

1 October 2014



Malcolm Nicolson
Northland Regional Council
Private Bag 9021
Whangarei

Dear Malcolm

On behalf of the Board and Management of Northland Inc please find attached the Financial Report to June 2014 inclusive of the Report against the Statement of Intent.

The Board and Management are presenting the findings of the report to the Council at the 21 October meeting, along with its intention to hold an AGM on the 5th December 2014.

Kind regards

A handwritten signature in black ink, appearing to be "David Wilson".

David Wilson
CEO



NORTHLAND INC LTD FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

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NORTHLAND INC LIMITED
Directory
For the Year Ended 30 June 2014

Directors

C Mitten	Appointed 1 July 2012	Resigned 30 June 2014
S Petersen	Appointed 1 June 2013	
K Everitt	Appointed 1 June 2013	
W Moyes	Appointed 16 April 2014	
J Jongejans	Appointed 16 April 2014	
I Durham	Appointed 16 April 2014	

Shareholders	%
Northland Regional Council	100

Registered Office

93 Cameron Street
Whangarei
Northland

Auditors

Audit New Zealand
On behalf of the Auditor-General

Bankers

ASB Bank

Solicitor

Law North Partners
Laurene C Holley

Registered Company Number

857377

NORTHLAND INC LIMITED
Annual Report
For the Year Ended 30 June 2014

The Directors have the pleasure in submitting their 2014 Annual Report.

Principal Activities

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

Remuneration of Employees

There was one employee who received remuneration totalling between \$120,000 - \$129,999 during the year (2013: two \$110,000 - \$119,999).

Interest Register

There were the following new interests in the register:

C Mitten	Marsden Maritime Holdings Limited Crimea Limited Aotea Clear Cloud Ltd Wright Technologies Ltd	Director Director/Shareholder Director/Shareholder Owner/Director
S Petersen	New Zealand Institute of Chartered Accountants	Professional Conduct Committee (to March 2014)
W Moyes (Appointed 16 April 2014)	Moyes Co Limited Northpower Limited Northtec	Director Chairman Board Member
J Jongejans (Appointed 16 April 2014)	Knight Line Limited Dive! Tutukaka Limited Perfect Day Limited NZ Tourism Trust Tourism Industry Association NZ Northland Chamber of Commerce Northland Tourism Development Group Tutukaka Coast Promotions and Tutukaka Ratepayers org Fresian Enterprises Limited	Director/Shareholder Director/Shareholder Director/Shareholder Trustee Director Board Member Chair (Resigned May 2014) Board Member Director/Shareholder

NORTHLAND INC LIMITED
Annual Report
For the Year Ended 30 June 2014

I Durham (Appointed 16 April 2014)	NorthPower Electric Power Trust	Trustee
	North Haven Hospice Endowment Trust	Trustee
	NorthAble Matapuna Haroa (Northland Disability Resources Trust)	Trustee
	Limestone Island Endowment Trust	Trustee
	Northland Business Development Trust	Trustee
	Durham Strategies Limited	Director/Shareholder
	W & I Durham Investments Limited	Director/Shareholder
	Optometrists and Dispensing Opticians Board	Board Member
	Enterprise Northland Trust	Trustee

Use of Company Information

During the year the Board received no notices from directors of the Company requesting to use Company information received in their capacity as directors, which would not otherwise have been available to them.

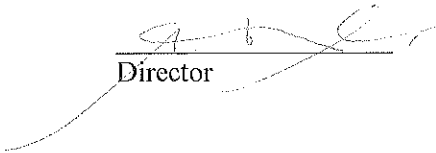
Donations

No donations were paid throughout the year (2013:\$0).

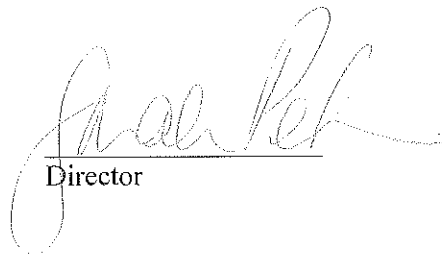
Audit Fees

Audit fees paid for the year were \$45,218 (2013:\$23,731).

For and on behalf of the Board.



 Director



 Director

Independent Auditor's Report

To the readers of Northland Inc Limited's financial statements and statement of service performance for the year ended 30 June 2014

The Auditor-General is the auditor of Northland Inc Limited (the company). The Auditor-General has appointed me, Karen MacKenzie, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and statement of service performance of the company on her behalf.

We have audited:

- the financial statements of the company on pages 7 to 32, that comprise the statement of financial position as at 30 June 2014, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the statement of service performance of the company on pages 33 to 49.

