Good City Council

Illustrative Financial Statements for year ended 30 June 2018

Based on PBE Standards for Tier 1 and Tier 2 public benefit entities

(Also applicable to years ended 31 December 2017 and 31 March 2018)

EY

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Contents

Abbreviations and key

Abbreviations

The following styles of abbreviation are used in the commentary pages of the Good City Council illustrative financial statements:

FMC 2013	Financial Markets Conduct Act 2013
FRA 2013	Financial Reporting Act 2013
FRA 1993	Financial Reporting Act 1993
LGA	Local Government Act 2002
LG (FRP)R	Local Government Financial Reporting and Prudence Regulation 2014
PFA	Public Finance Act 1989
IPSAS	International Public Sector Accounting Standards
IPSASB	International Public Sector Accounting Standards Board
PBE	Public Benefit Entity
PBE Standards	Public benefit entity standards issued by the External Reporting Board (XRB) or the New Zealand Accounting Standards Board (NZASB) of the XRB
PBE IPSAS 3.9	Public Benefit Entity International Public Sector Accounting Standard No. 3, paragraph 9
PBE IFRS 3.2	Public Benefit Entity International Financial Reporting Standard 3, paragraph 2
PBE IAS 12.2	Public Benefit Entity International Accounting Standard No. 12, paragraph 2
PBE FRS 46.4	Public Benefit Entity Financial Reporting Standard No. 46, paragraph 4
XRB	External Reporting Board
NZ GAAP	New Zealand Generally Accepted Accounting Practice
Commentary	The commentary explains how the requirements of PBE Standards have been interpreted in arriving at the illustrative disclosure

Key

Each section of the illustrative financial statements of Good City Council is cross-referenced to commentary. Source references to the authoritative literature are also provided. The commentary follows the disclosure contained in each section of the financial statements and is intended to highlight disclosure requirements of the note or explain the particular decisions made in providing the illustrative disclosure in this report.

Caveat

The names of people and organisations included in these illustrative financial statements are fictitious and have been created for the purpose of illustration only. Any resemblance to any person or organisation is purely coincidental.

These financial statements are illustrative only and do not attempt to show all possible accounting and disclosure requirements. In case of doubt as to the requirements, it is essential to refer to the relevant source and, where necessary, to seek appropriate professional advice. Although the illustrative financial statements attempt to show the most likely disclosure requirements for a local authority, it should not be regarded as a comprehensive checklist of disclosure requirements.

Introduction

This document contains an illustrative set of consolidated financial statements for Good City Council and its controlled entities (the Group) that is prepared in accordance with PBE Standards as applicable to Tier 1 and Tier 2 public benefit entities (PBEs) under XRB A1 *Accounting Standards Framework* (XRB A1) issued by the XRB.

Good City Council is a fictitious local authority in New Zealand with a reporting date of 30 June 2018.

Objective

This set of consolidated financial statements is prepared by EY to assist you in preparing your own financial statements. The illustration reflects some of the transactions, events and circumstances that we consider to be common for a broad range of entities within the public sector and the private not-for-profit sector. However, it does not address all possible transactions, events and arrangements. Therefore, additional disclosures may be required for the transactions, events or arrangements that are not addressed in these illustrative financial statements.

While these illustrative financial statements may serve as a useful reference, users of this publication are encouraged to prepare entity-specific disclosures to reflect the entity's own facts and circumstances. Such entity-specific disclosures enhance the relevance and usefulness of the financial information. Furthermore, certain disclosures are included in these financial statements merely for illustrative purposes even though they may be regarded as items or transactions that are not material to Good City Council.

Please note that, as a general approach, these illustrative financial statements do not early adopt PBE Standards or amendments before their effective date.

Using this publication

Applicability to public sector PBEs and not-for-profit PBEs

Although Good City Council is a public sector PBE, this publication is applicable to both public sector PBEs and not-for-profit PBEs.

To ensure relevance and ease of use for a wide range of public sector and not-for-profit PBEs, the main body of this publication contains only disclosures required by PBE Standards. The majority of statutory disclosures that are not required by PBE Standards, but which local authorities or other public sector PBEs are required to provide in their annual report by their specific governing legislation, are presented in the appendices. Local authorities and other public sector PBEs should refer to Appendices 7-11 for examples of such statutory disclosures.

Although PBE Standards are applicable to all PBEs across the public sector and private not-for-profit sector, a small number of standards contain requirements that are applicable only to not-for-profit PBEs. For example, PBE IPSAS 20 *Related Party Disclosures* requires not-for-profit PBEs to disclose all related party transactions, whereas public sector PBEs would usually be eligible for a disclosure exemption in this area. Also, PBE FRS 47 *First-time Adoption of PBE Standards by Entities Other Than Those Previously Applying NZ IFRSs* has disclosure exemptions that are applicable to not-for-profit PBEs only.

In addition, at present, there are two versions of PBE IPSAS 6 *Consolidated and Separate Financial Statements* – one for public sector PBEs and one for not-for-profit PBEs. The requirements of the two versions are the same, but different guidance and examples are provided for not-for-profit PBEs as compared to public sector PBEs.*

As Good City Council is a public sector PBE, the above-mentioned requirements that are specific to not-for-profit PBEs have not been disclosed in the main body of this publication. However, these disclosures are presented in Appendix 6. The main body of this publication makes reference to this appendix in every instance where there are different disclosure requirements for not-for-profit PBEs. Not-for-profit PBEs using this publication should therefore refer to Appendix 6, in addition to the main body of the publication.

*For information purposes, we note that both the public sector version and not-for-profit version of PBE IPSAS 6 will be superseded by PBE IPSAS 34 *Separate Financial Statements* and PBE IPSAS 35 *Consolidated Financial Statements*, which will become effective for periods beginning on or after 1 January 2019 and will apply to both public sector PBEs and not-for –profit PBEs.

First-time adoption of PBE Standards

Upon transitioning to PBE Standards, PBEs must apply either PBE FRS 46 *First-time Adoption of PBE Standards by Entities Previously Applying NZ IFRSs* (PBE FRS 46), or PBE FRS 47 *First-time Adoption of PBE Standards by Entities Other Than Those Previously Applying NZ IFRSs* (PBE FRS 47). However, these two standards are only applicable to the first set of financial statements prepared under PBE Standards. The vast majority of Tier 1 and Tier 2 PBEs will have transitioned to PBE Standards in the 2015 or 2016 financial year. Therefore, we have not included illustrative disclosures for PBE FRS 46 and PBE FRS 47 in the main body of this publication.

However, for those PBEs that apply PBE Standards for the first time in the 2017/2018 financial year (for example, a PBE that has moved from Tier 3 (or Tier 4) to Tier 2 (or Tier 1) of the PBE accounting standards framework), we have included the disclosures required by PBE FRS 47 in Appendix 5. Disclosure requirements for the application of PBE FRS 46 are not covered by this publication, as it would be very unlikely for an entity applying PBE Standards for the first time in the 2017/2018 financial year to fall within the scope of PBE FRS 46.

Applicability to Tier 1 and Tier 2 PBEs

This publication has been designed to illustrate disclosure requirements for both Tier 1 public benefit entities reporting in accordance with PBE Standards, and Tier 2 public benefit entities reporting in accordance with PBE Standards with Reduced Disclosure Requirements ("PBE RDR").

Disclosures and related commentaries for which PBE RDR disclosure concessions are available have been highlighted in this document in dark grey with white text. Tier 2 entities are not required to make these disclosures.

Additional PBE RDR disclosures required to be made by Tier 2 entities are contained in a dashed box and are not applicable to Tier 1 entities.

Commentaries and References to PBE Standards

Notations shown on the right-hand margin of each page are references to the relevant paragraphs in PBE Standards that describe the specific disclosure requirements.

Commentaries are provided to explain the basis for the disclosure or to address alternative disclosures not included in the illustrative financial statements. Where there is any uncertainty with regard to the requirements of PBE Standards, it is essential to refer to the relevant source material and, where necessary, to seek professional advice.

Accounting policy choices

In some cases, PBE Standards permit more than one accounting treatment for a transaction or event. Preparers of financial statements should select the treatment that is most relevant to their activities and the relevant circumstances as their accounting policy.

PBE IPSAS 3 *Accounting Policies, Changes in Accounting Estimates and Errors* requires an entity to select and apply its accounting policies consistently for similar transactions, events and/or conditions, unless a standard specifically requires or permits categorisation of items for which different policies may be appropriate. Where a standard requires or permits such categorisation, an appropriate accounting policy is selected and applied consistently to each category. Therefore, once a choice of one of the alternative treatments has been made, it becomes an accounting policy and must be applied consistently. Changes in accounting policy should only be made if required by a standard, or if the change results in the financial statements providing reliable and more relevant information.

In this publication, when a choice is permitted by PBE Standards, the Group has adopted one of the treatments as appropriate to the circumstances of the Group. In these cases, the commentary provides details of which policy has been selected, the reasons for this policy selection, and summarises the difference in the disclosure requirements.

Annual report disclosures required of public sector PBEs by legislation

Local authorities like Good City Council are required by their governing legislation (Local Government Act 2002) and related regulations (Local Government Financial Reporting and Prudence Regulations 2014) to provide certain disclosures that are not required by PBE Standards. Some of these statutory disclosures, especially if they are financial in nature, are normally presented by local authorities within the notes to the financial statements, together with disclosures that are required by PBE Standards.

To avoid confusion and improve ease of use for PBEs that are not local councils, some of these statutory requirements are provided in the appendices, rather than in the main body of this publication. Please note that some – but not all – of these local authority statutory disclosures are also required for other public sector PBEs, such as government departments or Crown Entities, by their governing legislation. It is important that all PBEs (public sector and not-for-profits) refer to their respective legislation and governing documents to ascertain any disclosure requirements that are additional to those required under PBE Standards.

Further details about public sector statutory disclosures provided in this publication are outlined below.

Consolidated and separate financial statements

There is no requirement in PBE Standards for the separate financial statements of a controlling entity to accompany the consolidated financial statements of a group. However, the Local Government Act 2002 (Schedule 10, paragraph 29) does require both the separate financial statements of the local authority and the authority's consolidated financial statements to be included in the local authority's annual report. Therefore, Good City Council presents the Council's separate financial statements in addition to its consolidated financial statements. Other public sector PBEs should refer to their governing legislation to ascertain whether they have a statutory requirement to present separate parent financial statements in addition to consolidated financial statements.

Budget

For many public sector entities, there is a statutory requirement to disclose a budgeted statement of comprehensive revenue and expense and a budgeted statement of financial position as part of the annual report. As a local authority, Good City Council is required to present these budgeted financial statements in its annual report by Schedule 10, section 29, paragraph 2 of the Local Government Act 2002. A similar requirement is contained in section 45B of the Public Finance Act 1989 for government departments, and in section 154(3)(c) of the Crown Entities Act for Crown entities.

PBE IPSAS 1.21(e) requires an entity that makes its approved budget publicly available to present a comparison between the budget and actual amounts either as a separate additional financial statement or as a budget column in the financial statements (i.e. statement of comprehensive revenue and expense, statement of financial position, etc.). Good City Council has elected the latter option and presents a budget column as part of its financial statements.

PBE IPSAS 1.2(e) has been amended, effective 1 January 2018, to refer to the publication of general purpose prospective financial statements instead of the publication of an approved budget. The replacement of the term approved budget has been made to align the terminology in PBE IPSAS 1 with that more commonly used in New Zealand. The amendment also clarifies when information published by a PBE meets the definition of general purpose prospective financial information and thus when the required disclosures should be provided. As noted above, many public sector entities are required by legislation to disclose this information regardless.

Statement of Service Performance

PBE Standards provide guidance around disclosures to be included in a statement of service performance, if one is presented. At present this guidance only applies to entities that are required by legislation to prepare a statement of service performance, as PBE Standards do not currently require a PBE to report on their service performance. The NZASB has issued an exposure draft for a standard that, if adopted as drafted, will require all public sector PBEs whose legislation requires service performance reporting, and all not-for-profit PBEs, to present service performance information as per the requirements set out in this new standard. The exposure draft for this standard was issued in February 2016. Following consideration of comments on the Exposure Draft, the NZASB has revised its proposed standard and has undertaken a limited scope consultation for which comments closed in July 2017. We expect the finalised standard to be issued by the end of 2017, with an implementation period of at least two years.

Many public sector PBEs are required by legislation to produce a Statement of Service Performance as part of their annual report. This is a requirement for local authorities under the Local Government Act 2002, for government departments under the Public Finance Act 1989, and for Crown Entities under the Crown Entities Act 2004. The aim of the Statement of Service Performance is to provide a narrative and statistics on the entity's performance in supplying goods and services, and information on the effects on the community of the entity's existence and operations. According to the guidance in the current version of PBE IPSAS 1, when a Statement of Service Performance is presented, it shall describe and disclose the outputs of an entity. The inputs and outcomes relevant

to those outputs also need to be disclosed. This guidance was previously under FRS 44, and it has not changed with the move to PBE Standards. Refer to Appendix 8 for an example of Good City Council's Statement of Service Performance.

Please note, however, that the guidance in PBE IPSAS 1 on the statement of service performance will be replaced by the requirements of the abovementioned new PBE Standard on service performance reporting.

Other PBE annual report disclosures required by legislation

In addition to the items mentioned above, public sector PBEs are required by legislation to disclose additional information in their annual reports. For example, as a local authority, Good City Council is required to disclose in its annual report a statement of capital expenditure for groups of activities, a funding impact statement, a statement of internal borrowings, a statement of remuneration to the mayor or chairperson of the local authority, each member of the local authority and the CEO, and a report on staffing levels and staff remuneration. Other types of public sector PBEs will have different legislative requirements for their annual reports.

We have included some examples of the statutory annual report disclosures required of public sector PBEs in Appendices 7-11.

Tier 1 and Tier 2 criteria for PBEs

Tier 1 PBEs

A Tier 1 PBE is required to comply with PBE Standards in full.

A PBE shall report in accordance with Tier 1 PBE Standards if it meets the following criteria:

- it has public accountability (as defined below) at any time during the reporting period; or
- it is large (as defined below); or
- the entity is eligible to report in accordance with another tier but does not elect to report in accordance with that other tier.

Definition of "public accountability":

A PBE has public accountability if it:

- meets the International Accounting Standards Board (IASB) definition of public accountability; or
- is deemed to be publicly accountable in New Zealand.

Under the IASB definition, an entity is publicly accountable if:

- its debt or equity instruments are traded in a public market or it is in the process of issuing such instruments for trading in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets); or
- it holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses. This is typically the case for banks, credit unions, insurance providers, securities brokers/dealers, mutual funds and investment banks.

An entity is deemed to be publicly accountable in the New Zealand context if within the meaning of the Financial Markets Conduct Act 2013 it is:

- an issuer of equity securities or debt securities under a regulated offer;
- a manager of registered schemes (but only in respect of financial statements of a scheme or fund);
- a listed issuer;
- a registered bank;
- a licensed insurer;
- a credit union;
- a building society;
- a FMC reporting entity or class of FMC reporting entities that is considered to have a higher level of public accountability by a notice issued by the FMA under section 461L(1)(a) of the Financial Markets Conduct Act 2013; or

- an issuer under the transitional provisions of the Financial Reporting Act 2013 (i.e. an issuer as defined by the Financial Reporting Act 1993, except for operators of retirement villages within the meaning of the Retirement Villages Act 2003),

unless exempted by statute or regulation from the requirement to prepare general purpose financial reports in accordance with NZ GAAP.

Where the entity is a group in New Zealand, and the controlling entity of the group has public accountability, the group is deemed to have public accountability. A group shall not be considered to have public accountability solely by reason of a controlled entity having public accountability.

Definition of "large":

A PBE is large if it has total expenses over $30 million.

For the purpose of this definition, "total expenses" means the total expenses (including losses and grant expenses) recognised by an entity in accordance with Tier 1 PBE Standards in its surplus or deficit, where surplus or deficit is defined as the total of revenue less expenses, excluding the components of other comprehensive revenue and expense. Where revenue and expense are offset as required or permitted by a relevant standard, any net expense is included in total expenses. Where the entity reporting is a group, total expenses is applied to the group comprising the controlling entity and all its controlled entities.

Tier 2 PBEs

The term "Tier 2 PBEs" refers to entities that qualify for and elect to report under PBE RDR.

A PBE qualifies for Tier 2 if it:

- does not have public accountability as defined above; and
- is not large as defined above.

PBE Standards applicable as at 31 December 2017, 31 March 2018 and 30 June 2018

The standards applied in these illustrative financial statements are the versions that were in issue as at 30 November 2017 and effective for annual periods beginning 1 January 2017 and onwards[1]. Standards issued, but not yet effective as at 1 July 2017, have not been early adopted.

Illustrative disclosures in this publication incorporate all standards and amendments to standards effective on or before 1 January 2017, 1 April 2017 and 1 July 2017, unless otherwise stated. It is important to note that the illustrative financial statements in this document will require continual updating as standards are issued and/or revised by the External Reporting Board (XRB). Therefore, if you are using this publication to assist in the preparation of your financial report, it must be emphasised that this does not include changes arising from new and amended Standards and Interpretations issued after 30 November 2017. In accordance with PBE IPSAS 3, specific disclosure requirements apply to Tier 1 PBEs for standards issued but not yet effective. Refer to Note 44.

[1] No new standards or amendments became effective between 1 January 2017 and 1 July 2017

Good City Council

Financial Statements

30 June 2018

Commentary:
The wording and content of the audit report will be different for different PBEs depending on the type of entity reporting. Hence, an illustrative auditor's report has not been included in this publication.
The audit report for a public sector PBE will be based on the relevant OAG template (available to the auditor on the OAG website via log-in). The audit report for not-for-profit PBEs in the private sector will be based on the audit firm's auditor's report template.

Please note: ISA (NZ) 700 (Revised) and key audit matters
For periods ending on or after 15 December 2016, International standard on auditing ISA (NZ) 700 (Revised) *Forming an Opinion and Reporting of Financial Statements* requires an auditor of a listed entity to disclose in its report key audit matters which, in the auditor's professional judgement, were of most significance in their audit of the consolidated financial statements of the current period. This requirement will also apply to other FMC Reporting Entities with higher public accountability in periods ending 31 December 2018 and onwards. In addition, ISA (NZ) 700 (Revised) requires reporting on other information in an entity's annual report as well as specific reporting requirements when a material uncertainty related to going concern exists. Although most public sector and not-for-profit PBEs are not listed entities or FMC Reporting Entities, certain PBEs may wish the audit report on their financial statements to comply with the requirements of ISA (NZ) 700 (Revised). However, this publication is not intended to provide guidance on the application of ISA (NZ) 700 (Revised).

Statement of compliance and responsibility

STATUTORY DISCLOSURE ONLY (required by LGA 2002 but not by PBE Standards)

LGA.Schedule 10.34

Statement of compliance

The Council and management of Good City Council confirm that all the statutory requirements in relation to this annual report, as outlined in the Local Government Act 2002, have been met.

Statement of responsibility

The Council and management accept responsibility for the preparation of the annual financial statements and judgements used in them, and hereby adopt the financial statements as presented. They also accept responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting and service performance reporting. In the opinion of the Council and management, the annual financial statements for the year ended 30 June 2018 fairly reflect the financial position, financial performance and service performance achievements of Good City Council and Group.

K O'Cork
Chief Executive

25 September 2018

G N Betten
Mayor

25 September 2018

Commentary:

The Local Government Act 2002 requires local authorities to state in the annual report that all statutory requirements in relation to the annual report have been complied with. The statement must be signed by the mayor (or chairperson) and the chief executive of the local authority.

A statement of responsibility has also been included as good practice.

The Public Finance Act 1989 requires government departments to disclose a statement of responsibility. This statement needs to state the department's chief executive's responsibility for:

- the preparation of the department's financial statements and other statutory disclosures in the annual report;
- having in place internal controls designed to provide reasonable assurance as to the integrity and reliability of financial reporting;
- ensuring that end-of-year performance information on each appropriation administered by the department is provided (whether presented as part of the annual report or elsewhere); and
- the accuracy of any end-of-year performance information prepared by the department (whether presented as part of the annual report or elsewhere).

Statement of financial performance

PBE IPSAS 1.22.1(b), PBE IPSAS 1.61

For the year ended 30 June 2018

PBE IPSAS 1.63(c)

PBE IPSAS 1.63(b)

PBE IPSAS 1.53, PBE IPSAS1.21(e), LGA Schedule 10.29

PBE IPSAS 1.63(d), PBE IPSAS1.63(e)

	Note	Group		Council		
		2018 Actual $000	2017 Actual – restated* $000	2018 Actual $000	2018 Budget $000	2017 Actual – restated* $000
Revenue from non-exchange transactions						
Rates revenue	9	75,197	73,682	75,197	75,347	73,682
Fines		920	768	920	1,070	768
Government grants	10	10,503	8,132	10,503	9,520	8,132
Concessionary loan	11	329	-	329	329	-
Direct charges revenue - subsidised	12	13,476	12,704	12,976	12,872	12,204
Property, plant and equipment acquired in non-exchange transactions	22	2,190	2,150	2,190	2,190	2,150
Revenue from exchange transactions						
Direct charges revenue – full cost recovery	13	107,341	92,517	720	550	1,871
Development contributions		3,641	3,741	3,641	4,005	3,741
Rental revenue	23	1,404	1,377	1,404	1,405	1,377
Dividends		-	-	521	523	638
Revenue from service concession arrangement	26	55	-	55	55	-
Other revenue	18	1,382	2,007	132	139	501
Total Revenue		**216,438**	**197,078**	**108,588**	**108,005**	**105,064**
Expenses						
Employee costs	14	(35,880)	(35,153)	(18,940)	(18,807)	(17,577)
Remuneration of councillors	39	(538)	(527)	(538)	(539)	(527)
Depreciation and amortisation	22, 24	(23,971)	(23,204)	(18,381)	(18,384)	(17,705)
General expenses	15	(136,552)	(123,587)	(58,927)	(58,637)	(58,600)
Other expenses	19	(2,231)	(300)	(664)	(697)	(300)
Total Expenses		**(199,172)**	**(182,771)**	**(97,450)**	**(97,064)**	**(94,709)**
Finance costs	17	(1,264)	(1,123)	(931)	(978)	(797)
Finance income	16	520	295	467	490	243
Net finance costs		**(744)**	**(828)**	**(464)**	**(488)**	**(554)**

PBE IPSAS 23.106(a)

LG(FRP)R.5(2)(a)

LG(FRP)R.5(2)(c)

PBE IPSAS 9.39(b)

LG(FRP)R.5(2)(b)

PBE IPSAS 9.39(b)(v)

PBE IPSAS 1.99.1(a)

PBE IPSAS 1.99.1(b)

*Certain amounts shown here do not correspond to the 2017 financial statements and reflect adjustments made. Refer to Note 2(b).

The above statement of financial performance should be read in conjunction with the accompanying notes

Statement of financial performance *continued*

PBE IPSAS 1.22.1(b), PBE IPSAS 1.61

For the year ended 30 June 2018

PBE IPSAS 1.63(c)
PBE IPSAS 1.63(b)
PBE IPSAS 1.53, PBE IPSAS1.21(e), LGA Schedule 10.29
PBE IPSAS 1.63(d), PBE IPSAS1.63(e)
PBE IPSAS 1.99.1(c)
PBE IPSAS 1.99.1(d)
PBE IPSAS 1.98.1(a), PBE IPSAS 1.99.1(f)
PBE IPSAS 1.98.2(a)(i)
PBE IPSAS 1.98.2(a)(ii)

	Note	Group		Council		
		2018 Actual $000	2017 Actual – restated* $000	2018 Actual $000	2018 Budget $000	2017 Actual – restated* $000
Share of surplus of associate and joint venture	7,8	671	638	-	-	-
Surplus before income tax		17,193	14,117	10,674	10,453	9,801
Income tax expense	21	(1,814)	(1,119)	-	-	-
Net surplus for the year		15,379	12,998	10,674	10,453	9,801
Surplus for the year is attributable to:						
Non-controlling interest		288	239	-	-	-
Council		15,091	12,759	10,674	10,453	9,801
		15,379	12,998	10,674	10,453	9,801

*Certain amounts shown here do not correspond to the 2017 financial statements and reflect adjustments made. Refer to Note 2(b).

The above statement of financial performance should be read in conjunction with the accompanying notes.

Commentary – statement of financial performance

PBE IPSAS 1.21 suggests titles for the primary financial statements, such as 'statement of comprehensive revenue and expense' and 'statement of financial position'. Entities are, however, permitted to use other titles (PBE IPSAS 1.22). Good City Council applies the titles suggested in PBE IPSAS 1.

Neither PBE IPSAS 1 nor PBE IPSAS 6 requires the separate financial statements of the controlling entity to accompany the consolidated financial statements of the group. However, the Local Government Act 2002 does require both the separate financial statements of the local authority and the authority's consolidated financial statements to be included in the local authorities' annual report (LGA, Schedule 10.29(1)(a)-(b)). Therefore, Good City Council presents the Council's separate financial statements in addition to the consolidated financial statements.

As a local authority, Good City Council is required to present budgeted financial statements in its annual report by Schedule 10, section 29, paragraph 2 of the Local Government Act 2002. A similar requirement is contained in the Public Finance Act 1989 (section 45B) for government departments, and in the Crown Entities Act (section 154(3)(c) for Crown entities. PBE IPSAS 1.21(e) requires an entity that makes its approved budget publicly available to present a comparison between the budget and actual amounts either as a separate additional financial statement or as a budget column in the financial statements (i.e. statement of comprehensive revenue and expense, statement of financial position, etc.). Good City Council has elected the latter option and presents a budget column as part of its financial statements.

There is no specific requirement to identify restatements to prior period financial statements on the face of the financial statements. PBE IPSAS 3 requires details to be provided only in the notes. Good City Council illustrates how an entity may supplement the requirements of PBE IPSAS 3 so that it is clear to the reader that amounts in the prior period financial statements have been adjusted in comparative period(s) of the current period financial statements. The Group does this by labelling the prior year comparative columns in the financial statements as "restated". Please also refer to commentary about restatement under the statement of financial position.

PBE IPSAS 1.99.1(a) requires disclosure of total revenue as a line item in the surplus or deficit section on the face of the statement comprehensive revenue and expense/statement of financial performance. The Group has elected to also present the various types of revenue on the face of the statement of financial performance. This information could also be presented in the notes (PBE IPSAS 1.108).

PBE IPSAS 1.88(g) and PBE IPSAS 1.88(h) require differentiation between receivables from exchange transactions and receivables from non-exchange transactions. PBE IPSAS 23.106(a) also requires revenue from non-exchange transactions to be disclosed separately, either on the face of the statement of financial performance or in the notes to the financial statements. Good City Council has elected to present this information on the face of the statement of financial performance.

PBE IPSAS 1.109 requires expenses to be analysed either by nature or by their function, whichever provides information that is reliable and more relevant. This analysis can be disclosed either on the face of the statement of comprehensive revenue and expense/statement of financial performance or in the notes. However, entities are encouraged to present this analysis on the face of the statement of comprehensive revenue and expense (PBE IPSAS 1.110), which Good City Council has done.

Commentary – statement of financial performance

Good City Council has presented the analysis of expenses by nature. In Appendix 2, the statement of surplus or deficit is presented with an analysis of expenses by function. If expenses are analysed by function, information about the nature of expenses must be disclosed in the notes.

Good City Council does not present operating surplus or operating revenue in the statement of financial performance, and the presentation of these subtotals is not required by PBE IPSAS 1. However, PBEs may present such subtotals if they wish. The term "operating surplus" or "operating revenue" are not defined in PBE Standards. However, a PBE may follow guidance from NZ IFRS, where in the Basis for Conclusion on IAS 1 the IASB recognises that an entity may elect to disclose the results of operating activities, or a similar line item, even though this term is not defined. The entity should, however, ensure the amount disclosed is representative of activities that would normally be considered to be 'operating' (NZ IAS 1.BC56).

The remuneration of councillors relates to their services as the members of the governing body of the Council.
PBE IPSAS 20.34 requires disclosure of the remuneration of members of key management personnel. Accordingly, inclusion of this line item aids in the fulfilment of the requirement of PBE IPSAS 20.

Good City Council has presented its share of surplus of an associate and a joint venture using the equity method under PBE IPSAS 7 and PBE IPSAS 8. PBE IPSAS 1.99.1(c) requires 'share of the surplus or deficit of associates and joint ventures accounted for using the equity method' to be presented in a separate line item on the face of the statement of comprehensive revenue and expense/statement of financial performance. In complying with this requirement, Good City Council combines the share of surplus or deficit from associates and joint ventures in one line item.

The Council and Group have disclosed rates revenue, grant revenue and development contributions separately in the statement of financial performance, as this is a specific requirement of the Local Government (Financial Reporting and Prudence) Regulation 2014. This requirement does not apply to other types of PBEs.

NB: FIRST-TIME ADOPTERS OF PBE STANDARDS: Please refer to Appendix 5 for additional requirements

Statement of other comprehensive revenue and expense

PBE IPSAS 1.22.1(b), PBE IPSAS 1.61

For the year ended 30 June 2018

PBE IPSAS 1.63(c)

	Note	Group		Council			*PBE IPSAS 1.63(b)*
		2018 Actual $000	2017 Actual - restated* $000	2018 Actual $000	2018 Budget $000	2017 Actual - restated* $000	*PBE IPSAS 1.53, PBE IPSAS1.21(e), LGA Schedule 10.29 PBE IPSAS 1.63(d), PBE IPSAS1.63(e)*
Surplus for the year		15,379	12,998	10,674	10,453	9,801	*PBE IPSAS 1.22.1(b)*
Other comprehensive revenue and expense							*PBE IPSAS 1.98.1 PBE IPSAS 1.103.1*
Net fair value gains/(losses) on available-for-sale financial assets	20	(57)	3	(57)	-	3	*PBE IPSAS 30.24(a)(ii)*
Income tax effect		-	-	-	-	-	*PBE IPSAS 1.103.2*
Net gain/(loss) on available-for-sale financial assets, net of tax		(57)	3	(57)	-	3	*PBE IPSAS 1.103.3(a)*
Net movement in cash flow hedges	20	(732)	33	-	-	-	*PBE IPSAS 30.27(c)*
Income tax effect	21	220	(9)	-	-	-	*PBE IPSAS 1.103.2*
Net movement in cash flow hedges, net of tax		(512)	24	-	-	-	*PBE IPSAS 1.103.3(a)*
Revaluation gain on property, plant and equipment	22	25,846	-	20,729	20,695	-	*PBE IPSAS 17.54*
Income tax effect	21	(1,535)	-	-	-	-	*PBE IPSAS 1.103.2*
Revaluation gain on property, plant and equipment, net of tax		24,311	-	20,729	20,695	-	*PBE IPSAS 1.103.3(a)*
Other comprehensive revenue and expense for the year, net of tax		23,742	27	20,672	20,695	3	*PBE IPSAS 1.98.1(b)*
Total comprehensive revenue and expense for the year		39,121	13,025	31,346	31,148	9,804	*PBE IPSAS 1.98.1(c)*
Total comprehensive revenue and expense for the year is attributable to:							
Non-controlling interest		288	239	-	-	-	*PBE IPSAS 1.98.2(b)(i)*
Council		38,833	12,786	31,346	31,148	9,804	*PBE IPSAS 1.98.2(b)(ii)*
		39,121	13,025	31,346	31,148	9,804	

*Certain amounts shown here do not correspond to the 2017 financial statements and reflect adjustments made. Refer to Note 2(b).

The above statement of other comprehensive revenue and expense should be read in conjunction with the accompanying notes.

Commentary – statement of other comprehensive revenue and expense

Good City Council has elected to present two statements, a statement of financial performance and a statement of other comprehensive revenue and expense, rather than a single statement of comprehensive income combining the two elements. If a two-statement approach is adopted, the statement of financial performance must be followed directly by the statement of other comprehensive revenue and expense. For illustrative purposes, the disclosure of a single statement of surplus or deficit and other comprehensive revenue is presented in Appendix 1.

The different components of other comprehensive revenue and expense are presented on a net basis in the statement above. Therefore, an additional note is required to present the amount of reclassification adjustments to current year surplus or deficit (PBE IPSAS 1.103.4, PBE IPSAS 1.103.6). Alternatively, the individual components could have been presented within the statement of other comprehensive revenue (PBE IPSAS 1.103.6).

Good City Council has elected to present each component of other comprehensive revenue and expense gross of tax, separately disclosing the related tax effect. Therefore, no additional note disclosure is required (PBE IPSAS 1.103.2).

NB: FIRST-TIME ADOPTERS OF PBE STANDARDS: Please refer to Appendix 5 for additional requirements

Statement of financial position

PBE IPSAS 1.21(a), PBE IPSAS 1.61

As at 30 June 2018

PBE IPSAS 1.63(c)
PBE IPSAS1.63 (b)
PBE IPSAS 1.53, PBE IPSAS1.21(e), LGA Schedule 10.29
PBE IPSAS 1.63(d), PBE IPSAS1.63 (e)

	Note	Group		Council		
		2018 Actual $000	2017 Actual – Restated* $000	2018 Actual $000	2018 Budget $000	2017 Actual – Restated* $000
ASSETS						
Non-current assets						
Property, plant and equipment	22	2,087,979	2,039,329	1,523,126	1,522,518	1,485,805
Investment properties	23	8,893	7,983	8,893	8,804	7,983
Intangible assets	24	6,019	2,513	2,558	2,669	2,283
Investment in Council-controlled organisations and similar entities:						
Investments in controlled entities	5	-	-	19,242	19,100	10,334
Investments in associates and joint ventures	7,8	3,187	2,516	2,185	2,141	2,185
		3,187	**2,516**	**21,427**	**21,241**	**12,519**
Non-current financial assets	27.1	6,425	3,491	4,323	4,237	2,338
Deferred tax assets	21	383	365	-	-	-
		2,112,886	**2,056,197**	**1,560,327**	**1,559,469**	**1,510,928**
Current assets						
Inventories	28	3,262	4,085	1,470	1,378	2,123
Receivables from non-exchange transactions	29	13,006	11,416	12,530	12,580	10,940
Receivables from exchange transactions	30	14,666	12,874	11,455	11,512	9,785
Prepayments		244	165	122	120	82
Other current financial assets	27.1	551	153	501	491	103
Cash and cash equivalents	31	16,669	33,480	6,033	5,173	29,567
		48,398	**62,173**	**32,111**	**31,254**	**52,600**
Assets classified as held for sale	32	154	-	-	-	-
		48,552	**62,173**	**32,111**	**31,254**	**52,600**
TOTAL ASSETS		**2,161,438**	**2,118,370**	**1,592,438**	**1,590,723**	**1,563,528**

PBE IPSAS 1.70, PBE IPSAS 1.76
PBE IPSAS 1.88(a)
PBE IPSAS 1.88(b)
PBE IPSAS 1.88(c)
LG(FRP)R 2014.5(3)
PBE IPSAS 1.88(d) PBE IPSAS 1.88(e)
LG(FRP)R 2014.5(3)
PBE IPSAS 1.88(d)
PBE IAS 12.81(g)(i)
PBE IPSAS 1.70, PBE IPSAS 1.76
PBE IPSAS 1.88(f)
PBE IPSAS 1.88(g)
PBE IPSAS 1.88(h)
PBE IPSAS 1.88(d)
PBE IPSAS 1.88(i)
PBE IPSAS 1.88.1(a)

*Certain amounts shown here do not correspond to the 2017 financial statements and reflect adjustments made. Refer to Note 2(b).

The above statement of financial position should be read in conjunction with the accompanying notes.

Statement of financial position *continued*

As at 30 June 2018

	Note	Group 2018 Actual $000	Group 2017 Actual – Restated* $000	Council 2018 Actual $000	Council 2018 Budget $000	Council 2017 Actual – Restated* $000	
							PBE IPSAS 1.63(c)
							PBE IPSAS 1.53, PBE IPSAS1.21(e), LGA Schedule 10.29
							PBE IPSAS 1.63(d), PBE IPSAS1.63(e)
LIABILITIES							
Non-current liabilities							*PBE IPSAS 1.70, PBE IPSAS 1.80*
Interest-bearing loans & borrowings	27.2	20,346	21,703	14,186	14,044	15,277	*PBE IPSAS1.88(m)*
Other non-current financial liabilities	27.2	806	-	-	-	-	*PBE IPSAS1.88(m)*
Service concession liability	26	495	550	495	495	550	
Provisions	33	1,950	1,290	1,769	1,857	1,290	*PBE IPSAS1.88(l)*
Deferred revenue	34	1,860	2,582	1,860	2,359	2,582	*PBE IPSAS 23.106(c)*
Other liabilities		263	284	132	130	188	
Deferred tax liabilities	21	3,580	2,143	-	-	-	*PBE IAS 12.81(g)(i)*
		29,300	**28,552**	**18,442**	**18,885**	**19,887**	
Current liabilities							*PBE IPSAS 1.70, PBE IPSAS 1.80*
Payables under exchange transactions	36	19,820	21,073	14,642	14,349	15,516	*PBE IPSAS1.88(k)*
Interest-bearing loans & borrowings	27.2	2,460	2,775	2,377	2,329	2,724	*PBE IPSAS1.88(m)*
Other current financial liabilities	27.2	3,040	303	87	87	49	*PBE IPSAS1.88(m)*
Deferred revenue	34	729	741	729	714	741	*PBE IPSAS 23.106(c)*
Income tax payable		961	313	-	-	-	*PBE IPSAS1.88(j)*
Employee benefits liability	35	3,050	2,977	1,830	1,793	1,786	
Provisions	33	850	85	245	240	85	*PBE IPSAS1.88(l)*
		30,910	**28,267**	**19,910**	**19,512**	**20,901**	
TOTAL LIABILITIES		**60,210**	**56,819**	**38,352**	**38,397**	**40,788**	
NET ASSETS		**2,101,228**	**2,061,551**	**1,554,086**	**1,552,326**	**1,522,740**	
EQUITY							
Equity attributable to equity owners of the parent							*PBE IPSAS1.88(o)*
Accumulated comprehensive revenue and expense		943,397	928,445	751,130	749,327	740,405	*PBE IPSAS1.95(b)*
Reserves							*PBE IPSAS1.95(c)*
Asset revaluation reserve	37	1,124,608	1,100,297	770,876	770,842	750,147	
Available for sale reserve	37	(54)	3	(54)	3	3	
Cash flow hedge reserve	37	(582)	(70)	-	-	-	
Targeted rates reserve	37	15,849	15,653	15,849	15,853	15,653	
Special projects reserve	37	16,285	16,532	16,285	16,301	16,532	
Total equity attributable to the Council		**2,099,503**	**2,060,860**	**1,554,086**	**1,552,326**	**1,522,740**	*PBE IPSAS1.88(o)*
Non-controlling interests		1,725	691	-	-	-	*PBE IPSAS1.88(n) PBE IPSAS 1.95(d)*
TOTAL EQUITY		**2,101,228**	**2,061,551**	**1,554,086**	**1,552,326**	**1,522,740**	

*Certain amounts shown here do not correspond to the 2017 financial statements and reflect adjustments made. Refer to Note 2(b).

The above statement of financial position should be read in conjunction with the accompanying notes.

