PAD 3/1

TO THE MAYOR AND COUNCILLORS OF THE MACKENZIE DISTRICT COUNCIL

MEMBERSHIP OF THE FINANCE COMMITTEE

Graham Smith (Chairman)

Claire Barlow (Mayor)	John Bishop
Peter Maxwell	Annette Money
Graeme Page	Evan Williams

Notice is given of a meeting of the Finance Committee to be held on Thursday 13 June 2013 following The Mackenzie District Council Submissions Hearing to the Annual Plan

VENUE: Council Chambers, Fairlie

BUSINESS: As per agenda attached

WAYNE BARNETT
CHIEF EXECUTIVE OFFICER

5 June 2013

AGENDA FOR THURSDAY 13 JUNE 2013

I APOLOGIES

II DECLARATIONS OF INTEREST

III MINUTES

Confirm and adopt as the correct record the Minutes of the meeting of the Finance Committee held on 23rd of April 2013, including such parts as were taken with the Public Excluded.

IV REPORTS

1. Financial Report April 2013 – to be distributed under a separate cover
2. Local Electoral Regulations 2001
3. Alpine Energy LTD Statement of Intent
4. Mackenzie Tourism & Development Trust

V **PUBLIC EXCLUDED**

Resolved that the public, be excluded from the following part of the proceedings of this meeting namely:

1. Previous minutes of the Finance Committee 23rd of April 2013
2. Robin Hughes Development LTD

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under Section 48(1) for the passing of this resolution
Previous minutes of the Finance Committee 23rd of April 2013	Commercial Sensitivity	48(1)(a)(i)
Robin Hughes Development LTD	Protect the privacy of natural persons	48(1)(a)(i)

This resolution is made in reliance on Section 48(1)(a)(i) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by Section 6 or Section 7 of that Act, which would be prejudiced by the holding of the whole or the relevant part of the proceedings of the meeting in public are as follows: *Previous minutes of the Finance Committee 23rd of April 2013 and Robin Hughes Development LTD* section 7(2)(b)(ii) and section 7(2)(a).

VI VISITORS:

1pm Adair Craik

Ms Craik from Adair Craik Chartered Accountants LTD will present to the Finance Committee to update the Council on the Friends of Apls2Ocean.

MACKENZIE DISTRICT COUNCIL

REPORT TO: FINANCE COMMITTEE

SUBJECT: LOCAL ELECTORAL REGULATIONS 2001

MEETING DATE: 13 JUNE 2013

REF: PAD 1/2013 ELECTION

FROM: MANAGER – FINANCE AND ADMINISTRATION

ENDORSED BY: **C**HIEF EXECUTIVE OFFICER

REASON FOR REPORT:

For Council has to decide the order of candidates' names on voting documents.

RECOMMENDATIONS:

1. That the report is received.

2. That the name under which each candidate is seeking election be arranged in random order on all voting documents.

PAUL MORRIS	**WAYNE BARNETT**
MANAGER – FINANCE & ADMINISTRATION	**CHIEF EXECUTIVE OFFICER**

BACKGROUND:

Council is required under Reg 31(2) of the Local Electoral Regulations Act 2001 to determine a method by which each voting document lists the order of candidates. There are three options:

1. Alphabetical order of surname
2. Pseudo-random order
3. Random order.

The alphabetical order of surnames is self-explanatory. Each voting document lists the candidates in alphabetical order.

Pseudo-random means that the order of candidates is determined randomly (usually by drawing the names from a hat) and all voting documents use that order.

Random means the order of names is determined randomly for each voting document. This is usually done at the printing stage of voting documents.

POLICY STATUS:

There is no existing Council policy on this issue. However, Council did elect to use the random method at the last election..

SIGNIFICANCE OF DECISIONS REQUESTED:

The decision is not considered to be significant in relation to Council's Policy on Significance.

CONCLUSION:

The random option worked well for the last election. It is recommended that it be used for this election.

MACKENZIE DISTRICT COUNCIL

REPORT TO: FINANCE COMMITTEE

SUBJECT: ALPINE ENERGY LTD STATEMENT OF INTENT

MEETING DATE: 13 JUNE 2013

REF: FIN 9/3/3

FROM: MANAGER – FINANCE AND ADMINISTRATION

ENDORSED BY: **C**HIEF EXECUTIVE OFFICER

REASON FOR REPORT:

Provide analysis to Council in relation to Alpine Energy Ltd (AEL) Statement of Intent.