Opinion

Financial statements and statement of service performance

In our opinion:

- the financial statements of the company on pages 7 to 32:
 - comply with generally accepted accounting practice in New Zealand;
 - give a true and fair view of the company's:
 - financial position as at 30 June 2014; and
 - financial performance and cash flows for the year ended on that date; and
- the statement of service performance of the company on pages 33 to 49:
 - complies with generally accepted accounting practice in New Zealand; and
 - gives a true and fair view of the company's service performance achievements measured against the performance targets adopted for the year ended 30 June 2014.

Other legal requirements

In accordance with the Financial Reporting Act 1993 we report that, in our opinion, proper accounting records have been kept by the company as far as appears from an examination of those records.

Our audit was completed on 26 September 2014. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities, and explain our independence.

Basis of opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements and statement of service performance are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence readers overall understanding of the financial statements and statement of service performance. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements and statement of service performance. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and statement of service performance whether due to fraud or error. In making those risk assessments; we consider internal control relevant to the preparation of the company's financial statements and statement of service performance that give a true and fair view of the matters to which they relate. We consider internal control in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Board of Directors;
- the adequacy of all disclosures in the financial statements and statement of service performance; and
- the overall presentation of the financial statements and statement of service performance.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and statement of service performance.

In accordance with the Financial Reporting Act 1993, we report that we have obtained all the information and explanations we have required. We believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of the Board of Directors

The Board of Directors is responsible for preparing financial statements and a statement of service performance that:

- comply with generally accepted accounting practice in New Zealand;
- give a true and fair view of the company's financial position, financial performance and cash flows; and
- give a true and fair view of its service performance.

The Board of Directors is responsible for such internal control as it determines is necessary to enable the preparation of financial statements and a statement of service performance that are free from material misstatement, whether due to fraud or error. The Board of Directors is also responsible for the publication of the financial statements and statement of service performance, whether in printed or electronic form.

The Board of Directors' responsibilities arise from the Local Government Act 2002 and the Financial Reporting Act 1993.

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and statement of service performance and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001 and section 69 of the Local Government Act 2002.

Independence

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.

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



Karen MacKenzie
Audit New Zealand
On behalf of the Auditor-General
Auckland, New Zealand

NORTHLAND INC LIMITED
Statement of Comprehensive Income
For the Year Ended 30 June 2014

	Notes	<u>2014</u>	<u>2013</u>
Income			
Northland Regional Council Operating Grants		1,333,652	1,100,000
District Council Operating Grants		191,818	227,500
Income from Operations		369,056	1,608,319
Interest Received		443	244
Total income		<u>1,894,969</u>	<u>2,936,063</u>
Expenditure			
Employee Benefit expenses	2	691,736	990,667
Operating Lease payments		81,359	78,887
Depreciation	9	17,375	18,748
Other Expenses	3	846,768	2,019,054
Finance Costs	5	1,037	1,324
Total expenditure		<u>1,638,275</u>	<u>3,108,680</u>
Surplus / (deficit) before tax		256,694	(172,617)
Income tax expense / (benefit)	6	18,456	-
Surplus / (deficit) after tax		<u>238,238</u>	<u>(172,617)</u>
Other comprehensive income		-	-
Total comprehensive income		<u><u>238,238</u></u>	<u><u>(172,617)</u></u>

This statement is to be read in conjunction with the notes to the financial statements.

NORTHLAND INC LIMITED
Statement of Changes in Equity
For the Year Ended 30 June 2014

	Note	<u>2014</u>	<u>2013</u>
Opening Equity - Balance at 1 July		(186,957)	(14,340)
Surplus / (deficit) for the year		238,238	(172,617)
Other comprehensive income		-	-
Total comprehensive income		<u>238,238</u>	<u>(172,617)</u>
Closing Equity - Balance at 30 June	13	<u><u>51,281</u></u>	<u><u>(186,957)</u></u>

This statement is to be read in conjunction with the notes to the financial statements.

NORTHLAND INC LIMITED
Statement of Financial Position
As At 30 June 2014

	Notes	<u>2014</u>	<u>2013</u>
Assets			
Current Assets			
Cash at bank and on hand	7	175,398	28,562
Trade and other receivables	8	55,841	158,525
Prepayments		3,398	3,800
Goods & Services Tax		-	46,060
Total Current Assets		<u>234,637</u>	<u>236,947</u>
Non-Current Assets			
Property, Plant & Equipment	9	60,601	60,908
Deferred Tax Asset	6	14,307	-
Total Non-Current Assets		<u>74,908</u>	<u>60,908</u>
Total Assets		<u>309,545</u>	<u>297,855</u>
Liabilities			
Current Liabilities			
Trade and other payables	10	137,518	338,655
Employee benefit liabilities	11	19,058	58,004
Income in advance		43,000	82,688
Borrowings	12	8,663	4,840
Goods & Services Tax		3,510	-
Taxation	6	32,763	-
Total Current Liabilities		<u>244,512</u>	<u>484,187</u>
Non-Current Liabilities			
Borrowings	12	13,752	625
Total non-current liabilities		<u>13,752</u>	<u>625</u>
Total Liabilities		<u>258,264</u>	<u>484,812</u>
Net Assets / (Liabilities)		<u>51,281</u>	<u>(186,957)</u>
Total Equity (deficit) attributable to the Company	13	<u>51,281</u>	<u>(186,957)</u>

The Board of Directors of Northland Inc Limited authorised these financial statements for issue on the 26 September 2014.