For and on behalf of the Council, who authorise the issue of these financial statements on 25 September 2018:

K O'Cork
Chief Executive
25 September 2018

G N Betten
Mayor
25 September 2018

Commentary - statement of financial position

For many public sector entities there is a statutory requirement to disclose a budgeted statement of comprehensive revenue and expense and budgeted statement of financial position as part of the annual report. Refer to the commentary on the statement of financial performance for an explanation of the budget column.
There is no specific requirement to identify adjustments made retrospectively on the face of the financial statements, except for the effect of a retrospective application or restatement on each component of net assets/equity (PBE IPSAS 1.118(b), 124). PBE IPSAS 3 requires entities to disclose the amount of adjustments made to prior periods presented and prior periods before those presented as a result of the initial application of a PBE standard (PBE IPSAS 3.33(f)-(g)), retrospective application of a voluntary change in accounting policies PBE IPSAS 3.34(c)-(d), and prior period errors (PBE IPSAS 3.54(b)-(c)). However, there is no requirement to make these disclosures on the face of the financial statements, and the amounts of these adjustments can be given only in the notes. By labelling the comparatives 'Restated', the Group illustrates how an entity may supplement the requirements of PBE IPSAS 3 so that it is clear to the user that adjustments to the amounts in prior financial statements have been reflected in the comparative periods as presented in the current period financial statements. It should be noted that the fact that the comparative information is restated does not necessarily mean that there were errors in the previous financial statements. Restatements may also arise due to other instances, for example, retrospective application of a new accounting policy (due to first-time application of a PBE standard or a voluntary change in accounting policies). In the case of Good City Council, there was an error in the previous period's financial statements, but there were no voluntary changes in accounting policies.

In accordance with PBE IPSAS 1.70, Good City Council has presented current and non-current assets, and current and non-current liabilities, as separate classifications in the statement of financial position. PBE IPSAS 1 does not require a specific order of the two classifications. Good City Council has elected to present non-current assets and liabilities before current. PBE IPSAS 1 requires entities to present assets and liabilities in order of liquidity when this presentation is reliable and more relevant.

In accordance with IPSAS 1.88, receivables from non-exchange transactions are presented separately to receivables from exchange transactions.

NB: FIRST-TIME ADOPTERS OF PBE STANDARDS: Please refer to Appendix 5 for additional requirements.

Statement of changes in net assets/equity

PBE IPSAS 1.21(c)

For the year ended 30 June 2018

PBE IPSAS 1.63(c)

Group

PBE IPSAS 1.63(b)

	Note	Accumulated comprehensive revenue and expense (Note 37) $000	Asset revaluation reserve (Note 37) $000	Available-for-sale reserve (Note 37) $000	Cash flow hedge reserve (Note 37) $000	Targeted rates reserve (Note 37) $000	Special projects reserve (Note 37) $000	Total equity attributable to the Council $000	Non-controlling interest $000	Total equity $000	*PBE IPSAS 1.63(d), PBE IPSAS1.63(e)*
At 1 July 2017 (restated*)		**928,445**	**1,100,297**	**3**	**(70)**	**15,653**	**16,532**	**2,060,860**	**691**	**2,061,551**	*PBE IPSAS 1.119(b), PBE IPSAS 1.119(c)*
Surplus for the year		15,091	-	-	-	-	-	15,091	288	15,379	*PBE IPSAS 1.119(b), PBE IPSAS 1.119(c)*
Other comprehensive revenue and expense	37	-	24,311	(57)	(512)	-	-	23,742	-	23,742	*PBE IPSAS 1.119(b), PBE IPSAS 1.119(c)*
Total comprehensive revenue and expense for the year		**15,091**	**24,311**	**(57)**	**(512)**	**-**	**-**	**38,833**	**288**	**39,121**	*PBE IPSAS 1.118(a)*
Net transfers to/from targeted rates reserve	37	(196)	-	-	-	196	-	-	-	-	*PBE IPSAS 1.119(b), PBE IPSAS 1.119(c)*
Net transfers to/from special projects reserve	37	247	-	-	-	-	(247)	-	-	-	*PBE IPSAS 1.119(b), PBE IPSAS 1.119(c)*
Transactions with owners in their capacity as owners:											*PBE IPSAS 1.119(a)*
Acquisition of controlled entity	6	-	-	-	-	-	-	-	1,547	1,547	
Acquisition of non-controlling interest	6	(190)	-	-	-	-	-	(190)	(801)	(991)	
At 30 June 2018		**943,397**	**1,124,608**	**(54)**	**(582)**	**15,849**	**16,285**	**2,099,503**	**1,725**	**2,101,228**	*PBE IPSAS 1.119(b), PBE IPSAS 1.119(c)*

*Certain amounts shown here do not correspond to the 2017 financial statements and reflect adjustments made. Refer to Note 2(b).

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Statement of changes in net assets/equity *continued*

For the year ended 30 June 2017 (Restated*)

PBE IPSAS 1.21(c)
PBE IPSAS 1.53
PBE IPSAS 1.63(c)

Group

	Note	Accumulated comprehensive revenue and expense (Note 37) $000	Asset revaluation reserve (Note 37) $000	Available-for-sale reserve (Note 37) $000	Cash flow hedge reserve (Note 37) $000	Targeted rates reserve (Note 37) $000	Special projects reserve (Note 37) $000	Total equity attributable to the Council $000	Non-controlling interest $000	Total equity $000	*PBE IPSAS 1.63(b)* *PBE IPSAS 1.63(d), PBE IPSAS1.63(e)*
At 1 July 2016		**915,046**	**1,100,297**	**-**	**(94)**	**15,770**	**16,805**	**2,047,824**	**501**	**2,048,325**	*PBE IPSAS 1.53*
Adjustment for prior period error, net of tax	2(b)	250	-	-	-	-	-	250	-	250	*PBE IPSAS 1.118(b)*
At 1 July 2016 (restated*)		**915,296**	**1,100,297**	**-**	**(94)**	**15,770**	**16,805**	**2,048,074**	**501**	**2,048,575**	*PBE IPSAS 1.53*
Surplus for the year as reported in 2016 financial statements		12,509	-	-	-	-	-	12,509	239	12,748	*PBE IPSAS 1.53, PBE IPSAS 1.119(b), PBE IPSAS 1.119(c)*
Adjustment on correction of error	2(b)	250						250	-	250	*PBE IPSAS 1.118(b) PBE IPSAS 1.124*
Other comprehensive revenue and expense	37	-	-	3	24	-	-	27	-	27	*PBE IPSAS 1.53, PBE IPSAS 1.119(b), PBE IPSAS 1.119(c)*
Total comprehensive revenue and expense for the year		**12,759**	**-**	**3**	**24**	**-**	**-**	**12,786**	**239**	**13,025**	*PBE IPSAS 1.53, PBE IPSAS 1.118(a)*
Net transfers to/from targeted rates reserve	37	117	-	-	-	(117)	-	-	-	-	*PBE IPSAS 1.119(b), PBE IPSAS 1.119(c)*
Net transfers to/from special projects reserve	37	273	-	-	-		(273)	-	-	-	*PBE IPSAS 1.119(b), PBE IPSAS 1.119(c)*
Transactions with owners in their capacity as owners:											*PBE IPSAS 1.119(a)*
Dividend paid to non-controlling interest		-	-	-	-	-	-	-	(49)	**(49)**	
At 30 June 2017		**928,445**	**1,100,297**	**3**	**(70)**	**15,653**	**16,532**	**2,060,860**	**691**	**2,061,551**	*PBE IPSAS 1.53, PBE IPSAS 1.119(b), PBE IPSAS 1.119(c)*

*Certain amounts shown here do not correspond to the 2017 financial statements and reflect adjustments made. Refer to Note 2(b).
The above statement of changes in equity should be read in conjunction with the accompanying notes.

Statement of changes in net assets/equity *continued*

For the year ended 30 June 2018

PBE IPSAS 1.63(c)

Council

PBE IPSAS 1.63(b)

	Note	Accumulated comprehensive revenue and expense (Note 37) $000	Asset revaluation reserve (Note 37) $000	Available-for-sale reserve (Note 37) $000	Cash flow hedge reserve (Note 37) $000	Targeted rates reserve (Note 37) $000	Special projects reserve (Note 37) $000	Total $000	*PBE IPSAS1.63(d), PBE IPSAS1.63(e)*
At 1 July 2017 (restated*)		**740,405**	**750,147**	**3**	**-**	**15,653**	**16,532**	**1,522,740**	*PBE IPSAS 1.119(b), PBE IPSAS 1.119(c)*
Surplus for the period		10,674	-	-	-			10,674	*PBE IPSAS 1.119(b), PBE IPSAS 1.119(c)*
Other comprehensive revenue and expense	37	-	20,729	(57)	-			20,672	*PBE IPSAS 1.119(b), PBE IPSAS 1.119(c)*
Total comprehensive revenue and expense for the period		**10,674**	**20,729**	**(57)**	**-**	**-**	**-**	**31,346**	*PBE IPSAS 1.118(a)*
Net transfers to/from targeted rates reserve	37	(196)	-	-	-	196	-	-	*PBE IPSAS 1.119(b), PBE IPSAS 1.119(c)*
Net transfers to/from special projects reserve	37	247	-	-	-	-	(247)	-	*PBE IPSAS 1.119(b), PBE IPSAS 1.119(c)*
At 30 June 2018		**751,130**	**770,876**	**(54)**	**-**	**15,849**	**16,285**	**1,554,086**	*PBE IPSAS 1.119(b), PBE IPSAS 1.119(c)*

*Certain amounts shown here do not correspond to the 2017 financial statements and reflect adjustments made. Refer to Note 2(b).

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Statement of changes in net assets/equity *continued*

For the year ended 30 June 2017 (Restated*)

PBE IPSAS 1.53
PBE IPSAS 1.63(c)

Council

PBE IPSAS 1.63(b)

		Accumulated comprehensive revenue and expense (Note 37) $000	Asset revaluation reserve (Note 37) $000	Available-for-sale reserve (Note 37) $000	Cash flow hedge reserve (Note 37) $000	Targeted rates reserve (Note 37) $000	Special projects reserve (Note 37) $000	Total $000	*PBE IPSAS1.63(d), PBE IPSAS1.63(e)*
At 1 July 2016		**729,964**	**750,147**	**-**	**-**	**15,770**	**16,805**	**1,512,686**	*PBE IPSAS 1.53*
Adjustment for prior period error (net of tax)	2(b)	250	-	-	-	-	-	250	*PBE IPSAS 1.118(b)*
At 1 July 2016 (restated*)		**730,214**	**750,147**	**-**	**-**	**15,770**	**16,805**	**1,512,936**	*PBE IPSAS 1.53,*
Surplus for the year as reported in the 2016 financial statements		9,551	-	-	-	-		9,551	*PBE IPSAS 1.53, PBE IPSAS 1.119(b), PBE IPSAS 1.119(c)*
Adjustment on correction of error (Note 2(b))		250	-	-	-	-	-	250	*PBE IPSAS 1.118(b) PBE IPSAS 1.124*
Other comprehensive revenue and expense	37	-	-	3	-	-	-	3	*PBE IPSAS 1.53, PBE IPSAS 1.119(b), PBE IPSAS 1.119(c)*
Total comprehensive revenue and expense for the year		**9,801**	**-**	**3**	**-**	**-**	**-**	**9,804**	*PBE IPSAS 1.53, PBE IPSAS 1.118(a)*
Net transfers to/from targeted rates reserve	37	117	-	-	-	(117)	-	-	*PBE IPSAS 1.119(b), PBE IPSAS 1.119(c)*
Net transfers to/from special projects reserve	37	273	-	-	-	-	(273)	-	*PBE IPSAS 1.119(b), PBE IPSAS 1.119(c)*
At 30 June 2017		**740,405**	**750,147**	**3**	**-**	**15,653**	**16,532**	**1,522,740**	*PBE IPSAS 1.53, PBE IPSAS 1.119(b), PBE IPSAS 1.119(c)*

*Certain amounts shown here do not correspond to the 2017 financial statements and reflect adjustments made. Refer to Note 2(b).

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Commentary – statement of changes in net assets/equity

The acquisition of an additional ownership interest in a controlled entity without a change of control is accounted for as a transaction in net assets/equity in accordance with additional guidance in NZ IFRS 10 *Consolidated Financial Statements*. This guidance is not contained in PBE IPSAS 6, but Good City Council has elected to apply the additional guidance in NZ IFRS 10 to these transactions, in accordance with the guidance in PBE IPSAS 3 on the criteria for selecting accounting policies. Any excess or deficit of consideration paid over the carrying amount of the non-controlling interests is recognised in net assets/equity of the controlling entity in transactions where the non-controlling interests are acquired or sold without loss of control. Good City Council has elected to recognise this effect in accumulated comprehensive revenue and expense. With respect to the controlled entity to which these non-controlling interests relate, there were no accumulated components recognised in other comprehensive revenue and expense. If there had been such components, those would have been reallocated within net assets/equity of the controlling entity (e.g., foreign currency translation reserve or available-for-sale reserve).

PBE IFRS 5.38 requires items recognised in other comprehensive revenue and expense related to a discontinued operation to be separately disclosed. The Group does not have any discontinued operations therefore this disclosure has not been provided.

NB: FIRST-TIME ADOPTERS OF PBE STANDARDS: Please refer to Appendix 5 for additional requirements

Statement of cash flows

PBE IPSAS 1.21(d)

For the year ended 30 June 2018

PBE IPSAS 1.63(c)

PBE IPSAS 1.63(b)

PBE IPSAS 1.53, PBE IPSAS1.63(c), LGA Schedule 10.29 PBE IPSAS 1.63(d), PBE IPSAS 1.63(e)

	Note	Group		Council			
		2018 Actual $000	2017 Actual $000	2018 Actual $000	2018 Budget $000	2017 Actual $000	
Cash flows from operating activities							*PBE IPSAS 2.27(a)*
Receipts from rates		74,617	73,580	74,617	74,990	73,580	*PBE IPSAS 2.22(a)*
Receipts from fines, penalties and levies		796	692	796	896	692	*PBE IPSAS 2.22(a)*
Receipts from other goods and services provided to customers – non-exchange transactions		13,839	13,257	14,339	12,855	11,757	*PBE IPSAS 2.22(b)*
Receipts from grants and subsidies		9,169	15,992	9,169	9,077	15,992	*PBE IPSAS 2.22(c)*
Receipts from other goods and services provided to customers – exchange transactions		109,869	95,348	2,370	3,382	4,772	*PBE IPSAS 2.22(b)*
Interest received		520	295	467	467	243	*PBE IPSAS 2.40*
Dividends received		-	-	521	522	638	*PBE IPSAS 2.40*
Payments to suppliers		(133,574)	(126,828)	(56,345)	(58,374)	(60,681)	*PBE IPSAS 2.22(i)*
Payments to employees		(36,345)	(35,748)	(19,434)	(19,337)	(18,162)	*PBE IPSAS 2.22(j)*
Grants, contributions and sponsorships paid		(1,580)	(1,679)	(1,780)	(1,771)	(1,879)	
Interest paid		(646)	(1,030)	(541)	(538)	(762)	*PBE IPSAS 2.40*
Income tax paid		(396)	(698)	-	-	-	*PBE IPSAS 2.22(l), PBE IPSAS 2.44*
Net cash flows from/(used in) operating activities	40	**36,269**	**33,181**	**24,179**	**22,169**	**26,190**	
Cash flows from investing activities							*PBE IPSAS 2.31*
Proceeds from sale of property, plant and equipment		1,208	2,336	1,406	1,266	779	*PBE IPSAS 2.25(b)*
Proceeds from sale of financial instruments		-	145	-	-	145	*PBE IPSAS 2.25(d)*
Purchase of property, plant and equipment		(46,282)	(41,959)	(34,387)	(33,205)	(30,537)	*PBE IPSAS 2.25(a)*
Purchase of investment property		(1,216)	(1,192)	(1,216)	(1,228)	(1,192)	*PBE IPSAS 2.25(a)*
Purchase of financial instruments		(3,054)	(225)	(2,399)	(2,424)	(107)	*PBE IPSAS 2.25(c)*
Purchase of intangibles		(449)	(630)	(449)	(453)	(630)	*PBE IPSAS 2.25(a)*
Acquisition of controlled entity		-	-	(7,687)	(7,557)	-	*PBE IPSAS 2.49*
Net cash flows from/(used in) investing activities		**(49,793)**	**(41,525)**	**(44,732)**	**(43,601)**	**(31,542)**	

The above statement of cash flows should be read in conjunction with the accompanying notes.

Statement of cash flows *continued*

	Note	Group 2018 Actual $000	2017 Actual $000	Council 2018 Actual $000	2018 Budget $000	2017 Actual $000	*PBE IPSAS 1.63(b) PBE IPSAS 1.53, PBE IPSAS1.63(c), LGA Schedule 10.29 PBE IPSAS 1.63(d), PBE IPSAS 1.63(e)*
Cash flows from financing activities							*PBE IPSAS 2.31*
Acquisition of non-controlling interest		(991)	-	(991)	(979)	-	*NZ IAS 7.42A*
Proceeds from borrowings		2,496	8,526	654	661	8,326	*PBE IPSAS 2.26(a)*
Repayment of borrowings		(3,057)	(1,345)	(960)	(970)	(1,641)	*PBE IPSAS 2.26(b)*
Payment of finance lease liabilities		(51)	(76)	-	-	-	*PBE IPSAS 2.26(c)*
Dividends paid to non-controlling interest		-	(48)	-	-	-	*PBE IPSAS 2.40*
Net cash flows from/(used in) financing activities		**(1,603)**	**7,057**	**(1,297)**	**(1,288)**	**6,685**	
Net increase/(decrease) in cash and cash equivalents		(15,127)	(1,287)	(21,850)	(22,720)	1,333	
Cash and cash equivalents at beginning of year		30,830	32,117	26,917	26,917	25,584	
Cash and cash equivalents at end of year	31	**15,703**	**30,830**	**5,067**	**4,197**	**26,917**	

The above statement of cash flows should be read in conjunction with the accompanying notes.

Commentary – statement of cash flows

PBE IPSAS 2.27 allows entities to report cash flows from operating activities using either the direct method or the indirect method. Good City Council presents its cash flows using the direct method. A statement of cash flows prepared using the indirect method for operating activities is presented in Appendix 3 for illustrative purpose. When an entity uses the direct method to present its statement of cash flows, PBE IPSAS 2.29 requires entities to provide a reconciliation of the net cash flow from operating activities to surplus (deficit) in the notes to the financial statements.

PBE IPSAS 2.40 permits interest paid to be shown as operating, financing or investing activities and interest received to be shown as operating or investing activities, as deemed relevant for the entity. Good City Council has elected to classify interest received and interest paid as cash flows from operating activities.

NB: FIRST-TIME ADOPTERS OF PBE STANDARDS: Please refer to Appendix 5 for additional requirements

Commentary – order of presentation of disclosures

Public benefit entities may present disclosures or statements in a different order to Good City Council. For example, local authorities would usually present their funding impact statements straight after the statement of cash flows. However, for illustrative purposes, Good City Council's funding impact statement and other statutory disclosures that are required in addition to the requirements of PBE Standards are presented in the appendices.

Notes to the financial statements

PBE IPSAS 1.21(f), 127-131

For the year ended 30 June 2018

1 Reporting entity

Good City Council (the Council) is a local authority that is domiciled in New Zealand and governed by the Local Government Act 2002. Good City Council Group (the Group) consists of the Council (controlling entity) and its controlled entities Good Port Ltd, Good Museum Trust and Good Company Ltd:

PBE IPSAS 1.63(a)
PBE IPSAS 1.150(a),(c)

- Good Port Ltd (100% owned) is a port company governed by the Port Companies Act 1988 and incorporated in New Zealand. The principal activity of Good Port is to facilitate export and import activities through Good Port.
- Good Museum Trust (100% owned) is a charitable trust governed by the Charitable Trusts Act 1957 and registered under the Charities Act 2005. The principal activity of Good Museum Trust is to manage, maintain and develop the museum of Good City.
- Good Company Ltd (60% owned) is a company governed by the Companies Act 1993 and incorporated in New Zealand. The principal activity of Good Company Ltd is to manage the commercial properties owned by Good City Council.

Pursuant to the Local Government Act 2002, Good Museum Trust and Good Company Ltd are council-controlled organisations.

The principal activity of Good City Council is the provision of local authority services, including resource management, biosecurity, transport services, hazard management, recreation and cultural services and regional representation to ratepayers and other residents of Good City.

PBE IPSAS 1.150(b)

The financial statements of Good City Council and its controlled entities (collectively the Group) for the year ended 30 June 2018 were authorised for issue by the Council on 25 September 2018.

PBE IPSAS 14.26

2 Summary of significant accounting policies

Table of contents

Commentary

Content of summary of significant accounting policies:

According to PBE IPSAS 1.132, a summary of significant accounting policies must include:

- The measurement basis (or bases) used in preparing the financial statements;
- The extent to which the entity has applied any transitional provisions in any PBE Standards; and
- The other accounting policies used that are relevant to an understanding of the financial statements.

In deciding whether a particular accounting policy should be disclosed and the amount of detail to provide, management considers whether disclosure would assist users in understanding how transactions, other events and conditions are reflected in the reported financial performance and financial position (PBE IPSAS 1.134).

Disclosure of particular accounting policies is especially useful to users when those policies are selected from alternatives allowed in PBE Standards. An example is disclosure of whether a venturer recognises its interest in a jointly controlled entity using proportionate consolidation or the equity method under PBE IPSAS 8 (PBE IPSAS 1.134).

Some Standards specifically require disclosure of particular accounting policies, including choices made by management between different allowable policies. For example, PBE IPSAS 17 requires disclosure of the measurement bases used for classes of property, plant and equipment (PBE IPSAS 1.134).

The illustrative disclosures in this section are comprehensive for illustrative purposes, and entities should assess whether the level of detail provided is necessary.

2 Summary of significant accounting policies *continued*

(a) Statement of compliance and basis of preparation

Statement of compliance:
The financial statements have been prepared in accordance with the Local Government Act 2002. The financial statements comply with generally accepted accounting practice in New Zealand ("NZ GAAP").

PBE IPSAS 1.28.1(a); LGA.111 PBE IPSAS 1.28.2(b)

As the primary objective of the Council and Group is to provide goods or services for community and social benefit, rather than for making a financial return, the Council and Group are public benefit entities for the purpose of complying with NZ GAAP.

PBE IPSAS 1.28.1(b); XRB A1.App A.2

The financial statements of the Council and Group comply with Public Benefit Entity Standards (PBE Standards).

PBE IPSAS 1.28

The financial statements of the Council and Group comply with PBE Standards Reduced Disclosure Regime ("PBE Standards RDR") and disclosure concessions have been applied. The Council and Group are eligible to report in accordance with PBE Standards RDR because they do not have public accountability and they are not large.

PBE IPSAS 1.RDR 28.1

PBE IPSAS 1.132

Measurement base:
The financial statements have been prepared on a historical cost basis, except for investment properties, some classes of property, plant and equipment, derivative financial instruments and available-for-sale investments, which have been measured at fair value.

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars ($000) unless otherwise stated.

PBE IPSAS 1.63(d), (e)

Commentary

Basis of preparation

PBE IPSAS 1.28.2 requires an entity to disclose in the notes:

- the statutory base under which the financial statements are prepared;
- a statement of whether the financial statements were prepared in accordance with GAAP and;
- the fact that, for the purpose of complying with GAAP, it is a public benefit entity.

Statement of compliance with PBE Standards

An entity whose financial statements and notes comply with PBE Standards or PBE Standards RDR shall make an explicit and unreserved statement of compliance with PBE Standards or PBE Standards RDR in the notes. The financial statements and notes shall not be described as complying with PBE Standards or PBE Standards RDR unless they comply with all the requirements of PBE Standards or PBE Standards RDR respectively (PBE IPSAS 1.28, PBE IPSAS 1.RDR 28.1).

If a Tier 2 PBE has elected to report in accordance with PBE Standards RDR, it also needs to disclose the criteria that establish the entity as eligible to report in accordance with PBE Standards RDR. An entity that meets Tier 2 criteria is eligible to report under PBE Standards RDR if it does not have public accountability and is not large (as defined by XRB A1).

Many public sector PBEs are required by legislation to prepare general purpose financial statements that comply with NZ GAAP. For local authorities like Good City Council, this requirement is contained in the Local Government Act 2002, section 111(1). Similarly, for government departments and Crown entities, the source of this requirement is the Public Finance Act 1989 (section 45B (1)) and the Crown Entities Act 2004 (section 154(2)) respectively. In compliance with the Local Government Act 2002, Good City Council has asserted compliance with NZ GAAP.

For not-for-profit PBEs that are registered charities and meet the definition of "specified not-for-profit entity" (as defined in the Financial Reporting Act 2013), there is a similar requirement to prepare financial statements in accordance with NZ GAAP, which is included in section 42A of the Charities Act 2005.

The legislative definitions of NZ GAAP in the abovementioned four Acts all refer to the Financial Reporting Act 2013, which in turn defines NZ GAAP as financial reporting standards that have been approved by the XRB, which includes PBE Standards. PBE Standards include requirements and guidance specific to PBEs and provide reduced disclosures for entities that qualify to apply the RDR (i.e. Tier 2 entities). An entity asserting compliance with NZ GAAP therefore needs to describe the financial reporting standards that have been applied by the entity, i.e. either PBE Standards or PBE Standards RDR (PBE IPSAS 1.28.1 and PBE IPSAS 1.RDR.28.1).

2 Summary of significant accounting policies *continued*

Commentary *continued*

Going concern

When preparing financial statements, management shall make an assessment of an entity's ability to continue as a going concern. Financial statements shall be prepared on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so. When management is aware, in making its assessment, of material uncertainties relating to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern, those uncertainties shall be disclosed. When the financial report is not prepared on a going concern basis, that fact shall be disclosed, together with the basis on which the financial report is prepared and the reason why the entity is not regarded as a going concern (PBE IPSAS 1.38).

In the case of Good City Council, management is not aware of any material uncertainties that may cast significant doubt on Good City Council's ability to continue as a going concern. The financial statements have therefore been prepared on a going concern basis.

(b) Correction of an error

In the previous two financial years (2016 and 2017), funding was received from the Crown for the upgrade of Good City Council's community centre building. The amounts of funding received were $250,000 in 2016 and $250,000 in 2017. Both of these amounts were recognised as deferred revenue as at 30 June 2017, as this project had not yet commenced, and it was understood that there was a return obligation attached to the funding. However, as a result of a legal review of the contract, it is now understood that although the contract stipulated that the funding must be used for a specific upgrade programme, these stipulations did not include a return obligation.

Therefore, there are no specific conditions (as defined by PBE IPSAS 23) attached to the grants, and both amounts of funding should have been recognised as revenue upon receipt. As a consequence, revenue was understated in 2016 and 2017, and liabilities were overstated. The error was corrected by restating the opening net assets/equity as at 1 July 2016 and each of the affected financial statement items for the year ended 30 June 2017, as shown below:

Impact on statement of financial performance:

	Council and Group 30 June 2017 $000
Increase in government grants revenue	250
Net impact on net surplus/deficit	**250**
Attributable to:	
Council	250
Non-controlling interest	-

Impact on net assets/equity:

	Council and Group 30 June 2017 $000
Increase in opening accumulated comprehensive revenue and expense (as at 1 July 2016)	250
Increase in net surplus (as at 30 June 2017)	250
Total impact on net assets/equity	**500**
Attributable to:	
Council	500
Non-controlling interest	-

Impact on financial position:

	Council and Group	
	30 June 2017 $000	1 July 2016 $000
Decrease in deferred revenue	(500)	(250)
Total impact on liabilities	**(500)**	**(250)**

2 Summary of significant accounting policies *continued*

(c) Changes in accounting policies and disclosures

There have been no changes in the accounting policies of the Council and Group in the year ended 30 June 2018, other than the adoption of amendments to PBE Standards as disclosed below. Other than the changes disclosed below, all accounting policies and disclosures are consistent with those applied by the Council and Group in the previous financial year.

PBE IPSAS 3.33

New and amended standards and interpretations
The Group and Council applied, for the first time, certain standards and amendments, which are effective for annual periods beginning on or after 1 July 2017, as described below.

2016 Omnibus amendments to PBE Standards:
These include amendments to the following standards:

PBE IPSAS 12

- Replaces the term 'ammunition' with 'military inventories' and includes a description of military inventories.

PBE IPSAS 17

- Replaces the term 'specialist military equipment' with 'weapons systems' and includes a description of weapons systems

PBE IPSAS 32

- Clarifies that service concession assets should be grouped with similar assets as a class of assets for the purpose of subsequent measurement (consistently with PBE IPSAS 17 and PBE IPSAS 31) and that dissimilar concession assets cannot be accounted for as a class of assets.

PBE IAS 12

- Clarifies the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value. The amendments clarify that entities need to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explains in which circumstances taxable profit may include the recovery of some assets for more than their carrying amount.

PBE IFRS 5

- Clarifies that the income tax expense as required by paragraph 81(h) of PBE IAS 12 needs to be disclosed separately for revenue, expenses and pre-tax surplus or deficit from discontinued operations; and the gain or loss recognised on the measurement of fair value less cost to sell or on the disposal of the asset or disposal group(s) constituting the discontinued operation.

These amendments did not have any impact on the Council or Group.

Commentary
For illustrative purposes, Good City Council has disclosed information about the new and amended standards and interpretations that are effective from 1 July 2017, regardless of whether these have any impact on Good City Council's financial statements. However, an alternative that entities should consider would be to only disclose information about those that have an impact on the Good City Council's financial position, performance and/or disclosures.

2 Summary of significant accounting policies *continued*

(d) Basis of consolidation

Group:

PBE IPSAS 6.15
PBE IPSAS 6.20

The financial statements comprise the financial statements of Good City Council (the Council) and its controlled entities (the Group) as at 30 June 2018.

PBE IPSAS 6.7 PBE IPSAS 6.30 PBE IPSAS 6.36

Controlled entities are all those entities over which the Council (the controlling entity) has the power to govern the financial and operating policies so as to obtain benefits from their activities.

PBE IPSAS 6.47
PBE IPSAS 6.45

The financial statements of the controlled entities are prepared for the same reporting period as the Council, using consistent accounting policies. In preparing the consolidated financial statements, all intercompany balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends have been eliminated in full.

PBE IPSAS 6.51
PBE IPSAS 6.43

Controlled entities are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is lost. Assets, liabilities, income and expenses of a controlled entity acquired or disposed of during the year are included in the financial statements from the date the Group gains control until the date the Group ceases to control the controlled entity.

PBE IPSAS 6.43(c)
PBE IPSAS 6.54

Non-controlling interests are allocated their share of net surplus or deficit after tax in the statement of financial performance and are presented within equity in the consolidated statement of financial position, separately from the equity attributable to the Council.

PBE IPSAS 6.56

Losses are attributed to the non-controlling interest only to the extent that these losses do not exceed the carrying amount of non-controlling interest in net assets/equity. Any excess, and any further losses applicable to the non-controlling interest, are allocated against the majority interest, except to the extent that the minority interest has a binding obligation and the ability to cover the losses. If the relevant controlled entity subsequently reports surpluses, such surpluses are allocated to the majority interest until the minority's share of losses that were previously absorbed by the majority has been recovered.

NZ IFRS 10.23

A change in the ownership interest of a controlled entity that does not result in a loss of control, is accounted for as an equity transaction.

PBE IPSAS 6.52
PBE IPSAS 6.52.1
NZ IFRS 10.B98

If the Group loses control over a controlled entity, it:

- Derecognises the assets (including goodwill) and liabilities of the controlled entity
- Derecognises the carrying amount of any non-controlling interest relating to the controlled entity
- Recognises the fair value of the consideration received from the transaction or event resulting in the loss of control
- Recognises the fair value of any investment retained in the controlled entity as a financial asset (unless upon loss of control the former controlled entity becomes an associate or a jointly controlled entity, in which case this fair value is recognised as the cost on initial recognition of an investment in an associate or jointly controlled entity)
- Recognises any surplus or deficit resulting from the above in the statement of financial performance
- Reclassifies the Council's share of components previously recognised in other comprehensive revenue and expense to surplus or deficit, or accumulated comprehensive revenue and expense, as appropriate.

Council:

PBE IPSAS 6.58
PBE IPSAS 6.64(c)
PBE IPSAS 6.RDR 64.1

Investments in controlled entities held by the Council are accounted for at cost less any impairment charges in the separate financial statements of the Council.

PBE IPSAS 6.7

Dividends and other distributions from controlled entities are recognised as revenue in the Council's separate statement of financial performance, but only to the extent that these distributions are received from the controlled entity's accumulated comprehensive revenue and expense arising after acquisition. Such distributions do not impact the recorded cost of the investment. Amounts due or received from controlled entities in excess of this are regarded as recovery of investment and are recognised as a reduction in the cost of the investment.

2 Summary of significant accounting policies *continued*

PBE IPSAS 26.22
PBE IPSAS 21.26

At the end of each reporting period, the Council assesses whether there are any indicators that the carrying value of the investment in controlled entities may be impaired. Where such indicators exist, to the extent that the carrying value of the investment exceeds its recoverable amount, an impairment loss is recognised.

Commentary
There are two versions of PBE IPSAS 6 *Consolidated and Separate Financial Statements*: PBE IPSAS 6 (PS) applies to public sector PBEs, and PBE IPSAS 6 (NFP) applies to not-for-profit PBEs. The difference between the two versions is mainly that each version provides specific accounting guidance around the determination of control for public sector PBEs and not-for-profit PBEs respectively. There is no difference in disclosure requirements between the two versions. Therefore, the disclosures provided by Good City Council above (except for the policy disclosures that relate to the Council's separate ("parent") financial statements) are required for both public sector and not-for-profit PBEs.

(e) Business combinations and goodwill

PBE IFRS 3.4
PBE IFRS 3.10 PBE IFRS 3.18 PBE IFRS 3.32(a)
PBE IFRS 3.19

Business combinations are accounted for using the acquisition method. The acquisition method involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The identifiable assets acquired and the liabilities assumed are measured at their acquisition date fair values. The cost of an acquisition is measured as the aggregate of the consideration transferred (measured at acquisition date fair value) and the amount of any non-controlling interests in the acquiree. For each business combination, the Group measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred, and included in administrative expenses.

PBE IFRS 3.53

PBE IFRS 3.15,

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

PBE IFRS 3.16

PBE IFRS 3.42

If the business combination is achieved in stages any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognised in surplus or deficit. It is then considered in the determination of goodwill.

PBE IFRS 3.39
PBE IFRS 3.58

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of PBE IPSAS 29 *Financial Instruments: Recognition and Measurement*, is measured at fair value with changes in fair value recognised either in surplus or deficit or as a change to other comprehensive revenue and expense. If the contingent consideration is not within the scope of PBE IPSAS 29, it is measured in accordance with the appropriate PBE standard. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

PBE IFRS 3.32

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in surplus or deficit.

PBE IFRS 3.36

PBE IFRS 3.34

PBE IPSAS 26.90.1

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

2 Summary of significant accounting policies *continued*

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

(f) Investments in associates and joint ventures

Associates are entities over which the Group has significant influence and that are neither controlled entities nor joint ventures. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. The Group generally deems it has significant influence if it has over 20% of the voting rights in the investee. The Group holds ownership interest in the form of shareholding or other formal equity structure in all of its associates.

PBE IPSAS 7.7
PBE IPSAS 7.13
PBE IPSAS 7.11

A joint venture is a binding arrangement whereby two or more parties commit to undertake an activity and agree to share control over the activity (joint control). The Group has an interest in a joint venture which is a jointly controlled entity.

PBE IPSAS 8.6
PBE IPSAS 8.29

Group:
The Group's investment in its associates and joint ventures is accounted for using the equity method of accounting in the consolidated financial statements.

PBE IPSAS 7.19
PBE IPSAS 8.43

Under the equity method, an investment in an associate or joint venture is initially recognised in the consolidated statement of financial position at cost. The carrying amount of the investment is adjusted to recognise post-acquisition changes in the Group's share of net assets of the associates or joint ventures. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised.

PBE IPSAS 7.17
PBE IPSAS 7.29

The Group's share of an associate's or joint venture's surplus or deficit is recognised in the statement of financial performance. The Group's share of any movements in the associate's or joint venture's other comprehensive revenue and an expense is recognised in other comprehensive revenue and expense. The cumulative movements are adjusted against the carrying amount of the investment. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate or joint venture.

PBE IPSAS 7.17
PBE IPSAS 7.28

PBE IPSAS 1.91.(c)

The share of surplus or deficit of associates or joint venture is shown on the face of the statement of financial performance. This is the surplus attributable to equity holders of the associate or joint venture and therefore is surplus after tax and minority interests in the controlled entities of the associates.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on the Group's investment in its associate or joint venture. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate or joint venture is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the "share of surplus of an associate and joint venture" in the statement of financial performance. Goodwill included in the carrying amount of the investment in associate is not tested for impairment separately; rather the entire carrying amount of the investment is tested as a single asset.

PBE IPSAS 7.37-40

When the Group's share of losses in an associate or joint venture equals or exceeds its interest in the associate or joint venture, including any unsecured long-term receivables and loans, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

PBE IPSAS 7.35-36

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

PBE IPSAS 7.32

2 Summary of significant accounting policies *continued*

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any remaining investment at its fair value, and accounts for the remaining investments in accordance with PBE IPSAS 29. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in surplus or deficit.

PBE IPSAS 7.24
PBE IPSAS 8.41

Council:
The Council's investment in associates and joint ventures is accounted for at cost in the Council's separate financial statements.

PBE IPSAS 7.41
PBE IPSAS 8.52
PBE IPSAS 6.58(b)

In the Council's separate statement of financial performance, dividends receivable from associates or joint ventures are recognised in as revenue.

Commentary

PBE IPSAS 8 identifies three broad types of joint ventures - jointly controlled operations, jointly controlled assets and jointly controlled entities - that are commonly described as, and meet the definition of, joint ventures. *PBE IPSAS 8.12*

The Group does not have an interest in joint operations or jointly controlled assets.

If the Group has an interest in a joint operations, the following illustrative accounting policy would be relevant as per PBE IPSAS 8.17-19:

The Group has an interest in a joint venture that is a jointly controlled operation. A jointly controlled operation involves use of assets and other resources of the venturers rather than establishment of a separate entity. The Group recognises its interest in the jointly controlled operation by recognising its interest in the assets and the liabilities of the joint venture. The Group also recognises the expenses that it incurs and its share of the income that it earns from the sale of goods or services by the jointly controlled operation.

PBE IPSAS 8.17
PBE IPSAS 8.19

If the Group has an interest in a jointly controlled asset, the following illustrative policy would be relevant as per PBE IPSAS 8.22-26:

The Group has an interest in a joint venture that is a jointly controlled asset. The Group recognises its share of the asset, classified as plant and equipment. In addition the Group recognises its share of liabilities, expenses and income from the use and output of the jointly controlled asset.

PBE IPSAS 8.22
PBE IPSAS 8.25-26

PBE IPSAS 8 requires venturers to account for their investment in a jointly controlled entity using either proportionate consolidation or equity accounting. The Group has chosen the equity method for accounting for its joint venture. *PBE IPSAS 8.35*

(g) Foreign currency translation

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. *PBE IPSAS 4.24*

Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognised as income or expenses in the period in which they arise.

PBE IPSAS 4.27(a)
PBE IPSAS 4.32

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

PBE IPSAS 4.27(b)-(c)

2 Summary of significant accounting policies *continued*

(h) Cash and cash equivalents

PBE IPSAS 2.57

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity 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.

PBE IPSAS 2.8
PBE IPSAS 2.9

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are included within interest-bearing loans and borrowings in current liabilities on the statement of financial position.

PBE IPSAS 2.10

Commentary
For purposes of the cash flow statement, the Group has included bank overdrafts within cash and cash equivalents as they are considered an integral part of the Group's cash management.