RECOMMENDATIONS:

1. That the report is received.
2. That Council adopt the Statement of Intent for 2013/16 of Alpine Energy Ltd.

PAUL MORRIS	**WAYNE BARNETT**
MANAGER – FINANCE & ADMINISTRATION	**CHIEF EXECUTIVE OFFICER**

ATTACHMENTS:

Alpine Energy Ltd (AEL) Statement of Corporate Intent 2013/16 (SOI).

BACKGROUND:

Council is a 4.96% shareholder in AEL and has the opportunity to review AEL SOI each year and provide comment to the company.

Page 3 of the attached SOI details the key targets by which the company aims to be measured.

Importantly for Council AEL are proposing to maintain the dividend per share at 18.30 cents for the 2013/14 year then increase by 1 cent per share for 2014/15 and 2015/16.

Revenue is expected to increase from $50.7m in 2013/14 to $71.0m in 2015/16 due partially to commerce commission dispensation to increase prices at a higher rate than CPI-X (The normal price path for monopoly Network companies). This leads to an increasing operating surplus before tax of $16.1m to $21.8m.

However this does not take into account changes to metering outlined by AEL CEO. These changes are not considered to be significant so as to require an amendment to the SOI

POLICY STATUS:

The Council has a policy to review its investments SOI.

CONCLUSION:

AEL shows strong growth and profitability over the next three years. It is recommended that Council adopt the SOI.

ALPINE ENERGY LTD

STATEMENT OF CORPORATE INTENT

2013/16

March 2013

ALPINE ENERGY LIMITED

2013 STATEMENT OF CORPORATE INTENT

Alpine Energy Limited (the "Company") is an energy company (as that term is defined in the Energy Companies Act 1992). The Company's growth opportunities have been developed according to the Electricity Industry Reform Act 1998. This statement of corporate intent sets out the overall intentions and objectives for the Company for the trading period of 1 April 2013 to 31 March 2014 and the two succeeding financial years.

(a) The Objectives of the Company

Mission

To ensure continuing commercial success by providing safe; reliable; and efficient energy delivery and infrastructure services.

Vision

To be a high performing, efficient company with group revenues in excess of $70 million per annum by 31 March 2020.

Our Values

We will:

- put Health and Safety First
- act Environmentally Responsibly
- show Respect, Integrity, and Honesty, to build Trust (RIgHT)
- strive for Professional Excellence
- contribute positively to the Community

Business Plan Goals

- **Shareholders**

  To pursue business policies which will maximise the value of the company in the medium and long term.

- **Customers**

  To provide customers with the safe, efficient, economic and reliable delivery of energy and services.

- **Efficient Use of Resources**

  To promote energy efficiency and effective utilisation of resources under our management.

- **Human Resources**

  To be regarded as a fair and reasonable employer in our region and a company for whom staff are proud to work.

- **Public and Social Responsibility**

  To be a law abiding and responsible company.

(b) Nature and Scope of Activities to be Undertaken

The Company's business will primarily be that of quality energy delivery, water resource utilisation, and infrastructure asset ownership and management.

The Company, through a subsidiary company, NetCon Limited, is also involved in contracting activities which support and develop the Business.

Consistent with its objectives the Company will pursue activities designed to ensure the efficient utilisation of its capital assets and human resources.

Opportunities for investment in activities consistent with its Mission will be investigated by the Company.

The Company will consult with its shareholders on any proposed investment in activities other than the safe, efficient, reliable and cost effective delivery of energy, and will not proceed without the approval of a majority of shareholders.

(c) Proprietorship Ratio

The ratio of shareholders' funds to total assets will be maintained at not less than 50 percent.

Total assets will comprise all the recorded tangible assets of the Company at their value as defined in the Company's statement of accounting policies.

Consolidated shareholders' funds of the Company will comprise the total issued capital, the balance of undistributed profits and all revenue and capital reserves.

(d) Accounting Policies

The Company's accounting policies will comply with the legal requirements of the Companies Act 1993 and be consistent with generally accepted accounting principles. Financial statements will conform to the Financial Reporting Standards as required by the Financial Reporting Act 1993.

The Company's electricity distribution network has been maintained to a sustainable standard while being depreciated in the financial accounts.

