43)
Employee benefit liabilities		812	696	860	116	(48)
Borrowings	4	29,716	54,883	40,331	(25,167)	(10,615)
Derivative financial instruments		374	-	897	374	(523)
Equity						
Retained earnings		403,183	398,115	401,889	5,068	1,294
Other reserves		295,231	308,198	240,572	(12,967)	54,659
Total variance in net assets and equity		698,414	706,313	642,461	(7,899)	55,953

2014 variance analysis against 2014 Budget

1 - Cash and Cash equivalents are higher than budget due to the deferral of some rate funded capital projects.

2 - Property plant and equipment is less than budget due to the 3 yearly revaluation of certain asset classes being less than anticipated.

4 - Borrowings are less than budget due to $10 million of investments being used to reduce borrowings during 2013/14. Also due to a number of loan funded capital projects being deferred until future years, not requiring loan funding at this stage.

2014 variance analysis against 2013 actuals

1 - Cash and Cash equivalents are higher than 2013 due to the deferral of some rate funded capital projects.

2 - Property plant and equipment is more than 2013 due to the 3 yearly revaluations of Infrastructure, Land & Buildings and Library Books.

3 - Other financial assets - other investments is less than 2013 due to $10 million being used from council investments to reduce external borrowings.

4 - Borrowings are less than budget due to $10 million of investments being used to reduce external borrowings during 2014.

The above comments have focused on major variances only.

Funding Impact Statement

		Council Actual 2014 ($000)	Council Budget 2014 ($000)	Council Restated 2013 ($000)	Council Variance 2014 ($000)	Council Variance to 2013 Actual ($000)
Sources of operational funding						
General rates, uniform annual charges, rates penalties		7,585	7,247	7,289	338	296
Targeted rates (other than targeted rate for water supply)		38,196	38,334	37,917	(138)	279
Subsidies and grants for operating purposes		3,805	3,683	3,518	122	287
Fees, charges and targeted rates for water supply		11,988	11,774	11,687	214	301
Interest and dividends from investments		4,551	4,575	4,626	(24)	(75)
Local authorities fuel tax, fines, infringement fees, and other receipts		9,598	9,065	8,139	533	1,459
Applications of operational funding						
Payments to staff and suppliers	1	56,816	58,158	55,956	(1,342)	860
Finance costs	2	2,154	2,986	2,070	(832)	84
Sources of capital funding						
Subsidies and grants for capital expenditure		3,894	3,648	3,674	246	220
Increase (decrease) in debt	3	(10,614)	4,274	5,993	(14,888)	(16,607)
Gross proceeds from sale of assets		-	112	-	(112)	-
Application of capital funding						
Capital expenditure	4	16,549	22,458	21,871	(5,909)	(5,322)
Increase (decrease) in reserves	5	3,484	(889)	2,945	4,373	539
Increase (decrease) in investments	6	(10,000)	-	-	(10,000)	(10,000)

Variance analysis against 2014 Budget

1 - Payments to staff and Supplier is lower than budget due to maintenance, consultants and contractor expenses being lower than anticipated during the 2013/14 year.

2 - Finance expenses are lower than budget due to market interest rates remaining lower for a longer period than was anticipated.

3 - Debt has decreased during the 2013/14 year, but was budgeted to increase. This variance has occurred for two reasons, the first was that Council decided to use $10 million of invested funds to reduced bank debt in July 2013. The second reason being that a number of loan funded projects were deferred into future years from 2013/14.

4 - Capital expenditure is lower than budget due to a number of uncompleted project during the 2013/14 year. refer to page 17 for further details.

5 - Reserves increased more than budget due to the higher than anticipated net surplus in the 2013/14 year.

6 - Investments decreased during the year due to $10 million of investments being used to reduce bank debt in July 2013.

Variance analysis against 2013 Actuals

1 - Payments to Staff and Suppliers was more than 2013 due to general inflationary pressures on wages and goods & services.

3 - Debt decreased during 2014, against debt increasing in 2013 due to $10 million of investments being used to reduce bank debt. The amount of new loans in 2014 was lower than 2013 due to some 2014 loan funded projects being deferred to 2014/15.

4 - Capital expenditure was lower than 2013 due to the deferral of a number of large capital projects during 2014. During 2013 a large water project being the Branxholme duplicate pipeline was carried out, which had significant capital expenditure.

6 - Investments decreased against 2013 actuals due to $10 million from investments being used to reduced bank debt.

The above comments have focused on major variances only.