(i) Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

PBE IPSAS 28.9

Financial assets
Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through surplus or deficit, transaction costs that are attributable to the acquisition of the financial asset.

PBE IPSAS 29.10
PBE IPSAS 29.45

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

PBE IPSAS 29.40

The Group's financial assets include: cash and short term deposits, trade and other receivables, loans and other receivables; quoted and unquoted financial instruments; and derivative financial instruments.

Subsequent measurement

For the purpose of subsequent measurement financial assets are classified in four categories:

PBE IPSAS 29.47

- Financial assets at fair value through surplus or deficit
- Loans and receivables
- Held to maturity investments
- Available for sale financial assets

Financial assets at fair value through surplus or deficit

Financial assets at fair value through surplus or deficit include financial assets held for trading and financial assets designated upon initial recognition at fair value through surplus or deficit. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by PBE IPSAS 29.

PBE IPSAS 29.10

The Group has not designated any financial assets at fair value through surplus or deficit.

Financial assets at fair value through surplus or deficit are carried in the statement of financial position at fair value with net changes in fair value presented as other expenses (negative net changes in fair value) or other revenue (positive net changes in fair value) in the statement of surplus or deficit.

PBE IPSAS 29.48,
PBE IPSAS 29.64(a)

2 Summary of significant accounting policies *continued*

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value though surplus or deficit. These embedded derivatives are measured at fair value with changes in fair value recognised in surplus or deficit. Re-assessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through surplus or deficit.

PBE IPSAS 29.12

PBE IPSAS 29.B5

Loans and receivables

This category of financial assets is the most relevant to the Group. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

PBE IPSAS 29.10
PBE IPSAS 29.48(a)
PBE IPSAS 29.AG18
PBE IPSAS 29.65

After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

The effective interest rate amortisation is included in finance income in the statement of financial performance.

The losses arising from impairment are recognised in the statement of financial performance in finance costs for loans and in cost of sales or other operating expenses for receivables.

This category generally applies to trade and other receivables. For more information on receivables, refer to Notes 29 and 30.

Held to maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Group has the positive intention and ability to hold them to maturity.

PBE IPSAS 29.10
PBE IPSAS 29.48(b)
PBE IPSAS 29.AG18

PBE IPSAS 29.65

After initial measurement, held to maturity investments are measured at amortised cost using the effective interest rate method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

The effective interest rate amortisation is included as finance income in the statement of financial performance.

The losses arising from impairment are recognised in the statement of financial performance as finance costs.

The Group did not have any held-to-maturity investments during the years ended 30 June 2017 or 30 June 2018.

Available for sale financial statements

Available for sale (AFS) financial investments include equity investments and debt securities. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at fair value through surplus or deficit. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions.

PBE IPSAS 29.10

After initial measurement, AFS financial investments are subsequently measured at fair value with unrealised gains or losses recognised in other comprehensive revenue and expense and accumulated in the AFS reserve until:

PBE IPSAS 29.48(a)
PBE IPSAS 29.64(b)

- the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or;
- the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to the statement of financial performance in finance costs.

PBE IPSAS 28.76

PBE IPSAS 29.64(b)

Interest earned whilst holding AFS financial investments is reported as interest income using the effective interest rate method.

2 Summary of significant accounting policies *continued*

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised (i.e. removed from the Group's statement of financial position) primarily when: *PBE IPSAS 29.19*

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset *PBE IPSAS 29.20 PBE IPSAS 29.21 PBE IPSAS 29.22*

When the Group has transferred its rights to receive cash flows from an asset or has entered into a passthrough arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. *PBE IPSAS 29.22(b) PBE IPSAS 29.32-33*

Impairment of financial assets

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event') has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. *PBE IPSAS 29.67 PBE IPSAS 29.68*

Financial assets carried at amortised cost (loans and receivables)

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Collectability of trade receivables is reviewed on an ongoing basis at an operating unit level. An impairment provision is recognised when there is objective evidence that the Group will not be able to collect the receivable. Financial difficulties of the debtor, default payments or debts more than 60 days overdue are considered objective evidence of impairment. *PBE IPSAS 29.73*

If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment. *PBE IPSAS 29.73*

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in surplus or deficit. *PBE IPSAS 29.72*

Interest income (recorded as finance income in the statement of financial performance) continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. *PBE IPSAS 29.AG126*

Individual trade receivable balances that are known to be uncollectible are written off when identified, along with associated allowances. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the statement of financial performance. *PBE IPSAS 29.74*

Available for sale financial assets

For AFS financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired. *PBE IPSAS 29.67*

In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. *PBE IPSAS 29.70*

When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in surplus or deficit – is removed from net assets/equity and recognised in surplus or deficit. *PBE IPSAS 29.76*

Impairment losses on equity investments are not reversed through surplus or deficit; increases in their fair value after impairment are recognised in other comprehensive revenue and expense. *PBE IPSAS 29.78*

In the case of debt instruments classified as AFS, the impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in surplus or deficit. *PBE IPSAS 29.77*

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. *PBE IPSAS 29.AG126*

If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in surplus or deficit, the impairment loss is reversed through surplus or deficit. *PBE IPSAS 29.79*

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through surplus or deficit, payables, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of payables and loans and borrowings, net of directly attributable transaction costs. *PBE IPSAS 29.45*

The Group's financial liabilities include trade and other payables, loans and borrowings (including bank overdrafts), financial guarantee contracts and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through surplus or deficit

Financial liabilities at fair value through surplus or deficit include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through surplus or deficit. *PBE IPSAS 29.10*

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by PBE IPSAS 29. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in surplus or deficit. *PBE IPSAS 29.64(a)*

2 Summary of significant accounting policies *continued*

Financial liabilities designated upon initial recognition at fair value through surplus or deficit are designated at the initial date of recognition, and only if the criteria in PBE IPSAS 29 are satisfied. The Group has not designated any financial liability as at fair value through surplus or deficit. *PBE IPSAS 29.10*

Financial liabilities at amortised cost

This is the category of financial liabilities that is most relevant to the Group. After initial recognition, trade and other payables and interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. *PBE IPSAS 29.49*

Gains and losses are recognised in surplus or deficit when the liabilities are derecognised as well as through the effective interest rate amortisation process. The effective interest rate amortisation is included as finance costs in the statement of financial performance. *PBE IPSAS 29.65*

Trade and other payables are unsecured and are usually paid within 30 days of recognition. Due to their short-term nature they are not discounted.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. *PBE IPSAS 29.10*

This category generally applies to payables and interest-bearing loans and borrowings. For more information refer Note 27.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation. *PBE IPSAS 29.10 PBE IPSAS 29.45 PBE IPSAS 29.49(c)*

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in surplus or deficit. *PBE IPSAS 29.41 PBE IPSAS 29.42 PBE IPSAS 29.43*

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously. *PBE IPSAS 28.47*

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. In the absence of an active market, the fair value of financial instruments is measured using valuation techniques with the objective of estimating what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. *PBE IPSAS 29.51 PBE IPSAS 30.31 PBE IPSAS 30.RDR 31.1*

(j) Derivative financial instruments and hedging

The Group uses derivative financial instruments, such as forward currency contracts and interest rate swaps to mitigate risks associated with foreign currency and interest rate fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value. *PBE IPSAS 29.45 PBE IPSAS 29.48*

Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

2 Summary of significant accounting policies *continued*

Derivative assets and liabilities are classified as non-current when the remaining maturity is more than 12 months, or current when the remaining maturity is less than 12 months. *PBE IPSAS 1.76*

The fair values of forward currency contracts are calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair values of interest rate swaps are determined using a valuation technique based on cash flows discounted to present value using current market interest rates. *PBE IPSAS 30.31* *PBE IPSAS 30.RDR 31.1*

Any gains or losses arising from changes in the fair value of derivatives are taken directly to surplus or deficit, except for the effective portion of derivatives designated in cash flow hedges, which is recognised in other comprehensive revenue and expense and later reclassified to surplus or deficit when the hedged item affects surplus or deficit (please refer below). *PBE IPSAS 29.64(a)* *PBE IPSAS 29.99* *PBE IPSAS 29.106*

For the purposes of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment that is attributable to a particular risk and could affect surplus and deficit. (Good City Council currently has a fair value hedge in relation to the fair value of borrowings and debt instruments subject to fixed interest rate.) *PBE IPSAS 29.96(a)*
- Cash flow hedges when hedging the exposure to variability in cash flows that is attributable either to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, or to the foreign currency risk in an unrecognised firm commitment, which could affect surplus or deficit. (Good City Council Group currently has cash flow hedges attributable to foreign currency payments for purchases of property, plant and equipment, and payment of floating interest on borrowings.) *PBE IPSAS 29.96(b)*
- Hedges of a net investment in a foreign operation. (Good City Council Group does not currently have any hedges of net investment.) *PBE IPSAS 29.96(c)*

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated. *PBE IPSAS 29.98*

Derivatives that are designated in a hedging relationship and meet the strict criteria for hedge accounting are accounted for as follows:

(i) Fair value hedges

The change in the fair value of a hedging derivative is recognised in surplus or deficit as finance costs. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in the surplus or deficit as finance costs. *PBE IPSAS 29.99(a)*

For fair value hedges relating to items carried at amortised cost, any adjustment to carrying value is amortised through surplus or deficit over the remaining term of the hedge using the effective interest rate method. Effective interest rate amortisation may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged. *PBE IPSAS 29.103*

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in surplus or deficit. *PBE IPASA 29.104*

The Group discontinues fair value hedge accounting if the hedging instrument expires or is sold, terminated or exercised, the hedge no longer meets the criteria for hedge accounting or the Group revokes the designation. If the hedged item is derecognised, the unamortised fair value is recognised immediately in surplus or deficit. *PBE IPSAS 29.102*

2 Summary of significant accounting policies *continued*

The Group has an interest rate swap that is used as a hedge for the exposure of changes in the fair value of its 8.25% fixed rate secured loan. See Note 27 for more details.

(ii) Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive revenue and expense and accumulated in the cash flow hedge reserve, while any ineffective portion is recognised immediately in surplus or deficit as other operating expenses. *PBE IPSAS 29.106*

Amounts recognised as other comprehensive revenue and expense are transferred to surplus or deficit when the hedged transaction affects surplus or deficit, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs. When the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised as other comprehensive revenue and expense are transferred to the initial carrying amount of the non-financial asset or liability. *PBE IPSAS 29.108-110*

If the forecast transaction is no longer expected to occur, amounts accumulated in reserves are reclassified to surplus or deficit in the statement of financial performance. *PBE IPSAS 29.112(c)*

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognised in other comprehensive revenue and expense remains separately in net assets/equity until the forecast transaction occurs or the foreign currency firm commitment is met. *PBE IPSAS 29.112(a) PBE IPSAS 29.112 (b) PBE IPSAS 29.112 (d)*

The Group uses forward currency contracts as hedges of its exposure to foreign currency risk in forecast transactions and firm commitments. The ineffective portion relating to foreign currency contracts is recognised in finance costs. Refer to Note 27 for more details.

(k) Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition. *PBE IPSAS 12.16*

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Raw materials and consumables – purchase cost on a first-in, first-out basis. *PBE IPSAS 12.35*

The cost of purchase comprises the purchase price including the transfer from reserves of gains and losses on qualifying cash flow hedges of purchases of raw materials, import duties and other taxes (other than those subsequently recoverable by the entity from the taxing authorities), transport, handling and other costs directly attributable to the acquisition of raw materials. Volume discounts and rebates are included in determining the cost of purchase. *PBE IPSAS 29.109(b) PBE IPSAS 12.19*

The Group's raw materials and consumables inventory includes botanical supplies and maintenance items.

Finished goods and work-in-progress – cost of direct materials and labour and a proportion of variable and fixed manufacturing overheads based on normal operating capacity, but excluding borrowing costs. Costs are assigned on the basis of weighted average costs. *PBE IPSAS 12.18*

The Group's finished goods inventory includes items held for resale, such as Council rubbish bags and items sold at the museum shop, as well as items held for distribution, such as recycle bins.

After initial recognition, inventories held for resale are valued at the lower of cost and net realisable value. However, inventory held for distribution or deployment at no charge or for a nominal charge is measured at cost, adjusted when applicable for any loss of service potential. *PBE IPSAS 12.15 PBE IPSAS 12.16 PBE IPSAS 12.17*

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution. *PBE IPSAS 12.9*

2 Summary of significant accounting policies *continued*

Commentary
For periods beginning 1 January 2016 and onwards, a PBE is allowed not to recognise donated inventory (i.e. inventory received "in-kind") if it is not practicable to measure reliably the fair value of those goods at the date of acquisition because the costs of recognising the goods at the date of acquisition outweigh the benefits.

This will often be the case for entities that receive high-volume, low-value, second-hand goods in-kind for resale or distribution. For example, a not-for-profit PBE that receives a high volume of second-hand goods from public donations and re-sells these goods or distributes them free of charge may find it impracticable to reliably determine the fair value of the received goods and services for the purpose of recognising them as inventory. Such a PBE may choose not to recognise the donated goods as inventory upon receipt. If the PBE sells the goods, it will still need to recognise revenue upon sale.

Neither Good City Council nor its controlled entities receive significant donated goods; therefore, this exemption is not reflected in Good City Council's inventory accounting policy above. For entities that receive large volumes of donated goods, the first sentence of the above accounting policy for inventory can be replaced by the following illustrative disclosure:

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition, unless it is not practicable to determine fair value, in which case the inventory is not recognised.

(l) Non-current assets held for sale

The Group classifies non-current assets as held for sale or for distribution to owners if their carrying amounts will be recovered principally through a sale or distribution rather than through continuing use. Such non-current assets classified as held for sale or as held for distribution are measured at the lower of their carrying amount and fair value less costs to sell or to distribute. Costs to sell (or distribute) are the incremental costs directly attributable to the sale (or distribution), excluding the finance costs and income tax expense.

PBE IFRS 5.6
PBE IFRS 5.15-15A
PBE IFRS 5.5B1

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset is available for immediate distribution in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the sale will be withdrawn. Management must be committed to the distribution expected within one year from the date of the classification. Similar considerations apply to assets or a disposal group held for distribution.

PBE IFRS 5.7
PBE IFRS 5.8

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale or as held for distribution.

PBE IFRS 5.25

Assets and liabilities classified as held for sale or for distribution are presented separately as current items in the statement of financial position.

PBE IFRS 5.38

Commentary
The Group does not have any discontinued operations and therefore no disposal groups associated with discontinued operations. It is not usual for a local authority, government department or Crown entity to have discontinued operations. As there are no significant differences between PBE IFRS 5 and NZ IFRS 5, please refer to the EY publication *Good Group New Zealand Ltd* for an example accounting policy and other required disclosures for discontinued operations.

(m) Property, plant and equipment

Initial recognition and subsequent expenditure

Property, plant and equipment is measured initially at cost. Cost includes expenditure that is directly attributable to the acquisition of the items. The cost of an item of property plant and equipment is recognised only when it is probable that future economic benefit or service potential associated with the item will flow to the Group, and if the item's cost or fair value can be measured reliably.

PBE IPSAS 17.14
PBE IPSAS 17.30
PBE IPSAS 17.26

The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met. Refer to significant accounting judgements, estimates and assumptions (Note 3) and provisions (Note 33) for further information about the recorded landfill environmental decommissioning provision.

PBE IPSAS 17.30(c)

Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

PBE IPSAS 17.27

Subsequent costs that meet the recognition criteria above are recognised in the carrying value of the item of property, plant and equipment. Such cost includes the cost of replacing part of

PBE IPSAS 17.24

2 Summary of significant accounting policies *continued*

the property, plant and equipment if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in surplus or deficit as incurred.

PBE IPSAS 17.25
PBE IPSAS 17.23

Measurement subsequent to initial recognition
Subsequent to initial recognition, property, plant and equipment are measured using either the cost model or the revaluation model, as described below:

PBE IPSAS 17.88(a)
PBE IPSAS 17.42

Land and buildings (including the service concession asset), roading assets, water assets and wastewater assets are measured at fair value, less accumulated depreciation on buildings recognised after the date of the revaluation.
The fair value of land and buildings is their market value as determined by a registered valuer. The fair value of the roading assets, water assets and wastewater assets is measured using depreciated replacement cost.

PBE IPSAS 17.44
PBE IPSAS 17.45
PBE IPSAS 17.48

Revaluation is performed on a class-by-class basis. If an item of property, plant and equipment is revalued, the entire class to which the asset belongs is revalued.

PBE IPSAS 17.51

Valuations are performed with sufficient frequency to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. The valuation cycle for revalued asset classes is normally three years.

PBE IPSAS 17.44
PBE IPSAS 17.54
PBE IPSAS 17.55

A revaluation surplus is recorded in other comprehensive revenue and expense and credited to the asset revaluation reserve in net assets/equity. However, to the extent that it reverses a revaluation deficit of the same class of asset previously recognised in surplus or deficit, the increase is recognised in surplus or deficit. A revaluation deficit is recognised in the surplus or deficit, except to the extent that it offsets an existing surplus on the same asset class recognised in the asset revaluation reserve.

Plant and equipment and leased equipment (including Port machinery, office equipment, vessels and vehicles), and heritage assets (museum exhibits) are measured at cost, net of accumulated depreciation and impairment losses, if any.

PBE IPSAS 17.43

Depreciation
Depreciation is charged on a straight-line basis over the useful life of the asset. Depreciation is charged at rates calculated to allocate the cost or valuation of the asset less any estimated residual value over its remaining useful life:

PBE IPSAS 17.66
PBE IPSAS 17.88(b)

Land - not depreciated
Buildings - 20 to 50 years
Service concession assets (recreation centre building) – 20 years
Roading - 10 to 100 years
Water, stormwater and wastewater assets – 10 to 200 years
Plant and equipment - 5 to 15 years
Leased equipment - 8 to 10 years
Cultural and heritage assets – not depreciated

PBE IPSAS 17.88(c)

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

PBE IPSAS 17.67

For revalued assets, any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amounts of the assets and the net amounts are restated to the revalued amounts of the assets.

PBE IPSAS 17.50(b)

An asset's carrying amount is written down immediately to its recoverable amount, or recoverable service amount, if the asset's carrying amount is greater than its estimated recoverable amount or recoverable service amount. Please refer to policy on impairment of non-financial assets below.

PBE IPSAS 26.72
PBE IPSAS 21.52

Derecognition

2 Summary of significant accounting policies *continued*

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits or service potential are expected from its use or disposal. *PBE IPSAS 17.82*

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in surplus or deficit. *PBE IPSAS.17.86* *PBE IPSAS17.83*

Upon disposal or derecognition, any revaluation reserve relating to the particular asset being sold is transferred to accumulated comprehensive revenue and expense. *PBE IPSAS 17.57*

Commentary

Property, plant and equipment acquired in a non-exchange transaction *PBE IPSAS 17.27*

PBE IPSAS 17.27 requires property, plant and equipment that are acquired through non-exchange transactions to be measured at the fair value thereof at the date of acquisition. In this case, the corresponding credit is recognised as income in the statement of financial performance, unless there are conditions on the asset's use, in which case, income is deferred as a liability. The fair value of the item (at initial recognition) is therefore adopted as the deemed cost of the item received. Similar requirements exist for other assets acquired through non-exchange transactions such as investment property (PBE IPSAS 16.27) and intangible assets (PBE IPSAS 31.43).

Subsequent measurement: cost model vs revaluation model *PBE IPSAS 17.42*

Under PBE IPSAS 17, an entity has a policy choice for the measurement of property, plant and equipment after initial recognition. An entity may choose either the cost model or the revaluation model for entire classes of property, plant and equipment. The Group has elected to use the revaluation model for land and buildings, infrastructure assets, and water, storm water and wastewater assets, while other classes of property, plant and equipment are measured using the cost model.

Transfers between asset revaluation reserve and accumulated revenue and expense *PBE IPSAS 17.57*

The Group has also elected to transfer the revaluation surplus relating to an asset to accumulated revenue and expense in full upon the disposal of the asset. Alternatively, the amount recognised in the revaluation reserve could have either been transferred to accumulated revenue and expenses as the asset was being used over its useful life, or not transferred at all.

Service concession assets *PBE IPSAS 32.13*

PBE IPSAS 32.13 requires service concession assets to be accounted for under PBE IPSAS 17 (or PBE IPSAS 31 for intangible service concession assets).

Effective 1 January 2017, as part of the *2016 Omnibus Amendments to PBE Standards*, PBE IPSAS 32 clarifies that service concession assets should be grouped with similar assets as a class of assets for the purpose of subsequent measurement, consistently with PBE IPSAS 17 and PBE IPSAS 31, and that dissimilar service concession assets cannot be accounted for as a class of assets. *PBE IPSAS 32.BC 6*

If, as a result of the above amendment, an entity reclassifies a service concession asset to a different asset class, this change must be presented retrospectively in accordance with PBE *IPSAS 3 Accounting Policies, Changes in Accounting Estimates and Errors*.

After initial recognition, service concession assets are measured using either the cost model or the revaluation model, as per PBE IPSAS 17. Similarly, the depreciation requirements of PBE IPSAS 17 also apply to service concession assets. The Group recognises a service concession asset with respect to a recreation centre that is built and operated for a specified time period by a private sector operator. Consistently with the Group's measurement policy for buildings, the recreation centre building is measured using the revaluation model, is revalued every three years and is depreciated over a useful life of 20 years. Please refer to Note 2(r) below for the Group's specific accounting policy on service concession arrangements.

(n) Investment properties

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met, and excludes the costs of day-to-day maintenance of an investment property. *PBE IPSAS 16.26* *PBE IPSAS 16.25* *PBE IPSAS 16.24*

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. *PBE IPSAS 16.27*

Subsequent to initial recognition, investment properties are measured at fair value, which is based on active market prices, adjusted if necessary, for any difference in the nature, location or condition of the specific asset at the reporting date. *PBE IPSAS 16.39* *PBE IPSAS 16.42* *PBE IPSAS 16.47* *PBE IPSAS 16.54*
Gains or losses arising from changes in the fair values of investment properties are recognised in surplus or deficit in the year in which they arise. *PBE IPSAS 16.44*

2 Summary of significant accounting policies *continued*

Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. *PBE IPSAS 16.77*

Any gains or losses on the retirement or disposal of an investment property are recognised in surplus or deficit in the year of retirement or disposal. *PBE IPSAS 16.80*

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation or commencement of an operating lease to another party. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale. *PBE IPSAS 16.66*

For a transfer from investment property to owner-occupied property or inventories, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. *PBE IPSAS 16.71*

If the property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use. At the date of the change in use, any difference between the carrying amount of the property and its fair value is recognised is surplus or deficit, in the same way as a revaluation under this policy. *PBE IPSAS 16.72*

For a transfer from inventories to investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognised in surplus or deficit. *PBE IPSAS 16.74*

(o) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement at inception date. The substance of the arrangement depends on whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement. *PBE IPSAS 13.C6-C9*

(i) Group as a lessee

Finance leases are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the Group. Assets held under a finance lease are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Group also recognises the associated lease liability at the inception of the lease, at the same amount as the capitalised leased asset. *PBE IPSAS 13.13* *PBE IPSAS 13.28*

Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as finance costs in surplus or deficit. Contingent rents shall be charged as expenses in the period in which they are incurred. *PBE IPSAS 13.34*

An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term. *PBE IPSAS 13.36*

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Group. Operating lease payments are recognised as an operating expense in surplus or deficit on a straight-line basis over the lease term. *PBE IPSAS 13.13* *PBE IPSAS 42*

(ii) Group as a lessor

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term. *PBE IPSAS 13.13* *PBE IPSAS 13.65* *PBE IPSAS 13.63*

Rent received from an operating lease is recognised as income on a straight-line basis over the lease term. Contingent rents are recognised as revenue in the period in which they are earned.

2 Summary of significant accounting policies *continued*

(p) Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. *PBE IPSAS 31.31* *PBE IPSAS 31.39.1*

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred. *PBE IPSAS 31.73* *PBE IPSAS 31.52*

The useful lives of intangible assets are assessed as either finite or indefinite. *PBE IPSAS 31.87*

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. *PBE IPSAS 31.96*

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits or service potential embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. *PBE IPSAS 31.103* *PBE IPSAS 31.96*

The amortisation expense on intangible assets with finite lives is recognised in surplus or deficit as the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis. *PBE IPSAS 31.106-108*

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in surplus or deficit when the asset is derecognised. *PBE IPSAS 31.112*

Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate: *PBE IPSAS 31.52* *PBE IPSAS 31.55*

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention and ability to complete and use or sell the asset
- How the asset will generate future economic benefits or service potential
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development *PBE IPSAS 31.96*

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. During the period of development, the asset is tested for impairment annually. *PBE IPSAS 31.107*

Licences

The Group made upfront payments to purchase licences. The licences held by the Group relate to the usage of historical film footage relating to local culture and important events in the history of Good City. The licences may be renewed at little or no cost to the Group. As a result, those licences are assessed as having an indefinite useful life. They are not amortised, but are tested for impairment annually. *PBE IPSAS 31.93, PBE IPSAS 31.IE10-11*

Carbon credits

The Group participates in the New Zealand Emission Trading Scheme. Purchased carbon credits are recognised at cost on acquisition, and carbon credits received from the Government are recognised at fair value as at the date of transfer. Carbon credits have an indefinite useful life and therefore are not amortised, but are tested for impairment annually.

2 Summary of significant accounting policies *continued*

Software
The Group holds several computer software packages for internal use, including purchased software and software developed in-house by the Group.
Purchased software is recognised and measured at the cost incurred to acquire the software. *PBE IPSAS 31.64*
Developed software is recognised and measured during the development stage in accordance with the Research and Development paragraph above. Costs that are directly associated with the development of the software, including employee costs, are capitalised as an intangible asset. *PBE IPSAS 31.65(c)*
Staff training costs and costs associated with maintaining computer software are recognised as expenses in surplus or deficit when incurred.

A summary of the policies applied to the Group's intangible assets is, as follows: *PBE IPSAS 31.117(a)* *PBE IPSAS 31.117(b)*

	Software	Licence	Carbon credits
Useful life	Finite: 10 years	Indefinite	Indefinite
Amortisation method	Straight line basis	Not amortised	Not amortised
Internally-generated or acquired	Some acquired and some internally generated	Acquired	Acquired

Commentary
Subsequent measurement: cost model vs revaluation model
Under PBE IPSAS 31, an entity may choose either the cost model or the revaluation model for the measurement of intangible assets after initial recognition. *PBE IPSAS 31.71*
However, PBE IPSAS 31 explicitly states that for the purpose of the revaluation model, the fair value of an intangible asset must be determined with reference to an active market. *PBE IPSAS 31.74*
It is uncommon for an active market to exist for an intangible asset, and this is recognised by PBE IPSAS 31. Therefore, in the majority of cases, an entity is unable to use the revaluation model and must measure intangible assets at cost less accumulated amortisation after initial recognition. *PBE IPSAS 31.77*
The Council and Group have applied the cost model to all intangible assets.

(q) Service concession arrangements

A service concession arrangement is a binding arrangement between a grantor and an operator, in which: *PBE IPSAS 32.8*

- the operator uses the service concession asset to provide a public service on behalf of the grantor for a specified period of time; and
- the operator is compensated for its services over the period of the service concession arrangement

The Group is a grantor in a service concession arrangement concerning a new recreation centre. The recreation centre building is recognised and measured as a separate class within property plant and equipment – please refer to accounting policy in Note 2(n) above. *PBE IPSAS 32.9*

The Group analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Group recognises that asset when, and only when:

- The Group controls or regulates the services that the operator must provide using the asset, to whom the operator must provide these services, and at what price; and *PBE IPSAS 32.11*
- In the case of assets other than 'whole-of-life' assets, the Group controls – through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. *PBE IPSAS 32.13*

Any assets so recognised are measured initially at their fair value and are recognised as a separate asset class within property, plant and equipment or intangible assets, as appropriate. Subsequent to initial recognition, service concession assets are measured using either the cost model or the revaluation model, as per PBE IPSAS 17 or PBE IPSAS 31.

To the extent that a service concession asset has been recognised, the Group also recognises a corresponding liability, adjusted by any cash consideration paid to the operator or received from the operator. The liability is initially recognised at the same amount as the service concession asset. *PBE IPSAS 32.14* *PBE IPSAS 32.15* *PBE IPSAS 32.18* *PBE IPSAS 32.24*

2 Summary of significant accounting policies *continued*

Subsequent to initial recognition, if the Group has an obligation to pay cash (or transfer another financial asset) to the operator for the construction or operation of the service concession asset, the liability is accounted for as a financial liability. *PBE IPSAS 32.25*

In the absence of such an obligation, and where the operator has the right to earn revenue from the use of the service concession asset, the liability is measured using the "grant of a right to the operator" model. Under this model, the liability is accounted for as the unearned portion of the revenue arising from the exchange of the service concession asset, and is reduced over the term of the service concession arrangement in accordance with the economic substance of the arrangement. The reduction in the liability is recognised as revenue. The Group uses the "grant of a right to the operator" model to measure the liability associated with its service concession arrangement.

(r) Impairment of non-financial assets

Impairment of cash generating assets

For non-financial cash-generating assets, except for those assets that are measured using the revaluation model, the Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case recoverable amount is determined for the cash generating unit (CGU) to which the asset belongs. An asset's or CGU's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

PBE IPSAS 26.22
PBE IPSAS 26.23.1
PBE IPSAS 26.35
PBE IPSAS 26.31
PBE IPSAS 26.72

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

PBE IPSAS 26.43-44
PBE IPSAS 26.68
PBE IPSAS 26.39-40

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

PBE IPSAS 26.46

Impairment losses of continuing operations, including impairment on inventories, are recognised in the statement of financial performance.

PBE IPSAS 26.73

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in surplus or deficit.

PBE IPSAS 26.99

PBE IPSAS 26.103
PBE IPSAS 26.106
PBE IPSAS 26.111
PBE IPSAS 26.108

The following assets have specific characteristics for impairment testing:

Goodwill

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

PBE IPSAS 26.23.1(b)

PBE IPSAS 26.90.11
PBE IPSAS 26.111.1

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

2 Summary of significant accounting policies *continued*

Intangible assets with indefinite useful life
Intangible assets with indefinite useful lives are tested for impairment annually at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired. *PBE IPSAS 26.23.1(a)*

Impairment of non-cash-generating assets
For non-financial non-cash-generating assets, except for those assets that are valued using the revaluation model, the Group assesses at each reporting date whether there is an indication that a non-cash-generating asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable service amount. An asset's recoverable service amount is the higher of the non-cash-generating asset's fair value less costs to sell and its value in use. *PBE IPSAS 21.26* *PBE IPSAS 21.26A* *PBE IPSAS 21.35*

Where the carrying amount of an asset exceeds its recoverable service amount, the asset is considered impaired and is written down to its recoverable service amount. *PBE IPSAS 21.52*

In assessing value in use, the Group has adopted the depreciation replacement cost approach. Under this approach, the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset. *PBE IPSAS 21.45* *PBE IPSAS 21.40* *PBE IPSAS 21.41* *PBE IPSAS 21.42*

In determining fair value less costs to sell, the price of the asset in a binding agreement in an arm's length transaction, adjusted for incremental costs that would be directly attributed to the disposal of the asset, is used. If there is no binding agreement, but the asset is traded on an active market, fair value less cost to sell is the asset's market price less cost of disposal. If there is no binding sale agreement or active market for an asset, the Group determines fair value less cost to sell based on the best available information.

Impairment losses are recognised immediately in surplus or deficit. *PBE IPSAS 21.54*

For each asset, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's recoverable service amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable service amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in surplus or deficit. *PBE IPSAS 21.59* *PBE IPSAS 21.65* *PBE IPSAS 21.68* *PBE IPSAS 21.69*

Commentary

Timing of goodwill impairment testing — *PBE IPSAS 26.90.12*

PBE IPSAS 26.90.12 permits the annual impairment test for a CGU to which goodwill has been allocated to be performed at any time during the year, provided it is at the same time each year. Different CGUs and intangible assets may be tested at different times.

Cash-generating assets vs non-cash-generating assets: classification — *PBE IPSAS 21.16*

The classification of assets as non-cash generating assets is a highly judgmental matter. It should be noted that PBE IPSAS 21.16 clarifies that cash-generating assets are those assets that are held with the primary objective of generating a commercial return. Therefore, non-cash generating assets would be those assets from which the Group does not intend (as its primary objective) to realise a commercial return.

Non-cash-generating assets: value in use calculation methods

PBE IPSAS 21 provides three approaches for determining the value in use of a non-cash-generating asset if there is an indication that the asset is impaired. The three approaches are: — *PBE IPSAS 21.44*

- *Depreciated replacements cost (DRC):* — *PBE IPSAS 21.45*
  DRC is measured as the reproduction or replacement cost of the an asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset. The replacement cost and reproduction cost of an asset are determined on an optimised basis after adjusting (i.e. deducting) for all forms of obsolescence, overcapacity and overdesign. — *PBE IPSAS 21.46*

- *Restoration cost (RC):* — *PBE IPSAS 21.48*
  RC is the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset (DRC) before impairment.

- *Service units (SU):* — *PBE IPSAS 21.49*
  Under SU approach, the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment to conform to the reduced number of service units expected from the asset in its impaired state. Similar to RC, the current cost of the remaining potential of the asset before impairment is the DRC.

However, the use of the three approaches is not a free choice. PBE IPSAS 21 requires a PBE to consider whether the approach is appropriate depending on the availability of data and nature of the impairment. — *PBE IPSAS 21.50*

If impairment is caused by significant long-term changes in the technological, legal, or government policy environment, or if it is caused by significant long-term change in the extent or manner of use of the asset, then the appropriate approach under PBE IPSAS 21 is either the DRC method or the SU method.

On the other hand, if impairment arises due to physical damage to the asset, then the appropriate approach under PBE IPSAS 23 is either the DRC method or the RC method.

The DRC method is appropriate for all three types of impairment, and is the method that is usually used by the Group for calculating value in use for the purpose of impairment testing of non-cash-generating assets. Therefore the only value in use calculation approach that the Group mentions in its impairment accounting policy above is the DRC method.

2 Summary of significant accounting policies *continued*

(s) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

PBE IPSAS 19.22

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

PBE IPSAS 19.63

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

PBE IPSAS 19.64

Rehabilitation provision - landfill

The Council has a resource consent to operate the Good City landfill. Under this resource consent, the Council has a legal obligation to provide ongoing maintenance and monitoring of the landfill site after its closure.

PBE IPSAS 19.22

The Group records a provision for post-closure rehabilitation costs that are expected to be incurred in connection with the closure of the landfill. Rehabilitation costs are provided at the present value of expected costs to settle the obligation using estimated cash flows and are recognised as part of the cost of the landfill asset.

PBE IPSAS 19.44
PBE IPSAS 19.53

The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the rehabilitation liability. The unwinding of the discount is expensed as incurred and recognised in surplus or deficit as a finance cost. The estimated future costs of rehabilitation are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.

PBE IPSAS 19.56
PBE IPSAS 19.70
PBE IPSAS 19.69
PBE IPSAS 19.A3(a)
PBE IPSAS 19.A4(b)

Weathertightness provision

The Group recognises a provision for the Council's estimated liability relating to the settlement of weathertightness claims. The provision relates to claims made under the Weathertight Homes Resolution Services Act 2006, as well as civil proceedings directly against the Council.

The provision calculation includes the estimated net settlement that the Council is expected to make on:

- All claims that are currently actively managed by the Council;
- All claims that have been lodged with Weathertight Home Resolution Services but are not yet actively managed by the Council, and;
- Estimated future claims that are not yet identified or reported

Estimated cash flows relating to settlement are discounted to present value at a pre-tax rate reflecting the risks specific to the weathertightness provision. The unwinding of the discount is expensed as incurred and recognised in surplus or deficit as a finance cost. Estimated future settlements are reviewed annually and adjusted as appropriate. Changes in estimated future settlements or in the discount rate are recognised in surplus or deficit.

PBE IPSAS 19.56
PBE IPSAS 19.70
PBE IPSAS 19.69

2 Summary of significant accounting policies *continued*

Restructuring provisions

Restructuring provisions are recognised only when the recognition criteria for provisions are fulfilled. The Group has a constructive obligation that gives rise to a restructuring provision only when:

PBE IPSAS 19.83

- a detailed formal plan identifies the operating unit or part of the operating unit concerned, the location and number of employees affected, a detailed estimate of the associated costs, and an appropriate timeline; and
- the employees affected have been notified of the plan's main features and therefore have a valid expectation that the plan will be implemented.

PBE IPSAS 19.56
PBE IPSAS 19.70
PBE IPSAS 19.69

If the effect of the time value of money is material, the estimated restructure costs are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Commentary
PBE IPSAS 19.44–46 requires provisions to be measured as the best estimate of the present value of the amount required to settle the obligation. In making this estimate the Group considers the probability of the various uncertain outcomes of the obligation.

(t) Employee benefits

Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries (including non-monetary benefits), annual leave and accumulating sick leave are recognised in surplus or deficit during the period in which the employee rendered the related services, and are generally expected to be settled within 12 months of the reporting date. The liabilities for these short-term benefits are measured at the amounts expected to be paid when the liabilities are settled. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

PBE IPSAS 25.13

Long service leave

Employees of the Group become eligible for long service leave after a certain number of years of employment, depending on their contract. The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. The Group's liability is based on an actuarial valuation. Actuarial gains and losses on the long-term incentives are fully accounted for in the statement of financial performance.

PBE IPSAS 25.150
PBE IPSAS 25.148(a)

(u) Borrowing costs

All borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. The Council and Group have chosen not to capitalise borrowing costs directly attributable to the acquisition, construction or production of assets.

PBE IPSAS 5.5

PBE IPSAS 5.14

(v) Equity

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

Equity is made up of the following components:

Accumulated comprehensive revenue and expense

Accumulated comprehensive revenue and expense is the Council and Group's accumulated surplus or deficit since the formation of the Council, adjusted for transfers to/from specific reserves.

2 Summary of significant accounting policies *continued*

Reserves *PBE IPSAS 1.95(c)*

(i) Asset revaluation reserve

This reserve is for the revaluation of those items of property, plant and equipment that are measured at fair value after initial recognition.

(ii) Available for sale reserve

This reserve is for the revaluation of available for sale financial assets, which are measured at fair value through other comprehensive revenue and expense after initial recognition.

(iii) Cash flow hedge reserve

This reserve is for the revaluation of derivatives designated as cash flow hedges. *PBE IPSAS 29.106(a)*
It consists of the cumulative effective portion of net changes in the fair value of these derivatives.

(iv) Targeted rates reserve

This is a restricted equity reserve that comprises funds raised by the Council through targeted rates. The use of these funds is restricted to the specific purpose for which the targeted rates were levied.

The amount of total targeted rates revenue for the year, less total expenses incurred in performing the specific activities for which these targeted rates were levied, is transferred from accumulated comprehensive revenue and expense to the targeted rates reserve via the statement of changes in net assets/equity,

(v) Special projects reserve

This is a restricted equity reserve created by the Council for the purpose of financing special projects, such capital replacement of water and infrastructure assets. The use of these funds is restricted to the specific purpose of the projects.

Amounts determined in accordance with the Council's policy are transferred on an annual basis from accumulated comprehensive revenue and expense to the special projects reserve via the statement of changes in net assets/equity. Whenever an asset is purchased or expenses are incurred as part of the execution of a special project, an amount equal to the cost of the asset or the amount of the expense is transferred from the special projects reserve to accumulated comprehensive revenue and expense via the statement of changes in net assets/equity.