Details of the current accounting policies and their application are contained in Appendix A.

(e) Financial Performance Targets

The Company has developed financial performance targets to be used to instigate productivity improvements in each of the main business units and these will comprise specific measurable standards monitored for each unit. The following performance measures have been established for the Group:

	2013/14	2014/15	2015/16
(i) Ratio of net profit after tax to shareholders funds:	10.37%	12.17%	12.34%
(ii) Net Tangible Assets per share	4.50	4.73	5.01
(iii) Earnings per share	29.7	36.6	39.4
(iv) Ordinary Dividend per share	18.30	19.30	20.30

Financial Projections	$M	$M	$M
Revenue	50.7	62.7	71.0
Operating Expenses	34.6	42.5	49.2
Operating Surplus Before Tax	16.1	20.2	21.8
Net Operating Surplus After Tax	**12.3**	**15.1**	**16.3**
Shareholder Funds	**120.8**	**128.0**	**135.9**
Current assets	6.4	5.0	5.9
Non current Assets	179.5	190.4	201.3
Total Assets	**185.9**	**195.4**	**207.2**
Current Liabilities	8.5	7.6	8.6
Non current liabilities	56.6	59.8	62.6
TotaL Liabilities	**65.1**	**67.4**	**71.3**
Net assets	**120.8**	**128.0**	**135.9**
Customer Capital Contributions	**2.4**	**2.0**	**2.1**
Capital Expenditure	**23.3**	**14.8**	**13.2**

(f) Operating Performance Targets

The Company has developed annual operating performance targets to show how its quality of service to customers and consumers is focussed. Apart from the consequences of extreme weather events, Alpine Energy seeks to be in the top quartile of New Zealand line companies and its annual operating targets below are based on these criteria.

(i) Electricity Line Losses < 6% per year

(ii) Average Interruption Duration (SAIDI) < 164 minutes of interruption p.a.

(iii) Average Interruption Frequency (SAIFI) < 1.69 interruptions per customer

(g) Dividend Distribution Policy

The Company will, subject to a solvency certificate being signed by Directors, distribute to its Shareholders in cash a total of 18.3 cents per share in 2013/14, 19.3 cents in 2014/15 and 20.3 cents in 2015/16.

The Board of Directors of the Company will include within its report on the operations of the Company (prepared after the end of each financial year) a statement recommending the maximum amount of dividend (if any) payable by the Company in respect of its equity securities.

Quarterly interim dividends of 20% of the annual dividend will be paid out on 30 September, 31 December, and 31 March with a final dividend on 31 July subject to completion of the Annual General Meeting.

(h) Information to be Provided to Shareholders

The Company will provide information which complies with the requirements of the Companies Act 1993, the Energy Companies Act 1992, and the Financial Reporting Act 1993. The following information will be available.

Half yearly reports will be delivered to the Company's shareholders within 2 months after the end of each reporting period. These reports will comprise:

(i) a report from the directors covering the operations for the half year period, including significant activities of the Company in regard to its associate company investments; and

(ii) financial statements, including a statement of financial position and a statement of profit and loss.

Annual reports will be delivered to the Company's shareholders within three months of the end of each financial year and will comprise:

(i) a report from the directors covering the operations for the year, including significant activities of the Company in regard to its associate company investments;

(ii) audited consolidated financial statements for the financial year in respect of the Company and its subsidiaries (if any);

(iii) auditors' report on the financial statements and the performance targets (together with other measures by which performance of the Company has been judged in relation to the Company's objectives).

The Company's audited consolidated financial statements will comprise the following:

* Income Statement
* Balance Sheet
* Statement of cash flows
* Statement of changes in equity
* Details of all transactions entered into during the financial year by the Company or any of its subsidiaries and certain other bodies
* Such other statements as may be necessary to fairly reflect the financial position of the Company and its subsidiaries (if any), the resources available to it or them and the financial results of the operations.

Information for disclosure for the separated line and energy businesses prepared for the purposes of the Electricity (Information Disclosure) Regulations 1994 will be delivered to the Company’s shareholders within three weeks of the information being published in the New Zealand Gazette.

Draft statements of corporate intent will be delivered to the Company's shareholders one month before the end of each financial year.

Shareholders may request further information or reports from the Directors, and the Company shall supply this information to all Shareholders in such manner as shall from time to time be agreed between the Company and Shareholders.