34 Impact of change in accounting standards - Group

NZ IFRS 11 - Joint Arrangements
NZ IFRS 11 replaces NZ IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities - Non-monetary Contributions by Ventures. NZ IFRS 11 uses the principle of control in NZ IFRS 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition NZ IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligation arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations themselves are accounted for by recognising the share of those assets and obligations. Joint ventures that give the venturers a right to the net assets are accounted for using the equity method. This may result in a change in the accounting for joint arrangements.

The application of NZ IFRS 11 impacted the Group's accounting of its interests in joint ventures, the PowerNet Limited Group and the OtagoNet Joint Venture (see note 15). The Group has a 50% interest in the PowerNet Limited Group and a 24.5% interest in the OtagoNet Joint Venture. Prior to the transition to NZ IFRS 11, the PowerNet Limited Group and the OtagoNet Joint Venture were classified as jointly controlled entities and the Group's share of the assets, liabilities, revenue, income and expenses were proportionately consolidated in the consolidated financial statements. Upon adoption of NZ IFRS 11, the Group has determined its interests in the PowerNet Limited Group and the OtagoNet Joint Venture are to be classified as a joint venture under NZ IFRS 11 and are required to be accounted for using the equity method. The transition was applied retrospectively as required by NZ IFRS 11 and the comparative information for the immediately preceding period (2013) is restated. The effect of applying NZ IFRS 11 on the Group's financial statements is as follows:

The Group financial consolidation was prepared under NZIFRS 11 as outlined above, allowing for JCE's to only be consolidated using the equity method. The Parent's financial statements are still able to use NZ IAS 31, which allows for either the proportionate or equity method for consolidation. For consistency, the Council have opted to restate the 2013 financials and account for these entities using the equity method.

Impact on statement of comprehensive income:

	2013 ($000)
Operating revenue	(17,027)
Other income	(1,326)
Operating expenses	15,769
Finance costs	4
Share of profit of associates	2,713
Operating Surplus before Taxation	133
Income tax	(133)
Net impact on surplus for the year	-

Impact on equity (increase/(decrease) in net equity):	2013 ($000)
Cash and cash equivalents	415
Receivables and prepayments	(1,945)
Inventories	(88)
Total current assets	(1,618)
Investments in associates	(1)
Investments in joint ventures	37,509
Property, plant and equipment	(34,899)
Capital work in progress	(1,091)
Intangibles	(112)
Total non-current assets	1,406
Creditors and accruals	(346)
Employee entitlements	(157)
Income tax payable	193
Total current liabilities	(310)
Deferred tax liabilities	98
Total non-current liabilities	98
Net impact on equity	-

Impact on cash flow statements (increase/(decrease) in cash flows):	2013 ($000)
Operating	(4,297)
Investing	4,712
Financing	-
Net increase in cash and cash equivalents	415

34 Impact of change in accounting policies - Council

There have been the following changes in accounting policies for Venture Southland, a joint committee of Council, during the financial year.

Revenue recognition

Revenue received from grants and other funding which has conditions attached had previously been recognised as revenue at the time of receipt. This has been changed so that funding is recognised as revenue upon entitlement as conditions pertaining to eligible expenditure have been fulfilled. The funding is held as a liability until the specific conditions are met.

General reserve

Some project related income which had been recognised prior to Venture Southland meeting its obligations had been held in a General Reserve. This reserve has been dis-established and will be recognised as revenue upon entitlement as conditions pertaining to eligible expenditure have been fulfilled. The grant or funding is held as a liability until the specific conditions are met.

Changes in the Revenue Recognition policy and General Reserve were made to ensure Venture Southland's Financial Statements presented a true and fair view of the current position. Revenue is recognised on consistent terms with those provided by the funders by recognising revenue when Venture Southland's obligations have been met.

The impact of these changes in accounting policy are as follows:

Impact on statement of comprehensive income:

	2013 ($000)
Other income	(26)
Operating Surplus before Taxation	(26)
Income tax	-
Net impact on surplus for the year	(26)

	2013 ($000)
Current Liabilities	
Trade and other payables	96
Total current liabilities	96
Net impact on equity	(96)

Impact on statement of comprehensive income:	**2013 ($000)**
Operating	-
Investing	-
Financing	-
Net increase in cash and cash equivalents	-

Statement of Accounting Policies

REPORTING ENTITY

Invercargill City Council ("the Council") is a territorial local authority governed by the Local Government Act 2002.

The Council Group consists of Invercargill City Council and its subsidiaries, Invercargill City Holdings Limited (100% owned) and its subsidiaries, Invercargill Venue and Events Management Limited (100% owned), Invercargill City Charitable Trust (100% owned) and Invercargill Community Recreation and Sports Trust (100% owned). The Council has three joint committees, Venture Southland (42% share of the voting rights), Southland Regional Heritage Committee (63% share of voting rights) and Emergency Management Southland (28% share of voting rights) which are proportionally consolidated into the parent.