(w) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits or service potential will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. *PBE IPSAS 23.31* *PBE IPSAS 9.19* *PBE IPSAS 9.28* *PBE IPSAS 9.33* *PBE IPSAS 23.42* *PBE IPSAS 9.13*

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

The specific recognition criteria described below must also be met before revenue is recognised.

Revenue from non-exchange transactions *PBE IPSAS 23.107(a)*

General and targeted rates

General and targeted rates are set annually and invoiced within the year. The Group recognises revenue from rates when the Council has struck the rate and provided the rates assessment. Rates revenue is measured at the amount assessed, which is the fair value of the cash received or receivable. *PBE IPSAS 23.31* *PBE IPSAS 23.42* *PBE IPSAS 23.48*

Government grants and funding

Revenues from non-exchange transactions with the Government and government agencies is recognised when the Group obtains control of the transferred asset (cash, goods, services, or property), and: *PBE IPSAS 23.31* *PBE IPSAS 23.44*

- it is probable that the economic benefits or service potential related to the asset will flow to the Group and can be measured reliably; and
- the transfer is free from conditions that require the asset to be refunded or returned to the Government if the conditions are not fulfilled. *PBE IPSAS 23.32* *PBE IPSAS 23.48*

2 Summary of significant accounting policies *continued*

Revenue from government grants and funding is measured at the fair value of the assets (cash, goods, services, or property) transferred over to the Group at the time of transfer. *PBE IPSAS 23.49*

PBE IPSAS 23.55

To the extent that there is a condition attached that would give rise to a liability to repay the grant amount or to return the granted asset, a deferred revenue liability is recognised instead of revenue. Revenue is then recognised only once the Group has satisfied these conditions. *PBE IPSAS 23.49*

Concessionary loans

When the Group receives a loan at an interest rate that is lower than market terms (concessionary loan), the difference between the loan proceeds and the fair value of the loan (calculated using market terms) is recognised as revenue if there are no conditions attached to the loan. *PBE IPSAS 23.105A* *PBE IPSAS 23.105B* *PBE IPSAS 23.105B*

To the extent that there are condition attached to the loan that would result in early repayment of the loan if these conditions are not satisfied, a deferred revenue liability for the amount of the difference between the loan proceeds and the fair value of the loan is recognised. Revenue is then recognised as the Group satisfies these conditions.

Fines

The Group recognises revenue from fines (such as traffic and parking infringements) when the notice of infringement or breach is served by the Council or Group. *PBE IPSAS 23.89*

Direct charges – subsidised

(i) Rendering of services - subsidised

Rendering of services at a price that is not approximately equal to the value of the service provided by the Council or Group is considered a non-exchange transaction. This includes rendering of services where the price does not allow the Council to fully recover the cost of providing the service (such as resource consents, building consents, water connections, dog licensing, etc.), and where the shortfall is subsidised by income from other activities, such as rates. Generally there are no conditions attached to such revenue. *PBE IPSAS 23.11*

Revenue from such subsidised services is recognised when the Council or Group issues the invoice or bill for the service. Revenue is recognised at the amount of the invoice or bill, which is the fair value of the cash received or receivable for the service. Revenue is recognised by reference to the stage of completion of the service to the extent that the Council or Group has an obligation to refund the cash received from the service (or to the extent that the customer has the right to withhold payment from the Council or Group for the service) if the service is not completed. *PBE IPSAS 23.31* *PBE IPSAS 23.42* *PBE IPSAS 23.48* *PBE IPSAS 23.49*

(ii) Sale of goods - subsidised

A sale of goods at a price that is not approximately equal to the value of the goods provided by the Council or Group is considered a non-exchange transaction. *PBE IPSAS 23.11*

This includes sales of goods where the price does not allow the Council to fully recover the cost of producing the goods (such as the Council recycle bins), and where the shortfall is subsidised by income from other activities such as rates.

Revenue from the sale of such subsidised goods is recognised when the Council or Group issues the invoice or bill for the goods. Revenue is recognised at the amount of the invoice or bill, which is the fair value of the cash received or receivable for the goods. *PBE IPSAS 23.31* *PBE IPSAS 23.42* *PBE IPSAS 23.48*

<u>Revenue from exchange transactions:</u> *PBE IPSAS 9.39(a)*

Direct charges – full cost recovery

(i) Rendering of other services – full cost recovery

Revenue from the rendering of services (such as port services, etc.) is recognised by reference to the stage of completion of the service. Stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours for each contract. When the contract outcome cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered. *PBE IPSAS 9.19* *PBE IPSAS 9.25*

2 Summary of significant accounting policies *continued*

(ii) Sale of goods – full cost recovery

Revenue from the sale of goods (such as Council rubbish bags) is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods, and when the amount of revenue can be measured reliably and it is probable that the economic benefits or service potential associated with the transaction will flow to the Group. *PBE IPSAS 9.28*

Development contributions

Development contributions are recognised as revenue when the Council renders the services for which the contribution was levied. Development contributions that are received before the Council is able to provide the service for which they are levied are recognised as liabilities until the Council provides the services. *PBE IPSAS 23.31*

Interest revenue

For all financial instruments measured at amortised cost and interest-bearing financial assets classified as available-for-sale, interest income is recorded using the effective interest rate. Effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. *PBE IPSAS 9.34(a)*

Interest income is included in finance income in the statement of financial performance.

Dividends

Revenue is recognised when the Group or Council's right to receive the payment is established, which is generally when shareholders approve the dividend. *PBE IPSAS 9.34(c)*

Rental revenue

Rental revenue arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of financial performance due to its operating nature. *PBE IPSAS 13.63*

Other revenue and expenses

Other revenue and expenses includes fair value gains and losses on financial instruments at fair value through surplus or deficit, unrealised fair value gains and losses on the revaluation of investment properties, share of surplus or deficit of associates and joint venture, and realised gains and losses on the sale of property, plant and equipment held at cost.

Commentary

Revenue from exchange transactions vs revenue from non-exchange transactions

PBE Standards distinguish between revenue from exchange and revenue from non-exchange transactions. These two types of revenue are accounted for under two different accounting standards. PBE IPSAS 9 provides guidance on accounting for revenue from exchange transactions, and PBE IPSAS 23 provides guidance on accounting for revenue from non-exchange transactions.

As a consequence, in determining how to account for revenue, the first step is to determine whether the revenue arises from an exchange or non-exchange transaction, as this will determine which standard applies. In distinguishing between exchange and non-exchange revenues, substance rather than the form of the transaction should be considered. Professional judgement is exercised in determining whether the substance of a transaction is that of a non-exchange or an exchange transaction.

The Group has disclosed separately the accounting policies for revenue from exchange transactions and revenue from non-exchange transactions, as per the requirements of PBE IPSAS 9 and PBE IPSAS 23 respectively.

Non-exchange transactions: revenue vs deferred revenue liability

The general recognition principle of PBE IPSAS 23 is that revenue is recognised for an asset recognised from an inflow of resources from a non-exchange transaction, except to the extent that a liability is also recognised in respect of the same inflow. Establishing whether or not a non-exchange transaction results in the recognition of a liability is an important question for PBEs as it will impact the timing of revenue recognition. A condition attached to the non-exchange transaction that requires the entity to either consume the asset as specified or return it to the transferor gives rise to the recognition of a liability until the point that the entity satisfies the condition. Therefore, to the extent that such conditions are attached to grants received from the Government and Government departments, and to concessionary loans, such grants and concessionary loans are recognised as deferred revenue (i.e. a liability), rather than revenue. Revenue is then recognised as the Group satisfies the abovementioned conditions.

Sale of subsidised goods and services

The sale of goods and the rendering of services are normally classified as exchange transactions. If, however, the transaction is conducted at a subsidised price, that is, a price that is not approximately equal to the fair value of the goods or services sold, that transaction falls within the definition of a non-exchange transaction.

2 Summary of significant accounting policies *continued*

(x) Income tax and other taxes

Current income tax *PBE IAS 12.46*

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of surplus or deficit. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate. *PBE IAS 12.61A*

Deferred income tax *PBE IAS 12.5*

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred income tax liabilities are recognised for all taxable temporary differences except: *PBE IAS 12.15*

- When the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting surplus or deficit nor taxable surplus or deficit. *PBE IAS 12.22(c)*

- In respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future. *PBE IAS 12.39*

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable surplus will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except: *PBE IAS 12.24* *PBE IAS 12.34*

- When the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting surplus or deficit nor taxable surplus or deficit. *PBE IAS 12.24*

- In respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable surplus will be available against which the temporary differences can be utilised. *PBE IAS 12.44*

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable surplus will be available to allow all or part of the deferred income tax asset to be utilised. *PBE IAS 12.56*

Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. *PBE IAS 12.37*

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. *PBE IAS 12.47*

Deferred tax relating to items recognised outside surplus or deficit is recognised outside surplus or deficit. Deferred tax items are recognised in correlation to the underlying transaction in other comprehensive revenue and expense. *PBE IAS 12.61A*

2 Summary of significant accounting policies *continued*

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority. *PBE IAS 12.74*

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in surplus or deficit. *PBE IAS 12.68*

Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

- When the GST incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable; and
- In the case of receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows. *PBE IPSAS 2.44*

(y) Budget information

The budget figures presented in these financial statements are those included in the Council's 2017/2018 Annual Plan and Long Term Plan 2014-2023. The Annual Plan budget figures are for the Council as a separate entity, and do not include budget information relating to controlled entities or associates. These figures are approved by the Council at the beginning of each financial year following a period of consultation with the public as part of the Annual Plan process. These figures do not include any additional expenditure subsequently approved by the Council outside the Annual Plan process. The Annual Plan figures have been prepared in accordance with NZ GAAP and are consistent with the above accounting policies adopted by the Council for the preparation of these financial statements. Explanation of major variances between actual results and budgeted figures is provided in Note 43.

Commentary

As a local authority, the Council is required to present budgeted financial statements in its annual report by Schedule 10, section 29, paragraph 2 of the Local Government Act 2002. A similar requirement is contained in the Public Finance Act 1989 (section 45B) for government departments, and in the Crown Entities Act (section 154(3)(c) for Crown entities. Section 111 of the Local Government Act 2002 requires all information presented in a Council's annual report to be prepared in accordance with NZ GAAP. PBE IPSAS 1.21(e) requires an entity that makes its approved budget publicly available to present a comparison between the budget and actual amounts. To facilitate comparison between budgeted and actual results, as required by LGA 2002 and by PBE IPSAS 1, the Council presents budgeted figures as an additional column in each of the financial statements, and discloses explanations for significant variances between budgeted and actual figures in Note 43. There is no requirement in legislation or in PBE Standards to present budgeted figures for groups controlled by the Council. Accordingly, such information has not been presented by the Council. *PBE IPSAS 1.21(e)*

2 Summary of significant accounting policies *continued*

(z) Cost allocation

The Council has derived the cost of service for each significant activity, as reported within the Statements of Service Performance, in the following way: *PBE IPSAS 1.C63*

PBE IPSAS 1.C62

Direct costs

Direct costs, which can be traced directly to a specific significant activity, are expensed directly to the relevant activity. *PBE IPSAS 1.C62*

Indirect costs

Indirect costs relate to the overall costs of running the organisation and include staff time, office space and information technology costs. Indirect costs are allocated as overheads across all activities. The main driver used to allocate indirect costs to significant activities is employee costs.

Commentary

This accounting policy relates to the Statement of Service Performance (rather than to the primary financial statements).

PBE IPSAS 1 recognises that in the context of service performance, supplying outputs within the agreed or proposed cost is a key performance measure for public benefit entities (PBE IPSAS 1.C61). *PBE IPSAS 1.C61* *PBE IPSAS 1.C62*

According to PBE IPSAS 1.C62, the full cost of an output is the sum of the direct and indirect expenses – measured on a full accrual accounting basis – incurred in processing the output. This should include an allocation of all indirect costs relevant to the delivery of outputs. For example, the cost of providing advice to Councillors and servicing Council meetings should be allocated to the outputs delivered by a local authority. In general, all costs should be allocated to outputs. In some cases there will be costs that are neither directly nor indirectly related to the delivery of outputs (for example, costs relating to a major restructuring associated with a discontinued activity). Such costs should not be allocated to outputs. *PBE IPSAS 1.C63*

PBE IPSAS 1 recommends the disclosure of cost allocation policies in the interests of transparency (PBE IPSAS 1.C63), therefore the Group discloses its cost allocation policy above.

Please refer to Appendix 8 for the Statement of Service Performance.

3 Significant accounting judgements, estimates and assumptions

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. *PBE IPSAS 1.137* *PBE IPSAS 1.140*

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements: *PBE IPSAS 1.137*

Operating lease commitments – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a substantial portion of the economic life of the commercial property, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

Classification of non-financial assets as cash generating assets or non-cash-generating assets *PBE IPSAS 21.72A*

For the purpose of assessing impairment indicators and impairment testing, the Group classifies non-financial assets as either cash-generating or non-cash-generating assets. The Group classifies a non-financial assets as a cash-generating assets if the primary objective of the asset is to generate commercial return. All other assets are classified as non-cash-generating assets.

All property, plant and equipment and intangible assets (excluding goodwill) held by the Council and by Good Museum Trust are classified as non-cash-generating assets. This includes assets that generate fee revenue or other cash flows for the Council and the Trust, as the cash flows generated as generally not sufficient to represent commercial return on the assets.

All property, plant and equipment and intangible assets held by Good Port Limited are classified as cash-generating assets, as the Good Port Limited is a for-profit entity and the primary objective of its assets is to generate commercial return. Good Property Management Limited does not have non-current non-financial assets.

Impairment of available-for sale financial assets *PBE IPSAS 29.70*

In determining the amount of impairment of available-for-sale financial assets, the Group has made judgements in identifying financial assets whose decline in fair value below cost is considered "significant" or "prolonged". A significant decline is assessed based on the historical volatility of the share price. The higher the historical volatility, the greater the decline in fair value required before it is likely to be regarded as significant. A prolonged decline is based on the length of time over which the share price has been depressed below cost. A sudden decline followed by immediate recovery is less likely to be considered prolonged compared to a sustained fall of the same magnitude over a longer period.

The Group considers a less than a 10% decline in fair value is unlikely to be considered significant for investments actively traded in a liquid market, whereas a decline in fair value of greater than 20% will often be considered significant. For less liquid investments that have historically been volatile (standard deviation greater than 25%), a decline of greater than 30% is usually considered significant.

Generally, the Group does not consider a decline over a period of less than 3 months to be prolonged. However, where the decline in fair value is greater than 6 months for liquid investments and 12 months for illiquid investments, it is usually considered prolonged.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur. *PBE IPSAS 1.140*

3 Significant accounting judgements, estimates and assumptions *continued*

Fair value measurement of financial instruments

PBE IPSAS 30.31
PBE IPSAS 30.RDR 31.1

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. See Note 27 for further disclosures.

Revaluation of property, plant and equipment and investment properties

The Group carries its investment properties at fair value, with changes in fair value being recognised in surplus or deficit. In addition, it measures land and buildings, infrastructure assets and water assets at revalued amounts with changes in fair value being recognised in other comprehensive revenue and expense.

PBE IPSAS 17.92(b)
PBE IPSAS 16.86(e)

The Group engaged an independent valuation specialist to assess fair value as at 30 June 2018 for investment properties and for revalued land, buildings, infrastructure assets and water assets.

PBE IPSAS 16.86(d)

PBE IPSAS 17.92(d)

For investment properties, a valuation methodology based on a discounted cash flow (DCF) model was used, as there is a lack of comparable market data because of the nature of the properties.

Land and buildings were valued by reference to market-based evidence, using comparable prices adjusted for specific market factors such as nature, location and condition of the property. Infrastructure assets and water assets were revalued using the depreciated replacement cost (DRC) method, as there is no active market for such assets and therefore a lack of comparative market data. The key assumptions used to determine the fair value of these non-financial assets and sensitivity analyses are provided in Notes 22 and 23.

Impairment of non-financial assets – cash-generating assets

Impairment exists when the carrying value of an asset (other than investment properties measured at fair value model and property, plant and equipment measured using the revaluation model) or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different CGUs, including a sensitivity analysis, are disclosed and further explained in Note 25.

PBE IPSAS 26.123

Impairment of non-financial assets – non-cash-generating assets

PBE IPSAS 21.79

The Group reviews and tests the carrying value of non-cash-generating assets (other than investment properties measured at fair value and property, plant and equipment measured using the revaluation model) when events or changes in circumstances suggest that there may be a reduction in the future service potential that can reasonably be expected to be derived from the asset. Where indicators of possible impairment are present, the Group undertakes impairment tests, which require the determination of the asset's fair value less cost to sell and its recoverable service amount. The asset's fair value less costs to sell is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. In the absence of observable market evidence, fair value is measured using depreciated replacement cost (DRC). The value in use of the asset is calculated using DRC. DRC is determined by reference to the estimated cost of reproducing the asset or replacing the asset's service potential. The estimation of these inputs into the calculation relies on the use estimates and assumptions. Any subsequent changes to the factors supporting these estimates and assumptions may have an impact on the reported carrying amount of the related asset.

3 Significant accounting judgements, estimates and assumptions *continued*

Useful lives and residual values *PBE IPSAS 17.73*

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- The condition of the asset based on the assessment of experts employed by the Group
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the asset
- Changes in the market in relation to the asset

The estimated useful lives of the asset classes held by the Group are listed in Note 2(n).

Provisions *PBE IPSAS 19.98*

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 33. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

Provision for landfill restoration:
In determining the fair value of the provision, assumptions and estimates are made in relation to discount rates, the expected cost of the post-closure restoration and monitoring of the landfill site and the expected timing of those costs. Expected costs and timing of closure are based on the estimated remaining capacity of the landfill, based on the advice and judgment of qualified engineers. The estimates are discounted at a pre-tax discount rate that reflect current market assessments of the time value of money. The carrying amount of the provision as at 30 June 2018 was $829,000 (2017: $720,000). If the estimated pre-tax discount rate used in the calculation had been 1% higher than management's estimate, the carrying amount of the provision would have been $54,000 lower.

Provision for weathertightness:
In determining the fair value of the provision, assumptions and estimates are made in relation to discount rates, the percentage of known claims that are likely to be successful, and the number of current unreported claims. The carrying amount of the provision as at 30 June 2018 was $719,000 (2017: $655,000). If the success rate was 1% higher than management's estimate, the carrying amount of the provision would have been $48,000 higher. If the estimated pre-tax discount rate used in the calculation had been 1% higher than management's estimate, the carrying amount of the provision would have been $55,000 lower.

Commentary
PBE IPSAS 1.137 and PBE IPSAS 1.140 requires an entity to disclose significant judgements applied in preparing the financial statements and significant estimates that involve a high degree of estimation uncertainty. The disclosure requirements go beyond those requirements that already exist in some other PBE Standards such as PBE IPSAS 19. These disclosures represent a very important source of information in the financial statements because they highlight the areas in the financial statements that are most prone to change in the foreseeable future. Therefore, any information given should be sufficiently detailed to help the readers of the financial statements understand the impact of possible significant changes.

The Group has, for illustrative purposes, included disclosures about significant judgements and estimates beyond what is normally required. That is, it is only those judgements that have the most significant effect on the amounts recognised in the financial statements and those estimates that have a significant risk of resulting in material adjustments in respect of assets and liabilities that should be addressed in this section. It is important that entities carefully assesses which judgements and estimates are the most significant ones in this context, and make disclosures accordingly, to allow the users of the financial statements to appreciate the impact of the judgements and uncertainties.

4 Capital Management

For the purpose of the Group's capital management, the Group's capital is its equity, including accumulated comprehensive revenue and expenses and all equity reserves attributable to the Council. Equity is represented by net assets.

PBE IPSAS 1.148A
PBE IPSAS 1.148B(a)(i)
PBE IPSAS 1.118B(a)

The Council manages the Group's capital largely as a by-product of managing its revenue, expenses, assets, liabilities and general financial dealings. The Local Government Act 2002 requires the Council to manage its revenue, expenses, assets, liabilities and general financial dealings in a manner that promotes the current and future interests of the community. In addition, The Local Government (Financial Reporting and Prudence) Regulation 2014 sets out a number of benchmarks for assessing whether the Council is managing its revenue, expenses, assets and liabilities prudently.

LGA 2002.101

LG(FRP)R 2014.9

PBE IPSAS 1.148B

The primary objective of the Group's capital management is to achieve intergenerational equity, which is a principle promoted in the Local Government Act 2002 and applied by the Council. Intergenerational equity requires the Council to spread the funding of the cost of its assets over the current and future generations of ratepayers, such that:

- Current ratepayers are required to meet the cost of using the assets, but not the full cost of long term assets that will benefit ratepayers in future generations; and
- Ratepayers in future generations are not required to meet the costs of deferred asset renewals and maintenance.

In order to achieve this overall objective, the Council has in place asset management plans for major classes of assets, detailing renewals and programmed maintenance.

PBE IPSAS 1.148B(a)(iii)

An additional objective of capital management is to ensure that the expenditure needs identified in the Council's Long-term Plan and Annual Plan are met in the manner set out in these plans. The Local Government Act 2002 requires the Council to make adequate and effective provision in its Long-term Plan and in its Annual Plan to meet the expenditure needs identified in those plans. The factors that the Council is required to consider when determining the most appropriate sources of funding for each of its activities are set out in the Local Government Act 2002. The sources and levels of funding are set out in the funding and financial policies in the Council's Long-term Plan. The Council monitors actual expenditure incurred against the Long-term Plan and Annual Plan.

PBE IPSAS 1.148B
PBE IPSAS 1.148B(a)(iii)

No changes were made in the objectives, policies or processes for managing capital during the years ended 30 June 2018 and 2017.

PBE IPSAS 1.148B(c)

Commentary

PBE IPSAS 1.148A and PBE IPSAS 1.148B require entities to make qualitative and quantitative disclosures regarding their objectives, policies and processes for managing capital. As the Council's capital is its net assets/equity, no additional quantitative information is disclosed. The Council has disclosed intergenerational equity and compliance with the Long Term Plan and Annual Plan as the main objectives of capital management. Other types of PBEs are likely to have different objectives.

5 Group information

Controlled entities
The financial statements of the Group include the following controlled entities of the Council:

PBE IPSAS 6.62(a)
PBE IPSAS 6.63(b)

Name of controlled entity	Principal activities	Country of incorporation	Percentage equity interest		Council – carrying value of investment (at cost)	
			2018	2017	2018 $000	2017 $000
Good Port Limited	To facilitate export and import activities through Good Port	New Zealand	100%	92.6%	11,023	10,034
Good Museum Trust	To manage, maintain and develop the museum of Good City	New Zealand	100%	100%	300	300
Good Property Management Limited	To manage the commercial properties owned by the Council	New Zealand	60%	-	7,919	-
					19,242	10,334

The reporting date of the Council and all controlled entities is 30 June. *PBE IPSAS 6.62(f)*

There are no significant restrictions on the ability of the controlled entities to transfer funds to the Council in the form of cash distributions or to repay loans or advances. *PBE IPSAS 6.62(g)*

Associates
The Council and Group has 25% equity interest in Good Region Tourism Limited, a company that promotes tourism in the Good Region, where Good City is situated (2017: 25%). *PBE IPSAS 6.63(b)*

Joint ventures in which the Group is a venturer
The Council and Group has 50% equity interest in Good Waste Recycling Limited, a joint venture that runs the main waste recycling plant in Good City (2017: 50%). *PBE IPSAS 6.63(b)*

6 Business combinations and acquisition of non-controlling interests

Acquisition of Good Property Management Limited *PBE IFRS 3.59(a)*

On 1 January 2018, the Group acquired 60% of the voting shares of Good Property Management Limited, an unlisted company based in New Zealand and specialising in property management. *PBE IFRS 3.B64(a)* *PBE IFRS 3.B64(b)* *PBE IFRS 3.B64(c)*

The Group acquired Good Property Management Limited for the purpose of managing the Council's rental properties. *PBE IFRS 3.B64(d)*

The Group has elected to measure the non-controlling interests in the acquiree at fair value. *PBE IFRS 3.B64(o)(i)*

Assets acquired and liabilities assumed
The fair values of the identifiable assets and liabilities of Good Property Management Limited as of the date of acquisition were: *PBE IFRS 3.B67(a)(i), (ii)* *PBE IFRS 3.B64(i)*

6 Business combinations and acquisition of non-controlling interests *continued*

	Fair value at acquisition date $000	
		PBE IFRS 3.B64(f)
Assets		
Intangible assets - software (Note 24)	1,200	
Cash and cash equivalents	230	*PBE IPSAS 2.50(c)*
Trade receivables	1,716	
Bank deposits	5,409	
	8,555	
Liabilities		
Trade payables	(542)	
Contingent liability (Note 33)	(380)	
Provision for onerous operating lease costs (Note 33)	(400)	
	(1,322)	
Total identifiable net assets at fair value	**7,233**	
Non-controlling interest measured at fair value	(1,547)	
Goodwill arising on acquisition	2,231	
Purchase consideration transferred	**7,917**	

Purchase consideration

The purchase consideration of $7,917,000 was made up of cash of $7,203,000 and contingent consideration of $714,000.

PBE IFRS 3.B64 (f)(i)
PBE IPSAS 2.50(a)
PBE IPSAS 2.50(b)

The fair value of the trade receivables amounts to $1,716,000. The gross amount of trade receivables is $1,754,000. However, none of the trade receivables have been impaired and it is expected that the full contractual amounts can be collected.

PBE IFRS 3.B64(h)

The goodwill of $2,231,000 comprises the value of expected synergies arising from the acquisition and the expertise of Good Property Management Limited in the area of property management. None of the goodwill recognised is expected to be deductible for income tax purposes.

PBE IFRS 3.B64(e)
PBE IFRS 3.B64(k)

A contingent liability at a fair value of $380,000 was recognised at the acquisition date resulting from a claim made by a tenant in relation to a lease agreement. The claim is subject to legal arbitration and is expected to be finalised in late 2018. As at the reporting date, the contingent liability has been re-assessed and is determined to be $400,000, based on the expected probable outcome (see Note 33). The charge to surplus or deficit has been recognised.

PBE IFRS 3.B64(j)
PBE IFRS 3.56(a)

The fair value of the non-controlling interest in Good Property Management Limited, an unlisted company, has been estimated by applying a discounted earnings technique. Good Property Management Limited is an unlisted company, and the fair value measurements are based on significant inputs that are not observable in the market. The fair value estimate is based on:

PBE IFRS 3.B64 (o)(ii)

- An assumed discount rate of 14%
- A terminal value, calculated based on long-term sustainable growth rates for the industry ranging from 2% to 4%, which has been used to determine income for the future years
- A reinvestment ratio of 60% of earnings

From the date of acquisition, Good Property Management Limited has contributed $1,857,000 of revenue and $750,000 to the surplus before tax of the Group. If the combination had taken place at the beginning of the year, total revenue for the Group would have been $216,582,000 and the surplus before tax for the Group would have been $15,485,000.

PBE IFRS 3.B64 (q)(i)
PBE IFRS 3.B64 (q)(ii)

Analysis of cash flows on acquisition:	$000	
Transaction costs of the acquisition (included in cash flows from operating activities)	(7,203)	
Net cash acquired with the controlled entity (included in cash flows from investing activities)	230	*PBE IPSAS 2.50(c)*
Net cash flow on acquisition	**(6,973)**	

6 Business combinations and acquisition of non-controlling interests *continued*

Contingent consideration

As part of the purchase agreement with the previous owner of Good Property Management Limited, contingent consideration has been agreed. There will be additional cash payments to the previous owner of Good Property Management Limited of: *PBE IFRS 3.B64(g)(ii)* *PBE IFRS 3.B64(g)(iii)*

(a) $675,000, if the entity generates up to $1,000,000 of profit before tax in a 12-month period after the acquisition date, or

(b) $1,125,000, if the entity generates $1,500,000 or more of profit before tax in a 12-month period after the acquisition date *PBE IFRS 3.B64(g)(i)*

As at the acquisition date, the fair value of the contingent consideration was estimated to be $714,000. The fair value is determined using the DCF method.

Significant unobservable valuation inputs are provided below:

Assumed probability-adjusted profit before tax of Good Property Management Limited	$1,000,000 - $1,500,000
Discount rate	14%
Discount for own non-performance risk	0.05%

PBE IFRS 3.B67(b)(iii)

Significant increase (decrease) in the profit after tax of Property Management Limited would result in higher (lower) fair value of the contingent consideration liability, while significant increase (decrease) in the discount rate and own non-performance risk would result in lower (higher) fair value of the liability. *PBE IFRS 3.B67(b)(iii)* *PBE IFRS 3.B67(b)(ii)*

As at 30 June 2018, the key performance indicators of Good Property Management Limited show that it is highly probable that the target will be achieved due to a significant expansion of the business. The fair value of the contingent consideration determined at 30 June 2018 reflects this development, amongst other factors and a re-measurement charge has been recognised through surplus or deficit.

A reconciliation of fair value measurement of the contingent consideration liability is provided below: *PBE IFRS 3.B67(b)(i)*

	$000
Opening balance as at 1 July 2017	—
Liability arising on business combination	714
Unrealised fair value changes recognised in surplus or deficit	358
As at 30 June 2018	1,072

The fair value of the contingent consideration increased to $1,072,000 in 2018 due to a significantly improved performance of Good Property Management Limited compared to budget. The contingent consideration is due for final measurement and payment to the former shareholders on 28 March 2019.

Commentary

Contingent consideration

The classification of a contingent consideration requires an analysis of the individual facts and circumstances. It may be classified as follows: equity or a financial liability in accordance with PBE IPSAS 28 and PBE IPSAS 29; a provision in accordance with PBE IPSAS 19; or in accordance with other standards, each resulting in different initial recognition and subsequent measurement. The Group has determined that it has a contractual obligation to deliver cash to the seller and therefore it has assessed the same to be a financial liability (PBE IPSAS 28.9). Consequently, the Group is required to re-measure that liability at fair value at each reporting date (PBE IFRS 3.58(b)(i)).

As part of the business combination, contingent payments to employees or selling shareholders are common methods of retention of key people for the combined entity. The nature of such contingent payments, however, needs to be evaluated in each individual circumstance as not all such payments qualify as contingent consideration, but are accounted for as a separate transaction. For example, contingent payments that are unrelated to the future service of the employee are deemed contingent consideration, whereas contingent payments that are forfeited when the employment is terminated are deemed remuneration. Paragraphs B54 – B55 of PBE IFRS 3 provide further guidance.

6 Business combinations and acquisition of non-controlling interests *continued*

Commentary *continued*

Contingent consideration *continued*

Under PBE IPSAS 30.33(e), for fair value measurement of financial assets and financial liabilities at Level 3 of the fair value hierarchy, if changing one or more of the unobservable inputs to reflect reasonably possible alternative assumptions would change fair value significantly, an entity is required state that fact and disclose the effect of changes. The entity is also required to state how the effect of a change to reflect a reasonably possible alternative assumption was calculated. For this purpose, significance shall be judged with respect to surplus or deficit, and total assets or total liabilities, or, when changes in fair value are recognised in other comprehensive revenue and expense, total net assets/equity. In case of the contingent consideration liability of the Group, the changes in unobservable inputs other than those disclosed in the note above, were assessed to be insignificant.

Acquisition of additional interest in Good Port Limited

On 1 March 2018, the Group acquired an additional 7.4% interest in the voting shares of Good Port Limited, increasing its ownership interest to 100%. Cash consideration of $991,000 was paid to the non-controlling shareholders. The carrying value of the net assets of Good Port Limited (excluding goodwill on the original acquisition) was $10,824,000. Following is a schedule of additional interest acquired in Good Port Limited:

	$000
Cash consideration paid to non-controlling shareholders	991
Carrying value of the additional interest in Good Port Limited	(801)
Difference recognised in accumulated revenue and expense within equity	**190**

Commentary

Non-controlling interest: measurement

The Group elected to value the non-controlling interest at fair value. This election can be made separately for each business combination, and is not a policy choice that determines an accounting treatment for all business combinations the Group will carry out (PBE IFRS 3.19).

Local authority reorganisation

Local authority reorganisation is not a business combination under PBE IFRS 3 and is explicitly excluded from the scope of this standard *(PBE IFRS 3.24)*. In the context of PBE IFRS 3, any of the following events constitute local authority reorganisation (PBE IFRS 3.24):

- The union of districts or regions
- The constitution of a new district or region, including the constitution of a new local authority for that district or region
- The abolition of a district or region, including the dissolution or abolition of the local authority for that district or region
- The alteration of boundaries of any district or region
- The transfer of a statutory obligation from one local authority to another
- A proposal that a territorial authority assume the power of a regional council

The acquisition of Good Property Management Limited by the Council in the 2018 financial year is not a local authority reorganisation and so it is a business combination within the scope of PBE IFRS 3. The Council did not have any local authority reorganisations in the current or prior financial year.

7 Interest in a joint venture

The Group has a 50% interest in Good Waste Recycling Limited, a jointly controlled entity that runs the main waste recycling plant in Good City. The Group's interest in Good Waste Recycling Limited is accounted for using the equity method in the Group financial statements. *PBE IPSAS 8.63* *PBE IPSAS 8.64*

Summarised financial information of the joint venture and reconciliation with the carrying amount of the investment in the Group financial statements are set out below: *PBE IPSAS 8.63*

Summarised statement of financial position of Good Waste Recycling Limited:	2018	2017
	$000	$000
Current assets	3,226	2,808
Non-current assets	2,864	2,964
Current liabilities	(224)	(1,102)
Non-current liabilities	(1,020)	(1,000)
Equity	**4,846**	**3,670**
Proportion of the Group's ownership	50%	50%
Carrying amount of investment in the Group's financial statements	**2,423**	**1,835**

Summarised statement of financial performance of Good Waste Recycling Limited:	2018	2017
	$000	$000
Revenue	60,094	58,876
Expenses	(57,330)	(56,206)
Surplus before tax	2,764	2,670
Income tax expense	(1,588)	(1,556)
Surplus for the year	1,176	1,114
Group's share of surplus (50%)	**588**	**557**

PBE IPSAS 8.64, PBE IPSAS 6.64(c) PBE IPSAS 6.RDR 64.1

The Council's investment in Good Waste Recycling Limited is accounted for at cost:

	2018	2017
	$000	$000
Carrying amount of investment in Council's (parent) financial statements	**1,535**	1,535

The joint venture had no contingent liabilities or capital commitments as at 30 June 2018 and 2017. *PBE IPSAS 8.61* *PBE IPSAS 8.62*

7 Interest in a joint venture *continued*

Commentary

Types of joint ventures

PBE IPSAS 8.12 identifies three broad types of joint ventures: jointly controlled operations, jointly controlled assets and jointly controlled entities. The only type of joint venture that the Group has is a jointly controlled entity. If the Group had jointly controlled assets and/or jointly controlled operations, it will only have had to disclose its share of contingent liabilities, contingent assets and commitments incurred in relation to these joint ventures.

Summarised joint venture financial statements

The Group has presented the summarised financial information of the joint venture based on the joint venture's own financial statements, prepared in accordance with PBE Standards. This is consistent with PBE IPSAS 8.63, which requires venturers to disclose the aggregate current assets, non-current assets, current liabilities, non-current liabilities, equity, revenue and expenses of all jointly-controlled entities that are accounted for using the equity method or proportionate consolidation method.

PBE IPSAS 8 does not contain a similar disclosure requirement for other types of joint ventures, ie jointly controlled operations and jointly controlled assets. The Group does not have any jointly controlled operations or jointly controlled assets.

Contingent assets and liabilities relating to interest in joint ventures

PBE IPSAS 8.61(a) requires a venturer to disclose the aggregate amount of the following contingent liabilities, unless the probability of loss is remote, separately from the amount of other contingent liabilities:

- Any contingent liabilities that the venturer has incurred in relation to its interest in joint ventures and its share in each of the contingent liabilities that have been incurred jointly with other venturers;
- Its share of the contingent liabilities of the joint ventures themselves for which it is contingently liable; and
- Those contingent liabilities that arise because the venturer is contingently liable for the liabilities of the other venturers of a joint venture

PBE IPSAS 8.61(b) also requires a venture to disclose a brief description of the following contingent assets and, where practicable, an estimate of the financial effect of the contingent asset if it is probable that future economic benefit or service potential will flow to the venturer:

- Any contingent assets of the venturer arising in relation to its interests in joint ventures and its share in each of the contingent assets that have arisen jointly with other venturers; and
- Its share of the contingent assets of the joint ventures themselves.

The Council and Group do not have any contingent liabilities or contingent assets in relation to the Group's interest in Good Waste Recycling Limited.

Commitments relating to interest in joint ventures

PBE IPSAS 8.62 requires a venturer to disclose separately from other commitments:

- The venturer's share of the capital commitments of the joint ventures themselves
- Any capital commitments of the venturer in relation to its interest in joint ventures, and the venturer's share of the capital commitments that have been incurred jointly with the other venturers

The Council and Group do not have any commitments that relate to the Group's interest in Good Waste Recycling Limited.

8 Investment in an associate

The Group has a 25% interest in Good Region Tourism Limited, which is involved in promoting tourism in the Good Region, where Good City is situated. Good Region Tourism Limited is a private entity that is not listed on any public exchange. The Group's interest in Good Region Tourism Limited is accounted for using the equity method in the Group financial statements.

Summarised financial information of the associate and reconciliation with the carrying amount of the investment in the Group financial statements are set out below: *PBE IPSAS 7.43(b)*

Summarised statement of financial position of Good Region Tourism Limited:	2018	2017	
	$000	$000	
Current assets	6,524	6,324	
Non-current assets	13,664	12,828	
Current liabilities	(4,488)	(3,904)	
Non-current liabilities	(12,644)	(12,524)	
Equity	3,056	2,724	
Proportion of the Group's ownership	25%	25%	
Carrying amount of investment in the Group's financial statements	**764**	**681**	*PBE IPSAS 7.44*

Summarised statement of financial performance of Good Region Tourism Limited:	2018	2017	
	$000	$000	
Revenue	33,292	32,640	
Expenses	(31,960)	(31,335)	
Profit before tax	1,332	1,305	
Income tax expense	(1,000)	(981)	
Surplus for the year	332	324	
Group's share of surplus (25%)	**83**	**81**	*PBE IPSAS 7.44*

The Council's investment in Good New Zealand Region Tourism Limited is accounted for at cost: *PBE IPSAS 6.64(c)*

	2018	2017
	$000	$000
Carrying amount of investment in Council's (parent) financial statements	650	650

The reporting date of Good Region Tourism Limited is 30 June. *PBE IPSAS 7.43(e)*

There are no significant restrictions on the ability of the associate to transfer funds to the Council in the form of cash dividends or similar distributions, or to repay loans or advances. *PBE IPSAS 7.43(f)*

The associate had no contingent liabilities or capital commitments as at 30 June 2018 and 2017. Please refer to Note 38 for details of guarantees provided by the Council in relation to its interest in the associate. *PBE IPSAS 7.46*

Commentary

Disclosure of aggregate information

PBE IPSAS 7.43(b) requires the disclosure of summarised financial information of associates for the aggregated amounts of assets, liabilities, revenues and surplus or deficit. This information can be provided either by disclosing the Group's share or by disclosing the gross amounts of assets and liabilities (excluding goodwill) of the associates. The Council has chosen the latter option, disclosing the gross amounts held by the associate itself, as well as a reconciliation of these amounts to the carrying amount of the investment attributable to the Group and to the share of associate's surplus attributable to the Group.