(i) Procedures for Acquisition of Interests in Other Companies or Organisations

As a general policy, any proposed investment by the Company in other companies or organisations will be required to meet the weighted average cost of capital (WACC) of the investments being considered, which shall reflect the market cost of debt and the market cost of equity.

All investment proposals will be considered by the Company's Board of Directors and in respect of any acquisition which has a value greater than 5% of the value of the total assets of the Company, as disclosed in the statement of financial position published in the preceding annual report of the Company, recommendations will be made for shareholders approval.

(j) Transaction Details

The following information is disclosed in terms of Section 39(2) (i) of the Energy Companies Act 1992:-

- Contractual arrangements with the District Councils include:-
    * Development, installation and maintenance of community lighting facilities.
    * Road and Footpath Sealing: - re-sealing of cable trenches and restoration of footpaths etc after underground cabling and new subdivisions.
    * Negotiation of a contribution towards the overhead line to underground conversion programme.

All transactions between the Company and its Shareholder District Councils will be conducted on a commercial basis. Charges between the parties made for services provided as part of the normal trading activities of the Company, are incorporated into the operating costs and revenues of the Company.

(k) Further Matters

The Company intends to investigate, consider and if appropriate, acquire interests in electricity lines related activities to the extent that such opportunities become available to the Company.

The maintenance and development of the total reticulation system of the Company will be a prime responsibility for the Company and shall be charged for on a fair and reasonable basis while acknowledging that some cross subsidisation among customers may occur.

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APPENDIX A

STATEMENT OF ACCOUNTING POLICIES

Financial statements will be prepared in accordance with Generally Accepted Accounting Practice in New Zealand. They will comply with the New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards, as appropriate for profit oriented entities.

(a) Basis of preparation

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies will be consistently applied to all the periods presented, unless otherwise stated.

Entities reporting

The financial statements for the "Parent" are for Alpine Energy Limited as a separate legal entity.

The consolidated financial statements for the "Group" are for the economic entity comprising Alpine Energy Limited, and its subsidiaries and associates.

The Company and Group are designated as profit oriented entities for financial reporting purposes.

Statutory base

Alpine Energy Limited is a company registered under the Companies Act 1993.

The financial statements are prepared in accordance with the requirements of the Financial Reporting Act 1993 and the Companies Act 1993.

Functional and presentation currency

The Company's and Group's financial statements are presented in New Zealand dollars, which is the Company's and Group's functional and presentation currency.

Historical cost convention

The financial statements are prepared under the historical cost convention, as modified by the revaluation of certain assets as identified in specific accounting policies below.

(b) Critical accounting estimates and judgements in applying the entity's accounting policies

The preparation of financial statements in conformity with NZ IFRS requires management to make certain critical accounting estimates and judgements that affect the application of policies and reported amount of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances. These estimates and judgements form the basis for making judgements about the carrying values of assets and liabilities, where these are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying judgments are regularly reviewed. Any changes to estimates are recognised in the period if the change affects that period, or in future periods if the change also affects future periods.

(c) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Alpine Energy Limited and the results of all subsidiaries for the year. Alpine Energy Limited and its subsidiaries together are referred to in financial statements as the Group or the consolidated entity.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights.

The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity.
Subsidiaries which form part of the Group are consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the Group's share of the fair value of the identifiable net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between subsidiary companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries will be changed where necessary to ensure consistency with the policies adopted by the Group.

(ii) Associates

Associates are all entities over which the Group has significant influence but not control, generally evidenced by holding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the Group by using the equity method of accounting and are initially recognised at cost.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates will be changed where necessary to ensure consistency with the policies adopted by the Group.

Associates are accounted for at cost in the Parent financial statements.

(d) Revenue recognition

Revenue comprises the fair value for the sale of goods and services, excluding Goods and Services Tax, rebates and discounts and after eliminating sales within the Group. Revenue is recognised as follows:

(i) Sales of goods

Sales of goods are recognised when a Group entity has delivered a product to the customer. Retail sales are usually in cash or by bank transfer. The recorded revenue is the gross amount of sale.

(ii) Sales of services

Sales of services are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

(iii) Interest income

Interest income is recognised on a time proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income.

Interest income on impaired loans is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

(iv) Construction contracting

Contract revenue and expenses related to individual construction contracts are recognised on completion of each contract.