The Invercargill City Holdings Limited Group consists of:

- Electricity Invercargill Limited (100% owned) and its wholly owned subsidiary Pylon Limited.
- Invercargill City Forests Limited (100% owned).
- Invercargill Airport Limited (97% owned).
- Invercargill City Property Limited (100%).

All Invercargill City Council subsidiaries and associates are incorporated in New Zealand.

The primary objective of the Council is to provide goods or services for the community or 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 Financial Reporting Standards ("NZ IFRS").

The financial statements of the Council are for the year ended 30 June 2014. The financial statements were authorised for issue by Council on 31 October 2014.

BASIS OF PREPARATION

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

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

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

The financial statements have been prepared on a historical cost basis, modified by the revaluation of land and buildings, certain infrastructural assets, investment property, biological assets and financial instruments (including derivative instruments).

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars ($'000). The functional currency of the Council is New Zealand dollars.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in the Statement of Comprehensive Income.

SUBSIDIARIES

The Council consolidates as subsidiaries in the group financial statements all entities where the Council has the capacity to control their financing and operating policies so as to obtain benefits from the activities of the entity. This power exists where the Council controls the majority voting power on the governing body or where such policies have been irreversibly predetermined by the Council or where the determination of such policies is unable to materially impact the level of potential ownership benefits that arise from the activities of the subsidiary.

The Council measures the cost of a business combination as the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, in exchange for control of the subsidiary plus any costs directly attributable to the business combination.

Any excess of the cost of the business combination over the Council's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is recognised as goodwill.

BASIS OF CONSOLIDATION

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

The Council's investment in its subsidiaries are carried at deemed cost in the Council's own "parent entity" financial statements. Deemed cost is based on the net asset value of the subsidiary on conversion to NZ IFRS.

ASSOCIATES

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

The Council's and Group's share in the associate's surplus or deficit resulting from unrealised gains on transactions between the Council and Group and its associates is eliminated.

The Council investments in associates are carried at cost in the Council's own financial statements.

JOINT VENTURES

Joint ventures are those entities over which the Council and Group has joint control, established by contractual agreement. The consolidated financial statements include the Council's and Group's proportionate share of the joint venture entities' assets, liabilities, revenue and expenses with items of a similar nature on a line-by-line basis, from the date joint control commences until the date joint control ceases.

REVENUE

Revenue is measured at the fair value of consideration received.

Rates revenue

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

Other revenue

Water billing revenue is recognised on an accrual basis. Unbilled usage, as a result of unread meters at year end, is accrued on an average usage basis.

Traffic and parking infringements are recognised when tickets are issued.

The Council receives government grants from the New Zealand Transport Agency, which subsidises part of the Council's costs in maintaining the local roading infrastructure.

The subsidies are recognised as revenue upon entitlement as conditions pertaining to eligible expenditure have been fulfilled.

Revenue from the rendering of services is recognised by reference to the stage of completion of the transaction at balance date, based on the actual service provided as a percentage of the total services to be provided.

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be reliably estimated and there is no continuing management involvement with the goods.

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

Interest income is recognised using the effective interest method.

Dividends are recognised when the right to receive payment has been established.

Contributions from customers in relation to the construction of new lines for the network are accounted for as income in the year which they have been received.

Government grants

NZU's allocated by the Crown represent non-monetary government grants and are initially recognised at nil value. Gains and losses on disposals are determined by comparing proceeds with the carrying amounts. These are included in the surplus/deficit in the Statement of Comprehensive Income.

CONSTRUCTION CONTRACTS

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

Contract costs include all costs directly related to specific contracts, costs that are specifically chargeable to the customer under the terms of the contract and an allocation of overhead expenses incurred in connection with the group's construction activities in general.

An expected loss on construction contracts is recognised immediately as an expense in the Statement of Comprehensive Income.

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

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

BORROWING COSTS

Borrowing costs are recognised as an expense in the period in which they are incurred.

GRANT EXPENDITURE

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

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

INCOME TAX

Income tax expense in relation to the surplus or deficit for the period comprises current tax and deferred tax.

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

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

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

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

Deferred tax is recognised on taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the company can control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, using tax rates that have been enacted or substantively enacted by balance date. Current tax and deferred tax is charged or credited to the surplus/deficit in the Statement of Comprehensive Income, except when it relates to items charged or credited directly to equity, in which case the tax is dealt with in equity.