In choosing the way in which to present this information an entity should consider whether disclosing information on an individual associate basis is material to the evaluation of the associate's operating performance or financial position. In addition, entities should also consider whether disclosing information on an individual asset or liability category basis would be useful in evaluating the associate's operating performance or financial position.

8 Investment in an associate *continued*

Commentary *continued*

Contingent liabilities relating to investment in associates

PBE IPSAS 7.46 requires an investor to disclose the aggregate amount of the following contingent liabilities, unless the probability of loss is remote, separately from the amount of other contingent liabilities:

- The investor's share of the contingent liabilities of the associate itself, which are incurred jointly with the other investors; and
- Those contingent liabilities that arise because the venturer is severally liable for all or part of the liabilities of the associate

The Council and Group do not have any contingent liabilities or contingent assets in relation to the Group's interest in Good Region Tourism Limited.

Other disclosures – not applicable to the Group

The following requirements of PBE IPSAS 7 in relation to investment in associates apply in certain situations, but have not been illustrated in the above note as they are not applicable to the Group:

- The fair value of investments in associates for which there are published price quotations (PBE IPSAS 7.43(a))
- The entity's share of discontinued operations (PBE IPSAS 7.44)
- Where the presumption of no significant influence is overcome (PBE IPSAS 7.43(c))
- Where the presumption of significant influence is overcome (PBE IPSAS 7.43(d))
- Where an entity has discontinued its recognition of its share of losses of an associate (PBE IPSAS 7.43(g))
- Where the associate is not accounted for using the equity method (PBE IPSAS 7.43(h))
- The entity's share of changes recognised in the associate's other comprehensive revenue and expense (PBE IPSAS 7.45)

9 Rates

	Group		Council		*PBE IPSAS 23.106(a)(i)*
	2018 $000	2017 $000	2018 $000	2017 $000	
General rates	45,118	44,209	45,118	44,209	
Targeted rates					
Water (excluding metered water)	9,211	9,026	9,211	9,026	
Sewerage	7,238	7,092	7,238	7,092	
Waste	9,870	9,671	9,870	9,671	
Targeted metered water rates	3,760	3,684	3,760	3,684	*LG(FRP)R.5(5)*
Total rates	**75,197**	**73,682**	**75,197**	**73,682**	

Commentary

LOCAL AUTHORITIES: PLEASE REFER TO APPENDIX 7 FOR ADDITIONAL DISCLOSURES

Local authorities that participate in the New Zealand Local Government Funding Agency ("LGFA") need to make an additional disclosure in relation to their annual rates income. Please refer to Appendix 7 for further explanation.

10 Grants revenue

PBE IPSAS 23.106(a)(ii)

	Group		Council	
	2018	2017 (restated*)	2018	2017 (restated*)
	$000	$000	$000	$000
NZTA grants	10,098	7,558	10,098	7,558
Government grant for upgrade of community centre building	-	250	-	250
Government grant for support of children's wellbeing in the community	405	324	405	324
	10,503	**8,132**	**10,503**	**8,132**

NZTA grants:
The Council receives grants from the New Zealand Transport Agency (NZTA), which reimburses part of the Council's costs of maintaining Good City's roading infrastructure.

*Grant for the upgrade of community centre building – restatement of prior period error
The Council received a grant of $500,000 from the Government in the previous two financial years (2016 and 2017) for the upgrade of Good City's community centre building. The amounts received were $250,000 in 2016 and $250,000 in 2017. As at 30 June 2017, both of these amounts were recognised as deferred revenue as this project has not commenced, as it was understood that there is a return obligation attached to the funding. However, as a result of a legal review of the contract the Group have concluded that although the contract stipulated that the funds must be used for a specific upgrade programme, these stipulations did not include a return obligation. Therefore, there are no specific conditions (as defined by PBE IPSAS 23) attached to the grants, and both receipts should have been recognised as revenue upon receipt. Therefore the grant amount of $250,000 received in 2017 was retrospectively recognised as revenue for 2017, the grant amount of $250,000 received in 2016 was retrospectively recognised in opening accumulated revenue and expense, and the entire amount of $500,000 was retrospectively reclassified out of deferred revenue liability.

Please refer to Note 2(b) for further explanation.

Grant for the support of children's wellbeing in the community:
The grant was received from the Ministry of Social Development for the purpose of funding a programme initiated by Good City Council to improve the wellbeing of children in the community. The amount received was $2,000,000 in 2016. One of the stipulations attached to the grant requires the Council to return any unused grant monies if any of the stages of the project is not completed within the timeframe specified in the grant agreement. Due to this return obligation, the Council and Group have recognised the grant as deferred revenue. Revenue in relation to this grant is recognised as each stage of the project is completed. $405,000 of this grant was recognised in revenue in 2018 (2017: $324,000).

The reconciliation below shows the deferred balance of this grant at the start and end of the year, and the revenue recognised during the year.

	Group		Council	
	2018	2017	2018	2017
	$000	$000	$000	$000
Balance unspent at the beginning of the year	1,676	-	1,676	-
Current year receipts	-	2,000	-	2,000
Conditions met - transferred to revenue	(405)	(324)	(405)	(324)
Balance unspent at the end of the year (see Note 34)	**1,271**	**1,676**	**1,271**	**1,676**

Commentary
Disclosure of the reconciliation of the conditional grant as provided above is not explicitly required by PBE IPSAS 23. However, this reconciliation is presented to facilitate a better understanding of the extent to which the conditional grant was released to revenue.

11 Concessionary loan revenue

PBE IPSAS 23.106(a)(ii)

In 2017, the Council received a concessionary loan of $10,000,000 from the Government. The purpose of the loan was to fund the building of five Council social housing blocks. The loan is to be repaid over a period of five years at an interest rate of 3.5%. The market interest rate is 7.5%. At the date of the receipt of the loan from the Government, the difference between the $10,000,000 loan proceeds received by the Council and the contractual cash flows of the loan, discounted by the market interest rate, was $1,647,000. To the extent that the houses are not built in accordance with the timeframe stipulated in the loan agreement, the Council has an obligation of early repayment of the loan. Due to this return obligation, the Council and Group have recognised a deferred revenue liability in relation to the difference between the loan proceeds received and the present value of the contractual cash flows of the loan. The remainder of the loan was recognised within interest-bearing loans and borrowings – please refer to Note 27.

In relation to the deferred revenue portion of the concessionary loan, revenue is recognised in the statement of financial performance as the Council completes each stage of the building project as per the loan agreement. In the current year, $329,000 was recognised in revenue in relation to the concessionary loan.

	Group		Council	
	2018 $000	2017 $000	2018 $000	2017 $000
Deferred revenue on concessionary loan at the beginning of the year	1,647	-	1,647	-
Deferred revenue recognised on new concessionary loans entered into during the year	-	1,647	-	1,647
Conditions met – amounts transferred to revenue during the year	(329)	-	(329)	-
Deferred revenue on concessionary loan at the end of the year (see Note 34)	**1,318**	**1,647**	**1,318**	**1,647**

Commentary
Disclosure of the reconciliation of the conditional grant as provided above is not explicitly required by PBE IPSAS 23. However, this reconciliation is presented to facilitate a better understanding of the extent to which the conditional grant was released to revenue.

12 Direct charges revenue - subsidised

PBE IPSAS 23.106(a)(ii)

	Group		Council	
	2018 $000	2017 $000	2018 $000	2017 $000
Building and resource consents	5,855	4,988	5,855	4,988
Landfill fees	1,920	1,871	1,920	1,871
Other sale of goods	1,240	1,269	1,040	1,069
Other rendering of services	4,461	4,576	4,161	4,276
	13,476	**12,704**	**12,976**	**12,204**

13 Direct charges revenue – full cost recovery

PBE IPSAS 9.39(b)

	Group		Council	
	2018 $000	2017 $000	2018 $000	2017 $000
Port services	103,664	90,646	-	-
Property management fees	1,857	-	-	-
Other sale of goods	971	998	371	998
Other rendering of services	849	873	349	873
	107,341	**92,517**	**720**	**1,871**

14 Employee costs

	Group		Council	
	2018 $000	2017 $000	2018 $000	2017 $000
Wages and salaries	32,040	31,373	17,145	15,920
Termination benefits - severance	39	-	39	-
Other employee benefits	3,801	3,780	1,756	1,637
	35,880	**35,153**	**18,940**	**17,557**

The amounts above do not include the remuneration of key management personnel – please refer to Note 39 for key management personnel remuneration.

Commentary
LOCAL AUTHORITIES: PLEASE REFER TO APPENDIX 7 FOR ADDITIONAL STATUTORY DISCLOSURES
Local authorities are required to provide additional statutory disclosures about employee costs. The LGA requires local authorities to disclose information around severance payments, employee numbers and employee remuneration bands. Please refer to Appendix 7 for further explanation and examples disclosures.
Please note that other public sector PBEs may have similar statutory disclosure requirements, and should review their governing legislation.

15 General expenses

	Group		Council		
	2018 $000	2017 $000	2018 $000	2017 $000	*PBE IPSAS 1.127(c)*
Consumables	47,690	42,638	20,602	21,724	
Contracted services	26,260	24,635	8,361	7,036	
Grants and subsidies	1,580	1,679	1,780	1,879	
Admin fees	2,813	2,423	2,196	1,975	
Audit fees – EY (Note 41)	340	351	226	237	
Utilities and communication	14,490	13,664	6,455	6,035	
Consulting and legal fees	7,888	6,864	5,937	4,410	
Insurance	2,754	2,578	1,928	1,805	
Repairs and maintenance	10,946	9,673	5,473	5,837	
Bad and doubtful debts	(123)	254	18	201	*PBE IPSAS 30.24(e)*
Impairment of PP&E	-	301	-	-	
Impairment of goodwill	200	-	-	-	
Direct operating expenses (including repairs and maintenance) arising on investment properties	138	480	138	480	*PBE IPSAS 16.86(f)(i),(ii)*
Changes in inventories of finished goods and work in progress	1,133	3,842	906	3,074	
Research and development	235	34	235	34	*PBE IPSAS 31.125*
Net foreign exchange difference	(65)	(40)	-	-	*PBE IPSAS 4.61(a)*
Minimum lease payments recognised as operating lease expense	250	245	100	87	*PBE IPSAS 13.RDR 44.1* *PBE IPSAS 13.44(c)*
Cost of inventories recognised as expense	286	242	-	-	
Property management fees	-	658	557	658	
Other expenses	19,737	13,066	4,015	3,128	
	136,552	**123,587**	**58,927**	**58,600**	

16 Finance income

	Group		Council		
	2018 $000	2017 $000	2018 $000	2017 $000	
Interest income on a loan to an associate	20	–	20	–	
Interest income from AFS investments	316	211	316	211	
Interest income on term deposits	184	84	131	32	
	520	**295**	**467**	**243**	*PBE IPSAS 30.24(b)*

17 Finance costs

	Group		Council		
	2018 $000	2017 $000	2018 $000	2017 $000	
Interest on debts and borrowings	1,070	1,082	777	796	
Finance charges payable under finance leases and hire purchase contracts	40	40	-	-	
	1,110	**1,122**	**777**	**796**	*PBE IPSAS 30.24(b)*
Impairment loss on quoted AFS equity investments (Note 27)	111	–	111	–	*PBE IPSAS 30.24(e)*
Unwinding of discount and effect of changes in discount rate on provisions (Note 33)	43	1	43	1	
	1,264	**1,123**	**931**	**797**	

18 Other revenue

	Group		Council		
	2018 $000	2017 $000	2018 $000	2017 $000	
Net gain on disposal of property, plant and equipment	532	2,007	132	501	
Net gain on financial instruments at fair value through surplus or deficit	850	-	-	-	*PBE IPSAS 30.24(a)(i)*
	1,382	**2,007**	**132**	**501**	

The net gain on financial instruments at fair value through surplus or deficit relates to foreign exchange forward contracts that did not qualify for hedge accounting and embedded derivatives which have been separated.

Commentary
According to PBE IPSAS 30.RDR 24.1, a Tier 2 PBE is not required to separately disclose gains and losses on financial instruments at fair value through surplus or deficit that have been designated as such upon initial recognition and on those classified as held for trading in accordance with PBE IPSAS 29. The only financial instruments at fair value through surplus or deficit that the Group holds are classified as held for trading. The Group does not hold any financial instruments that were designated as at fair value through surplus or deficit upon initial recognition.

19 Other expenses

	Group 2018 $000	Group 2017 $000	Council 2018 $000	Council 2017 $000	
Fair value loss on investment properties	306	300	306	300	*PBE IPSAS 16.87(d)*
Fair value adjustment of contingent consideration	358	-	358	-	
Net loss on financial instruments at fair value through surplus or deficit	1,502	-	-	-	*PBE IPSAS 30.24(a)(i)*
Ineffectiveness on forward foreign exchange contracts designated as cash flow hedges (Note 27)	65	-	-	-	*PBE IPSAS 30.28(b)*
	2,231	**300**	**664**	**300**	

Net loss on financial instruments at fair value through surplus or deficit relates to foreign exchange forward contracts that did not qualify for hedge accounting and embedded derivatives which have been separated.

Ineffectiveness resulting from cash flow hedges on foreign exchange forward contracts was incurred by Good Port Limited.

Commentary
According to PBE IPSAS 30.RDR 24.1, a Tier 2 PBE is not required to separately disclose gains and losses on financial instruments at fair value through surplus or deficit that have been designated as such upon initial recognition and on those classified as held for trading in accordance with PBE IPSAS 29. The only financial instruments at fair value through surplus or deficit that the Group holds are classified as held for trading. The Group does not hold any financial instruments that were designated as at fair value through surplus or deficit upon initial recognition.

20 Components of other comprehensive revenue and expense

PBE IPSAS 1.103.4

	Group 2018 $000	Group 2017 $000	Council 2018 $000	Council 2017 $000	
Cash flow hedges:					
Gains/(losses) arising during the year:					
Currency forward contracts					
Reclassification during the year to surplus or deficit	401	412	–	–	*PBE IPSAS 30.27(d)* *PBE IPSAS 30.RDR 27.1*
Net gain/(loss) during the year (except not-yet matured contracts)	(300)	(278)	–	–	
Net gain/(loss) during the year of the not-yet matured contracts	(833)	(101)	–	–	
	(732)	**33**	–	–	
AFS financial assets:					
Gains/(losses) arising during the year	**(57)**	3	**(57)**	3	*PBE IPSAS 30.24(a)(ii)*

Commentary
The purpose of this note is to provide an analysis of items presented net in the statement of financial performance and statement of other comprehensive revenue and expense which have been subject to reclassification. This is in accordance with PBE IPSAS 1.103.4, which requires an entity to disclose reclassification adjustments relating to components of other revenue and expense. The analysis above does not include the remaining items of other comprehensive revenue and expense, as those are either never reclassified to surplus or deficit or reclassification adjustments did not occur.

The total comprehensive balance of the cash flow hedge (net of tax) is provided for illustrative purposes in Note 37, where the split among the different equity reserves is shown.

Tier 2 for-profit entities are provided an RDR disclosure concession from PBE IPSAS 1.103.4 and are not required to disclose reclassification adjustments relating to components of other comprehensive revenue and expense.

However, PBE IPSAS 30 RDR 27.1 requires a Tier 2 PBEs to disclose the total amount of cash flow hedges reclassified from net assets/equity and included in surplus or deficit for the period.

21 Income tax

The major components of income tax expense for the years ended 30 June 2018 and 2017 are: *PBE IAS 12.79*

	Group		Council		
	2018	2017	2018	2017	
Statement of financial performance	$000	$000	$000	$000	
Current income tax:					
Current income tax charge	1,728	1,223	–	–	*PBE IAS 12.80(a)*
Adjustments in respect of current income tax of previous year	(18)	(44)	–	–	*PBE IAS 12.80(b)*
Deferred tax:					
Relating to origination and reversal of temporary differences	104	(60)	–	–	*PBE IAS 12.80(c)*
Income tax expense reported in the statement of financial performance	**1,814**	**1,119**	**–**	**–**	
Statement of other comprehensive revenue and expense					
Deferred tax related to items recognised in other comprehensive revenue and expense during in the year:					*PBE IAS 12.81(ab)*
Net gain/(loss) on revaluation of cash flow hedges	220	(9)	–	–	
Unrealised gain/(loss) on available-for-sale financial assets	–	–	–	–	
Net loss on revaluation of property, plant and equipment	(1,535)	–	–	–	
Income tax charged to other comprehensive revenue and expense	**(1,315)**	**(9)**	**–**	**–**	*PBE IAS 12.RDR 81.1*

Commentary

Disclosure of tax on items of other comprehensive revenue and expense:

For illustrative purposes the Council and Group have disclosed the amount of income tax relating to each item of other comprehensive revenue and expense in both the statement of other comprehensive revenue and expense and in the notes. However, PBE IPSAS 1.103.2 only requires an entity to disclose the amount of income tax relating to each item of other comprehensive revenue and expense either in the statement of other comprehensive revenue and expense or in the notes.

According to PBE IAS 12.RDR 81.1, Tier 2 PBEs are required to disclose the aggregate amount of current and deferred income tax relating to items recognised in other comprehensive revenue and expense.

Local authorities tax exemption:

Local authorities such as Good City Council are exempt from income tax under the Income Tax Act 2007, except for income derived from Council-controlled organisations and from operating a port. As the Council itself has not derived income from its controlled entities (other than rates, etc.), and since the port of Good City is operated by a controlled entity (Good Port Limited) rather than the Council itself, none of the income or surplus derived by the Council is taxable. The Group's income is taxable and its expenses are deductible to the extent that they do not relate to the Council (or to Good Museum Trust, which is a charitable trust and therefore exempt from tax).

Deferred tax on asset revaluation:

Deferred taxes related to the revaluation of the Group's property, plant and equipment have been calculated on the basis of recovery by use at the tax rate of the jurisdiction in which they are located (30% of the total Group revaluation of $25,846,000, see Note 22), less the portion that relates to the Council (see previous paragraph).

21 Income tax *continued*

Commentary *continued*

Tax effect of cash flow hedge in other comprehensive revenue and expense:
The tax effect of cash flow hedge instruments reflects the change in balances from 2017 to 2018 only for the effective portion (ineffectiveness has been accounted for directly in surplus or deficit). The reconciliation of these changes to the notes is difficult to directly observe. For illustrative purposes, a reconciliation is provided below (please note that the net change is also included in surplus or deficit and other comprehensive revenue and expense). This is reconciliation relates to the Group only, as the Council does not hold cash flow hedges.

	Assets		Liabilities	
	2018	2017	2018	2017
	$000	$000	$000	$000
Foreign exchange forward contract assets (Note 27.1)	252	153	–	–
Foreign exchange forward contract liabilities (Note 27.2)	–	–	1,150	254
Ineffectiveness of foreign exchange contract (Note 19)	–	–	(65)	–
Total balances	252	153	1,085	254
Net variation in comprehensive revenue and expense	99		831	
Net increase of cash flow hedge balances during 2018 (net liability and net loss)			732	
Tax rate			30%	
Tax gain			220	

Reconciliation of tax expense and the accounting profit multiplied by the domestic tax rate for 2018 and 2017: *PBE IAS 12.81(c)(i)*

	Group		Council	
	2018	2017	2018	2017
	$000	$000	$000	$000
Accounting profit before income tax	**17,193**	**14,117**	**10,674**	**9,801**
At statutory income tax rate of 30% (2017: 30%)	5,158	4,235	3,202	2,940
Adjustments in respect of current income tax of previous years	(18)	(44)	–	–
Effect of non-taxable Council activities	(2,828)	(2,601)	(3,202)	(2,940)
Other non-taxable income	(480)	(299)	–	–
Utilisation of previously unrecognised tax losses	(481)	(339)	–	–
Non-deductible expenses for tax purposes:				
Impairment of goodwill	200	–	–	–
Contingent consideration re-measurement (Note 6)	107	–	–	–
Other non-deductible expenses	156	167	–	–
Income tax expense reported in the statement of financial performance	**1,814**	**1,119**	**-**	**-**

The effective income tax rate is 11% for the Group (2017: 8%) and 0% for the Council (2017: 0%).

Commentary

The statutory income tax rate of 30% has been used for illustrative purposes only and does not reflect the actual New Zealand statutory tax rate.

21 Income tax *continued*

Deferred tax:

Deferred tax relates to the following: *PBE IAS 12.81(g)*

	Group				Council			
	Statement of financial position		Statement of financial performance		Statement of financial position		Statement of financial performance	
	2018	2017	2018	2017	2018	2017	2018	2017
	$000	$000	$000	$000	$000	$000	$000	$000
Accelerated depreciation for tax purposes	(1,106)	(811)	295	107	–	–	–	–
Revaluations of investment properties to fair value	(1,535)	(1,422)	(92)	(90)	–	–	–	–
Revaluations of land and buildings to fair value	(35)	–	–	–	–	–	–	–
Revaluations of available-for-sale investments to fair value	–	–	–	–	–	–	–	–
Employment benefits	102	59	(43)	(33)	–	–	–	–
Revaluation of an interest rate swap (fair value hedge) to fair value	11	–	(11)	–	–	–	–	–
Revaluation of cash flow hedges	251	31	–	–	–	–	–	–
Impairment on available-for-sale unquoted debt instruments	27	–	(27)	–	–	–	–	–
Losses available for offsetting against future taxable income	383	365	(18)	(44)	–	–	–	–
Deferred tax expense/(income)			**104**	**(60)**			**–**	**–**
Net deferred tax assets/(liabilities)	**(1,697)**	**(1,778)**			**–**	**–**		
Deferred tax assets	383	365			–	–		
Deferred tax liabilities:	(3,580)	(2,143)			–	–		
Deferred tax liability (net)	**(3,197)**	**(1,778)**			**–**	**–**		

21 Income tax *continued*

Reconciliation of deferred tax liabilities, net	Group 2018 $000	Group 2017 $000	Council 2018 $000	Council 2017 $000
Opening balance as of 1 July	(1,778)	(1,829)	–	–
Tax income/(expense) during the period recognised in surplus or deficit	(104)	60	–	–
Tax income/(expense) during the period recognised in other comprehensive revenue and expense	(1,315)	(9)	–	–
Closing balance as at 30 June	(3,197)	(1,778)	–	–

The Group offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority. *PBE IAS 12.74*

At 30 June 2018, there was no recognised deferred tax liability (2017: $Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's controlled entities, associate or joint venture. *PBE IAS 12.81(f)*

The Group has determined that undistributed profits of its controlled entities, joint venture or associate will not be distributed in the foreseeable future. The Group has an agreement with its associate that the surpluses of the associate will not be distributed until it obtains the consent of the Group. The parent does not foresee giving such a consent being given at the reporting date. Furthermore, the Group's joint venture did not distribute its profits until it obtains the consent from all venture partners.

Commentary

Reconciliation of deferred tax liability/asset

Although not specifically required by PBE IPSAS 1 or PBE IAS 12, the reconciliation of the net deferred tax liability may be helpful. As in some other disclosures included in this note, the cross reference with the amounts from which they are derived is not direct. Nevertheless, the reasonableness of each balance may be obtained from the respective notes by applying a 30% tax rate. All balances relating to the Council are nil, as income derived by the Council is not taxable.

22 Property, plant and equipment

Group:

	Operational Assets				Infrastructural Assets				Restricted Assets			Total	
	Land and buildings[1]	Plant and equipment[2]	Other operational assets	Total operational assets	Land and buildings	Water assets[3]	Roads and infra-structure	Total infra-structure assets	Land and building[4]	Cultural/ heritage assets	Total restricted assets		*PBE IPSAS 17.88(e) PBE IPSAS 17.88.RDR 98.1*
	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	
Cost or valuation													
As at 1 July 2016	344,147	267,668	152,953	764,768	109,252	546,261	437,009	1,092,522	262,205	65,551	327,756	2,185,046	
Additions	6,946	5,402	3,087	15,435	2,205	11,025	8,820	22,050	5,292	1,323	6,615	44,100	*PBE IPSAS 17.88(e)(i)*
Disposals	(540)	(420)	(240)	(1,200)	(172)	(858)	(686)	(1,716)	(412)	(103)	(515)	(3,431)	*PBE IPSAS 17.88(e)(ii)*
As at 30 June 2017	**350,553**	**272,650**	**155,800**	**779,003**	**111,285**	**556,428**	**445,143**	**1,112,856**	**267,085**	**66,771**	**333,856**	**2,225,715**	
Additions	7,577	5,893	3,368	16,838	2,405	12,027	9,622	24,054	5,773	1,443	7,216	48,108	*PBE IPSAS 17.88(e)(i)*
Disposals	(773)	(447)	(344)	(1,564)	(245)	(1,227)	(982)	(2,454)	(589)	(147)	(736)	(4,754)	*PBE IPSAS 17.88(e)(ii)*
Reclassification to assets held for sale	-	(154)	-	(154)	-	-	-	-	-	-	-	(154)	*PBE IPSAS 17.88(e)(ii)*
Revaluation	9,046	-	-	9,046	1,292	6,462	5,169	12,923	3,877	-	3,877	25,846	*PBE IPSAS 17.88(e)(iv)*
Transfers[5]	(36)	-	-	(36)	(5)	(26)	(20)	(51)	(15)	-	(15)	(102)	*PBE IPSAS 17.88(e)(ix)*
As at 30 June 2018	**366,367**	**277,942**	**158,824**	**803,133**	**114,732**	**573,664**	**458,932**	**1,147,328**	**276,131**	**68,067**	**344,198**	**2,294,659**	
Depreciation and impairment:													
As at 1 July 2016	26,161	20,348	11,627	58,136	8,305	41,526	33,221	83,052	19,932	4,983	24,915	166,103	
Depreciation charge for the year	3,635	2,828	1,616	8,079	1,154	5,771	4,616	11,541	2,770	692	3,462	23,082	*PBE IPSAS 17.88(e)(vii)*
Impairment	-	301	-	301	-	-	-	-	-	-	-	301	*PBE IPSAS 17.88(v)*
Disposals	(488)	(380)	(217)	(1,085)	(155)	(775)	(620)	(1,550)	(372)	(93)	(465)	(3,100)	*PBE IPSAS 17.88(e)(ii)*
As at 30 June 2017	**29,308**	**23,097**	**13,026**	**65,431**	**9,304**	**46,522**	**37,217**	**93,043**	**22,330**	**5,582**	**27,912**	**186,386**	*PBE IPSAS 88(d)*
Depreciation charge for the year	3,748	2,915	1,666	8,329	1,190	5,949	4,759	11,898	2,856	714	3,570	23,797	*PBE IPSAS 17.88(e)(vii)*
Disposals	(536)	(417)	(238)	(1,191)	(170)	(850)	(680)	(1,700)	(408)	(102)	(510)	(3,401)	*PBE IPSAS 17.88(e)(ii)*
Transfers[5]	(36)	-	-	(36)	(5)	(26)	(20)	(51)	(15)	-	(15)	(102)	*PBE IPSAS 17.88(e)(ix)*
As at 30 June 2018	**32,484**	**25,595**	**14,454**	**72,533**	**10,319**	**51,595**	**41,276**	**103,190**	**24,763**	**6,194**	**30,957**	**206,680**	*PBE IPSAS 88(d)*
Net book value													
As at 30 June 2018	**333,883**	**252,347**	**144,370**	**730,600**	**104,413**	**522,069**	**417,656**	**1,044,138**	**251,368**	**61,873**	**313,241**	**2,087,979**	*PBE IPSAS 17.88(d)*
As at 30 June 2017	**321,245**	**249,553**	**142,774**	**713,572**	**101,981**	**509,906**	**407,926**	**1,019,813**	**244,755**	**61,189**	**305,944**	**2,039,329**	*PBE IPSAS 17.88(d)*

(1) Operational land and buildings include the service concession asset – please refer to Note 26
(2) Operational plant and equipment includes leased equipment
(3) Water assets include wastewater and stormwater assets
(4) Restricted land and buildings include parks and reserves
(5) This transfer relates to the accumulated depreciation as at the revaluation date that was eliminated against the gross carrying amount of the revalued asset

22 Property, plant and equipment *continued*

Council:	Operational Assets				Infrastructural Assets				Restricted Assets			Total	
	Land and buildings[1]	Plant and equipment [2]	Landfill	Total operational assets	Land and buildings	Water assets[3]	Roads and infra-structure	Total infra-structure assets	Land and building[4]	Cultural and heritage assets	Total restricted assets		*PBE IPSAS 17.88(e)* *PBE IPSAS 17.88.RDR 88.1*
	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	
Cost or valuation													
As at 1 July 2016	217,084	123,868	128,831	469,783	92,022	460,112	368,089	920,223	147,008	17,589	164,597	1,554,603	
Additions	4,564	2,604	2,709	9,877	1,935	9,674	7,740	19,349	3,091	370	3,461	32,687	*PBE IPSAS 17.88(e)(i)*
Disposals	(405)	(231)	(240)	(876)	(172)	(858)	(686)	(1,716)	(274)	(33)	(307)	(2,899)	*PBE IPSAS 17.88(e)(ii)*
As at 30 June 2017	221,243	126,241	131,300	478,784	93,785	468,928	375,143	937,856	149,825	17,926	167,751	1,584,391	
Additions	5,037	2,874	2,989	10,900	2,135	10,676	8,541	21,352	3,411	408	3,819	36,071	*PBE IPSAS 17.88(e)(i)*
Disposals	(577)	(330)	(344)	(1,251)	(245)	(1,227)	(982)	(2,454)	(392)	(47)	(439)	(4,144)	*PBE IPSAS 17.88(e)(ii)*
Revaluation	6,304	-	-	6,304	1,202	6,012	4,810	12,024	2,401	-	2,401	20,729	*PBE IPSAS 17.88(e)(iv)*
Transfers[5]	(27)	-	-	(27)	(5)	(26)	(20)	(51)	(10)	-	(10)	(88)	*PBE IPSAS 17.88(e)(ix)*
As at 30 June 2018	**231,980**	**128,785**	**133,945**	**494,710**	**96,872**	**484,363**	**387,492**	**968,727**	**155,235**	**18,287**	**173,522**	1,636,959	
Depreciation and impairment:													
As at 1 July 2016	11,674	6,661	6,928	25,263	4,949	24,744	19,795	49,488	7,906	946	8,852	83,603	
Depreciation charge for the year	2,457	1,403	1,459	5,319	1,042	5,210	4,168	10,420	1,665	199	1,864	17,603	*PBE IPSAS 17.88(e)(vii)*
Impairment	-	-	-	-	-	-	-	-	-	-	-	-	*PBE IPSAS 17.88(v)*
Disposals	(366)	(209)	(217)	(792)	(155)	(775)	(620)	(1,550)	(248)	(30)	(278)	(2,620)	*PBE IPSAS 17.88(e)(ii)*
As at 30 June 2017	13,765	7,855	8,170	29,790	5,836	29,179	23,343	58,358	9,323	1,115	10,438	**98,586**	*PBE IPSAS 88(d)*
Depreciation charge for the year	2,541	1,451	1,509	5,501	1,078	5,389	4,311	10,778	1,722	206	1,928	18,207	*PBE IPSAS 17.88(e)(vii)*
Disposals	(401)	(229)	(238)	(868)	(170)	(850)	(680)	(1,700)	(272)	(32)	(304)	(2,872)	*PBE IPSAS 17.88(e)(ii)*
Transfers[5]	(27)	-	-	(27)	(5)	(26)	(20)	(51)	(10)	-	(10)	(88)	*PBE IPSAS 17.88(e)(ix)*
As at 30 June 2018	**15,878**	**9,077**	**9,441**	**34,396**	**6,739**	**33,692**	**26,954**	**67,385**	**10,763**	**1,289**	**12,052**	**113,833**	*PBE IPSAS 88(d)*
Net book value													
As at 30 June 2018	**216,102**	**119,708**	**124,504**	**460,314**	**90,133**	**450,671**	**360,538**	**901,342**	**144,472**	**16,998**	**161,470**	**1,523,126**	*PBE IPSAS 17.88(d)*
As at 30 June 2017	**207,478**	**118,386**	**123,130**	**448,994**	**87,949**	**439,749**	**351,800**	**879,498**	**140,502**	**16,811**	**157,313**	**1,485,805**	*PBE IPSAS 17.88(d)*

(1), (2), (3), (4), (5) Please refer to footnotes on previous page

Commentary
According to PBE IPSAS 17.RDR 88.1, Tier 2 PBEs are not required to disclosure the reconciliation specified by PBE IPSAS 17.88(e) for prior periods. However, Tier 2 PBEs are required to disclose the gross carrying amount and the accumulated depreciation at the beginning and end of the period, with prior period comparatives, as per PBE IPSAS 17.88(d).

22 Property, plant and equipment *continued*

Impairment

In 2017, the impairment loss of $301,000 represented the write-down of certain port equipment to the recoverable amount as a result of technological obsolescence. This was recognised in the statement of financial performance within depreciation, amortisation and impairment. *PBE IPSAS 26.115(a)*

The recoverable amount of $5,679,000 as at 30 June 2017 was based on value in use and was determined at the level of the CGU. The CGU consisted of the Good Port plant and equipment held by Good Port Limited, a controlled entity. In determining value in use for the CGU, the cash flows were discounted at a rate of 12.4% on a pre-tax basis. *PBE IPSAS 26.120*

Reclassification to assets held for sale

On 30 June 2018, an item of port equipment with carrying value of $154,000 was classified as held for sale. Please refer to Note 32 for further details.

Finance leases

The carrying value of property, plant and equipment held by the Group under finance leases and hire purchase contracts at 30 June 2018 was $1,178,000 (2017: $1,486,000). This relates to port equipment held by the controlled entity. Additions during the year include $45,000 (2017: $54,000) of property, plant and equipment under finance leases and hire purchase contracts. Leased assets and assets under hire purchase contracts are pledged as security for the related finance lease and hire purchase liabilities. *PBE IPSAS 13.40(a*

Land and buildings with a carrying amount of $7,400,000 (2017: $5,000,000) are subject to a first charge to secure two of the Group's bank loans. *PBE IPSAS 16.89(a)*

The Council does not have any property, plant or equipment subject to a finance lease.

Assets under construction

Included in the Group's plant and equipment asset class within property, plant and equipment at 30 June 2018 was an amount of $1,500,000 (2017: 1,750,000) relating to expenditure for a plant in the course of construction. *PBE IPSAS 17.89(b)*

Plant and equipment obtained in non-exchange transactions:

In 2018, the Council recognised $2,190,000 (2017: $2,150,000) as equipment contributed by the New Zealand Government, which is subject to the restriction that it be used for the maintenance of roads in Good City. The equipment was initially recognised at its fair value, which was estimated by reference to the market price of these assets on the date in which control was obtained. *PBE IPSAS 23.106(d)* *PBE IPSAS 16.89(a)*

Revaluation of property, plant and equipment

Land, buildings, infrastructure assets and water assets are measured using the revaluation model and are revalued every three years. These assets were revalued on 30 June 2018. The revaluation resulted in a revaluation surplus of $25,846,000 for the Group (2017: nil), and $20,729,000 for the Council (2017: nil). This revaluation surplus was recognised in the Asset Revaluation Reserve within equity, via other comprehensive revenue and expense. *PBE IPSAS 17.92(e)*

The details of the revaluation are as follows:

Land and buildings:

Fair value of the land and buildings was determined by using a market comparable method. This means that valuations performed by the valuer are based on active market prices and market-based yields, significantly adjusted for difference in the nature, location or condition of the specific property. *PBE IPSAS 17.92(c)* *PBE IPSAS 17.92(d)*

As at the date of revaluation 30 June 2018, the properties' fair values are based on valuations performed by Chartered Surveyors & Co., an accredited independent valuer. *PBE IPSAS 17.92(a)* *PBE IPSAS 17.92(b)*

22 Property, plant and equipment *continued*

Water assets and infrastructure assets:

Fair value of water assets and roads and other infrastructure assets was determined by using the depreciated replacement cost, as market-based evidence is not available for such assets due to their specialised nature. *PBE IPSAS 17.92(c) PBE IPSAS 17.48*

The following significant assumptions are used in determining the depreciated replacement cost of these assets: *PBE IPSAS 17.92(c) PBE IPSAS 17.92(d)*

- the replacement asset would be using modern equivalents to the existing asset as at the date of valuation
- the replacement cost of the asset is determined with reference to recent construction contracts and the market buying price of components used to produce these assets
- the replacement cost of the asset is adjusted for any overcapacity or overdesign
- the replacement cost of the asset takes into account any planned earthquake strengthening costs
- depreciation applied to the replacement cost of the asset in order to arrive at the depreciated replacement cost is calculated using the straight-line method
- useful lives used for the purpose of calculating depreciation are estimated based on the current condition of the asset as well as local conditions in the area of Good City in which the assets are located

PBE IPSAS 17.92(b) PBE IPSAS 17.92(a)

Revaluation of the Council's water assets and road and infrastructure assets was performed by Special Valuers Limited, an accredited independent valuer, as at 30 June 2018.

23 Investment properties

	Council and Group		
	2018 $000	2017 $000	*PBE IPSAS 16.87 PBE IPSAS 16.RDR 87.1*
Opening balance at 1 July 2017	7,983	7,091	
Additions (subsequent expenditure)	1,216	1,192	*PBE IPSAS 16.87(a) PBE IPSAS 16.RDR 87.2*
Net loss from fair value adjustment	(306)	(300)	*PBE IPSAS 16.87(d)*
	8,893	7,983	

Commentary

According to PBE IPSAS 16.RDR 87.1, Tier 2 PBEs are not required to disclosure the reconciliation specified by PBE IPSAS 16.87 for prior periods.

According to PBE IPSAS 16.87.2, Tier 2 PBEs are not required to disclose separately those additions resulting from acquisitions and those resulting from subsequent expenditure recognised in the carrying amount of an asset in accordance with PBE IPSAS 16.87(a).

Reconciliation of net surplus on investment properties:	Council and Group 2018 $000	2017 $000	
Rental income derived from investment properties	1,404	1,377	*PBE IPSAS 16.86(f)(i)*
Direct operating expenses (including repairs and maintenance) generating rental income	(101)	(353)	*PBE IPSAS 16.86(f)(ii)*
Direct operating expenses (including repairs and maintenance) that did not generate rental income (included in cost of sales)	(37)	(127)	*PBE IPSAS 16.86(f)(iii)*
Surplus arising from investment properties carried at fair value	1,266	897	

23 Investment properties *continued*

The Group has no restrictions on the realisability of its investment properties and no contractual obligations to either purchase, construct or develop investment properties or for repairs maintenance and enhancements.

PBE IPSAS 16.86(g)
PBE IPSAS 16.86(h)

As at 30 June 2017 and 2018, the fair values of the properties are based on valuations performed by Chartered Surveyors & Co., an accredited independent valuer. Chartered Surveyors & Co. is a specialist in valuing the types of investment properties held by the Council. The valuation model in accordance with that recommended by the Property Institute of New Zealand has been applied.

PBE IPSAS 16.86(e)

The fair value of the investment properties was determined using the discounted cash flow (DCF) method. Under the DCF method, fair value is estimated using assumptions regarding the benefits and costs of ownership over the asset's life including an exit or terminal value. This method involves the projection of a series of cash flows on a real property interest. To this projected cash flow series, a market-derived discount rate is applied to establish the present value of the income stream associated with the asset. The exit yield is normally separately determined and differs from the discount rate.

PBE IPSAS 16.86(d)

PPBE IPSAS 16.RDR.86.1

The duration of the cash flows and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related re-letting, redevelopment, or refurbishment. The appropriate duration is typically driven by market behaviour that is a characteristic of the class of real property. Periodic cash flow is typically estimated as gross income less vacancy, non-recoverable expenses, collection losses, lease incentives, maintenance cost, agent and commission costs and other operating and management expenses. The series of periodic net operating income, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

Commentary
The Group has elected to value investment properties at fair value in accordance with PBE IPSAS 16.