 Director


 Director

This statement is to be read in conjunction with the notes to the financial statements.

NORTHLAND INC LIMITED
Statement of Cash Flows
For the Year Ended 30 June 2014

	Notes	2014	2013
Cash flows from operating activities			
Northland Regional Council Operating Grants		1,333,652	1,100,000
District Council Operating Grants		191,818	227,500
Interest Received		443	244
Receipts from other revenue		418,658	1,539,483
Payments to suppliers and employees		(1,829,183)	(2,954,115)
Interest paid		(1,037)	(1,324)
Goods and services tax (net)		36,728	(33,931)
Net cash from operating activities	14	<u>151,079</u>	<u>(122,143)</u>
Cash flows from investing			
Sale of property, plant & equipment		3,807	-
Purchase of property plant & equipment		(25,000)	(60,047)
Net cash from investing		<u>(21,193)</u>	<u>(60,047)</u>
Cash flows from financing activities			
Repayment of borrowings		(8,050)	(6,188)
Proceeds from borrowings		25,000	-
Net cash from financing activities		<u>16,950</u>	<u>(6,188)</u>
Net (decrease) / increase in cash		146,836	(188,378)
Opening cash and cash equivalents	7	28,562	216,940
Closing cash and cash equivalents	7	<u>175,398</u>	<u>28,562</u>

During the period the Company acquired plant and equipment totalling \$0 (2013:\$5,145), by means of finance lease.

This statement is to be read in conjunction with the notes to the financial statements.

NORTHLAND INC LIMITED
Notes to the Financial Statements
For the Year Ended 30 June 2014

1. STATEMENT OF ACCOUNTING POLICIES

Reporting Entity

Northland Inc Limited is a Company registered under the Companies Act 1993 and is a reporting entity for the purposes of the Financial Reporting Act 1993 and is also a subsidiary of the Northland Regional Council. The Company is a council-controlled organisation as defined under section 6 of the Local Government Act 2002, by virtue of the Council's right to appoint the Directors. The financial statements of the Company have been prepared in accordance with the Financial Reporting Act 1993 as required by the Local Government Act 2002.

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

The financial statements of Northland Inc Limited are for the year ended 30 June 2014. The financial statements were authorised for issue by the Board of Directors on 26 September 2014.

Basis of preparation

The financial statements of Northland Inc Limited 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 generally accepted accounting practice in New Zealand (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 financial statements have been prepared on a historical cost basis.

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest dollar. The functional currency of Northland Inc Limited is New Zealand dollars.

Changes in Accounting Policies

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

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

NORTHLAND INC LIMITED
Notes to the Financial Statements
For the Year Ended 30 June 2014

Early adopted amendments and revisions to standards

The following amendments and revision to standards have been early adopted:

Amendments to NZ IFRS 7 Financial Instruments: Disclosures - The amendment reduces the disclosure requirements relating to credit risk. Full disclosure has been included in these financial statements as per Note 21.

Standards and interpretations issued and not yet adopted

Standards, amendments and interpretations issued but not yet effective that has not been early adopted, and which are relevant to the Company include:

NZ IFRS 9 Financial Instruments will eventually replace NZ IAS 39 Financial Instruments: Recognition and Measurement. NZ IAS 39 is being replaced through the following 3 main phases: Phase 1 Classification and Measurement, Phase 2 Impairment Methodology and Phase 3 Hedge Accounting. Phase 1 on the classification and measurement of financial assets has been completed and has been published in the new financial instrument standard NZ IFRS 9. NZ IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in NZ IAS 39. The approach in NZ IFRS 9 is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the many different impairment methods in NZ IAS 39. The financial liability requirements are the same as those of NZ IAS 39, except for when an entity elects to designate a financial liability at fair value through the surplus/deficit. The new standard is required to be adopted for the year ended 30 June 2016. However, as a new Accounting Standards Framework will apply before this date, there is no certainty when an equivalent standard to NZ IFRS9 will be applied by public benefit entities.

The Minister of Commerce has approved a new Accounting Standards Framework (incorporating a new Tier Strategy) developed by the External Reporting Board (XRB). Under this Accounting Standards Framework, the Company is classified as a Tier 3 reporting entity and it will apply the PBE Simple Format Reporting Standard - Accrual (PSFR-A). The effective date for public sector PBEs to adopt the PBE Standards will be periods beginning on or after 1 July 2014. This means the Company expects to 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.