(v) Rental income

Rental income is recognised on an accruals basis in accordance with the substance of the relevant agreements.

(vi) Dividend income

Dividend income is recognised when the right to receive payment is established.

(vii) Grants

Assets constructed for which a government grant is received are recorded net of the grant. Grants received are recognised in the Income Statement when the requirements under the grant agreement have been met. Any grants for which the requirements under the grant agreement have not been completed are carried as liabilities until all the conditions have been fulfilled.

(e) Capital and operating expenditure
Capital expenditure relates to expenditure incurred in the creation of a new asset and expenditure incurred on existing reticulation system assets to the extent the system is enhanced.

Operating expenditure is that expenditure incurred in maintaining and operating the property, plant and equipment and investment properties of Alpine Energy Limited.

(f) Taxation
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 on the taxable profit from the current year, plus any adjustments to income tax payable in respect of the prior year. Current tax is calculated using rates that have been enacted or substantially enacted by balance date. Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(g) Goods and Services Tax (GST)
The Income Statement is prepared so that all components are stated exclusive of GST. All items in the statement of financial position are stated net of GST, with the exception of receivables and payables, which include GST invoiced.

(h) Leases

(i) The Group is the lessee
Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

(ii) The Group is the lessor
Assets leased to third parties under operating leases are included in property, plant and equipment in the balance sheet. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

(i) Impairment of non financial assets
Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Intangible assets that have an indefinite useful life including goodwill are not subject to amortization and are tested annually for impairment irrespective of whether any circumstances identifying a possible impairment have been identified. 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.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

(j) Cash and cash equivalents
Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(k) Trade receivables
Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the Group 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 at the effective interest rate. The amount of the provision is recognised in the income statement.

(l) Investments and other financial assets
The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held to maturity investments and available for sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at the initial recognition and re-evaluates this designation at every reporting date.

(i) Financial assets at fair value through profit and loss
This category has two sub categories: financial assets held for trading, and those designated at fair value through profit or loss 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.

(ii) Loans and receivables
Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in

current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets.

(iii) Held to maturity investments
Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity.

(iv) Available for sale financial assets
Available for sale financial assets are non derivatives that are either designated in this category or not classified in any other the other categories. They are included in non current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset of a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available for sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

(m) Foreign currency
Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Foreign currency differences arising on retranslation are recognised in profit or loss.

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

(o) Contract work in progress
Contract work in progress is stated at cost less amounts invoiced to customers. Cost includes all expenses directly related to specific contracts.

(p) Investment properties
The initial cost of investment properties is the value of the consideration given to acquire the assets plus the value of other directly attributable costs which have been incurred in bringing the assets to the location and condition necessary for their intended service. Investment properties are revalued annually, using the fair value approach, by an independent registered valuer who has a working knowledge of the location and category of the investment property. Fair value gains and losses and recognised in the Income Statement.

(q) Property, plant and equipment
All property, plant and equipment is stated at historical cost less depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Land is not depreciated. Depreciation of property, plant and equipment is calculated using diminishing value income tax rates so as to expense the cost of the assets over their useful lives. The rates are as follows:

- Buildings 1% - 2.5%
- Plant and Equipment 7.5% - 50%
- Motor vehicles 15% - 26%
- Reticulation system 1.4% - 10%

The assets' residual value and useful lives are reviewed and adjusted if appropriate at each balance sheet date.

Capital work in progress is not depreciated until commissioned.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

(r) Non-current assets held for sale

An asset is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than continuing use. On classification as 'Held for Sale', non current assets and disposal groups are recognised at the lower of carrying amount and fair value less costs to sell. Impairment losses on initial classification as 'Held for Sale' are included in the income statement.

(s) Intangible assets

Software costs

Software costs have a finite useful life. Software costs are capitalised and written off over the useful economic life of 2 to 5 years.

Costs associated with developing or maintaining computer software programs are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets.

Direct costs include the costs of software development employees and an appropriate portion of relevant overheads.

Easements
Assets sited on easements will normally be renewed at the end of their economic life in the same location that they are currently housed. On this basis the easement itself has an infinite life. Easements are recorded at cost and are tested annually for any sign of impairment.