PBE IPSAS 16 permits property, plant and equipment and investment properties to be carried at historical cost less provision for depreciation and impairment. If the Group accounted for investment properties at cost, information about the cost basis and depreciation rates (similar to the requirement under PBE IPSAS 17 for property, plant and equipment) would be required. The Group would have still had to disclose the fair value of the investment properties as at the reporting date even if it had accounted for the investment properties at cost.

24 Intangible assets

	Software	Licence	Carbon credits	Goodwill	Total	
			Group			*PBE IPSAS 31.117(e)*
	$000	$000	$000	$000	$000	
Cost						
At 1 July 2016	1,585	395	-	250	2,230	
Additions – internally developed	630	-	-	-	630	*PBE IPSAS 31.117(e)(i)*
At 30 June 2017	**2,215**	**395**	**-**	**250**	**2,860**	
Additions – internally developed	209	-	-	-	209	*PBE IPSAS 31.117(e)(i)*
Additions – purchased	-	-	240	-	240	*PBE IPSAS 31.117(e)(i)*
Acquisition of a controlled entity	1,200	-	-	2,231	3,431	*PBE IPSAS 31.117(e)(i)*
At 30 June 2018	**3,624**	**395**	**240**	**2,481**	**6,740**	
Amortisation and impairment						
At 1 July 2016	225	-	-	-	225	*PBE IPSAS 31.117(c)*
Amortisation	122	-	-	-	122	*PBE IPSAS 31.117(e)(vi)*
At 30 June 2017	**347**	**-**	**-**	**-**	**347**	*PBE IPSAS 31.117(c)*
Amortisation	174	-	-	-	174	*PBE IPSAS 31.117(e)(vi)*
Impairment (Note 25)	-	-	-	200	200	*PBE IPSAS 31.117(e)(iv)*
At 30 June 2018	**521**	**-**	**-**	**200**	**721**	*PBE IPSAS 31.117(c)*
Net book value						
At 30 June 2018	**3,103**	**395**	**240**	**2,281**	**6,019**	
At 30 June 2017	1,868	395	-	250	2,513	

	Software	Licence	Carbon credits	Total	
			Council		*PBE IPSAS 31.117(e)*
	$000	$000	$000	$000	
Cost					
At 1 July 2016	1,585	395	-	1,980	*PBE IPSAS 31.117(e)(i)*
Additions – internally developed	630	-	-	630	
At 30 June 2017	**2,215**	**395**	**-**	**2,610**	
Additions – internally developed	209	-	-	209	*PBE IPSAS 31.117(e)(i)*
Additions – purchased	-	-	240	240	*PBE IPSAS 31.117(e)(i)*
At 30 June 2018	**2,424**	**395**	**240**	**3,059**	
Amortisation and impairment					
At 1 July 2016	225	-	-	225	*PBE IPSAS 31.117(c)*
Amortisation	102	-	-	102	*PBE IPSAS 31.117(e)(vi)*
At 30 June 2017	**327**	**-**	**-**	**327**	*PBE IPSAS 31.117(c)*
Amortisation	174	-	-	174	*PBE IPSAS 31.117(e)(vi)*
At 30 June 2018	**501**	**-**	**-**	**501**	*PBE IPSAS 31.117(c)*
Net book value					
At 30 June 2018	**1,923**	**395**	**240**	**2,558**	
At 30 June 2017	1,888	395	-	2,283	

Amortisation of intangible assets is recognised within depreciation and amortisation in the statement of financial performance. *PBE IPSAS 31.117(d)*

Commentary
According to PBE IPSAS 31.RDR 117.1, Tier 2 PBEs are not required to disclosure the reconciliation specified by PBE IPSAS 31.117(e) for prior periods. However, Tier 2 PBEs are required to disclose the gross carrying amount and any accumulated amortisation at the beginning and end of the period, with prior period comparatives, in accordance with PBE IPSAS 31.117(c)

25 Impairment testing of goodwill and intangible assets with indefinite useful life

Goodwill acquired through business combinations has been allocated to the two profit-oriented controlled entities below, which the Group considers to be cash generating units (CGUs):

Good Port Limited
Good Property Management Limited

Carrying amount of goodwill allocated to each CGU:

	Good Port Limited	Good Property Management Limited	Good Port Limited	Good Property Management Limited	Total	Total	
	2018 $000	2017 $000	2018 $000	2017 $000	2018 $000	2017 $000	
Goodwill	50	250	2,231	-	2,281	250	*PBE IPSAS 26.123(a.1)*

The Group performed its annual goodwill impairment test in June 2017 and 2018.

Good Port Limited

The recoverable amount of the Good Port Limited CGU, $37,562,000 as at 30 June 2018, has been determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period. The projected cash flows have been updated to reflect slower growth in demand for port services than previously anticipated, due to businesses shifting away from delivery by sea in favour of delivery by road or air. The pre-tax discount rate applied to cash flow projections is 15.5% (2017: 12.1%) and cash flows beyond the five-year period are extrapolated using a 3.0% growth rate (2017: 5.0%) that is the same as the long-term average growth rate for ports in New Zealand. It was concluded that the fair value less costs of disposal did not exceed the value in use.

PBE IPSAS 26.120(d)
PBE IPSAS 26.123(b)
PBE IPSAS 26.123(c)

As a result of this analysis, as at 30 June 2018 management has recognised an impairment charge of $200,000 against goodwill that had a carrying amount of $250,000 as at 30 June 2017. The impairment charge is recorded within administrative expenses in the statement of financial performance. The primary reason for the impairment is the abovementioned reduced demand for port services.

PBE IPSAS 26.115(a)
PBE IPSAS 26.120(b)
PBE IPSAS 26.120(a)
PBE IPSAS 26.123(b)
PBE IPSAS 26.123(c)

Good Property Management Limited

The recoverable amount of the Good Property Management Limited CGU, $7,917,000 as at 30 June 2018, is also determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period. Good Property Management Limited was acquired on 1 January 2018. The pre-tax discount rate applied to the cash flow projections is 14.4%. The growth rate used to extrapolate the cash flows of the unit beyond the five-year period is 2.9%. This growth rate is the same as the long-term average growth rate in the New Zealand property management sector. As a result of this analysis, no impairment has been recognised in relation to this CGU.

25 Impairment testing of goodwill and intangible assets with indefinite useful life *continued*

Key assumptions used in value in use calculations and sensitivity to changes in assumptions *PBE IPSAS 26.123(c)*

The calculation of value in use for both Good Port Limited and Good Property Management Limited is most sensitive to the following assumptions:

- Gross margins
- Discount rates
- Price inflation
- Growth rates used to extrapolate cash flows beyond the forecast period

Gross margins *PBE IPSAS 26.123(c)*

Gross margins are based on average values achieved in the three years preceding the beginning of the budget period. These are increased over the budget period for anticipated efficiency improvements. An increase of 1.5% per annum was applied for the Good Port Limited CGU and 2% per annum for the Good Property Management Limited CGU.

PBE IPSAS 26.123(e)

A decreased demand can lead to a decline in gross margin. A decrease in gross margin to 1.0% would result in a further impairment of $10,000 in the Good Port Limited CGU. The Group believes that a reasonably possible change in any of the key assumptions would not cause the carrying amount of goodwill allocated to Good Property Management Limited CGU to exceed the recoverable amount.

Discount rates *PBE IPSAS 26.123(c)*

Discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group.

PBE IPSAS 26.123(e)

A rise in pre-tax discount rate to 16.0% (i.e. +0.5%) in the Good Port Limited CGU would result in a further impairment of $5,000.The Group believes that a reasonably possible change in any of the key assumptions would not cause the carrying amount of goodwill allocated to the Good Property Management Limited CGU to exceed the recoverable amount.

Price inflation *PBE IPSAS 26.123(c)*

Estimates are obtained from published inflation indices. Forecast figures are used if data is publicly available (principally for New Zealand), otherwise past experience is used as an indicator of future price movements.

PBE IPSAS 26.123(e)

Management has considered the possibility of greater than forecast increases in price inflation in relation to the Good Port Limited and Good Property Management Limited CGUs. Forecast price inflation lies within a range of 1.9%-2.3% for the Good Port Limited CGU, and 2.1%-2.5% for the Good Property Management Limited CGU. If price inflation increases above forecast price inflation and the Group is unable to pass on or absorb these increases through efficiency improvements, then the Group will have further impairment. For the Good Port Limited CGU, a 0.1% increase in price inflation would result in further impairment of $4,000. The Group believes that a reasonably possible change in any of the key assumptions would not cause the carrying amount of goodwill allocated to the Good Property Management Limited CGU to exceed the recoverable amount.

Growth rate estimates *PBE IPSAS 26.123(c)*

Rates are based on published industry research.

PBE IPSAS 26.123(e)

A reduction of 0.5% in the long term growth rate of the Good Port Limited CGU would result in further impairment of $6,000. The Group believes that a reasonably possible change in any of the key assumptions would not cause the carrying amount of goodwill allocated to Good Property Management Limited CGU to exceed the recoverable amount.

25 Impairment testing of goodwill and intangible assets with indefinite useful life *continued*

Intangible assets with unlimited useful life

Licences:

The licences held by the Group relate to the usage of historical film footage relating to local culture and important events in the history of Good City. The licences have been acquired with the option to renew at the end of the period at little or no cost to the Group, which has allowed the Group to determine that these assets have indefinite useful lives.

PBE IPSAS 31.121(a)

The film footage to which the licences relate are screened at the local museum of Good City for educational purposes and for the purpose of promoting local culture. The films are shown to visitors of the museum free of charge. Therefore the licences are classified as non-cash-generating intangible assets, and are not allocated to a CGU for the purpose of impairment testing.

The Group performed its annual impairment test for these licences in June 2017 and 2018. As at 30 June 2018, no impairment loss has been recognised in relation to the licences (2017: nil).

Carbon credits:

During the year, the Council acquired carbon credits in relation to carbon emissions from its landfill operations. Unused carbon credits for emissions must be forfeited following the end of each calendar year.

As carbon credits are a non-cash-generating intangible asset, it was not allocated to a cash generating unit for the purpose of impairment.

The Group performed its annual impairment test for these carbon credits in June 2017 and 2018. As at 30 June 2018, no impairment loss has been recognised in relation to the carbon credits (2017: nil).

Commentary

The Group has determined recoverable amounts of its cash generating units (CGUs) based on value in use under PBE IPSAS 26.

If the recoverable amounts are determined using fair value less cost of disposal, PBE IPSAS 26.123(d) requires disclosure of the valuation technique(s) and other information including the key assumptions used and a description of management's approach to each key assumption. Furthermore, if fair value less cost of disposal is determined using discounted cash flow projections, additional information such as period of cash flow projections, growth rate used to extrapolate cash flow projections and the discount rate(s) applied to the cash flow projections are required to be disclosed.

PBE IPSAS 26.123(c)(i) requires disclosure of key assumptions made for each CGU for which the carrying amount of goodwill or intangible assets with indefinite useful lives allocated is significant in comparison with the entity's total carrying amount of goodwill or intangible assets with indefinite useful lives. While the disclosures above have been provided for an illustrative purpose, companies need to evaluate the significance of each assumption used for the purpose of this disclosure.

PBE IPSAS 26.123(e) requires disclosures of sensitivity analysis for each CGU for which carrying amount of goodwill or intangible assets with indefinite lives allocated to that CGU is significant in comparison with the entity's total carrying amount of goodwill or intangible assets with indefinite lives. These disclosures are made if a reasonably possible change in a key assumption used to determine the CGU's recoverable amount would cause the CGU's carrying amount to exceed its recoverable amount. The Group has made these disclosures for all the key assumptions for the Good Port Limited CGU, since there is an impairment charge during the year and the carrying amount equals recoverable amount. The Group believes that a reasonably possible change in the key assumptions will not cause impairment to the Good Property Management Limited CGU, and this has been disclosed above. Entities need to also take into account the consequential effect of a change in one assumption on other assumptions, as part of the sensitivity analyses when determining the point at which the recoverable amount equals the carrying amount (PBE IPSAS 26.123(e)(iii)). The Group has considered this in the disclosures herein.

26 Service concession arrangements

In the previous reporting period, the Group entered into a service concession arrangement with a private company to construct a new recreation centre in Good City in order promote health and wellbeing in the community. Under the service concession arrangement, the private-sector operator is required to construct, own and operate the recreation centre for a period of 10 years, with no option of extension or renewal. After 10 years, the ownership of the building will be transferred to the Council at no cost. During the 10 year period, the private operator will earn revenue (such as entry fees) from operating the recreation centre. The Council will regulate the services to be provided by the operator to members of the public at the recreation centre, as well as the prices charged to the public for these services.

PBE IPSAS 32.32(a)

PBE IPSAS 32.32(b)
PBE IPSAS 32.32(c)

The construction of the recreation centre was completed on 30 June 2017. No fees were earned by the private operator before that date.

The estimated useful life of the recreation centre building is 20 years. Depreciation is calculated on a straight line basis.

The following service concession assets and liabilities and related revenue and expenses have been recognised as at the reporting date:

	Council and Group		
	2018 $000	2017 $000	
Service concession asset (included in property, plant and equipment – infrastructure – see Note 22) :			
Fair value of service concession assets on initial recognition	550	550	
Accumulated depreciation to-date	(28)	-	
Net carrying amount	522	550	*PBE IPSAS 32.32(c)(iii)*
Service concession liability:			
Opening balance	550	550	
Service concession revenue recognised	(55)	-	
Closing balance	**495**	**550**	*PBE IPSAS 32.32(c)(vii)*

There have been no changes in the service concession arrangement during the current period. *PBE IPSAS 32.32(d)*

Commentary
Disclosure of service concession arrangements by grantor:
PBE IPSAS 32.32 requires consideration of all aspects of the service concession arrangement when determining the appropriate disclosures to be provided in the notes. PBE IPSAS 32.32(a)-(d) includes a list of broad disclosure items that are required. Since each service concession arrangement is likely to have unique characteristics, IPSAS 32 implies a degree of judgment to ensure that the appropriate information is included.

27 Financial assets and financial liabilities

27.1. Financial assets

	Group		Council		
	2018 $000	2017 $000	2018 $000	2017 $000	*PBE IPSAS 30.9* *PBE IPSAS 30.10* *PBE IPSAS 30.11*
Derivatives designated as hedging instruments					
Cash flow hedges:					
Foreign exchange forward contracts	252	153	–	–	
	252	153	–	–	
Financial instruments at fair value through surplus or deficit					*PBE IPSAS 30.11(a)*
Derivatives not designated as hedges:					
Foreign exchange forward contracts	640	–	–	–	
Embedded derivatives	210	–	–	–	
	850	–	–	–	
Available-for-sale investments at fair value through other comprehensive revenue and expense					*PBE IPSAS 30.11(d)*
Unquoted equity shares	1,038	898	1,038	898	
Quoted equity shares	337	300	337	300	
Quoted debt securities	612	600	612	600	
	1,987	1,798	1,987	1,798	
Total financial instruments at fair value	3,089	1,951	1,987	1,798	
Loans and receivables (*excluding cash – please refer to Note 31*)					*PBE IPSAS 30.11(c)*
Receivables from exchange transactions	14,666	12,874	11,455	9,785	
Receivables from non-exchange transactions	2,439	1,429	1,963	953	
Term deposits	3,674	1,685	2,624	635	
Loan to an associate	213	8	213	8	
	20,992	15,996	16,255	11,381	
Total financial assets (excluding cash)	24,081	17,947	18,242	13,179	
Total current	17,656	14,456	13,919	10,841	
Total non-current	6,425	3,491	4,323	2,338	

Commentary

When PBE IPSAS 30.9 requires disclosures by class of financial instrument, Tier 2 PBEs are not required to group financial instruments into classes. Nor are Tier 2 PBEs required to provide sufficient information to permit a reconciliation to the line items presented in the statement of financial position. However, Tier 2 PBEs are required to disclose the carrying amount of each category of financial assets and liabilities, as required by PBE IPSAS 30.11.

According to PBE IPSAS 30.RDR 11.1, Tier 2 PBEs are not required to separately disclose financial assets at fair value through surplus or deficit that have been designated as such upon initial recognition and those classified as held for trading in accordance with PBE IPSAS 29. The only financial instruments at fair value through surplus or deficit that the Group holds are held for trading. The Group does not hold any financial instruments at fair value through surplus or deficit that have been designated as such upon initial recognition.

Please note that in the disclosure above, which includes financial assets only, the amount of receivables from non-exchange transactions does not equal to the total receivables from non-exchange transactions as disclosed in the statement of financial position and in Note 29. This is because the Group's total receivables from non-exchange transactions include rates receivable, which generally represents a statutory right to receive cash, rather than a contractual right to do so. As such, rates receivable would not meet the definition of financial assets as per PBE IPSAS 28.9, and have therefore been excluded from the financial assets disclosure above.

27. Financial assets and financial liabilities *continued*

PBE IPSAS 30.9
PBE IPSAS 30.10

Financial assets at fair value through other comprehensive revenue and expense reflect the positive change in fair value of foreign exchange forward contracts, designated as cash flow hedges to hedge highly probable forecast sales in US dollar (USD) and purchases in pound sterling (GBP).

Financial assets through surplus or deficit reflect the positive change in fair value of those foreign exchange forward contracts that are not designated in hedge relationships, but are, nevertheless, intended to reduce the level of foreign currency risk for expected sales and purchases.

Loans and receivables are held to maturity and generate a fixed or variable interest income for the Group. The carrying value may be affected by changes in the credit risk of the counterparties.

AFS investments include a significant portion of the AFS financial assets that are invested in equity shares of non-listed companies, namely the New Zealand Local Government Funding Agency ("LGFA") and Urban Developers Limited. The Group holds non-controlling interests of 2% and 9% respectively in these entities. The purpose of the Council's investment in Urban Developers Limited is to further contribute to economic development in Good City, as well as earn a return on the investment. The Group also has investments in listed equity and debt securities. Fair values of these quoted debt securities and equity shares are determined by reference to published price quotations in an active market.

PBE IPSAS 30.24(e)

The Group identified an impairment of $88,000 on AFS quoted debt securities and an impairment of $23,000 on AFS quoted equity securities. The impairment on AFS financial assets is recognised within finance costs in the statement of financial performance.

27. Financial assets and financial liabilities *continued*

27.2 Financial liabilities

Interest-bearing loans and borrowings

PBE IPSAS 30.9
PBE IPSAS 30.10
PBE IPSAS 30.11(f)

	Effective Interest rate %	Maturity	Group 2018 $000	Group 2017 $000	Council 2018 $000	Council 2017 $000
Current interest-bearing loans and borrowings						
Obligations under finance leases and hire purchase contracts (Note 38)	7.8	2019	83	51	–	–
Bank overdrafts	BKBM+ 1.0	On demand	966	2,650	966	2,650
Other current loans						
$1,500,000 bank loan (2017: $1,400,000)	BKBM+ 0.5	1 May 2019	1,411	–	1,411	–
$2,200,000 bank loan	BKBM+ 0.5	30 Sep 2018	–	74	–	74
			2,460	2,775	2,377	2,724
Non-current interest-bearing loans and borrowings						
Obligations under finance leases and hire purchase contracts (Note 38)	7.8	2020-2021	905	943	–	–
8% debentures	8.2	2020-2026	523	3,054	–	–
8.25% secured loan of USD1,600,000	*LIBOR+ 0.2	31 Nov 2024	2,246	–	–	–
Secured bank loan	BKBM+ 2.0	30 Jun 2024	3,479	3,489	3,479	3,489
Other non-current loans						
$1,500,000 bank loan (2017: $1,400,000)	BKBM+ 0.5	1 May 2020	–	1,357	–	1,357
$2,750,000 bank loan (2017: $2,500,000)	BKBM+ 1.1	2021-2023	2,486	2,429	–	–
$2,200,000 bank loan	BKBM+ 0.5	30 Sep 2021	2,078	2,078	2,078	2,078
$10,000,000 concessionary loan	7.5	30 Jun 2021	– 8,6	8,353	– 8,6	8,353
Total non-current interest-bearing loans and borrowings			20,346	21,703	14,186	15,277
Total interest-bearing loans and borrowings			22,806	24,478	16,563	18,001

27. Financial assets and financial liabilities *continued*

Bank overdrafts — *PBE IPSAS 30.9*, *PBE IPSAS 30.10*

The bank overdrafts are secured by a portion of the Group's short-term deposits.

$1,500,000 bank loan

This loan is unsecured and is repayable in full on 1 May 2019.

8% debentures

The 8% debentures are repayable in equal annual instalments of $350,000 commencing on 1 July 2020.

USD 3,600,000 8.25% secured loan

The loan is secured by a first charge over certain of the Group's land and buildings with a carrying value of $2,400,000 (2017: Nil).

Secured bank loan — *PBE IPSAS 1.84*

This loan has been drawn down under a six-year multi-option facility (MOF). The loan is repayable within 12 months after the reporting date, but has been classified as long term because the Group expects and has the discretion to exercise its rights under the MOF to refinance this funding. Such immediate replacement funding is available until 30 Jun 2024. The total amount repayable on maturity is $3,500,000. The facility is secured by a first charge over certain of the Group's land and buildings, with a carrying value of $5,000,000 (2017: $5,000,000).

$2,750,000 bank loan

The Group increased its borrowings under this loan contract by $250,000 during the reporting period. This loan is repayable in two instalments of $1,250,000 due on 30 June 2021 and $1,500,000 due on 30 June 2023.

$2,200,000 bank loan

This loan is unsecured and is repayable in full on 30 September 2021. As of 30 June 2017, $74,000 was repayable on 30 September 2017.

$10,000,000 concessionary loan

This concessionary loan was advanced to the Council by the Government in order to fund the construction of five Council social houses. The loan was advanced on 30 June 2017 and is repayable in full on 30 June 2022. The nominal amount advanced was $10,000,000. Interest on this loan is payable annually at a concessionary rate of 3.5%. The effective interest rate is 7.5%, which is the market rate for an arm's length loan with similar characteristics. The loan was initially recognised at fair value of $8,353,000. The difference between this amount and the $10,000,000 received was recognised as non-exchange deferred revenue – please refer to Note 34. As at 30 June 2018, the nominal value of the loan is $10,000,000, and the carrying value of the loan is $8,629,000. The loan is measured at amortised cost, using the effective interest rate method, with an effective interest rate of 7.5%. A reconciliation of the opening and closing balance of the concessionary loan is shown below: — *PBE IPSAS 30.37(c)*, *PBE IPSAS 30.37(b)*, *PBE IPSAS 30.37(d)*

	$000	
As at 1 July 2017	8,353	*PBE IPSAS 30.37(a)*
New loans at nominal value	–	*PBE IPSAS 30.37(a)(i)*
Fair value adjustments to new loans	–	*PBE IPSAS 30.37(a)(ii)*
Interest accrued during the year	626	*PBE IPSAS 30.37(a)(v)*
Repayments	(350)	*PBE IPSAS 30.37(a)(iii)*
As at 30 June 2018	8,629	*PBE IPSAS 30.37(a)*

27. Financial assets and financial liabilities *continued*

Other financial liabilities

PBE IPSAS 30.9
PBE IPSAS 30.10
PBE IPSAS 30.11

	Group		Council	
	2018	2017	2018	2017
	$000	$000	$000	$000
Financial liabilities at fair value through other comprehensive revenue and expense:				
Cash flow hedges:				
Foreign exchange forward contracts	1,150	254	-	-
	1,150	254	–	–
Financial liabilities at fair value through surplus or deficit:				
Contingent consideration (Note 6)	1,072	–	–	–
Fair value hedges	–	–	–	–
Interest rate swaps	35	–	–	–
Derivatives not designated as hedges	–	–	–	–
Foreign exchange forward contracts	720	–	–	–
Embedded derivatives	782	–	–	–
Total financial liabilities at fair value through surplus or deficit	2,609	–	-	-
Other financial liabilities at amortised cost				
Financial guarantee contracts	87	49	87	49
	87	49	87	49
Total other financial liabilities	3,846	303	87	49
Total current	3,040	303	87	49
Total non-current	806	–	–	–

PBE IPSAS 30.11(e)

PBE IPSAS 30.11(f)

Commentary
When PBE IPSAS 30.9 requires disclosures by class of financial instrument, Tier 2 PBEs are not required to group financial instruments into classes. Nor are Tier 2 PBEs required to provide sufficient information to permit a reconciliation to the line items presented in the statement of financial position. However, Tier 2 PBEs are required to disclose the carrying amount of each category of financial assets and liabilities, as required by PBE IPSAS 30.11.

According to PBE IPSAS 30.RDR 11.2, Tier 2 PBEs are not required to separately disclose financial liabilities at fair value through surplus or deficit that have been designated as such upon initial recognition and those classified as held for trading in accordance with PBE IPSAS 29. The only financial instruments at fair value through surplus or deficit that the Group holds are classified as held for trading. The Group does not hold any financial instruments at fair value through surplus or deficit that have been designated as such upon initial recognition.

Financial liabilities at fair value through other comprehensive revenue and expense reflect the change in fair value of foreign exchange forward contracts, designated as cash flow hedges to hedge highly probable future purchases in GBP and USD.

PBE IPSAS 30.38

27. Financial assets and financial liabilities *continued*

Contingent consideration *PBE IFRS 3.B64(g)*

As part of the purchase agreement with the previous owner of Good Property Management Limited, a contingent consideration has been agreed. This consideration is dependent on the surplus before tax of Good Property Management Limited during a 12-month period. The fair value of the contingent consideration at the acquisition date was $714,000. The fair value increased to $1,071,500 as at 30 June 2018 due to a significantly enhanced performance compared to budget. The contingent consideration is due for final measurement and payment to the former shareholders on 31 March 2019. Please refer to Note 6 for further details.

27.3. Hedging activities and derivatives *PBE IPSAS 30.26*

Derivatives not designated as hedging instruments

The Group uses foreign currency denominated borrowings and foreign exchange forward contracts to manage some of its transaction exposures. These foreign exchange forward contracts are not designated as cash flow hedges and are entered into for periods consistent with foreign currency exposure of the underlying transactions, generally from one to 24 months.

Cash flow hedges

Foreign currency risk

Foreign exchange forward contracts measured at fair value through other comprehensive revenue and expense are designated as hedging instruments in cash flow hedges of forecast sales in USD and forecast purchases in GBP. These forecast transactions are highly probable, and they comprise about 25% of the Group's total expected sales in USD and about 65% of its total expected purchases in GBP. *PBE IPSAS 30.27(a)* *PBE IPSAS 30.26(c)*

While the Group also enters into other foreign exchange forward contracts with the intention to reduce the foreign exchange risk of expected sales and purchases, these other contracts are not designated in hedge relationships and are measured at fair value through surplus or deficit.

The foreign exchange forward contract balances vary with the level of expected foreign currency sales and purchases and changes in foreign exchange forward rates.

	Group				
	2018		2017		
	Assets $000	Liabilities $000	Assets $000	Liabilities $000	*PBE IPSAS 30.26(b)*
Foreign currency forward contracts designated as hedging instruments					
Fair value	252	(1,150)	153	(254)	

The terms of the foreign currency forward contracts match the terms of the expected highly probable forecast transactions. As a result, no hedge ineffectiveness arises requiring recognition through surplus or deficit. Notional amounts are as provided in Note 27.2. *PBE IPSAS 30.27(b)*

The cash flow hedges of the expected future sales in July 2018 were assessed to be highly effective and a net unrealised gain of $252,000, with a deferred tax liability of $76,000 relating to the hedging instruments, is included in other comprehensive revenue and expense. *PBE IPSAS 30.27(c)*

As at 30 June 2018, the fair value of the cash flow hedges of the expected future purchases in August and September 2018 amounted to a liability of $1,150,000. However, the effective portion of this hedge amounted to $1,085,000. Therefore a net unrealised loss of $1,085,000, with a related deferred tax asset of $326,000, was included in other comprehensive revenue and expense in respect of these contracts. The ineffectiveness recognised in other operating expenses in the statement of financial performance for the current year in respect of these contracts was $65,000 (see Note 19). *PBE IPSAS 30.27(c)* *PBE IPSAS 30.27(c)*

27. Financial assets and financial liabilities *continued*

As at the end of June 2017, the cash flow hedges of the expected future sales in the first quarter of the 2018 financial year were assessed to be highly effective and an unrealised gain of $153,000 with a deferred tax liability of $46,000 was included in other comprehensive revenue and expense in respect of these contracts. The cash flow hedges of the expected future purchases in the first quarter of the 2018 financial year were also assessed to be highly effective and an unrealised loss of $254,000, with a deferred tax asset of $76,000, was included in other comprehensive revenue and expense in respect of these contracts.

The amount removed from other comprehensive revenue and expense during the year and included in the carrying amount of the hedging items as a basis adjustment for 2018 is detailed in Note 20, and for 2017 the amount was immaterial. The amounts retained in other comprehensive revenue and expense at 30 June 2018 are expected to mature and affect the statement of financial performance in 2018. Reclassifications to surplus or deficit during the year and gains or losses included in other comprehensive revenue and expense during the year are shown in Note 20.

PBE IPSAS 30.27d)
PBE IPSAS 30.27(e)
PBE IPSAS 30.27(a)

Fair value hedge

At 30 June 2018, the Group had an interest rate swap agreement in place with a notional amount of USD1,600,000 ($2,246,000) (2017: $Nil) whereby the Group receives a fixed rate of interest of 8.25% and pays interest at a variable rate equal to LIBOR+0.2% on the notional amount. The swap is being used to hedge the exposure to changes in the fair value of its 8.25% secured loan.

PBE IPSAS 30.26
PBE IPSAS 30.28(a)

The decrease in fair value of the interest rate swap of $35,000 (2017: $Nil) has been recognised in finance costs and offset with a similar gain on the bank borrowings. The ineffectiveness recognised in 2017 was immaterial.

Embedded derivatives

In 2018, the Group entered into long-term sale of services contracts with customers in Japan. The selling prices in these contracts are fixed and set in Japanese Yen (JPY). The contracts have embedded foreign exchange derivatives that are required to be separated.

PBE IPSAS 29.AG46(d)

These embedded foreign currency derivatives have been separated and are carried at fair value through surplus or deficit. The carrying values of the embedded derivatives at 30 June 2018 amounted to $210,000 (other financial assets) and $782,000 (other financial liabilities) (2017: both $Nil). The effects on surplus or deficit are reflected in finance income and finance costs, respectively.

27. Financial assets and financial liabilities *continued*

27.4 Fair values

Set out below, is a comparison by class of the carrying amounts and fair value of the Group's and Council's financial instruments, other than those with carrying amounts are reasonable approximations of fair values:

PBE IPSAS 30.29
PBE IPSAS 30.30

	Group			
	Carrying amount		Fair value	
	2018	2017	2018	2017
Financial assets	$000	$000	$000	$000
Other financial assets:				
Loans	3,887	1,693	3,741	1,654
Available-for-sale financial investments	1,987	1,798	1,987	1,798
Foreign exchange forward contracts	640	–	640	–
Embedded derivatives	210	–	210	–
Derivatives in effective hedges	252	153	252	153
Total	6,976	3,644	6,830	3,605
Financial liabilities				
Interest-bearing loans and borrowings:				
Obligations under finance leases and hire purchase contracts	(988)	(994)	(1,063)	(1,216)
Floating rate borrowings*	(12,666)	(11,877)	(12,666)	(11,877)
Fixed rate borrowings	(9,152)	(11,607)	(9,321)	(11,944)
Financial guarantee contracts	(87)	(49)	(87)	(49)
Contingent consideration	(1,072)	–	(1,072)	–
Derivatives not designated as hedges:				
Foreign exchange forward contracts	(720)	–	(720)	–
Embedded derivatives	(782)	–	(782)	–
Derivatives in effective hedges	(1,185)	(254)	(1,185)	(254)
Total	(26,652)	(24,781)	(26,896)	(25,340)

	Council			
Financial assets				
Other financial assets:				
Loans	2,837	643	2,741	604
Available-for-sale financial investments	1,987	1,798	1,987	1,798
Total	4,824	2,441	4,728	2,402
Financial liabilities				
Interest-bearing loans and borrowings				
Obligations under finance leases and hire purchase contracts	(988)	(994)	(1,063)	(1,216)
Floating rate borrowings*	(9,214)	(9,648)	(9,214)	(9,648)
Fixed rate borrowings	(8,024)	(8,453)	(8,221)	(8,444)
Financial guarantee contracts	(87)	(49)	(87)	(49)
Contingent consideration	(1,072)	–	(1,072)	–
Total	(19,385)	(19,144)	(19,657)	(19,357)

** Includes an 8.25% secured loan carried at amortised cost adjusted for the fair value movement due to the hedged interest rate risk.*

27. Financial assets and financial liabilities *continued*

The management assessed that cash and short-term deposits, trade receivables, trade payables, bank overdrafts and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments. *PBE IPSAS 30.35(a)*

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values: *PBE IPSAS 30.31*

- Long-term fixed-rate and variable-rate receivables/borrowings are evaluated by the Group based on parameters such as interest rates, specific country risk factors, individual creditworthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken into account for the expected losses of these receivables. As at 30 June 2018, the carrying amounts of such receivables, net of allowances, were not materially different from their calculated fair values. *PBE IPSAS 30.RDR.31.1*
- Fair value of the quoted notes and bonds is based on price quotations at the reporting date. The fair value of unquoted instruments, loans from banks and other financial liabilities, obligations under finance leases, as well as other non-current financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.
- Fair value of the unquoted ordinary shares has been estimated using a DCF model. The valuation requires management to make certain assumptions about the model inputs, including forecast cash flows, the discount rate, credit risk and volatility. The probabilities of the various estimates within the range can be reasonably assessed and are used in management's estimate of fair value for these unquoted equity investments.
- Fair value of available-for-sale financial assets is derived from quoted market prices in active markets.
- The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. Derivatives valued using valuation techniques with market observable inputs are mainly interest rate swaps and foreign exchange forward contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves. All derivative contracts are fully cash collateralised, thereby eliminating both counterparty and the Group's own non-performance risk. Therefore, as at 30 June 2018, the marked-to-market value of derivative asset positions excludes a credit valuation adjustment attributable to derivative counterparty default risk. The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationships and other financial instruments recognised at fair value.
- Embedded foreign currency derivatives are measured similarly to the foreign currency forward contracts. However, as these contracts are not collateralised, the Group also takes into account the counterparties' non-performance risks (for the embedded derivative assets) or the Group's own non-performance risk (for the embedded derivative liabilities). As at 30 June 2018, the Group assessed these risks to be insignificant.

27. Financial assets and financial liabilities *continued*

Fair value hierarchy

The Council and Group uses various methods in estimating the fair value of a financial instrument. The methods comprise:

Level 1 – the fair value is calculated using quoted prices in active markets
Level 2 – the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)
Level 3 – the fair value is estimated using inputs for the asset or liability that are not based on observable market data

PBE IPSAS 30.32(a)
PBE IPSAS 30.32(b)
PBE IPSAS 30.32(c)

The following tables provides the fair value measurement hierarchy of the Council and Group's financial assets and liabilities as at 30 June 2018:

PBE IPSAS 30.32
PBE IPSAS 30.33(a)

	Group				Council			
	Total $000	Level 1 $000	Level 2 $000	Level 3 $000	Total $000	Level 1 $000	Level 2 $000	Level 3 $000
Financial assets carried at fair value								
Available for sale financial assets								
Quoted equity shares								
Good Regional Airport	337	337	–	–	337	337	–	–
Unquoted equity shares								
New Zealand Local Government Funding Authority (LGFA)	675	–	–	675	675	–	–	675
Urban Developers Limited	363	–	–	363	363	–	–	363
Quoted debt securities								
New Zealand government bonds	368	368	–	–	368	368	–	–
Corporate bonds	244	244	–	–	244	244	–	–
Derivatives financial assets								
Foreign exchange forward contracts	892	–	892	–	–	–	–	
Embedded foreign exchange derivatives JPY	210	–	210	–	–	–	–	
Financial liabilities measured at fair value								
Derivative financial liabilities								
Interest rate swaps	35	–	35	–	–	–	–	
Foreign exchange forward contracts	1,870	–	890	–	–	–	–	
Embedded foreign exchange derivatives (JPY)	782	–	782	–	–	–	–	
Contingent consideration liability (Note 6)	1,072	–	–	1,072	–	–	–	

There have been no transfers between Level 1 and Level 2 during the year.

PBE IPSAS 30.33(b)

27. Financial assets and financial liabilities *continued*

The following tables provides the fair value measurement hierarchy of the Council and Group's financial assets and liabilities as at 30 June 2017:

	Group				Council			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Financial assets carried at fair value								
Available for sale financial assets								
Quoted equity shares								
Good Regional Airport	300	300	–	–	300	300	–	–
Unquoted equity shares								
New Zealand Local Government Funding Authority (LGFA)	498	–	–	498	498	–	–	498
Urban Developers Limited	400	–	–	400	400	–	–	400
Quoted debt securities								
New Zealand government bonds	200	200	–	–	200	200	–	–
Corporate bonds	400	400	–	–	400	400	–	–
Derivatives financial assets								
Foreign exchange forward contracts	153	–	153	–	–	–	–	
Financial liabilities measured at fair value								
Derivative financial liabilities								
Interest rate swaps	–	–	–	–	–	–	–	
Foreign exchange forward contracts	254	–	254	–	–	–	–	
Contingent consideration liability (Note 6)	1,072	–	–	1,072	–	–	–	

27. Financial assets and financial liabilities *continued*

Sensitivity analysis:

The inputs used in the fair value measurement categorised within Level 3 of the fair value hierarchy together with a quantitative sensitivity analysis as at 30 June 2018 and 2017 are as shown below:

PBE IPSAS 30.31
PBE IPSAS 30.33(e)

	Valuation technique	Inputs	Range (weighted average)	Sensitivity of the input to fair value
AFS assets in unquoted equity shares LGFA	DCF method	Long-term growth rate for cash flows for subsequent years	**2018**: 3.1% - 5.2% (4.2%) **2017**: 3.1% - 5.1% (4)	5% increase (decrease) in the growth rate would result in increase (decrease) in fair value by $17,000
		Long-term operating margin	**2018:** 5.0% - 12.1% (8.3%) **2017**: 5.2% - 12.3% (8.5%)	15% increase (decrease) in the margin would result in increase (decrease) in fair value by $21,000
		WACC	**2018**: 11.2% - 14.3% (12.6%) **2017**: 11.5% - 14.1% (12.3%)	1% increase (decrease) in the WACC would result in decrease (increase) in fair value by $10,000
		Discount for lack of marketability	**2018**: 5.1% - 15.6% (12.1%) **2017**: 5.4% - 15.7% (12.3%)	Increase (decrease) in the discount would decrease (increase) the fair value.
AFS assets in unquoted equity shares Urban Developer s Limited	DCF method	Long-term growth rate for cash flows for subsequent years	**2018**: 4.4% - 6.1% (5.3%) **2017**: 4.6% - 6.7% (5.5%)	3% increase (decrease) in the growth rate would result in increase (decrease) in fair value by $23,000
		Long-term operating margin	**2018**: 10.0% - 16.1% (14.3%) **2017**: 10.5% 16.4% (14.5%)	5% increase (decrease) in the margin would result in increase (decrease) in fair value by $12,000
		WACC	**2018:** 12.1% - 16.7% (13.2%) **2017**: 12.3% - 16.8% (13.1%)	1% increase (decrease) in the WACC would result in decrease (increase) in fair value by $21,000
		Discount for lack of marketability	**2018:** 5.1% - 20.2% (16.3%) **2017:** 5.3% - 20.4% (16.4%)	Increase (decrease) in the discount would decrease (increase) the fair value.