NORTHLAND INC LIMITED
Notes to the Financial Statements
For the Year Ended 30 June 2014

Revenue

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

Grants

The Company receives local government grants from Northland Regional Council, which subsidises part of the Company's project funding. The grants are recognised as revenue upon entitlement as conditions pertaining to eligible expenditure have been fulfilled.

Other revenue

Council and non-government grants are recognised as revenue when they become receivable unless there is an obligation to return the funds if conditions of the grant are not met. If there is such an obligation the grants are initially recorded as grants received in advance, and recognised as revenue when conditions of the grant are satisfied.

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.

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

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

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

Interest income is recognised using the effective interest method.

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

Advertising Costs

Advertising costs are expensed when the related service has been rendered.

Borrowing costs

The Company has elected to defer adoption of the revised NZ IAS 23 (Borrowing Costs) (Revised 2007), in accordance with the transitional provisions of NZ IAS 23 that are applicable to public benefit entities.

Consequently, all borrowing costs are recognised as an expense in the period in which they are incurred.

NORTHLAND INC LIMITED
Notes to the Financial Statements
For the Year Ended 30 June 2014

Income Tax

Income tax expense in relation to the profit or loss 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 substantially 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 substantially enacted by balance date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the company expects to recover or settle the carrying amount of its assets and liabilities.

Current tax and deferred tax is charged or credited to 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.

NORTHLAND INC LIMITED
Notes to the Financial Statements
For the Year Ended 30 June 2014

Leases

Finance lease

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 Company recognises finance leases as assets and liabilities in the statement of financial position at the lower of the fair value of the leased items or the present value of the minimum lease payments.

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

The amount recognised as an asset is depreciated over its useful life. If there is no certainty as to whether the Company 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.

Cash and cash equivalents

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

Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

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.

A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of trade. 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. The carrying amount of an impaired receivable is reduced through the use of an allowance account, and the amount of the loss is recognised in the surplus or deficit. When the receivable is uncollectible, it is written-off against the allowance account for receivables. Overdue receivables that have been renegotiated are reclassified as current (that is, not past due).

NORTHLAND INC LIMITED
Notes to the Financial Statements
For the Year Ended 30 June 2014

Investments

Investments in bank deposits are initially measured at fair value plus transaction costs.

After initial recognition investments in bank deposits are measured at amortised cost using the effective interest method. Gains and losses when the asset is impaired or derecognised are recognised in the Statement of Comprehensive Income.

At each balance sheet date the Company assesses whether there is any objective evidence that an investment is impaired. Any impairment losses are recognised in the Statement of Comprehensive Income.

Property, plant and equipment

Property, plant and equipment consist of:

Operational assets - These include office furniture, equipment and vehicles (including leased assets). Plant and equipment is shown at cost, less accumulated depreciation and impairment losses.

Additions

The cost of an item of property, plant or 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 Company and the cost of the item can be measured reliably. In most instances, an item of property, plant or equipment is recognised at 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 disposal are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposal are included in the Statement of Comprehensive Income.

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 Company and the cost of the item can be measured reliably.

Depreciation

Depreciation is provided on a straight line or diminishing-value basis on all property, plant and equipment at rates that will write off the cost 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:

Motor Vehicles	26.0 - 36.0%
Office equipment	5.0 - 67.0%
Leased equipment	25.0 - 60.0%

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

NORTHLAND INC LIMITED
Notes to the Financial Statements
For the Year Ended 30 June 2014

financial year-end.

Impairment of property, plant, equipment

Assets that have a finite useful life are reviewed for indicators of impairment at each balance date. When there is an indicator of impairment the asset's recoverable amount is estimated. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

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

The value in use for cash-generating assets and cash-generating units 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. The total impairment loss is recognised in the Statement of Comprehensive Income.

The reversal of an impairment loss is recognised in the Statement of Comprehensive Income.

Borrowings

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

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after balance date or if the borrowings are not expected to be settled within 12 months of balance date.

Employee benefits

Short-term benefits

Employee benefits that the Company 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.

Superannuation Schemes

Obligations for contributions to Kiwi Saver are accounted for as defined contribution superannuation schemes and are recognised as an expense in the profit or loss when

NORTHLAND INC LIMITED
Notes to the Financial Statements
For the Year Ended 30 June 2014

incurred.

Equity

Equity is the community's interest in the Company and is measured as the difference between total assets and total liabilities.

Good 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. Commitments and contingencies are disclosed exclusive of GST.