LEASES

Finance leases

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

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

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

Operating leases

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

INVENTORIES

Inventories (such as spare parts and other items) held for distribution or consumption in the provision of services that are not supplied on a commercial basis are measured at the lower of cost and current replacement cost.

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

The cost of logs harvested by group companies is the fair value less costs to sell at the time the logs are harvested which becomes the initial cost. Thereafter inventory is carried at the lower of cost and net realisable value.

The write down from cost to current replacement cost or net realisable value is recognised in the surplus/deficit in the Statement of Comprehensive Income.

FINANCIAL ASSETS

The Council and Group classifies its financial assets into the following three categories: available for sale investments, loans and receivables and financial assets at fair value through surplus or deficit. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

Financial assets and liabilities are initially measured at fair value plus transaction costs.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Council and Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, net asset backing, are used to determine fair value for the remaining financial instruments.

The three categories of financial assets are:

Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

After initial recognition they are measured at amortised cost using the effective interest method. Gains and losses when the asset is impaired or derecognised are recognised in the surplus/deficit in the Statement of Comprehensive Income. Loans and receivables are classified as "trade and other receivables" in the statement of financial position. Investments in this category include fixed term deposits and loans to associates.

Held-to-Maturity Investment

Held-to-Maturity Investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Groups management has the positive intention and ability to hold to maturity.

Financial assets at fair value through surplus or deficit

This category has two sub-categories: financial assets held for trading, and those designated at fair value through surplus or deficit at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management.

Derivatives are also categorised as held for trading unless they are designated as hedges. Assets 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 the balance sheet date.

After initial recognition they are measured at their fair values. Gains or losses on remeasurement are recognised in the surplus/deficit in the Statement of Comprehensive Income.

Available for sale Investments

Available for sale investments are those that are designated as being held to maturity or are not classified in any of the other categories above. This category encompasses investments that the Council intends to hold long-term but which may be realised before maturity. After initial recognition these investments are measured at their fair value. Gains and losses are recognised directly in equity except for impairment losses, which are recognised in the surplus/deficit in the Statement of Comprehensive Income. In the event of impairment, any cumulative losses previously recognised in equity will be removed from equity and recognised in the surplus/deficit in the Statement of Comprehensive Income even though the asset has not been derecognised. Investments in this category include shares in Local Government Insurance Corporation.

Shareholdings that Invercargill City Council holds for strategic purposes

Invercargill City Council's investments in its subsidiaries and associate companies are not included in this category as they are held at cost (as allowed by NZ IAS 27 Consolidated and Separate Financial Statements and NZ IAS 28 Investments in Associates) whereas this category is to be measured at fair value.

Non-current assets held for sale

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

Impairment of Financial Assets

At each balance sheet date the Council assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired. Any impairment losses are recognised in the surplus/deficit in the Statement of Comprehensive Income.

FINANCIAL INSTRUMENTS

Trade and other receivables

Trade and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

Loans, including loans to community organisations made by the Council at nil, or below-market interest rates are initially recognised at the present value of their expected future cash flows, discounted at the current market rate of return for a similar asset/investment. They are subsequently measured at amortised cost using the effective interest method. The difference between the face value and present value of expected future cash flows of the loan is recognised in the Statement of Comprehensive Income as a grant.

A provision for impairment of receivables is established when there is objective evidence that the Council will not be able to collect all amounts due according to the original terms of receivables.

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the effective interest method.

Cash and cash equivalents

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

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

Borrowings

Borrowings are initially recognised at their fair value, net of any transaction costs incurred. After initial recognition, all borrowings are measured at amortised cost using the effective interest method.

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

Trade and other payables

Trade and other payables are initially measured at fair value, and subsequently measured at amortised cost using the effective interest method.

Accounting for derivative financial instruments and hedging activities

The Council and Group uses derivative financial instruments to hedge exposure to interest rate risks arising from financing activities. In accordance with its treasury policy, the Council and Group does not hold or issue derivative financial instruments for trading purposes.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value at each balance date. However, where derivatives qualify for hedge accounting, recognition for any resultant gain or loss depends on the nature of the hedging relationship.

Cash flow hedge

Changes in the fair value of the derivatives hedging instruments designated as a cashflow hedge are recognised directly in equity to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in surplus or deficit.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains or losses that were recognised directly in equity will be reclassified into surplus or deficit in the same period or periods during which the asset acquired or liability assumed affects surplus or deficit.

However, if Invercargill City Council expects that all or a portion of a loss recognised directly in equity will not be recovered in one or more future periods, it will reclassify into surplus or deficit the amount that is not expected to be recovered.