27. Financial assets and financial liabilities *continued*

Discount for lack of marketability represents the amounts that the Group has determined that market participants would take into account these premiums and discounts when pricing the investments.

In case of AFS assets, the impairment charge in the surplus or deficit would depend on whether the decline is significant or prolonged. An increase in the fair value would only impact equity (through other comprehensive revenue and expense) and would not have an effect on surplus or deficit.

Reconciliation of fair value measurement of AFS assets in unquoted equity shares: *PBE IPSAS 30.33(c)*

	Council and Group			
	LGFA	Urban Developers Ltd	Total	
	$000	$000	$000	
As at 1 July 2017	**498**	**400**	**898**	*PBE IPSAS 30.33(c)(ii)*
Re-measurement recognised in other comprehensive revenue and expense	150	(175)	**(25)**	*PBE IPSAS 30.33(c)(iii)*
Purchases	125	188	**313**	
Sales	(98)	(50)	**(148)**	
As at 30 June 2018	**675**	**363**	**1,038**	

27.5 Financial risk management objectives and policies

The Council and Group's principal financial liabilities, other than derivatives, comprise of loans and borrowings, trade and other payables, and financial guarantee contracts. The main purpose of these financial liabilities is to finance and provide guaranteed support for the Council and Group's operations and commitments. The Council and Group's principal financial assets include loans, trade and other receivables, and cash and short-term deposits that derive directly from its operations. The Council and Group also hold available-for-sale investments, and the Group enters into derivative transactions. *PBE IPSAS 30.38*

The Group is exposed to market risk, credit risk and liquidity risk. The Council's senior management oversees the management of these risks. The Council's senior management is supported by a financial risk committee that advises on financial risks and the appropriate financial risk governance framework for the Group. The financial risk committee provides assurance to the Group's senior management that the Group's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives. All derivative activities for risk management purposes are carried out by specialist teams that have the appropriate skills, experience and supervision. It is the Group's policy that no trading in derivatives for speculative purposes may be undertaken. The Council's Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

Market risk *PBE IPSAS 30.40*

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprise three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk. Financial instruments affected by market risk include loans and borrowings, deposits, available-for-sale investments and derivative financial instruments.

The sensitivity analyses in the following sections relate to the position as at 30 June 2018 and 2017. The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt and derivatives and the proportion of financial instruments in foreign currencies are all constant and on the basis of the hedge designations in place at 30 June 2018. *PBE IPSAS 30.47*

27. Financial assets and financial liabilities *continued*

The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt and derivatives and the proportion of financial instruments in foreign currencies are all constant and on the basis of the hedge designations in place at 30 June 2018. *PBE IPSAS 30.47*

The analyses exclude the impact of movements in market variables on provisions and the non-financial assets and liabilities.

The following assumptions have been made in calculating the sensitivity analyses:

- The statement of financial position sensitivity relates to derivatives and available-for-sale debt instruments
- The sensitivity of the relevant statement of financial performance item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at 30 June 2018 and 2017 including the effect of hedge accounting
- The sensitivity of equity is calculated by considering the effect of any associated cash flow hedges at 30 June 2018 for the effects of the assumed changes of the underlying risk

PBE IPSAS 30.40

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates. *PBE IPSAS 30.26(c)*

The Council and Group manage their interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings. The Group's policy is to keep between 40% and 60% of its borrowings at fixed rates of interest. To manage this, the Group enters into interest rate swaps, in which it agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal. At 30 June 2018, after taking into account the effect of interest rate swaps, approximately 40% of the Group's borrowings are at a fixed rate of interest (2017: 47%). For the Council, approximately 42% of all borrowings as at 30 June 2018 are at a fixed rate of interest (2017: 44%).

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings affected, after the impact of hedge accounting. With all other variables held constant, the Group's surplus before tax is affected through the impact on floating rate borrowings, as follows:

	Group		Council	
	Increase/ (decrease) in basis points	Effect on surplus before tax $000	Increase/ (decrease) in basis points	Effect on surplus before tax $000
2018				
NZD	+45	(48)	+45	(28)
USD	+60	(13)	+60	–
NZD	-45	33	-45	23
USD	-60	12	-60	–
2017				
NZD	+10	(19)	+10	(11)
USD	+15	–	+15	–
NZD	-10	12	-10	8
USD	-15	–	-15	–

PBE IPSAS 30.47(a)

The assumed movement in basis points for the interest rate sensitivity analysis is based on the currently observable market environment, showing a significantly higher volatility than in prior years. *PBE IPSAS 30.47(b)*

27. Financial assets and financial liabilities *continued*

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the operating activities of Good Port Limited (when revenue or expense is denominated in a different currency from the Group's presentation currency) and the capital purchases of specialised property plant and equipment by Good Port Limited. The Council does not normally have material exposure to foreign currency risk.

PBE IPSAS 30.40

PBE IPSAS 30.26(c)

The Group manages its foreign currency risk by hedging transactions that are expected to occur within a maximum 24-month period.

When a derivative is entered into for the purpose of being a hedge, the Group negotiates the terms of those derivatives to match the terms of the hedged exposure. For hedges of forecast transactions the derivatives cover the period of exposure from the point the cash flows of the transactions are forecasted up to the point of settlement of the resulting receivable or payable that is denominated in the foreign currency.

At 30 June 2017 and 2018, the Group hedged 75% and 70%, respectively, of its foreign currency sales for which highly probable forecasted transactions existed at the reporting date.

Commentary

For hedges of forecast transactions, useful information to help users understand the nature and extent of such risks may include:

- Time bands in which the highly probable forecast transactions are grouped for risk management purposes
- The entity's policies and processes for managing the risk (for example, how the cash flows of the hedging instruments and the hedged items may be aligned, such as using foreign currency bank accounts to address differences in cash flow dates).

Entities should tailor these disclosures to the specific facts and circumstances of the transactions.

Foreign currency sensitivity

The following tables demonstrate the sensitivity to a reasonably possible change in USD and GBP exchange rates, with all other variables held constant. The impact on the Group's surplus before tax is due to changes in the fair value of monetary assets and liabilities including non-designated foreign currency derivatives and embedded derivatives. The impact on the Group's equity is due to changes in the fair value of forward exchange contracts designated as cash flow hedges. The Group's exposure to foreign currency changes for all other currencies is not material.
The Council does not have any material exposure to foreign currency risk.

	Change in USD rate	Effect on surplus before tax	Effect on equity/net assets	
		$000	$000	
2018	+5%	(30)	(154)	*PBE IPSAS 30.47(a)*
	-5%	20	172	
2017	+4%	(40)	(146)	
	-4%	40	158	

	Change in GBP rate	Effect on surplus before tax	Effect on equity/net assets	
		$000	$000	
2018	+5%	26	102	*PBE IPSAS 30.47(a)*
	-5%	(15)	(113)	
2017	+4%	31	92	
	-4%	(28)	(96)	

27. Financial assets and financial liabilities *continued*

The movement in the post-tax effect is a result of a change in the fair value of derivative financial instruments not designated in a hedge relationship and monetary assets and liabilities denominated in USD, where the functional currency of the entity is a currency other than USD. Although the derivatives have not been designated in a hedge relationship, they act as an economic hedge and will offset the underlying transactions when they occur.

The movement in equity arises from changes in USD borrowings (net of cash and cash equivalents).

Equity price risk

The Group's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The majority of these investment securities are held for strategic reasons and therefore the equity price risk associated with these securities is not managed. However, the Group manages some of the equity price risk through diversification and by placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Group's Board of Directors reviews and approves all equity investment decisions.

PBE IPSAS 30.40(b)

At the reporting date, the exposure to unlisted equity securities at fair value was $1,038,000. Sensitivity analyses of these investments have been provided in Note 27.4.

PBE IPSAS 30.40(a)

At the reporting date, the exposure to listed equity securities at fair value was $337,000. A decrease of 10% on the NZX market index could have an impact of approximately $55,000 on the surplus or equity attributable to the Council and Group, depending on whether the decline is significant or prolonged. An increase of 10% in the value of the listed securities would only impact equity/net assets, but would not have an effect on surplus or deficit.

PBE IPSAS 30.47

Credit risk

PBE IPSAS 30.40

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Trade receivables from exchange transactions

Customer credit risk in relation to trade receivables from exchange transactions is managed by the Council and each Council-controlled organisation subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored. At 30 June 2018, the Group had 45 customers (2017: 46 customers) that owed the Group more than $200,000 each and accounted for approximately 58% (2017: 65%) of all the receivables outstanding. The Council was not subject to material credit concentration in relation to trade receivables.

PBE IPSAS 30.40
PBE IPSAS 30.43
PBE IPSAS 30.41(c)

An impairment analysis is performed at each reporting date on an individual basis for major clients. In addition, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively. The calculation is based on actual incurred historical data. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Notes 29 and 30. The Council and Group do not hold collateral as security. The Council and Group evaluate the concentration of risk with respect to trade receivables as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets.

The majority of the Council and Group's receivables from non-exchange transactions arise from the Council's statutory functions. The Council and Group are not exposed to material concentration of credit risk around rates and other receivables from non-exchange transactions as there is a large number of ratepayers and customers, and the Council has a statutory right to recover outstanding funds under the Local Government (Rating) Act 2002.

27. Financial assets and financial liabilities *continued*

Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the Council's Finance Committee on an annual basis, and may be updated throughout the year subject to approval of the Group's Finance Committee. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through potential counterparty's failure to make payments. The Group's maximum exposure to credit risk for the components of the statement of financial position at 30 June 2018 and 2017 is the carrying amounts as illustrated in Notes 29 and 30, except for financial guarantees and derivative financial instruments. The Council is exposed to credit risk as a guarantor of all of the LGFA's borrowings. This guarantee becomes callable in the event of the LGFA failing to pay its obligations as they fall due. The Council and Group's maximum exposure for financial guarantees and financial derivative instruments is noted in the liquidity table below.

PBE IPSAS 30.40
PBE IPSAS 30.43

Liquidity risk

Liquidity risk is the risk that the Group and Council may encounter difficulties in meeting financial liabilities as they fall due. The Council and Group monitor and manage this risk in accordance with the Council's Liability Management Policy.

PBE IPSAS 30.40
PBE IPSAS 30.46(c)

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans and facilities, debentures, finance leases and hire purchase contracts. The Group's policy is that not more than 25% of borrowings should mature in the next 12-month period. Approximately 10% of the Group's debt will mature in less than one year at 30 June 2018 (2017: 11%) based on the carrying value of borrowings reflected in the financial statements. The Council and Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. Access to sources of funding is sufficiently available and debt maturing within 12 months can be rolled over with existing lenders.

PBE IPSAS 30.40(b)
PBE IPSAS 30.41(c)

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

PBE IPSAS 30.46(a)
PBE IPSAS 30.46(b)

	Group					
30 June 2018	On demand $000	Less than 3 months $000	3 to 12 months $000	1 to 5 years $000	> 5 years $000	Total $000
Interest-bearing borrowings	966	21	1,578	11,230	10,324	24,119
Contingent consideration	–	–	1,125	–	–	1,125
Other financial liabilities	–	–	–	150	–	150
Trade and other payables	3,620	15,030	1,170	–	–	19,820
Financial guarantee contracts*	105	–	–	–	–	105
Derivatives and embedded derivatives	1,970	2,740	391	1,191	1,329	7,621
	6,661	**17,791**	**4,264**	**12,571**	**11,653**	**52,940**

* *Based on the maximum amount that can be called for under the financial guarantee contract.*

27. Financial assets and financial liabilities *continued*

30 June 2017	Group On demand $000	Less than 3 months $000	3 to 12 months $000	1 to 5 years $000	> 5 years $000	Total $000
Interest-bearing borrowings	2,650	18	133	9,496	13,976	26,273
Trade and other payables	4,321	14,696	2,056	–	–	21,073
Other financial liabilities	–	–	–	202	–	202
Financial guarantee contracts*	68	–	–	–	–	68
Derivatives and embedded derivatives	549	1,255	–	–	–	1,804
	7,588	15,969	2,189	9,698	13,976	49,420

PBE IPSAS 30.46(a)
PBE IPSAS 30.46(b)

30 June 2018	Council On demand $000	Less than 3 months $000	3 to 12 months $000	1 to 5 years $000	> 5 years $000	Total $000
Interest-bearing borrowings	966	21	1,578	6,554	9,000	18,119
Contingent consideration	–	–	1,125	–	–	1,125
Other financial liabilities	–	–	–	150	–	150
Trade and other payables	1,120	11,570	1,952	–	–	14,642
Financial guarantee contracts*	105	–	–	–	–	105
	2,191	11,591	4,655	6,704	9,000	34,141

30 June 2017	On demand $000	Less than 3 months $000	3 to 12 months $000	1 to 5 years $000	> 5 years $000	Total $000
Interest-bearing loans and borrowings	2,650	18	133	8,872	11,600	23,273
Trade and other payables	3,321	11,139	1,056	–	–	15,516
Other financial liabilities	–	–	–	202	–	202
Financial guarantee contracts*	68	–	–	–	–	68
	6,039	11,157	1,189	9,074	11,600	39,059

* *Based on the maximum amount that can be called for under the financial guarantee contract.*

Collateral

PBE IPSAS 2.59
PBE IPSAS 30.18
PBE IPSAS 30.45

The Group has pledged part of its short-term deposits in order to fulfil the collateral requirements for the derivatives contracts. At 30 June 2018 and 2017, the fair values of the short-term deposits pledged were $5 million and $2 million, respectively. The counterparties have an obligation to return the securities to the Group.

PBE IPSAS 30.19
PBE IPSS 30.43(b)

The Group also holds deposit in respects of derivative contracts $565,000 as at 30 June 2018 (2017: $385,000). The Group has an obligation to repay the deposit to the counterparties upon settlement of the contracts. There are no other significant terms and conditions associated with the use of collateral.

28 Inventories

PBE IPSAS 12.47(b)
PBE IPSAS 1.94(c)

	Group 2018 $000	Group 2017 $000	Council 2018 $000	Council 2017 $000
Inventory held for distribution or provision of services at no charge or nominal charge:				
Raw materials and consumables (at cost)	1,290	1,513	995	1,335
Work in progress (at cost)	223	231	-	-
Finished goods (at cost less adjustments for loss of service potential)	564	761	-	-
	2,077	2,505	995	1,335
Inventory held for sale or provision of services at commercial terms:				
Raw materials and consumables (at cost)	906	1,112	475	788
Work in progress (at cost)	142	150	-	-
Finished goods (at lower of cost and net realisable value)	137	318	-	-
	1,185	1,580	475	788
Total inventory at lower of cost and net realisable value	3,262	4,085	1,470	2,123

During 2018, $286,000 (2017: $242,000) was recognised as an expense for inventories carried at net realisable value. This is recognised in general expenses.

PBE IPSAS 12.47(e)

Commentary
PBE IPSAS 12.47(b) requires the carrying amounts of inventories to be presented in classifications appropriate to the entity. PBE IPSAS 12 also distinguishes between the measurement of inventories held for distribution or held for use in the provision of services at no charge or nominal charge, and the measurement of other inventories held for sale or for use in the provision of services at commercial terms. As the Council and Group hold both types of inventory, the Council deemed it appropriate to present these types of inventory separately.

29 Receivables from non-exchange transactions

PBE IPSAS 23.106(d)

	Group 2018 $000	Group 2017 $000	Council 2018 $000	Council 2017 $000
Rates receivable	10,567	9,987	10,567	9,987
Other receivables from non-exchange transactions	3,089	2,003	2,589	1,503
Less provision for impairment	(650)	(574)	(626)	(550)
	13,006	11,416	12,530	10,940

Receivables from non-exchange transactions are non-interest bearing and are generally on terms of 30 to 90 days.
For terms and conditions relating to related party receivables, refer Note 39.

Impairment:
The provision for impairment relates mainly to fines receivable.
As the Council has various powers under the Local Government (Rating) Act 2002 to recover outstanding rates, the Group does not provide for any impairment of rates receivable.
As 30 June 2018, receivables from non-exchange transactions of an initial value of $650,000 (2017: $574,000) were impaired and fully provided for by the Group.
As 30 June 2018, receivables from non-exchange transactions of an initial value of $626,000 (2017: $550,000) were impaired and fully provided for by the Council.

29 Receivables from non-exchange transactions *continued*

See below for the movements in the provision for impairment of receivables:

	Individually impaired $000	Collectively impaired $000	Total $000
Group			
At 1 July 2016	**148**	**347**	**495**
Charge for the year	38	74	112
Utilised	(6)	(17)	(23)
Unused amounts reversed	(10)	(10)	(20)
Discount rate adjustment	2	8	10
At 30 June 2017	**172**	**402**	**574**
Charge for the year	70	96	166
Utilised	(8)	(45)	(53)
Unused amounts reversed	(32)	(26)	(58)
Discount rate adjustment	3	18	21
At 30 June 2018	**205**	**445**	**650**
Council			
At 1 July 2016	**168**	**327**	**495**
Charge for the year	11	101	112
Utilised	(16)	(31)	(47)
Unused amounts reversed	(2)	(18)	(20)
Discount rate adjustment	1	9	10
At 30 June 2017	**162**	**388**	**550**
Charge for the year	57	115	172
Utilised	(14)	(39)	(53)
Unused amounts reversed	(13)	(40)	(53)
Discount rate adjustment	3	7	10
At 30 June 2018	**195**	**431**	**626**

As at 30 June, the ageing analysis of receivables from non-exchange transactions is, as follows:

			Past due but not impaired			
	Total	Neither past due nor impaired	<30 days	30-60 days	61-90 days	>90 days
	$000	$000	$000	$000	$000	$000
Group						
2018	**13,006**	11,566	720	360	216	144
2017	**11,416**	10,487	465	232	139	93
Council						
2018	**12,530**	11,067	732	366	219	146
2017	**10,940**	10,037	452	226	135	90

30 Receivables from exchange transactions

	Group		Council	
	2018 $000	2017 $000	2018 $000	2017 $000
Trade receivables	15,468	14,132	11,394	10,027
Receivables from related parties:				
Controlled entities	-	-	551	582
Associates	300	440	300	440
Joint ventures	320	110	320	110
Less provision for impairment	(1,422)	(1,808)	(1,110)	(1,374)
	14,666	**12,874**	**11,455**	**9,785**

Trade receivables include mainly receivables from port charges and rent receivable.
Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days.
For terms and conditions relating to related party receivables, refer Note 39.

Impairment:
As 30 June 2018, trade receivables of an initial value of $1,422,000 (2017: $1,808,000) were impaired and fully provided for by the Group.

As 30 June 2018, receivables from exchange transactions of an initial value of $1,110,000 (2017: $1,374,000) were impaired and fully provided for by the Council.

See below for the movements in the provision for impairment of receivables:

	Individually impaired $000	Collectively impaired $000	Total $000
Group			
At 1 July 2016	**535**	**1,219**	**1,754**
Charge for the year	56	166	222
Utilised	(36)	(62)	(98)
Unused amounts reversed	(15)	(56)	(71)
Discount rate adjustment	-	1	1
At 30 June 2017	**540**	**1,268**	**1,808**
Charge for the year	123	176	299
Utilised	(45)	(108)	(153)
Unused amounts reversed	(466)	(67)	(533)
Discount rate adjustment	-	1	1
At 30 June 2018	**152**	**1,270**	**1,422**
Council			
At 1 July 2016	419	954	1373
Charge for the year	51	98	149
Utilised	(36)	(62)	(98)
Unused amounts reversed	(13)	(38)	(51)
Discount rate adjustment	0	1	1
At 30 June 2017	**421**	**953**	**1374**
Charge for the year	(62)	176	114
Utilised	(45)	(108)	(153)
Unused amounts reversed	(159)	(67)	(226)
Discount rate adjustment	-	1	1
At 30 June 2018	**155**	**955**	**1,110**

30 Receivables from exchange transactions *continued*

As at 30 June, the ageing analysis of trade receivables is, as follows:

	Total	Neither past due nor impaired	Past due but not impaired <30 days	30-60 days	61-90 days	>90 days
	$000	$000	$000	$000	$000	$000
Group						
2018	**14,666**	9,740	2,463	1,231	939	293
2017	**12,874**	9,156	1,859	929	758	172
Council						
2018	**11,455**	7,608	1,923	962	777	185
2017	**9,785**	6,959	1,413	706	624	83

See Note 27 on credit risk of trade receivables, which explains how the Group manages and measures credit quality of trade receivables that are neither past due nor impaired.

31 Cash and cash equivalents

PBE IPSAS 2.56

	Group		Council	
	2018	2017	2018	2017
	$000	$000	$000	$000
Cash at bank and on hand	10,653	22,634	4,383	19,091
Short term deposits	6,016	10,846	1,650	10,476
	16,669	**33,480**	**6,033**	**29,567**

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

At 30 June 2018, the Group had available $5,740,000 (2017: $1,230,000) of undrawn committed borrowing facilities. *PBE IPSAS 2.61(a)*

The Group has pledged a part of its short-term deposits to fulfil collateral requirements. Refer to Note 27.5 for further details. *PBE IPSAS 2.59*

The cash and cash equivalents balance of the Council and Group includes an amount of $1.2m (2017: $1.9m) that relates to unspent grant funds that are subject to restrictions. The unspent funds relate to upgrading the Good City community centre building, improving the wellbeing of children in the community, and building five community housing blocks. The restrictions attached to these grants specify that the grants must be spent for the aforementioned respective purposes, and provide a timeframe within which the agreed-upon deliverables required for achieving the purpose of the grants must be completed. *PBE IPSAS 23.106(d)*

An additional $3.8m of cash and cash equivalents held by the Council (2017: $17m) has a restriction such that these funds can only be spent on specific rateable services.

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following at 30 June: *PBE IPSAS 2.56*

	Group		Council	
	2018	2017	2018	2017
	$000	$000	$000	$000
Cash at bank and on hand	10,653	22,634	4,383	19,091
Short term deposits	6,016	10,846	1,650	10,476
Bank overdrafts	(966)	(2,650)	(966)	(2,650)
Cash and cash equivalents for the purpose of the statement of cash flows	**15,703**	**30,830**	**5,067**	**26,917**

32 Non-current assets held for sale

PBE IFRS 5.38
PBE IFRS 5.41

On 30 June 2018, a piece of port equipment held by the Group was classified as held for sale. Prior to reclassification, the piece of equipment was recognised within the Group's property, plant and equipment as part of operational plant and equipment class. Several items of port machinery were upgraded during this year, and as a result of this upgrade this piece of equipment is no longer required. The carrying value of the equipment as at 30 June 2018 was $154,000. As the fair value of the equipment less cost to sell is not materially different to the carrying value, no impairment loss was recognised upon the reclassification of the equipment as held for sale. The sale of the equipment is expected to be completed by December 2018. The Group did not have any non-current assets held for sale in 2017.

The Council does not have any non-current assets held for sale (2017: nil).

33 Provisions

Movements in provisions

Movements in each class of provision during the financial year, other than provisions relating to employee benefits, are set out below:

	Rehabilitation - landfill $000	Weather-tightness $000	Re-structuring $000	Onerous operating lease $000	Contingent liability $000	Total $000	
Group							
At 1 July 2017	720	655	–	–	–	1,375	*PBE IPSAS 19.97(a)*
Acquisition of controlled entity (Note 6)	–	–	–	400	380	780	
Arising during the year	102	138	500	–	20	760	*PBE IPSAS 19.97(b)*
Utilised	–	(79)	(39)	(20)	–	(138)	*PBE IPSAS 19.97(c)*
Unused amounts reversed	(8)	(6)	(6)	–	–	(20)	*PBE IPSAS 19.97(d)*
Unwinding and discount rate adjustment	15	11	11	6	–	43	*PBE IPSAS 19.97(e)*
At 30 June 2018	**829**	**719**	**466**	**386**	**400**	**2,800**	*PBE IPSAS 19.97(a)*
2018							
Current	–	145	100	205	400	850	
Non-current	829	574	366	181	–	1,950	
	829	**719**	**466**	**386**	**400**	**2,800**	
2017							
Current	–	85	–	–	–	85	
Non-current	720	570	–	–	–	1,290	
	720	**655**	**–**	**–**	**–**	**1,375**	

33 Provisions *continued*

Council	Rehabilitation – landfill $000	Weather-tightness $000	Re-structuring $000	Onerous operating lease $000	Contingent liability $000	Total $000	
At 1 July 2017	720	655	–	–	–	1,375	*PBE IPSAS 19.97(a)*
Arising during the year	102	138	500	–	–	740	*PBE IPSAS 19.97(b)*
Utilised	–	(79)	(39)	–	–	(118)	*PBE IPSAS 19.97(c)*
Unused amounts reversed	(8)	(6)	(6)	–	–	(20)	*PBE IPSAS 19.97(d)*
Unwinding and discount rate adjustment	15	11	11	–	–	37	*PBE IPSAS 19.97(e)*
At 30 June 2018	**829**	**719**	**466**	**–**	**–**	**2,014**	*PBE IPSAS 19.97(a)*
2018							
Current	–	145	100	–	–	245	
Non-current	829	574	366			1,769	
	829	**719**	**466**	**–**	**–**	**2,014**	
2017							
Current	–	85	–	–	–	85	
Non-current	720	570	–	–	–	1,290	
	720	**655**	**–**	**–**	**–**	**1,375**	

Rehabilitation - landfill *PBE IPSAS 19.98(a)*

The Council and Group recognised a provision for post-closure rehabilitation costs that are expected to be incurred in connection with the closure of the Good City landfill. The provision is calculated as the present value of expected costs to settle the obligation, using estimated cash flows and a pre-tax rate that reflects the risks specific to the rehabilitation liability.

PBE IPSAS 19.98(b) *PBE IPSAS 19.RDR 98.1*

The following key assumptions have been used in calculating the landfill rehabilitation provision:

- Estimated time of closure: 2020
- Estimated remaining capacity:500,000m^3
- Length of post-closure monitoring period: 20 years
- Total expected cash outflow – undiscounted: $2,000,000
- Discount rate: 6.5%

The unwinding of the discount during the year has been recognised as an expense within finance costs.

Weathertightness *PBE IPSAS 19.98(a)*

The Council and Group recognised a provision for the Council's estimated liability relating to the settlement of weathertightness claims made under the Weathertight Homes Resolution Services Act 2006 and via civil proceedings.

The provision is calculated as estimated cash flows relating to settlement, discounted at to present value at a pre-tax rate reflecting the risks specific to the weathertightness provision.

PBE IPSAS 19.98(b) *PBE IPSAS 19.RDR 98.1*

The following key assumptions have been used in calculating the weathertightness provision:

- Value of actively managed claims: $950,000
- Value of claims not yet actively managed and expected future claims: $1,050,000
- Timing of payment: the majority of payments is expected to be made in the next 5 years
- Discount rate: 6.5%

The Council has also estimated the percentage of successful claims for current actively managed claims, reported claims that are yet to be actively managed and future expected claims. This is based on historic success rates.

The unwinding of the discount during the year has been recognised as an expense within finance costs.

33 Provisions *continued*

Restructuring
The Council recorded a restructuring provision in relation to the reorganisation of its finance and administration department. The restructuring plan was drawn up and announced to the employees of the Council in 2018. The restructuring is expected to be completed by 2018.

PBE IPSAS 19.98(a)
PBE IPSAS 19.98(b)

Onerous operating lease
On acquisition of Good Property Management Limited, a provision was recognised for the fact that the lease premiums on the operating lease were significantly higher than the market rate at acquisition. The provision has been calculated based on the difference between the market rate and the rate paid.

PBE IPSAS 19.98(a)
PBE IPSAS 19.98(b)

Contingent liability
A contingent liability at a fair value of $380,000 was initially recognised at the acquisition date of Good Property Management Limited. The claim is subject to legal arbitration and only expected to be finalised in late 2018. At the reporting date, the provision was re-assessed and increased to $400,000.

PBE IFRS 3.56(a)

34 Deferred revenue from non-exchange transactions

	Group		Council		
	2018	2017 (restated)	2018	2017 (restated)	
	$000	$000	$000	$000	
Deferred grant revenue	1,271	1,676	1,271	1,676	*PBE IPSAS 23.106(c)*
Deferred revenue on concessionary loan	1,318	1,647	1,318	1,647	*PBE IPSAS 23.106(cA)*
	2,589	3,323	2,589	3,323	
Current					
Deferred grant revenue	419	421	419	421	
Deferred revenue on concessionary loan	310	320	310	320	
	729	741	729	741	
Non-current					
Deferred grant revenue	852	1,255	852	1,255	
Deferred revenue on concessionary loan	1,008	1,327	1,008	1,327	
	1,860	2,582	1,860	2,582	
Total deferred revenue from non-exchange transactions	2,589	3,323	2,589	3,323	

PBE IPSAS 23.106(c)

Deferred grant revenue
Deferred grant revenue relates to a grant received from the Ministry of Social Development for the purpose of a programme initiated by Good City Council to support children's wellbeing in the community. The amount received was $2,000,000 in 2017. One of the stipulations attached to the grant requires the Council to return any unused grant monies if any of the stages of the programme is not completed within the timeframe specified in the grant agreement. Due to this return obligation, the Council and Group have recognised the grant as deferred revenue. Revenue in relation to this grant is recognised as each stage of the project is completed. $405,000 of this grant was recognised in revenue in 2018.

*The 2017 deferred grant revenue figure has been restated due to the correction of a prior period error. Please refer to Note 2(b) and Note 10 for further explanation.

34 Deferred revenue from non-exchange transactions *continued*

PBE IPSAS 23.106(cA)

Deferred revenue on concessionary loan

In 2017, Good City Council received a concessionary loan of $10,000,000 from the Government. The purpose of the loan was to fund the building of additional Council social houses. The loan is to be repaid over a period of five years at an interest rate of 3.5%. The market interest rate is 7.5%. At the date of the receipt of the loan from the Government, the difference between the $10,000,000 loan proceeds received by the Council and the contractual cash flows of the loan, discounted by the market interest rate, was $1,647,000. To the extent that the houses are not built in accordance with the timeframe stipulated in the loan agreement, the Council has an obligation of early repayment of the loan. Due to this return obligation, the Council and Group have recognised a deferred revenue liability in relation to the difference between the loan proceeds received and the present value of the contractual cash flows of the loan. The remainder of the loan was recognised within interest-bearing loans and borrowings – please refer to Note 27.

In relation to the deferred revenue portion of the concessionary loan, revenue is recognised in the statement of financial performance as the Council completes each stage of the building project as per the loan agreement. In the current year, $329,000 was recognised in revenue in relation to the concessionary loan.

35 Employee benefits liability

PBE IPSAS 1.94(e)

	Group		Council	
	2018 $000	2017 $000	2018 $000	2017 $000
Annual leave	1,943	1,716	1,194	1,199
Long service leave	541	545	340	254
Accrued salaries and wages	432	568	240	278
Other employee benefit liabilities	134	148	56	55
	3,050	**2,977**	**1,830**	**1,786**

36 Trade and other payables (current)

	Group		Council	
	2018 $000	2017 $000	2018 $000	2017 $000
Trade payables	17,528	18,945	12,813	13,848
Other payables and accruals	2,249	1,859	1,756	1,457
Interest payable	43	269	33	189
Related parties payables	-	-	40	22
	19,820	**21,073**	**14,642**	**15,516**

PBE IPSAS 30.46(a)

Terms and conditions of the above financial liabilities:

- Trade payables are non-interest bearing and are normally settled on 60-day terms;
- Development contributions are non-interest bearing and have an average term of six months;
- Other payables are non-interest bearing and have an average term of six months;
- Interest payable is normally settled quarterly throughout the financial year;
- Related party payables mainly relate to property management fees payable by the Council to Good Property Management Limited. For terms and conditions with related parties, refer to Note 39.

PBE IPSAS 30.46(c)

For explanations on the Group's credit risk management processes, refer to Note 27.

37 Ratepayers' equity and reserves

The disaggregation of changes arising from other comprehensive revenue and expense for each type of reserve and transfers between reserves is shown below. The amounts are shown net of tax, to the extent that they do not relate to the Council's activities (as the Council's income is not taxable).

Group

For the year ended 30 June 2018	Accumulated comprehensive revenue and expenses	Asset re-valuation reserve	Available-for-sale reserve	Cash flow hedge reserve	Targeted rates reserve	Special projects reserve	Total
	$000	$000	$000	$000	$000	$000	$000
Currency forward contracts	–	–	–	(794)	–	–	(794)
Reclassified to surplus or deficit	–	–	–	282	–	–	282
Gain/(loss) on available-for-sale financial assets	–	–	(57)	–	–	–	(57)
Net transfer to targeted rates reserve	(196)	–	–	–	196	–	–
Net transfer from special projects reserve	247	–	–	–	–	(247)	–
Revaluation of land and buildings	–	24,311	–	–	–		24,311
	51	**24,311**	**(57)**	**(512)**	**196**	**(247)**	**23,742**

Group

For the year ended 30 June 2017	Accumulated comprehensive revenue and expenses	Asset re-valuation reserve	Available-for-sale reserve	Cash flow hedge reserve	Targeted rates reserve	Special projects reserve	Total
	$000	$000	$000	$000	$000	$000	$000
Currency forward contracts	–	–	–	24	–	–	24
Reclassified to surplus or deficit	–	–	–	–	–	–	
Gain/(loss) on available-for-sale financial assets	–	–	3	–	–	–	3
Net transfer to targeted rates reserve	117	–	–	–	(117)	–	–
Net transfer from special projects reserve	273	–	–	–	–	(273)	–
Revaluation of land and buildings	–	–	–	–	–		–
	390	**–**	**3**	**24**	**(117)**	**(273)**	**27**

37 Ratepayers' equity and reserves *continued*

Council

June 2018	Accumulated comprehensive revenue and expenses	Asset re-valuation reserve	Available-for-sale reserve	Cash flow hedge reserve	Targeted rates reserve	Special projects reserve	Total
	$000	$000	$000	$000	$000	$000	$000
Currency forward contracts	–	–	–	–	–	–	–
Reclassified to surplus or deficit	–	–	–	–	–	–	–
Gain/(loss) on available-for-sale financial assets	–	–	(57)	–	–	–	(57)
Net transfer to targeted rates reserve	(196)	–	–	–	196	–	–
Net transfer from special projects reserve	247	–	–	–	–	(247)	–
Revaluation of land and buildings	–	20,729	–	–	–		20,729
	51	20,729	(57)	–	196	(247)	20,672

Council

30 June 2017	Accumulated comprehensive revenue and expenses	Asset re-valuation reserve	Available-for-sale reserve	Cash flow hedge reserve	Targeted rates reserve	Special projects reserve	Total
	$000	$000	$000	$000	$000	$000	$000
Currency forward contracts	–	–	–	–	–	–	–
Reclassified to surplus or deficit	–	–	–	–	–	–	–
Gain/(loss) on available-for-sale financial assets	–	–	3	–	–	–	3
Net transfer to targeted rates reserve	117	–	–	–	(117)	–	–
Net transfer from special projects reserve	273	–	–	–	–	(273)	–
Revaluation of land and buildings	–	–	–	–	–	–	–
	390	–	3	–	(117)	(273)	3

Commentary
The disclosure above shows a single targeted rates reserve, a single special projects reserve and the net movement in these two reserves. However, a local authority would typically have a number of targeted rates reserves and special projects reserves. Section 31 of Schedule 10 of the Local Government Act 2002 requires a local authority to disclose the following for each such reserve: purpose of fund, activities to which the fund relates, amount of fund at the beginning and end of the year, the total amount deposited into the fund and the total amount withdrawn. PBEs should refer to relevant legislation for specific disclosure requirements regarding reserves within equity.

38 Commitments and contingencies

Operating lease commitments – Group as a lessee

The Council and Group have entered into commercial leases on certain motor vehicles and items of machinery. These leases have an average life of between three and five years, with no renewal option included in the contracts. There are no restrictions placed upon the Council or Group by entering into these leases. *PBE IPSAS 13.44(d)*

Future minimum rentals payable under non-cancellable operating leases as at 30 June 2018 and 2017 are, as follows: *PBE IPSAS 13.44(a)*

	Group		Council	
	2018 $000	2017 $000	2018 $000	2017 $000
Within one year	255	250	104	99
After one year but not more than five years	612	600	303	290
More than five years	408	400	213	209
	1,275	1,250	620	598

Operating lease commitments – Group as a lessor

The Council has entered into commercial property leases on its investment property portfolio consisting of the Group's surplus office and manufacturing buildings. These non-cancellable leases have remaining terms of between five and 20 years. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions. *PBE IPSAS 13.69(c)*

Future minimum rentals receivable under non-cancellable operating leases as at 30 June 2018 and 2017 are, as follows: *PBE IPSAS 13.69(a)*

	Group and Council		
	2018 $000	2017 $000	
Within one year	1,418	1,390	
After one year but not more than five years	5,630	5,520	
More than five years	5,901	5,864	
	12,949	12,774	*PBE IPSAS 13.RDR 69.1*

Finance lease and hire purchase commitment – Group as a lessee

The Group has finance leases and hire purchase contracts for various items of plant and machinery. These leases have terms of renewal, but no purchase options and escalation clauses. Renewals are at the option of the specific entity that holds the lease. Future minimum lease payments under finance leases and hire purchase contracts together with the present value of the net minimum lease payments are, as follows: *PBE IPSAS 13.40(f)*

	Group and Council				
	2018		2017		
	$000	$000	$000	$000	*PBE IPSAS 13.40(b)*
	Minimum payments	Present value of payments	Minimum payments	Present value of payments	*PBE IPSAS 13.40(c)*
Within one year	85	83	56	51	
After one year but not more than five years	944	905	1,014	943	
More than five years	–	–	–	–	
Total minimum lease payments	1,029	988	1,070	994	
Less amounts representing finance charges	(41)	–	(76)	–	
Present value of minimum lease payments	988	988	994	994	

Commentary

According to PBE IPSAS 13 RDR 40.1, Tier 2 PBEs are not required to disclose the present value of the total of future minimum lease payments at the reporting date, as required by PBE IPSAS 13.40(c).

Tier 2 PBEs are also not required to disclose the reconciliation between the total of future minimum lease payments at the end of the reporting period, and their present value, as required by PBE IPSAS 13.40(b).

38 Commitments and contingencies *continued*

Commitments

At 30 June 2018, the Group had commitments of $2,310,000 (2017: $4,500,000) including $2,000,000 (2017: $Nil) relating to the completion of a roading project (in relation to the roads and infrastructure asset class within infrastructural assets) and $310,000 (2017: $516,000) relating to the Group's interest in the joint venture.

PBE IPSAS 17.89(c)
PBE IPSAS 8.62

Legal claim contingency

PBE IPSAS 19.100

A customer has commenced an action against the Council in respect of a resource consent application. The estimated pay-out is $850,000 should the action be successful. A trial date has not yet been set and therefore it is not practicable to state the timing of the payment, if any.

The Council has been advised by its legal counsel that it is only possible, but not probable, that the action will succeed. Accordingly, no provision for any liability has been made in these financial statements.