Creditors and other payables

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

Critical Accounting Estimates and Assumptions

In preparing these financial statements the Company 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 significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Property, plant and equipment useful lives and residual values

At each balance date the Company reviews the useful lives and residual values of its property, plant and equipment. Assessing the appropriateness of useful life and residual value estimates of property, plant and equipment requires the Company to consider a number of factors such as the physical condition of the asset, expected period of use of the asset by the Company, and expected disposal proceeds from the future sale of the asset.

An incorrect estimate of the useful life or residual value will impact on the depreciable amount of an asset, therefore impacting on the depreciation expense recognised in the Statement of Comprehensive Income, and carrying amount of the asset in the statement of financial position. The Company minimises the risk of this estimation uncertainty by:

- physical inspection of assets;
- asset replacement programs;
- review of second hand market prices for similar assets; and
- analysis of prior asset sales.

NORTHLAND INC LIMITED
Notes to the Financial Statements
For the Year Ended 30 June 2014

The Company has not made significant changes to past assumptions concerning useful lives and residual values. The carrying amounts of property, plant and equipment are disclosed in note 9.

Critical judgements in applying the Company's accounting policies

Management has exercised the following critical judgements in applying accounting policies:

Grant Income

The Directors must exercise their judgement when recognising grant income to determine if conditions of the grant have been satisfied. This judgement will be based on the facts and circumstances that is evident for each grant contract.

Leases classification

Determining whether a lease agreement is a finance or an operating lease requires judgement as to whether the agreement transfers substantially all the risks and rewards of ownership to Northland Inc Limited.

Judgement is required on various aspects that include, but are not limited to, the fair value of the leased asset, the economic life of the leased asset, whether or not to include renewal options in the lease term, and determining an appropriate discount rate to calculate the present value of the minimum lease payments. Classification as a finance lease means the asset is recognised in the Statement of Financial Position as property, plant, and equipment, whereas for an operating lease no such asset is recognised.

Northland Inc Limited has exercised its judgement on the appropriate classification of leases, and has determined a number of lease arrangements are finance leases.

2. **Employee benefit expenses**

	<u>2014</u>	<u>2013</u>
Salaries and wages	698,766	941,684
Defined Contribution Plan	17,596	11,486
Increase / (decrease) in employee benefit liabilities	(24,626)	37,497
Total employee benefit costs	<u>691,736</u>	<u>990,667</u>

Employer contributions to defined contribution plans include contributions to KiwiSaver.

NORTHLAND INC LIMITED
Notes to the Financial Statements
For the Year Ended 30 June 2014

3. Other expenses

	<u>2014</u>	<u>2013</u>
Fees to auditor:		
- Current	28,221	23,731
- Prior year Additional Audit Fee	16,997	-
Loss on Disposal of Property, Plant and Equipment	4,125	-
Legal Fees	57,858	60,323
Motor Vehicle Expenses	34,453	59,672
Other Expenses	293,124	194,345
Project Consultants	71,106	-
Other Project Activity Costs	309,271	626,150
Oyster Shell Project Costs	31,613	1,054,833
Total other expenses	<u>846,768</u>	<u>2,019,054</u>

4. Income from Operations

	<u>2014</u>	<u>2013</u>
Oyster Shell Project	31,613	1,054,833
Other Income from Operations	337,443	553,486
Total income from operations	<u>369,056</u>	<u>1,608,319</u>

5. Finance Costs

	<u>2014</u>	<u>2013</u>
Interest - Bank	9	-
Interest on NRC loan	593	-
Interest on finance leases	435	1,324
Total finance costs	<u>1,037</u>	<u>1,324</u>

NORTHLAND INC LIMITED
Notes to the Financial Statements
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6. **Tax**

	<u>2014</u>	<u>2013</u>
Component of tax expense		
Current tax	32,763	-
Deferred tax	(14,307)	-
Income tax expense	18,456	-
Relationship between tax expense and accounting profit		
Net Profit/ (Loss) before tax	256,694	(172,617)
Tax at 28%	71,874	(48,333)
Plus (less) tax effect of:		
Recognition of temporary differences	(21,068)	15,983
Tax losses utilised	(32,350)	-
Tax losses not utilised	-	32,350
Income tax expense	18,456	0

The Company has \$0 of tax losses available to carry forward (Tax effect is \$0) (2013: (\$115,535) tax losses, (\$32,350) tax effect).

A deferred tax asset has not been recognised in relation to tax losses of nil (2013: 115k) and temporary differences of nil (2013: 61k).

Deferred tax assets / (liabilities)

	<u>2014</u>	<u>2013</u>
Opening balance	-	-
Charged to surplus or deficit:		
- Employee entitlements	2,384	-
- Provisions	11,923	-
Closing balance	14,307	-

Northland Inc Limited has no imputation credits available for use in subsequent periods.