(t) Trade and other payables
These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

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

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

(v) Share Capital
Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

(w) Provisions
Provisions for legal claims, service warranties and rental obligations are recognised when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

(x) Employee benefits
Liabilities for wages and salaries, including non-monetary benefits, annual leave, and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

The liability for employee entitlements is carried at the present value of the estimated future cash flows.

(y) Dividends
Provision is made for the amount of any dividend declared on or before the end of the financial year but not distributed at balance date.

Dividend distribution to the Company shareholders is recognised as a liability in the Company's and Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

(z) New standards and interpretations not yet adopted

The Company only adopts new accounting standards once they have been issued and are effective.

MACKENZIE DISTRICT COUNCIL

MINUTES OF A MEETING OF THE FINANCE COMMITTEE HELD IN THE COUNCIL CHAMBERS, FAIRLIE, ON TUESDAY 23 APRIL 2013 AT 10:31 AM

PRESENT:

Graham Smith (Chairman)
Claire Barlow (Mayor)
Crs John Bishop
Annette Money
Graeme Page
Evan Williams

IN ATTENDANCE:

Paul Morris (Manager – Finance and Administration)
Keri-Ann Little (Committee Clerk)

I APOLOGY:

Resolved that an apology be received from Councillor Peter Maxwell.

II MINUTES:

Resolved that the Minutes of the meeting of the Finance Committee held on 19 March 2013, including such parts as were taken with the Public Excluded, be confirmed and adopted as the correct record of the meeting.

Annette Money/ Evan Williams

III PUBLIC EXCLUDED

Resolved that the public, be excluded from the following part of the proceedings of this meeting namely:

1. Authorisation of Engineering and design costs for Tekapo Land Development.

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under Section 48(1) for the passing of this resolution
Authorisation of Engineering and Design Costs for Tekapo Land Development.	Commercial Sensitivity	48(1)(a)(i)

This resolution is made in reliance on Section 48(1)(a)(i) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by Section 6 or Section 7 of that Act, which would be prejudiced by the holding of the whole or the relevant part of the proceedings of the meeting in public are as follows: *Authorisation of Engineering and Design Costs for Tekapo Land Development* section 7(2)(b)(ii).

Annette Money/ Mayor Barlow

The Finance Committee continued in Open Meeting.

<u>CONFIRMATION OF RESOLUTIONS TAKEN WITH THE PUBLIC EXCLUDED:</u>

<u>Resolved</u> that the following resolutions taken with the Public Excluded be confirmed:

Authorisation of Engineering and Design Costs for Tekapo Land Development:

1. That the Council waive clause 57 of the Earth & Sky Ltd Agreement and waive clause 67 of the Foodstuffs Ltd Agreement.

2. That the Finance Committee authorise Robin Hughes Development Ltd to engage suitable consulting to complete the planning, engineering, surveying and design works necessary to prepare a subdivision consent application for lodging with Mackenzie District Council.

3. That the budget allowance for this work be set at $199,800.00.

Evan Williams/ Annette Money

IV <u>REPORTS:</u>

1. <u>FINANCIAL REPORT – JANUARY 2013:</u>

   This report from the Manager – Finance and Administration was accompanied by the financial report for the period to 30 March 2013.

   <u>Resolved</u> that the report be received.

Annette Money/ Mayor Barlow

2. <u>BANCORP QUARTERLY REPORT:</u>

   This report form the Manager – Finance and Administration was accompanied by the Bancorp Quarterly Report for the period to March 30 2013.

   <u>Resolved</u> that the report be received.

Evan Williams/ Graeme Page

III PUBLIC EXCLUDED

Resolved that the public, be excluded from the following part of the proceedings of this meeting namely:

1. Previous Minutes of the Finance Committee, 19 March 2013.
2. The Old Library Café Update
3. Update Section Sale

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under Section 48(1) for the passing of this resolution
Previous Minutes of the Finance Committee 19 March 2013	Commercial Sensitivity	48(1)(a)(i)
The Old Library Café Update	Commercial Sensitivity	48(1)(a)(i)
Update Section Sale	Commercial Sensitivity	48(1)(a)(i)

This resolution is made in reliance on Section 48(1)(a)(i) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by Section 6 or Section 7 of that Act, which would be prejudiced by the holding of the whole or the relevant part of the proceedings of the meeting in public are as follows: *Previous Minutes of The Finance Committee, 19 March 2013, The Old Library Café Update and Update Section Sale* section 7(2)(b)(ii).