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

For cash flow hedges other than those covered above, amounts that had been recognised directly in equity will be recognised in surplus or deficit in the same period or periods during which the hedged forecast transaction affects surplus or deficit (for example, when a forecast sale occurs).

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in equity remains there until the forecast transaction occurs. The amount recognised in equity is transferred to surplus or deficit in the same period that the hedged item affects the surplus or deficit.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consists of:

Operational assets - These include land, buildings, library books, plant and equipment, and motor vehicles.

Restricted assets - Restricted assets are parks and reserves owned by the Council which provide a benefit or service to the community and cannot be disposed of because of legal or other restrictions.

Infrastructure assets - Infrastructure assets are the fixed utility systems owned by the Council. Each asset class includes all items that are required for the network to function, for example, sewer reticulation includes reticulation piping and sewer pump stations.

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

ADDITIONS

The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. In most instances, an item of property, plant and equipment is recognised at its cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value as at the date of acquisition.

DISPOSALS

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset.

Gains and losses on disposals are included in the surplus/deficit in the Statement of Comprehensive Income. When revalued assets are sold, the amounts included in asset revaluation reserves in respect of those assets are transferred to retained earnings.

SUBSEQUENT COSTS

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

DEPRECIATION

Depreciation is provided on a straight-line and diminishing value basis on all property, plant and equipment other than land, at rates that will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

Buildings - Parent	***Depreciation Rate***
▪ Structures	2-3% SL
▪ Roof	2-3% SL
▪ Electrical	2-3% SL
▪ Plumbing	2-3% SL
▪ Internal Fitout	2-3% SL
▪ Plant	2-3% SL
Buildings - Subsidiaries	***Depreciation Rate***
Buildings	1% - 15% SL/DV
Furniture and Fittings - Parent and Subsidiaries	***Depreciation Rate***
Furniture and Fittings	6.7% - 50% DV
Office Equipment - Parent	***Depreciation Rate***
Office Equipment	14.4% - 60% SL/DV
Office Equipment - Subsidiaries	***Depreciation Rate***
Office Equipment	5% - 48% SL/DV
EDP Hardware - Subsidiaries	***Depreciation Rate***
Hardware	9% - 80.4% SL/DV
Infrastructural Assets - Parent	***Depreciation Rate***
Drainage	2.6% - 6.2% SL
Bridges	1% - 2.5% SL
Traffic Services	2.6% - 12.6% SL
Footpaths and Crossings	6.6% - 13% SL
Features and Structures	4.6% - 6% SL
Roads	
▪ Formation	0%
▪ Shoulder and Pavements	3.5% SL
▪ Top Surface	10.35% SL

Infrastructural Assets - Parent	*Depreciation Rate*
Drainage and Stormwater	
▪ System	6.5% SL
▪ Plant	3.21% SL
▪ Buildings	1% - 2% SL
Water	
▪ System	1% - 11.34% SL
▪ Plant	4% SL
Airport Facilities - Subsidiaries	***Depreciation Rate***
Fences	1.0% - 6.65% SL
Runway, Apron and Taxiway (Base-course and sub-base)	3.0% SL
Top Surface (Runway)	8.3% SL
Top Surface (Apron and Taxiway)	6.7% SL
Roads, Carparks and Stop banks	3.0% SL
Plant - Parent and Subsidiaries	***Depreciation Rate***
Plant	5% - 50% SL/DV
Tools - Parent	***Depreciation Rate***
Tools	10% SL where applicable
Motor Vehicles - Parent and Subsidiaries	***Depreciation Rate***
Motor Vehicles	6.7% - 31.2% SL
Library Collections - Parent	***Depreciation Rate***
Library Collections	6.67% - 50% SL
The non fiction collection is not depreciated.	
Forestry Road Improvements - Subsidiaries	***Depreciation Rate***
Forestry Road Improvements	6% DV

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

The carrying values of revalued items are reviewed at each balance date to ensure that those values are not materially different to fair value.

REVALUATION

Those asset classes that are revalued are valued on a valuation cycle as described below on the basis described below. All other asset classes are carried at depreciated historical cost.

VALUATION

All assets are valued at historic cost less accumulated depreciation and impairment costs, except the following:

- Operational land and buildings have been valued at fair value by QV.co.nz (Registered Valuers) as at 30 June 2014. Valuations are completed three yearly.
- Restricted land (excluding forestry land) and buildings have been valued at deemed cost. Deemed cost is the fair value being the current valuation at 30 June 2005. This fair value is the net current value by Quotable Value New Zealand (Registered Valuers) as at 30 June 1992.
- Library collections are valued at depreciated replacement cost as at 30 June 2014. Valuation was completed by staff of the Invercargill City Council. Valuations are completed three yearly.