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Notes to the Financial Statements
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7. Cash and cash equivalents

	<u>2014</u>	<u>2013</u>
Cash at bank and on hand	175,398	28,562
Total Cash and cash equivalents	<u>175,398</u>	<u>28,562</u>
Net cash equivalents and bank overdrafts for the purposes of the statement of cash flows	<u>175,398</u>	<u>28,562</u>

The carrying value of cash and cash equivalents approximates fair value.

8. Trade and other receivables

	<u>2014</u>	<u>2013</u>
Accounts Receivable	54,001	158,525
Accrued Income	<u>1,840</u>	<u>-</u>
Total trade and other receivables	<u>55,841</u>	<u>158,525</u>

Trade and other receivables are non-interest bearing and receipt is normally on 30-day terms, therefore the carrying value of the trade and other receivables approximates their fair value. Trade and other receivables have been reviewed for impairment on a line by line basis and no provision for impairment is required.

NORTHLAND INC LIMITED
Notes to the Financial Statements
For the Year Ended 30 June 2014

9. **Property, plant and equipment**

2014	Vehicles	Office furniture and Equipment	Leased Equipment	Total
Cost				
Opening Balance	28,043	71,958	49,105	149,106
Additions	25,000	-	-	25,000
Disposals	(5,000)	(18,750)	(38,049)	(61,799)
Closing balance	<u>48,043</u>	<u>53,208</u>	<u>11,056</u>	<u>112,307</u>
Accumulated depreciation and impaired losses				
Opening balance	7,552	36,191	44,455	88,198
Depreciation expense	7,258	7,621	2,496	17,375
Impairment losses	-	-	-	-
Disposals	(1,300)	(15,111)	(37,456)	(53,867)
Closing balance	<u>13,510</u>	<u>28,701</u>	<u>9,495</u>	<u>51,706</u>
Carrying amount at 30 June 2014	<u><u>34,533</u></u>	<u><u>24,507</u></u>	<u><u>1,561</u></u>	<u><u>60,601</u></u>
2013				
Cost				
Opening Balance	-	39,954	43,960	83,914
Additions	28,043	32,004	5,145	65,192
Closing balance	<u>28,043</u>	<u>71,958</u>	<u>49,105</u>	<u>149,106</u>
Accumulated depreciation and impaired losses				
Opening balance	-	30,152	39,298	69,450
Depreciation expense	7,552	6,039	5,157	18,748
Impairment losses	-	-	-	-
Disposals	-	-	-	-
Closing balance	<u>7,552</u>	<u>36,191</u>	<u>44,455</u>	<u>88,198</u>
Carrying amount at 30 June 2013	<u><u>20,491</u></u>	<u><u>35,767</u></u>	<u><u>4,650</u></u>	<u><u>60,908</u></u>

There are no restrictions over the title of Northland Inc Limited property, plant and equipment, other than leased assets that are pledged as security for lease liabilities until paid in full.

NORTHLAND INC LIMITED
Notes to the Financial Statements
For the Year Ended 30 June 2014

10. Trade and other payables

	<u>2014</u>	<u>2013</u>
Accounts Payable	91,091	254,762
Enterprise Northland Trust	-	44
Northland Regional Council	-	41,895
Accrued Expenses	46,427	41,954
Total trade and other payables	<u>137,518</u>	<u>338,655</u>

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 approximates their fair value.

11. Employee benefit and directors fees liabilities

	<u>2014</u>	<u>2013</u>
Accrued salaries and wages	4,024	18,344
Annual leave	15,034	39,660
Total employee benefit liabilities	<u>19,058</u>	<u>58,004</u>
Comprising:		
Current	19,058	58,004
Total employee benefit liabilities	<u>19,058</u>	<u>58,004</u>

12. Borrowings

Fair values of borrowings

The carrying amounts of borrowings repayable within one year approximate their fair value.

Current portion

Finance Leases	625	4,840
Loan from Northland Regional Council	8,038	-
Total current portion	<u>8,663</u>	<u>4,840</u>

Non-current portion

Loan from Northland Regional Council	13,752	625
Total non-current portion	<u>13,752</u>	<u>625</u>

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Analysis of finance lease liabilities

Total minimum lease payments are payable:

Not later than one year	634	5,275
Later than one year and not more than five years	-	634
	<u>634</u>	<u>5,909</u>
Future finance costs	(9)	(444)
Present value of minimum lease payments	<u>625</u>	<u>5,465</u>

Description of material arrangements

The Company has entered into finance leases for various items of office equipment. The net carrying amount of the leased items is shown in note 9 above.

There are no restrictions over the title of Northland Inc Limited property, plant and equipment, other than leased assets that are pledged as security for lease liabilities until paid in full.

The loan from Northland Regional Council is unsecured, 36 month term with interest at 6% per annum payable on the outstanding balance.