Annette Money/ Mayor Barlow

V ADJOURNMENT:

The meeting was adjourned at noon.

V ADJOURNMENT:

The meeting was reconvened on Tuesday 30 April 2013 at 3:43pm.

Councillor Maxwell joined the meeting at 3:43pm.

Resolved: Raise the Tourism UAGC Rate to $35 and to obtain the remaining balance from the Targeted Tourism Rate.

Claire Barlow/ Annette Money

Resolved: that the fixed charge for the Wheelie Bin Service be increased to $250.00 for every rate payer.

Annette Money/ Mayor Barlow

Resolved: that the uniform annual charge across the whole District for Roading is $20.00.

Graham smith/Mayor Barlow

Annette Money and John Bishop voted against this motion.

Resolved: to take sufficient money out of the Real Estate Reserve to cover the local share of the emergency reinstatement cost of Roading.

Graham Smith/ Peter Maxwell

Resolved: that Towns use up their Roading Reserve Funds within a year. That Rural use their Rural Roading Reserve Funds within three years subject to consultation with the Rural Sector.

Annette Money/ Claire Barlow

Resolved: To take $107,000 out of The Rural Reserves Fund which is the local share of the bridges and $40,000 goes in to establish a Roading Reserve.

Graham Smith/ Annette Money

Resolved: that there is a 6.84% rate increase across the District.

Annette Money/ Mayor Barlow

Resolved: that Council delegate the authority to adopt The Draft Annual Plan and Summary for public consultation.

Annette Money/ Graham Smith

Mr Chair thanked The Manager Finance and Administration - Mr Morris for his hard work and the Committee for their input.

THE CHAIRMAN DECLARED THE MEETING CLOSED AT 4:13PM

CHAIRMAN: ___________________________________

DATE: ___________________________________

MACKENZIE DISTRICT COUNCIL

REPORT TO: FINANCE COMMITTEE

SUBJECT: MACKENZIE TOURISM & DEVELOPMENT TRUST

MEETING DATE: 13 JUNE 2013

REF: LAN 7/1/1

FROM: MANAGER – FINANCE AND ADMINISTRATION

ENDORSED BY: **C**HIEF EXECUTIVE OFFICER

REASON FOR REPORT:

For Council to recommend to the trustees of the Mackenzie Tourism and Development Trust (the Trust) to wind up the Trust.

RECOMMENDATIONS:

1. That the report is received.

2. The Council recommend to the Trustees of the Mackenzie Tourism and Development Trust that the Trust be wound up immediately.

3. That Council exempt the Trust under Section 7 of the Local Government Act 2002.

PAUL MORRIS
MANAGER – FINANCE & ADMINISTRATION

WAYNE BARNETT
CHIEF EXECUTIVE OFFICER

BACKGROUND:

With the appointment of new trustees approximately 12 months ago, Council signaled its intention to provide Tourism and Economic Development services using a different model.

With the wind down of activity and settling of all known outstanding trade creditors, it is appropriate that Council direct the trustees to wind up the Trust.

It is also appropriate to deem the Trust an Exempted Organisation under Section 7 of the Local Government Act 2002 (The Act). This will exempt the Trust from audit requirements while the Trust is being wound up.

POLICY STATUS:

There is no existing Council policy on this issue. However, Council has used the provision in the past when dealing with Mackenzie Holdings Ltd.

SIGNIFICANCE OF DECISIONS REQUESTED:

The decision is not considered to be significant in relation to Council's Policy on Significance.

ISSUES & OPTIONS:

Council has two options:

1. Do nothing.
2. Resolve to recommend the Trust be wound up and exempting the Trust under The Act.

CONSIDERATIONS:

If the Trust is not wound up then there are ongoing costs to maintain including both legal, audit and taxation costs.

When exempting an organization under The Act, Council should take into account the following:

a. The nature and scope of the activities provided by the organization; and
b. The costs and benefit if an exemption is granted, to the Local Authority, the Council Controlled Organisation and the Community.

Clearly the Trust fits both of these considerations and can be granted an exemption.

CONCLUSION:

It is appropriate that Council resolve to recommend to the Trustees to wind up the trust and that Council also declare the Trust to be an Exempt organization under Section 7 of the Local Government Act 2002. This will eliminate audit costs etc while the Trust is being wound up.