Infrastructural assets:

Land under Roads

Land under roads has been valued at deemed cost at transition to NZIFRS. Deemed cost is the fair value being the current valuation at 30 June 2005.

Roads and Bridges

Roads and Bridges are valued at depreciated replacement cost, being gross replacement cost less accumulated depreciation to date, based on the Current Age Profile compared to Useful Life. Valuation has been completed by staff of the Invercargill City Council and reviewed by AECOM NZ Ltd. The current valuation is as at 30 June 2014. Valuations are completed three yearly.

Stormwater, Wastewater and Water Systems

Assets are valued at depreciated replacement cost, being gross replacement cost less accumulated depreciation to date, based on the Current Age Profile compared to Useful Life. Valuation has been completed by Council staff and reviewed by Maunsell. The current valuation is as at 30 June 2014. Valuations are completed three yearly.

Forest land is revalued to fair value and carried at valuation and is not depreciated. The fair value is determined by independent registered valuers based on the highest and best use of the land. In determing the highest and best use consideration is given as to whether the land has been registered under the New Zealand Emissions Trading Scheme and hence whether there are restrictions on the land use. Land is revalued with sufficient regularity to ensure carrying value does not differ materially from that which would be determined as fair value. It is anticipated that the Land revaluation will occur every three years, unless circumstances require otherwise. New Zealand units received from the government are recognised at cost in the financial statements, which is nil value.

Vested assets. Certain infrastructure assets and land have been vested in the Council as part of the subdivisional consent process.

The vested reserve land has been valued at deemed cost. Deemed cost is the fair value being the current valuation at 30 June 2005. This fair value is the 2005 Beca Rating Valuation.

Vested infrastructural assets have been valued based on the actual quantities of infrastructural components vested and current "in the ground" cost of providing identical services.

The network assets of Electricity Invercargill Limited: The electricity distribution network is valued at fair value. Fair value is determined on the basis of a periodic valuation, at a maximum of every five years based on discounted cashflow methodology.

Invercargill Airport Limited's Runway, Apron and Taxiway (Runway assets) are revalued with sufficient regularity to ensure carrying value does not differ materially from that which would be determined as fair value. It is anticipated that the revaluation will occur every three to five years, unless circumstances require otherwise. For the purposes of financial reporting the Runway assets are treated as one asset.

The valuation of the Runway assets is performed using the discounted cashflow methodology over the assets as a whole and values apportioned to each component on a prorate basis or on the basis of a review of the physical conditions of component parts.

Accounting for revaluations

The Council accounts for revaluations of property, plant and equipment on a class of asset basis.

The results of revaluing are credited or debited to an asset revaluation reserve for that class of asset. Where this results in a debit balance in the asset revaluation reserve, this balance is expensed in the surplus/deficit in the Statement of Comprehensive Income.

Any subsequent increase on revaluation that off-sets a previous decrease in value recognised in the surplus/deficit in the Statement of Comprehensive Income will be recognised first in the surplus/deficit in the Statement of Comprehensive Income up to the amount previously expensed, and then credited to the revaluation reserve for that class of asset.

CAPITAL WORK IN PROGRESS

Work in progress includes the cost of direct materials and direct labour used in putting replacement and new systems and plant in their present location and condition. It includes accruals for the proportion of work completed at the end of the period. Capital work in progress is not depreciated.

INTANGIBLE ASSETS

Goodwill

Goodwill is initially measured at its cost, being the excess of the cost of the acquisition over the Council's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities.

Goodwill on acquisition of subsidiaries is included in intangible assets by applying the purchase method.

Goodwill on acquisition of associates is included in investments in associates by applying the equity method.

In respect of acquisitions prior to 1 July 2005, goodwill is included on the basis of deemed cost, which represents the amount recorded under previous NZ GAAP at the transition date. The classification and accounting treatment of business combinations that occurred prior to 1 July 2007 has not been reconsidered in preparing the Group's opening NZ IFRS Statement of Financial Position at 1 July 2005.

Goodwill arising in business combinations is not amortised. Instead, goodwill is tested for impairment annually. After initial recognition, the Council measures goodwill at cost less any accumulated impairment losses. An impairment loss recognised for goodwill will not be reversed in any subsequent period.

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

Other intangible assets

Other intangible assets that are acquired by the Group, which have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is charged to the surplus/deficit in the surplus/deficit in the Statement of Comprehensive Income on a straight-line basis over the estimated useful economic lives of the intangible assets. The amortisation rates for the current period are as follows:

Software 12.5-48% Straight Line/Diminishing Value

FORESTRY ASSETS

Forestry assets are independently revalued annually at fair value less estimated point of sale costs. Fair value is determined based on the present value of expected net cash flows discounted at a current market determined pre-tax rate.