13. Equity

	<u>2014</u>	<u>2013</u>
Contributed capital		
Opening Balance	100	100
Capital Contribution	-	-
Closing Balance	<u>100</u>	<u>100</u>
Retained Earnings (Accumulated losses)		
Opening balance	(187,057)	(14,440)
Total Comprehensive Income	238,238	(172,617)
Closing balance	<u>51,181</u>	<u>(187,057)</u>
Total Equity (deficit) attributable to the Company	<u>51,281</u>	<u>(186,957)</u>

All authorised shares have been issued and are paid up. All ordinary shares have equal voting rights and share equally in dividends and surpluses on winding up. The shares have a par value of \$1.00.

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14. **Reconciliation of net profit / (loss) after tax to net cash from operating activities**

	<u>2014</u>	<u>2013</u>
Profit / (loss) after tax	238,238	(172,617)
Add / (less) non cash items:		
Depreciation expense	17,375	18,748
Loss on sale of fixed assets	4,125	-
Add / (less) items classified as investing or financing		
Add / (less) movements in working capital items:		
Trade and other receivables	152,254	(185,455)
Trade and other payables	(201,137)	98,452
Employee benefits	(38,946)	39,841
Income in advance	(39,688)	82,688
Taxation	18,456	-
Prepayments	402	(3,800)
Net cash from operating activities	151,079	(122,143)

15. **Capital Commitments**

	<u>2014</u>	<u>2013</u>
Capital expenditure contracted for at balance date but not yet incurred for property, plant and equipment	-	-

16. **Operating leases as lessee**

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

	<u>2014</u>	<u>2013</u>
Not later than one year	58,729	71,222
Later than one year and not more than five years	84,454	116,622
Total non-cancellable operating leases	143,183	187,844

Leases can be renewed at the option of the Company, with rents set by reference to current market rates for items of equivalent age and condition. The Company does not have the

NORTHLAND INC LIMITED
Notes to the Financial Statements
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option to purchase the assets at the end of the lease term.

The operating leases are as follows:

- Lease One is for a term of 4 years expiring 15 October 2014.
- Lease Two is for a term of 4 years expiring 16 September 2014.

The premises leases are as follows:

- Lease One is for a term of 4 years, 1 month and 23 days with a right of renewal for one further term of 5 years, 3 months and 5 days on the 1 April 2017.
- Lease Two is for a term of 1 year with a right of renewal for one further term of 1 year on the 20 December 2014.

17. Contingencies

Northland Inc Oyster Project

During the 2013/2014 financial year, the Company assigned responsibility and obligations under the contract with Ministry for Environment (MfE) and Ministry of Primary Industries(MPI) to Northland Regional Council. This was recorded in a Novation Agreement with MPI dated 20 December 2013, and at this date, all parties to this agreement noted that the Company had discharged its obligations and liabilities to the satisfaction of the parties. Documentation with MfE remains outstanding pending the completion of the obligations to MfE by Northland Regional Council which the Company understands will occur around October 2014. All payments made by MfE to the Company prior to August 2013 were subject to MfE being satisfied in all respects with the Company's use of funding and agreement on deliverables, therefore the Company is satisfied that there is minimal risk of any liability to any of the parties as a result of the agreements in place and work undertaken to date. However, some contingent risk may exist with respect to the obligations to MfE until completion of the project by Northland Regional Council.

Contingent assets

The Company has no contingent assets (2013:\$0).

18. Related party transactions

The Northland Regional Council owns all of the 100 shares in Northland Inc Limited. Northland Inc Limited is a council controlled organisation of the Northland Regional Council.

Northland Regional Council

During the year Northland Inc Limited received grants of \$1,100,000 (2013:\$1,100,000) from the Northland Regional Council. The total amount of operating grants received from the Northland Regional Council is disclosed in the Statement of Comprehensive Income.

During the year Northland Inc Limited received payment of \$271,384 (2013: \$16,043) from the Northland Regional Council for services provided in the normal course of business.

NORTHLAND INC LIMITED
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Northland Inc Limited paid \$31,612, excluding GST (2013:\$37,265) to Northland Regional Council for services provided in the normal course of business.

Northland Inc Limited was loaned \$25,000 from Northland Regional Council, excluding GST (2013: \$0) and has repaid \$3,803, excluding GST to Northland Regional Council for loan repayments.

The balance owed to Northland Regional Council at reporting date for services provided in the normal course of business is \$0 (2013:\$41,895)

Enterprise Northland Trust

Northland Inc Limited paid \$0 (2013: \$41,906) to Enterprise Northland Trust, a Trust which was in the 2012 year within the same "Group" (for accounting purposes) for the purchase of certain plant, equipment and motor vehicles at fair values. The tasks of economic development were transferred from Enterprise Northland to Northland Inc Limited including the Oyster Shell Project.

The balance owed to Enterprise Northland Trust at reporting date is \$0 (2013:\$44).