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

The costs to maintain the forestry assets are included in the surplus/deficit in the Statement of Comprehensive Income.

INVESTMENT PROPERTY

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

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

After initial recognition, the Council measures all investment property at fair value as determined annually by an independent valuer.

Investment land and buildings have been valued at net realisable value by Registered Valuer, Trevor Thayer of Thayer Todd Ltd. This valuation was as at 30 June 2014 and will be carried out on an annual basis.Any adjustment to the values has been accounted for as an increase (decrease) in the surplus/deficit in the Statement of Comprehensive Income.

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

IMPAIRMENT OF NON-FINANCIAL ASSETS

Non-financial assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

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

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

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

For assets not carried at a revalued amount, the total impairment loss is recognised in the surplus/deficit in the Statement of Comprehensive Income.

The reversal of an impairment loss on a revalued asset is credited to the revaluation reserve.

However, to the extent that an impairment loss for that class of asset was previously recognised in the Statement of Comprehensive Income, a reversal of the impairment loss is also recognised in the surplus/deficit in the Statement of Comprehensive Income.

For assets not carried at a revalued amount (other than goodwill) the reversal of an impairment loss is recognised in the surplus/deficit in the Statement of Comprehensive Income.

EMPLOYEE BENEFITS

Short-term benefits

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

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

Long-term benefits

Long service leave and retirement leave

The Group's net obligation in respect of long-term employee benefits other than pension plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The discount rate is the yield at the reporting date on AA credit-rated bonds that have maturity dates approximating the terms of the Group's obligations. The calculation is performed using the projected unit credit method. Any actuarial gains or losses are recognised in the surplus/deficit in the Statement of Comprehensive Income in the period in which they arise.

Superannuation schemes

Defined contribution schemes:

Obligations for contributions to defined contribution superannuation schemes are recognised as an expense in the Statement of Comprehensive Income as incurred.

Defined benefit schemes:

The Council belongs to the Defined Benefit Plan Contributors Scheme (the scheme), which is managed by the Board of Trustees of the National Provident Fund. The scheme is a multi-employer defined benefit scheme.

Insufficient information is available to use defined benefit accounting, as it is not possible to determine from the terms of the scheme, the extent to which the surplus/deficit will affect future contributions by individual employers, as there is no prescribed basis for allocation. The scheme is therefore accounted for as a defined contribution scheme.

PROVISIONS

The Council recognises a provision for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that expenditures will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

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

LANDFILL POST CLOSURE COSTS

The Council has a legal obligation under the Resource Consent to provide ongoing maintenance and monitoring services at the landfill site after closure. A provision for post closure costs is recognised as a liability when the obligation for post closure arises.

The provision is measured based on the present value of future cash flows expected to be incurred, taking into account future events including new legal requirements and known improvements in technology. The provision includes all costs associated with landfill post closure. The discount rate applied is 7% which represents the risk free discount rate.

EQUITY

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

The components of equity are:

- Retained earnings
- Council reserves (includes sinking funds, special reserves and endowment reserves)
- Fair value and hedging reserves
- Asset revaluation reserves

GOODS AND SERVICES TAX (GST)

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

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

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

Commitments and contingencies are disclosed exclusive of GST.

BUDGET FIGURES

The budget figures are those approved by the Council at the beginning of the year in the Long Term Plan or Annual Plan. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted by the Council for the preparation of the financial statements.

COST ALLOCATION

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

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

Direct costs are charged directly to significant activities. Indirect costs are charged to significant activities using appropriate cost drivers such as actual usage, staff numbers and floor area.

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

In preparing these financial statements Invercargill City Council has made estimates and assumptions concerning the future.

These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Properties

Invercargill City Council owns a number of properties, which are maintained primarily to provide housing to pensioners. The receipt of market-based rental from these properties is incidental to holding these properties. These properties are held for service delivery objectives as part of Invercargill City Council's social housing policy. These properties are accounted for as property, plant and equipment.

Landfill Aftercare Provision

Note 20 presents an analysis of the exposure of Invercargill City Council in relation to the estimates and uncertainties surrounding the landfill aftercare provision.