Director's fees

Directors Fees for the Year:

	<u>2014</u>	<u>2013</u>
C Mitten	21,998	21,999
W Shepherd	-	3,281
A Britton	-	3,281
R Wright	-	3,281
I Durham	2,734	3,281
D Caselli	-	8,750
R Shaw	-	8,750
J Parsons	-	8,750
S Petersen	13,125	1,094
K Everitt	12,031	1,094
J Jongejans	2,734	-
W Moyes	2,734	-
	<u>55,356</u>	<u>63,561</u>

Four Directors are paid their director's fees through their own companies. These are listed as follows:

- K Everitt - Manaaki Solutions Limited
- I Durham - Durham Strategies Limited
- J Jongejans - Knight Line Limited
- C Mitten - Welcon Investments Limited and Welcon Limited

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Key management personnel compensation

	<u>2014</u>	<u>2013</u>
Salaries and other short-term employee benefits	176,510	281,515
Post-employment benefits	3,634	2,576
Total key management personnel compensation	<u>180,144</u>	<u>284,091</u>

Key management personnel includes the Directors, Chief Executive Officer (Prior year also included General Manager – Marketing and General Manager – Economic).

Key management personnel

Executive Chair fees, vehicle expenses and meeting expenses of \$45,079 (2013 \$172,725) were purchased from Welcon Limited and Welcon Investments Limited on normal commercial terms, companies in which C Mitten is a Director and Shareholder. At balance date, there was \$1,833 owing (2013 \$20,380).

Tourism marketing revenue of \$1,662 was received from Dive!Tutukaka and tourism marketing revenue of \$173 was received from Perfect Day, an organisation which J Jongejans is a Director on normal commercial terms. There was \$50 receivable from Dive!Tutukaka at balance date (2013: \$0).

19. Events after balance date

There were no significant events after the balance date this year.

20. Categories of financial assets and liabilities

The carrying amounts of the financial assets and liabilities in each of the NZ IAS 39 categories are as follows:

	<u>2014</u>	<u>2013</u>
Loans and receivables		
Cash at bank and on hand	175,398	28,562
Trade and other receivables	55,841	158,525
Total loans and receivables	<u>231,239</u>	<u>187,087</u>

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Fair value through profit and loss

Financial liabilities measured at amortised cost

Trade and other payables	137,518	338,655
Borrowings	22,415	5,465
Total financial liabilities measured at amortised cost	159,933	344,120

21. **Financial Instruments risk**

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

Market 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. The Company's exposure to fair value interest rate risk is limited to its borrowings and short-term bank deposits. The Company does not actively manage its exposure to fair value interest rate risk. Because borrowings and bank deposits are not accounted for at fair value, fluctuations in interest rates do not affect the profit or loss of the Company or their carrying amount.

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, cash and cash equivalents at variable interest rates expose the Company to cash flow interest rate risk.

The Company's investment policy requires a spread of investment maturity dates to limit exposure to short-term interest rate movements as investments mature.

Credit risk

Credit risk is the risk that a third party will default on its obligation to the Company causing the Company to incur a loss.

Due to the timing of its cash inflows and outflows, the Company invests surplus cash with registered banks. The Company's investment policy limits the amount of credit exposure to any one institution.

The Company has processes in place to review the credit quality of customers prior to granting of credit.

The Company's maximum credit exposure for each class of financial instrument is

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represented by the total carrying amount of cash equivalents (note 7), and trade receivables (note 8). There is no collateral held as security against these financial instruments, including those instruments that are overdue or impaired.

The Company has no significant concentrations of credit risk, as it has a large number of credit customers and only invests funds with registered banks with specified credit ratings.

Liquidity risk

Liquidity risk is the risk that the Company 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 Company aims to maintain flexibility in funding by keeping committed credit lines available.

The Company manages its borrowings in accordance with its Borrowing policy. The maturity profiles of the Company borrowings are disclosed in note 12.

Trade and other payables will be settled within one year.

Contractual maturity analysis of financial assets

The Company's financial assets contain the following categories: Cash and cash equivalents, Trade and other receivables.

The carrying amount of the financial assets is equivalent to the contractual cash flows, and are receivable in less than one year.

Sensitivity analysis

Cash and cash equivalents include the Company's bank accounts, which earn interest at floating rates.

The potential surplus and deficit impact for reasonable possible market movements, with all other variables held constant, based on the Company's financial instrument exposures at balance date are not material for Cash and cash equivalents and borrowings.

22. Capital management

The Company capital is its equity which comprises Company capital and retained surpluses. Equity is represented by net assets.

The objective of managing the Company's equity is to ensure the Company effectively achieves its objectives and purpose, whilst remaining a going concern.

NORTHLAND INC LIMITED
Notes to the Financial Statements
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23. Segment information

The Company operates in one industry being economic development.

The Company operates in one geographical area being Northland.