Infrastructural Assets

There are a number of assumptions and estimates used when performing DRC valuations over infrastructural assets. These include:

- The physical deterioration and condition of an asset, for example the Council could be carrying an asset at an amount that does not reflect its actual condition. This is particularly so for those assets, which are not visible, for example stormwater, wastewater and water supply pipes that are underground. This risk is minimised by Council performing a combination of physical inspections and condition modelling assessments of underground assets;
- Estimating any obsolescence or surplus capacity of an asset; and
- Estimates are made when determining the remaining useful lives over which the asset will be depreciated. These estimates can be impacted by the local conditions, for example weather patterns and traffic growth. If useful lives do not reflect the actual consumption of the benefits of the asset, then Invercargill City Council could be over or under estimating the annual deprecation charge recognised as an expense in the Statement of Comprehensive Income. To minimise this risk Invercargill City Council's infrastructural asset useful lives have been determined with reference to the NZ Infrastructural Asset Valuation and Depreciation Guidelines published by the National Asset Management Steering Group, and have been adjusted for local conditions based on past experience. Asset inspections, deterioration and condition modelling are also carried out regularly as part of the Invercargill City Council's asset management planning activities, which gives Invercargill City Council further assurance over its useful life estimates. Experienced independent valuers review the Council's infrastructural asset revaluations.

- As a result of rounding there maybe slight discrepancies in subtotals and the financial statement in section 5 and funding impact statements.

NEW ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

• Future Changes to Financial Reporting Standards

The Minister of Commerce has approved a new Accounting Standards Framework (incorporating a Tier Strategy) developed by the External Reporting Board (XRB). Under this Accounting Standards Framework, Invercargill City Council is classified as a Tier 1 reporting entity and it will be required to apply full Public Benefit Entity Accounting Standards (PAS). The effective date for the new standards for public sector entities is for reporting periods beginning on or after 1 July 2014. This means Invercargill City Council will transition to the new standards in preparing its 30 June 2015 financial statements.

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

Invercargill City Council anticipates that these standards will have no material impact on the financial statements in the period of initial application. It is likely that the changes arising from this framework will affect the disclosures required in the financial statements. However, it is not practicable to provide a reasonable estimate until a detail review has been completed.

• Standards, amendments and interpretations issued but not yet effective that have not been early adopted, and which are relevant to the Group.

NZ IFRS 9 (2009) Financial Instruments will eventually replace NZ IAS 39 Financial Instruments : Recognition and Measurement

NZ IFRS 9 Phase I was issued in November 2009 and is effective for the financial statements issued for the fiscal years beginning on or after 1 January 2015.

NZ IAS 39 is being replaced through the following 3 main phases: Phase 1 Classification and Measurement, Phase 2 Impairment Methodology, and phase 3 Hedge Accounting.

NZ IFRS 9 (2009) includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the IASB's project to replace NZ IAS 39.

These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of NZ IAS 39. The revised Standard introduces a number of changes to the accounting for financial assets, the most significant of which includes:

• two categories for financial assets being amortised cost or fair value;

• removal of the requirement to separate embedded derivatives in financial assets;

• strict requirements to determine which financial assets can be classified as amortised cost or fair value. Financial assets can only be classified as amortised cost if (a) the contractual cash flows from the instrument represent principal and interest and (b) the entity's purpose for holding the instrument is to collect the contractual cash flows;

• an option for investments in equity instruments which are not held for trading to recognise fair value changes through other comprehensive income with no impairment testing and no recycling through profit or loss on derecognition;

• reclassifications between amortised cost and fair value no longer permitted unless the entity's business model for holding the asset changes; and

• changes to the accounting and additional disclosures for equity instruments classified as fair value through other comprehensive income.

The Council and Group has not yet assessed the effect of the new standard.

NZ IFRS 9 (2010) Financial Instruments will eventually replace NZ IAS 39 Financial Instruments : Recognition and Measurement

NZ IFRS 9 Phase I was issued in November 2010 and is effective for the financial statements issued for the fiscal years beginning on or after 1 January 2015.

NZ IFRS 9 (2010) supersedes NZ IFRS 9 (2009). The requirements for classifying and measuring financial liabilities were added to NZ IFRS 9 as issued in 2009. The existing NZ IAS 39 Financial Instruments: Recognition and Measurement requirements for the classification of financial liabilities and the ability to use the fair value option have been retained. However, where the fair value option is used for financial liabilities, the change in fair value is accounted for as follows:

• The change attributable to changes in credit risk are presented in other comprehensive income (OCI)

• The remaining change is presented in profit or loss

If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.

The Council and Group has not yet assessed the effect of the new standard.

CHANGES IN ACCOUNTING POLICIES

During the year the group changed accounting policies in relation to the method of consolidation for joint ventures. The change was from the proportionate method to the equity method of consolidation, the effect of this change is outlined in note 34. Venture Southland change accounting policies in relation to revenue recognition during the year, the effect of this change is outlined in note 34. All other accounting policies have been consistently applied throughout the period covered by these financial statements.