Guarantees

PBE IPSAS 19.100
PBE IPSAS 7.46(a)
PBE IPSAS 20.28(i)

The Council and Group has provided the following guarantees at 30 June 2018:

- Guarantee of 25% of the bank overdraft of the associate to a maximum amount of $500,000 (2017: $250,000), which is incurred jointly with other investors of the associate (carrying amounts of the related financial guarantee contracts were $67,000 and $34,000 at 30 June 2018 and 2017, respectively) *PBE IPSAS 8.62*
- Guarantee to an unrelated party for the performance in a contract by the joint venture. No liability is expected to arise *PBE IPSAS 7.46(a)*
- Guarantee of its share of $20,000 (2017: $13,000) of the associate's contingent liabilities which have been incurred jointly with other investors *PBE IPSAS 19.100* *PBE IPSAS 20.28*
- Guarantee of LGFA's debt. The Council considers the risk of the LGFA defaulting on its debt to be low on the basis that the Council is not aware of any local authority debt default events in New Zealand. Therefore a liability is not recognised.

Contingent liabilities

PBE IPSAS 19.100

The Group recognised a contingent liability of $380,000 in the course of the acquisition of Good Property Management Limited. This liability was reassessed at year end and was determined to be $400,000 as at 30 June 2018. Please refer to Note 6.

Commentary

LOCAL AUTHORITIES ONLY: LGFA guarantee

The New Zealand Local Government Funding Authority (LGFA) is currently owned by 30 local authorities, and its debts are guaranteed by 18 local authorities. Good City Council has a non-controlling interest in LGFA and is a guarantor of LGFA's debt. Therefore the guarantee of LGFA's debt has been specifically disclosed. This disclosure is only relevant to local authorities that guarantee the debt of LGFA. PBEs need to disclose specific guarantees that they have provided, if material, under PBE IPSAS 19.100.

39 Related party transactions

Related party transactions other than remuneration of key management personnel *PBE IPSAS 20.25*

Note 5 above provides information about the Group's structure including details of controlled entities and other investments.

PBE IPSAS 20.27

All related party transactions that the Council and Group entered into during the year occurred within a normal client/supplier relationship and under terms equivalent to those that prevail in arm's length transactions in similar circumstances.

Commentary:
PUBLIC SECTOR PBEs ONLY:
Disclosures of related party transactions and balances:
In relation to related party transactions that are not remuneration of key management personnel, PBE IPSAS 20 requires public sector PBEs to disclose only those related party transactions and balances which have been entered into on terms other than arm's length. An public sector PBE does not need to disclose related parties transactions and balances that would have occurred within a normal supplier or client/recipient relationship, on terms and conditions no more or less favourable than those which the entity would have adopted if dealing with that party at arm's length in the same circumstances (PBE IPSAS 20.27).

All transactions between the Council and Group and their related parties, and all of the outstanding balances between the Council and Group and their related parties, are on terms equivalent to arm's length transactions and balances. Therefore the Council and Group did not disclose these transactions and balances.

If a public sector PBE enters into transactions with related parties on a non-arm's-length basis and/or has outstanding balances with related parties in relation to such transactions, PBE IPSAS 20 requires the entity to disclose the nature of the related party relationship, the type of transactions that have been entered into, and the elements of the transaction necessary to clarify the significance of the transaction and to provide relevant and reliable information (including the amount of the transactions and outstanding balances and the general terms of the transactions) (PBE IPSAS 20.27(a)-(c), PBE IPSAS 20.30). Examples of such disclosures are provided in Appendix 6 (please note that even though Appendix 6 presents disclosures for not-for-profit entities, these disclosures would be similar for a public sector PBE that had related party transactions that were not on arm's length basis).

NOT-FOR-PROFIT PBEs: PLEASE REFER TO APPENDIX 6
Not-for-profit PBEs do not have a similar exemption as public sector PBEs in regards to disclosure of arms-length transactions. Not-for-profit PBEs have to disclose the nature, type and aggregate amounts of all related party transactions and balances, regardless of whether terms and conditions are equivalent to arm's length transactions or not (PBE IPSAS 20.27.1). Please refer to Appendix 6 for examples of related party disclosures for a not-for-profit entity. Please note that the disclosures required by a public sector PBE where the transaction is not at arm's length are the same as those required by a not-for-profit PBE for all related party transactions.

39 Related party transactions *continued*

Compensation of key management personnel
Key management personnel of the Council and Group include the Chief Executive, Councillors and Executive Management Team. The total remuneration of members of the Council and the number of individuals, on a full-time equivalent (FTE) basis, receiving remuneration from the Group are:

	Group		
	2018 $000	2017 $000	*PBE IPSAS 20.34(a)*
Councillors (6 FTE)	224	220	
Executive management (4 FTE)	314	307	
Total remuneration (10 FTE)	**538**	**527**	

The amounts disclosed in the table are the amounts recognised as an expense during the reporting period related to key management personnel.

Key management personnel did not receive any remuneration or compensation other than in their capacity as key management personnel (2017: nil). *PBE IPSAS 20.34(b)(i)*

PBE IPSAS 20.34(b)(ii)

The Council did not provide any compensation at non-arm's length terms to close family members of key management personnel during the year (2017: nil).

PBE IPSAS 20.34(c)

The Council did not provide any loans to key management personnel or their close family members.

Commentary
Key management personnel disclosures: PBE IPSAS 20
PBE IPSAS 20 describes key management personnel (KMP) as all directors or members of the governing body of the entity and other persons having the authority and responsibility for planning, directing, and controlling the activities of the reporting entity (see PBE IPSAS 20.4 for details). The responsibilities of key management personnel may enable them to influence the benefits that flow to them or their related parties. Consequently, PBE IPSAS 20 requires specific disclosure to be made in aggregate about:

- The remuneration of KMP and close family members of KMP during the reporting period;
- Loans made to them; and
- The consideration provided to them for services they provide to the entity other than as a member of the governing body or an employee (Note: public sector PBEs need not disclose such consideration if the terms of the consideration are equivalent to those of an arm's length transaction).

Due to the nature of related party transactions, they may be considered qualitatively material despite the amount or size of the transaction.

LOCAL AUTHORITIES: PLEASE REFER TO APPENDIX 7 FOR ADDITIONAL STATUTORY DISCLOSURES
In addition to the disclosures required by PBE IPSAS 20, the Local Government Act 2002 also requires the disclosure of the remuneration of specific key management personnel of local authorities.

Local authorities may provide these disclosures within their key management personnel notes. However, in this publication, the disclosures are provided in Appendix 7. Local authorities should refer to that appendix for further details.

Other PBEs that are not local authorities should consider if legislation applicable to them contains any similar additional requirements in relation to key management personnel.

40 Reconciliation of net cash flow from operating activities to surplus

PBE IPSAS 2.29

	Group		Council	
	2018 $000	2017 $000	2018 $000	2017 $000
Surplus before tax	17,193	14,117	10,674	9,801
Adjustments for:				
Depreciation and impairment of property, plant and equipment	23,797	23,082	18,207	17,603
Amortisation and impairment of intangible assets	374	122	174	102
Property, plant and equipment acquired in non-exchange transactions	(2,190)	(2,150)	(2,190)	(2,150)
(Gain)/loss on revaluation of investment properties	306	300	306	300
Net (profit)/loss on disposal of property, plant and equipment	(532)	(2,007)	(132)	(501)
Fair value adjustment of a contingent consideration	358	-	358	-
Net gain on financial instruments at fair value through surplus or deficit	(850)	-	-	-
Finance costs less interest paid	618	93	391	35
Net loss on financial instruments at fair value through surplus or deficit	1,502	-	-	-
Ineffectiveness of forward foreign exchange contracts designated as cash flow hedges	65	-	-	-
Bad debts	206	121	206	145
Doubtful debts	(329)	133	(188)	56
Revenue from service concession arrangement	(55)	-	(55)	-
Share of profit of an associate and a joint venture	(671)	(638)	-	-
Changes in assets and liabilities				
(Increase)/decrease in trade and other receivables and prepayments	(3,461)	(3,087)	(3,300)	(2,986)
(Increase)/decrease in inventories	823	701	653	583
Increase/(decrease) in trade and other payables	(1,253)	(290)	(874)	(180)
Increase/(decrease) in provisions, including employee provisions	1,498	32	683	32
Increase/(decrease) in deferred revenue	(734)	3,350	(734)	3,350
Income tax paid	(396)	(698)	-	-
Net cash flows from operating activities	36,269	33,181	24,179	26,190

41 Auditor remuneration

The auditor of Good City Council is EY.

	Group 2018 $000	Group 2017 $000	Council 2018 $000	Council 2017 $000	
Fees to EY for:					*PBE IPSAS 1.116.1*
Audit of financial statements	340	330	226	216	*PBE IPSAS 1.116.1(a)*
Audit of Long Term Plan	-	21	-	21	*PBE IPSAS 1.116.1(b)* *PBE IPSAS 1.116.2*
	340	351	226	237	
Fees paid to non-EY audit firm for:					*PBE IPSAS 1.116.1*
Audit of controlled entity's financial statements (Good Property Management Limited)	-	105			*PBE IPSAS 1.116.1(a)*
Tax compliance services	75	72	-	-	*PBE IPSAS 1.116.1(b)* *PBE IPSAS 1.116.2*
Other assurance services – payroll systems audit	19	17	-	-	*PBE IPSAS 1.116.1(b)* *PBE IPSAS 1.116.2*
	94	194	-	-	

Commentary

Fees paid to each auditor or reviewer include fees paid to any network firm of the auditor or reviewer.

Tier 2 PBEs that are companies should be aware that although there is an RDR concession for disclosing audit fees, the disclosure of audit fees is still required by section 211(1)(j) of the Companies Act 1993.

42 Events after the reporting period

There are no material non-adjusting events after the reporting date. *PBE IPSAS 14.30*

PBE IPSAS 1.148.1

43 Explanation of major variances against budget

Major variations from the Council's budget figures are explained below:

Statement of financial performance and statement of other comprehensive revenue and expense:
The Council's net surplus was $0.22m higher than budgeted, and total comprehensive revenue and expense was $0.20m higher than budgeted. The net effect of the following items contributed to this variation:

Grant revenue was higher than budgeted by $0.98m. This is due to the Council's road maintenance expenditure exceeding budgeted expenditure and therefore higher NZTA reimbursements.

Development contributions were lower than budgeted by $0.36m. This is due to a large subdivision in Good City being unexpectedly delayed. This affected the timing of the development contribution associated with this subdivision, which was expected to be earned in 2018 and therefore included in the budget.

Expenses were higher than budgeted by $0.42m. This is mainly due to general expenses and employee costs being higher than budgeted by $0.29m and $0.13m respectively. These increases are due to several short-term initiatives implemented by the Council during 2018 to respond to infrastructure maintenance and other operational needs as they arose.

Statement of financial position:
The Council's net assets were $1.76m higher than budgeted.

This was mainly caused by the restatement of prior period equity due to retrospective recognition of $0.5m of revenue in relation to Government grants received in 2016 and 2017. The restatement occurred due to the correction of a prior period error. Please refer to Note 2(b) for further explanation.

43 Explanation of major variances against budget *continued*

Other significant variances from budget are detailed below:

The property, plant and equipment balance was $0.61m higher than budgeted due to the timing of the Council's capital works, with some work that was expected to be carried out in the next financial year being carried out in 2018.

Cash was $0.27m higher than budgeted due to additional NZTA reimbursement grants received from the Government – please refer to statement of financial performance section above. The effect of this was somewhat offset by operational expenses as well as capital expenditure on property, plant and equipment being higher than budgeted, as explained above.

Total deferred revenue was $1.31m lower than budgeted, mainly due to the abovementioned retrospective revenue recognition of $0.5m in relation to grants that were previously treated as deferred revenue.

44 Standards and Interpretations issued but not yet effective

PBE IPSAS 3.35,36

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

Commentary

PBE IPSAS 3.35 requires disclosure of those standards that have been issued but are not yet effective. These disclosures are required to provide known or reasonably estimable information to enable users to assess the possible impact of the application of such PBE Standards on an entity's financial statements. For illustrative purposes, the Group has listed all standards and interpretations that are not yet effective. However, a preferred alternative would be to only list and address the ones expected to have an impact on the Group's financial position, performance,
and/or disclosures.

For a listing of PBE standards and Interpretations that have been issued but are not yet effective please refer to our quarterly New Accounting Standards and Interpretations publications. This publication is updated in March, June, September and December and is available from your local EY contact or on the IFRS page of the EY website (ey.com/nz/ifrs).

Approved Budget (Amendments to PBE IPSAS 1)

The amendments remove the reference to an "approved budget" from PBE IPSAS 1, and replace it with a reference to general purpose prospective financial statements. The amendments also clarify the disclosure requirements for the comparison between the prospective financial statements and the "historical" financial statements for the current reporting period, for PBEs that had published general purpose prospective financial statements. For public sector PBEs, this comparison should presented either on the face of the financial statements, or in a separate statement. For not-for-profit PBEs, there is an additional option to disclose this comparison in the notes.

Consequential amendments were also made to PBE IAS 34 with respect to interim financial reports. Early application is permitted. This amendment is effective for annual periods beginning on or after 1 January 2018. This amendment is not expected to impact the Council and Group, because budget figures are already presented on the face of the financial statements.

2016 Omnibus Amendments to PBE Standards

The amendment changes the scope of PBE IPSAS 17 to include biological assets that meet the definition of bearer plants (e.g., fruit trees). Agricultural produce growing on bearer plants (e.g., fruit growing on a tree) will remain within the scope of PBE IPSAS 27. As a result of the amendments, bearer plants will be subject to all the recognition and measurement requirements in PBE IPSAS 17, including the choice between the cost model and revaluation model. Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may choose to measure a bearer plant at its fair value at the beginning of the earliest period presented. Any difference between the fair value used as deemed cost at that date and the previous carrying amount will be recognised in accumulated comprehensive revenue and expense.

This amendment is effective for periods beginning on or after 1 January 2018. Earlier application is permitted. The amendment will not impact the Council or Group, as they do not hold biological assets.

44 Standards and Interpretations issued but not yet effective *continued*

PBE Standards on interests in other entities:
PBE IPSAS 34 *Separate Financial Statements;* PBE IPSAS 35 *Consolidated Financial Statements;* PBE IPSAS 36 *Investments in Associates and Joint Ventures;* PBE IPSAS 37 *Joint Arrangements and* PBE IPSAS 38 *Disclosure of Interests in Other Entities*

The NZASB issued these standards to incorporate the equivalent standards issued by the IPSASB into PBE Standards. These standards replace PBE IPSAS 6, PBE IPSAS 7 and PBE IPSAS 8.

These standards are effective for annual periods beginning on or after 1 January 2019. Early application of these standards is permitted, as long as all the standards are applied at the same time.

The key changes introduced by the new standards and the expected impact on the Council and Group (if any) are as follows:

(a) Control: The new standards introduce an amended definition of control including extensive guidance on this definition.

The Group does not expect the new standards to result in the consolidation of additional entities.

(b) Investment entities: The standards introduce the concept of an "investment entity". They exempt investment entities from consolidating controlled entities, and require investment entities to recognise controlled entities at fair value through surplus or deficit instead.

These requirements do not apply to the Group, as neither the Council nor any of its controlled entities meet the definition of an investment entity.

(c) Joint arrangements: PBE IPSAS 37 Introduces a new classification of joint arrangements, sets out the accounting requirements for each type of arrangement (joint operations and joint ventures), and removes the option of using the proportionate consolidation method.

The Council and Group will reclassify its interest in a jointly controlled entity as a joint venture under the new standards, and will continue to account for this interest using the equity method in the Group financial statements and at cost in the Council's financial statements.

(d) Disclosures on interests in other entities: The standards require PBEs to disclose information on their interests in other entities, including some additional disclosures that are not currently required under PBE IPSAS 6, 7 and 8.

This will result in additional disclosures for the Group regarding the Group's controlled entities, associate and joint arrangement.

Impairment of Revalued Assets (Amendments to PBE IPSASs 21 *Impairment of Non-Cash-Generating Assets* and PBE IPSAS 26 *Impairment of Cash-Generating Assets*)
The amendments change the scope of PBE IPSAS 21 and PBE IPSAS 26 to include assets measured at revalued amounts under the revaluation model in PBE IPSAS 17 *Property, Plant and Equipment* and PBE IPSAS 31 *Intangible Assets* ("revalued assets"). As a result of the amendments, revalued assets are subject to the same impairment assessment requirements as assets that are measured using the cost model.

Consequential amendments were also made to PBE IPSAS 17 and PBE IPSAS 31.

The amendments are effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted. If an entity applies those amendments for an earlier period it shall disclose that fact. Other than extending the scope of the Council and Group's accounting policy on impairment to include revalued assets, these amendments are not expected to impact the Council and Group's financial statements.

44 Standards and Interpretations issued but not yet effective

PBE IPSAS 39 *Employee Benefits*
PBE IPSAS 39 replaces the current standard on employee benefits, PBE IPSAS 25. PBE IPSAS 39 is based on IPSAS 39, which was issued by the IPSASB to update its standards for the amendments to IAS 19 by the IASB during the 2011-2015 period.

The new standard:
- Removes the option to defer the recognition of certain actuarial gains and losses arising from defined benefit plans (the "corridor approach");
- Eliminates some of the presentation options for actuarial gains and losses arising from defined benefit plans;
- Introduces the net interest approach, which is to be used when determining the defined benefit cost for defined benefit plans; and
- Structures the disclosures for defined benefit plans according to explicit disclosure objectives for defined benefit plans.

The standard is effective for annual periods beginning on or after 1 January 2019. In general, entities must apply PBE IPSAS 39 retrospectively. Early application of the standard is permitted, and must be disclosed. If an entity adopts PBE IPSAS 39 early, the entity need not present comparative information about the sensitivity of the defined benefit obligation. The new standard will not impact the Council and Group's financial statements as they do not have defined benefit plans.

PBE IFRS 9 *Financial Instruments*
In January 2017, the NZASB issued PBE IFRS 9 *Financial Instruments*. When applied, this standard supersedes parts of PBE IPSAS 29 *Financial Instruments: Recognition and Measurement*. Compared with PBE IPSAS 29, PBE IFRS 9 introduces a number of changes to the recognition and measurement of financial instruments.

PBE IFRS 9 is effective for annual periods beginning on or after 1 January 2021, with early application permitted. However all entities who report their financial statements (actuals and forecasts) in accordance with Crown accounting policies will be required to adopt the new accounting standard PBE IFRS 9 at the same time as the for-profit sector, for annual periods beginning on or after 1 January 2018, with early application permitted.

Except for hedge accounting, retrospective application is required in accordance with PBE IPSAS 3 *Accounting Policies, Changes in Accounting Estimates and Errors*, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. The Group plans to adopt the new standard on the required effective date and will not restate comparative information. The Group is currently undertaking a detailed impact assessment of the impact of PBE IFRS 9. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group in 2021 when the Group will adopt PBE IFRS 9.

The initial consideration of the impacts the implementation of PBE IFRS 9 is expected to have in the Group's financial statements is described below.

(a) Classification and measurement
The Group is currently assessing the impact on its statement of financial position and net assets/equity on applying the classification and measurement requirements of PBE IFRS 9.

Currently, the Group classifies its investment in listed and non-listed equity shares and listed debt instruments as available-for-sale (AFS) financial assets. The assessment of possible changes in the classification of these financial instruments is on-going. For the equity shares currently classified as AFS, the Group expects to continue measuring them at fair value, but has not yet determined whether to apply the option to present fair value gains/losses in other comprehensive revenue and expense rather than in surplus or deficit.

The Group is still assessing whether the debt securities will meet the requirements for being held at amortised cost or if they will be carried at fair value.

44 Standards and Interpretations issued but not yet effective *continued*

The Group considers it likely that the debt securities will be classified and measured at amortised cost under PBE IFRS 9, whereby interest income calculated using the effective interest rate method is recognised through surplus or deficit and accretes to the debt securities' carrying amount.

Loans as well as receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Group analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under PBE IFRS 9. Therefore, reclassification for these instruments is not required.

(b) Impairment
PBE IFRS 9 requires the Group to record expected credit losses on all of its debt instruments classified at amortised cost or fair value through other comprehensive revenues and expenses. For all of such assets except receivables, the Group expects to apply the general approach and record impairment losses initially on a 12-months basis, moving to a lifetime basis if there is a significant deterioration in credit risk. The Group expects to apply the simplified approach and record lifetime expected losses on all receivables. The Group has determined that, due to the unsecured nature of its loans and receivables, the loss allowance will increase by $100,000. The Group does not expect the application of PBE IFRS 9 to result in a significant impairment of its term deposits, or to its debt securities (if measured at amortised cost or fair value through other comprehensive revenue and expense under PBE IFRS 9).

(c) Hedge accounting
The Group determined that all existing hedge relationships that are currently designated in effective hedging relationships are expected to continue to qualify for hedge accounting under PBE IFRS 9. As PBE IFRS 9 does not change the general principles of how an entity accounts for effective hedges, applying the hedging requirements of PBE IFRS 9 will not have a significant impact on the Group's financial statements.

(d) Other adjustments
In addition to the adjustments described above, on adoption of PBE IFRS 9, other items of the primary financial statements such as deferred taxes and investments in the associate and joint venture, will be adjusted as necessary. The impact assessment of the aforementioned other items is currently still ongoing.

Appendix 1: Statement of comprehensive revenue and expense (example of a single statement)

PBE IPSAS 1.22.1(b), PBE IPSAS 1.61

Commentary
The Council and Group present the statement of financial performance and statement of other comprehensive revenue and expense as two separate statements. For illustrative purposes, a single statement of comprehensive revenue and expense is presented in this appendix.

For the year ended 30 June 2018

	Note	Group		Council			
		2018 Actual	2017 Actual – restated*	2018 Actual	2018 Budget	2017 Actual – restated*	*PBE IPSAS 1.53, PBE IPSAS1.63(c), LGA Schedule 10.29*
		$000	$000	$000	$000	$000	*PBE IPSAS 1.53, PBE IPSAS1.63(e)*
Revenue from non-exchange transactions							*PBE IPSAS 23.106(a)*
Rates revenue	9	75,197	73,682	75,197	75,347	73,682	*LG(FRP)R.5(2)(a)*
Fines		920	768	920	1,070	768	
Government grants	10	10,503	8,132	10,503	9,520	8,132	*LG(FRP)R.5(2)(c)*
Concessionary loan	11	329	-	329	329	-	
Direct charges revenue - subsidised	12	13,476	12,704	12,976	12,872	12,204	
Property, plant and equipment acquired in non-exchange transactions	22	2,190	2,150	2,190	2,190	2,150	
Revenue from exchange transactions							
Development contributions		3,641	3,741	3,641	4,005	3,741	*LG(FRP)R.5(2)(b)*
Direct charges revenue – full cost recovery	13	107,341	92,517	720	550	1,871	
Rental revenue	23	1,404	1,377	1,404	1,405	1,377	
Dividends		-	-	521	523	638	
Revenue from service concession arrangement	26	55	-	55	55	-	
Other revenue	18	1,382	2,007	132	139	501	
Total Revenue		**216,438**	**197,078**	**108,588**	**108,005**	**105,064**	*PBE IPSAS 1.99.1(a)*
Expenses							
Employee costs	14	(35,880)	(35,153)	(18,940)	(18,807)	(17,577)	
Remuneration of councillors	39	(538)	(527)	(538)	(539)	(527)	
Depreciation and amortisation	22, 24	(23,971)	(23,204)	(18,381)	(18,384)	(17,705)	
General expenses	15	(136,552)	(123,587)	(58,927)	(58,637)	(58,600)	
Other expenses	19	(2,231)	(300)	(664)	(697)	(300)	
Total Expenses		**(199,172)**	**(182,771)**	**(97,450)**	**(97,064)**	**(94,709)**	
Finance costs	17	(1,264)	(1,123)	(931)	(978)	(797)	*PBE IPSAS 1.99.1(b)*
Finance income	16	520	295	467	490	243	
Net finance costs		**(744)**	**(828)**	**(464)**	(488)	**(554)**	
Share of surplus of an associate and a joint venture	7,8	671	638	-	-	-	*PBE IPSAS 1.99.1(c)*
Surplus before income tax		**17,193**	**14,117**	**10,674**	**10,453**	**9,801**	

*Certain amounts shown here do not correspond to the 2017 financial statements and reflect adjustments made. Refer to Note 2(b).

Appendix 1: Statement of comprehensive revenue and expense (example of a single statement) *continued*

PBE IPSAS 1.22.1(b), PBE IPSAS 1.61

For the year ended 30 June 2018

	Note	Group 2018 Actual $000	Group 2017 Actual – restated* $000	Council 2018 Actual $000	Council 2018 Budget $000	Council 2017 Actual – restated* $000	
Income tax expense	21	(1,814)	(1,119)	-	-	-	*PBE IPSAS 1.99.1(d)*
Net surplus for the year		**15,379**	**12,998**	**10,674**	**10,453**	**9,801**	*PBE IPSAS 1.98.1(a), PBE IPSAS 1.99.1(f)*
Other comprehensive revenue and expense							*PBE IPSAS 1.98.1*
Net fair value gains/(losses) on available-for-sale financial assets	20	(57)	3	(57)	-	3	*PBE IPSAS 30.24(a)(ii)*
Net movement in cash flow hedges	20	(732)	33	-	-	-	*PBE IPSAS 30.27(c)*
Revaluation gain on property, plant and equipment	20	25,846	-	20,729	20,695	-	*PBE IPSAS 17.54*
Income tax relating to components of other comprehensive revenue and expense	21	(1,315)	(9)	-	-	-	
Other comprehensive revenue and expense for the year (net of tax)		**23,742**	**27**	**20,672**	**20,695**	**3**	*PBE IPSAS 1.103.3(b)*
Total comprehensive revenue and expense for the year (net of tax)		**39,121**	**13,025**	**31,346**	**31,148**	**9,804**	*PBE IPSAS 1.98.1(b)*
Surplus for the year is attributable to:							
Non-controlling interest		288	239	-	-	-	*PBE IPSAS 1.98.2(a)(i)*
Council		15,091	12,759	10,674	10,453	9,801	*PBE IPSAS 1.98.2(a)(ii)*
		15,379	**12,998**	**10,674**	**10,453**	**9,801**	
Total comprehensive income revenue and expense for the year is attributable to:							
Non-controlling interest		288	239	-	-	-	*PBE IPSAS 1.98.2(b)(i)*
Council		38,833	12,786	31,346	31,148	9,804	*PBE IPSAS 1.98.2(b)(ii)*
		39,121	**13,025**	**31,346**	**31,148**	**9,804**	

*Certain amounts shown here do not correspond to the 2017 financial statements and reflect adjustments made. Refer to Note 2(b).

Commentary

PBE IPSAS 1.103.4 requires the disclosure of reclassification adjustments relating to components of other comprehensive revenue and expense. Reclassification adjustments may be presented either in the statement of other comprehensive revenue or in the notes. The Council and Group have elected to present components of other comprehensive revenue and expense on a net basis in the statement above. Therefore, an additional note is required to present the amount of reclassification adjustments and current year gains or losses (see Note 20). Alternatively, the individual components could have been presented within the statement of comprehensive revenue and expense.

In this Appendix, the Group illustrates the presentation of the income tax effects on items of other comprehensive revenue and expense on an aggregate basis, as allowed under PBE IPSAS 1.103.3(b). Therefore, under PBE IPSAS 1.103.2, additional note disclosures showing the amount of income tax relating to each item of other comprehensive revenue and expense would be required (see Note 21).

Appendix 2: Statement of financial performance (example of expenses disclosed by function)

PBE IPSAS 1.22.1(b), PBE IPSAS 1.61

Commentary
The Council and Group presents the statement of financial performance disclosing expenses by nature. For illustrative purposes, the statement of financial performance disclosing expenses by function is presented in this appendix.

For the year ended 30 June 2018

	Note	Group 2018 Actual $000	Group 2017 Actual – restated* $000	Council 2018 Actual $000	Council 2018 Budget $000	Council 2017 Actual – restated* $000	*PBE IPSAS 1.53, PBE IPSAS1.63(c), LGA Schedule 10.29* *PBE IPSAS 1.53, PBE IPSAS1.63(e)*
Revenue from non-exchange transactions							*PBE IPSAS 23.106(a)*
Rates revenue	9	75,197	73,682	75,197	75,347	73,682	*LG(FRP)R.5(2)(a)*
Fines		920	768	920	1,070	768	
Government grants	10	10,503	8,132	10,503	9,520	8,132	*LG(FRP)R.5(2)(c)*
Concessionary loan	11	329	-	329	329	-	
Direct charges revenue - subsidised	12	13,476	12,704	12,976	12,872	12,204	
Property, plant and equipment acquired in non-exchange transactions	22	2,190	2,150	2,190	2,190	2,150	
Revenue from exchange transactions							
Development contributions		3,641	3,741	3,641	4,005	3,741	*LG(FRP)R.5(2)(b)*
Direct charges revenue – full cost recovery	13	107,341	92,517	720	550	1,871	
Rental revenue	23	1,404	1,377	1,404	1,405	1,377	
Dividends		-	-	521	522	638	
Revenue from service concession arrangement	26	55	-	55	55	-	
Other revenue	18	1,382	2,007	132	139	501	
Total Revenue		**216,438**	**197,078**	**108,588**	**108,005**	**105,064**	*PBE IPSAS 1.99.1(a)*
Expenses							*PBE IPSAS 1.113*
Planning, strategy and regulation		(1,936)	(1,886)	(1,936)	(1,927)	(1,886)	
Community support		(7,743)	(7,553)	(7,743)	(7,709)	(7,553)	
Economic development		(9,679)	(9,441)	(9,679)	(9,637)	(9,441)	
Building and resource consents		(12,679)	(12,368)	(12,679)	(12,624)	(12,368)	
Water, wastewater and stormwater		(18,873)	(18,410)	(18,873)	(18,792)	(18,410)	
Roading and other infrastructure		(19,841)	(19,354)	(19,841)	(19,755)	(19,354)	
Waste and recycling		(18,389)	(17,938)	(18,389)	(18,310)	(17,938)	
Culture, heritage and recreation		(5,762)	(7,587)	(7,162)	(7,131)	(6,987)	
Port operations		(100,441)	(86,347)	-	-	-	
Property management		(1,598)	(1,587)	(484)	(482)	(472)	
Other expenses	19	(2,231)	(300)	(664)	(697)	(300)	
Total expenses		**(199,172)**	**(182,771)**	**(97,450)**	**(97,064)**	**(94,709)**	
Finance costs	17	(1,264)	(1,123)	(931)	(978)	(797)	*PBE IPSAS 1.99.1(b)*
Finance income	16	520	295	467	490	243	
Net finance costs		**(744)**	**(828)**	**(464)**	**(488)**	**(554)**	

*Certain amounts shown here do not correspond to the 2017 financial statements and reflect adjustments made. Refer to Note 2(b).

Appendix 2: Statement of financial performance (example of expenses disclosed by function) *continued*

PBE IPSAS 1.22.1(b), PBE IPSAS 1.61

For the year ended 30 June 2018

	Note	Group 2018 Actual $000	Group 2017 Actual – restated* $000	Council 2018 Actual $000	Council 2018 Budget $000	Council 2017 Actual – restated* $000	*PBE IPSAS 1.53, PBE IPSAS1.63(c), LGA Schedule 10.29*
Share of surplus of an associate and a joint venture	7,8	671	638	-	-	-	*PBE IPSAS 1.99.1(c)*
Surplus before income tax		17,193	14,117	10,674	10,453	9,801	*PBE IPSAS 1.53, PBE IPSAS1.63(e)*
Income tax expense	21	(1,814)	(1,119)	-	-	-	*PBE IPSAS 1.99.1(d)*
Net surplus for the year		15,379	12,998		10,453	9,801	*PBE IPSAS 1.98.1(a), PBE IPSAS 1.99.1(f)*
Surplus for the year is attributable to:							
Non-controlling interest		288	239	-	-	-	*PBE IPSAS 1.98.2(a)(i)*
Council		15,091	12,759	10,674	10,453	9,801	*PBE IPSAS 1.98.2(a)(ii)*
		15,379	12,998	10,674	10,453	9,801	

*Certain amounts shown here do not correspond to the 2017 financial statements and reflect adjustments made. Refer to Note 2(b).

Commentary

PBE IPSAS 1.109 requires expenses to be analysed either by nature or by their function within the statement of financial performance, whichever provides information that is reliable and more relevant. If expenses are analysed by function, information about the nature of expenses (including depreciation and amortisation expense and employee benefits expense) must be disclosed in the notes (PBE IPSAS 1.115).

Appendix 3: Statement of cash flows (indirect method)

PBE IPSAS 1.21(d)

Commentary
PBE IPSAS 2.27 allows entities to report cash flows from operating activities using either the direct or indirect methods. The Council and Group presents cash flows using the direct method. The statement of cash flows prepared using the indirect method for operating activities is presented in this appendix for illustrative purposes.

For the year ended 30 June 2018

PBE IPSAS 1.63(c)

	Note	Group 2018 - Actual	Group 2017 – Actual (restated)*	Council 2018 - Actual	Council 2018 - Budget	Council 2017 – Actual (restated)*
		$000	$000	$000	$000	$000
Cash flows from operating activities						
Profit before tax		17,193	14,117	10,674	10,453	9,801
Adjustments to reconcile profit before tax to net cash flows:						
Depreciation and impairment of property, plant and equipment		23,797	23,082	18,207	17,807	17,603
Amortisation and impairment of intangible assets		374	122	174	157	102
Property, plant and equipment acquired in non-exchange transactions		(2,190)	(2,150)	(2,190)	(2,190)	(2,150)
Decrease in investment properties		306	300	306	312	300
Gain on disposal of property, plant and equipment		(532)	(2,007)	(132)	(119)	(501)
Fair value adjustment of a contingent consideration		358	-	358	-	-
Finance income		(520)	(295)	(467)	(490)	(243)
Finance costs		1,264	1,123	931	978	797
Net gain on financial instruments at fair value through surplus or deficit		(850)	-	-	-	-
Net loss on financial instruments at fair value through surplus or deficit		1,502	-	-	-	-
Ineffectiveness of forward foreign exchange contracts designated as cash flow hedges		65	-	-	-	-
Bad debts		206	121	206	185	145
Doubtful debts		(329)	133	(188)	(169)	56
Revenue from service concession arrangements		(55)	-	(55)	(50)	-
Share of surplus of an associate and a joint venture		(671)	(638)	-	-	-
Movements in provisions, including employee provisions		1,498	32	683	690	32
Movements in deferred revenue		(734)	3,350	(734)	(1,161)	3,350
Working capital adjustments:						
Increase in trade receivables and prepayments		(3,461)	(3,087)	(3,300)	(3,669)	(2,986)
Decrease in inventories		823	701	653	588	583
Increase in trade and other payables		(1,253)	(290)	(874)	(1,083)	(180)
		36,791	34,614	24,252	22,239	26,709

PBE IPSAS 1.53, PBE IPSAS1.63(c), LGA Schedule 10.29
PBE IPSAS 1.63(d), PBE IPSAS 1.63(e)
PBE IPSAS 2.31

*Certain amounts shown here do not correspond to the 2017 financial statements and reflect adjustments made. Refer to Note 2(b).

Appendix 3: Statement of cash flows (indirect method) *continued*

For the year ended 30 June 2018

	Note	Group 2018 - Actual $000	Group 2017 – Actual (restated)* $000	Council 2018 - Actual $000	Council 2018 - Budget $000	Council 2017 – Actual (restated)* $000	*PBE IPSAS 1.21(d) PBE IPSAS 1.63(c) PBE IPSAS 1.53, PBE IPSAS1.63(c), LGA Schedule 10.29 PBE IPSAS 1.63(d), PBE IPSAS 1.63(e)*
Interest received		520	295	467	467	243	*PBE IPSAS 2.40*
Interest paid		(646)	(1,030)	(540)	(537)	(762)	*PBE IPSAS 2.40*
Income tax paid		(396)	(698)	-	-	-	*PBE IPSAS 2.22(l), PBE IPSAS 2.44*
Net cash flows from/(used in) operating activities	40	**36,269**	**33,181**	**24,179**	**22,169**	**26,190**	
Cash flows from investing activities							*PBE IPSAS 2.31*
Proceeds from sale of property, plant and equipment		1,208	2,336	1,406	1,266	779	*PBE IPSAS 2.25(b)*
Proceeds from sale of financial instruments		-	145	-	-	145	*PBE IPSAS 2.25(d)*
Purchase of property, plant and equipment		(46,282)	(41,959)	(34,387)	(33,205)	(30,537)	*PBE IPSAS 2.25(a)*
Purchase of investment property		(1,216)	(1,192)	(1,216)	(1,228)	(1,192)	*PBE IPSAS 2.25(a)*
Purchase of financial instruments		(3,054)	(225)	(2,399)	(2,424)	(107)	*PBE IPSAS 2.25(c)*
Purchase of intangibles		(449)	(630)	(449)	(453)	(630)	*PBE IPSAS 2.25(a)*
Acquisition of controlled entity		-	-	(7,687)	(7,557)	-	*PBE IPSAS 2.49*
Net cash flows from/(used in) investing activities		**(49,793)**	**(41,525)**	**(44,732)**	**(43,601)**	**(31,542)**	
Cash flows from financing activities							*PBE IPSAS 2.31*
Acquisition of non-controlling interest		(991)	-	(991)	(979)	-	*NZ IAS 7.42A*
Proceeds from borrowings		2,496	8,526	654	661	8,326	*PBE IPSAS 2.26(a)*
Repayment of borrowings		(3,057)	(1,345)	(960)	(970)	(1,641)	*PBE IPSAS 2.26(b)*
Payment of finance lease liabilities		(51)	(76)	-	-	-	*PBE IPSAS 2.26(c)*
Dividends paid to non-controlling interest		-	(48)	-	-	-	*PBE IPSAS 2.40*
Net cash flows from/(used in) financing activities		**(1,603)**	**7,057**	**(1,297)**	**(1,288)**	**6,685**	
Net increase/(decrease) in cash and cash equivalents		(15,127)	(1,287)	(21,850)	(22,720)	1,333	
Cash and cash equivalents at the beginning of the year		30,830	32,117	26,917	26,917	25,584	
Cash and cash equivalents at the end of the year	31	**15,703**	**30,830**	**5,067**	**4,197**	**26,917**	

*Certain amounts shown here do not correspond to the 2017 financial statements and reflect adjustments made. Refer to Note 2(b).

Commentary

The Council and Group have reconciled surplus before tax to net cash flows from operating activities. However, reconciliation from surplus after tax is also acceptable under PBE IPSAS 2.

Appendix 4: Agricultural assets (disclosure example)

Statement of financial position (extract)

As at 30 June 2018

	Note	Group 2018 $000	Group 2017 $000	Parent 2018 $000	Parent 2017 $000	
ASSETS						
Non-current assets						
Biological assets	xx	1,094	849	934	740	*PBE IPSAS 1.89*

Notes to the financial statements (extract)

2 Summary of significant accounting policies (extract)

xx Inventory (extract)

The cost of grapes grown by the Group is the fair value less costs to sell at the time the grapes are harvested, which becomes the initial "cost". Thereafter this inventory is carried at the lower of cost and net realisable value. *PBE IPSAS 27.18*

xx Grape vines and grapes

Grape vines are measured at their fair value less costs to sell. The fair value of vineyards, including land, grape vines, and other vineyard infrastructure, is determined by an independent valuer, using the present value of expected net cash flows from the vineyards, discounted using a post-tax market determined rate. The fair value of land and other vineyard infrastructure is deducted from the overall fair value of vineyards, to determine the fair value of grape vines. *PBE IPSAS 27.16* *PBE IPSAS 27.24* *PBE IPSAS 27.29*

Changes in fair value less costs to sell of grape vines are recognised in surplus or deficit in the year they arise. *PBE IPSAS 27.30*

Grapes are initially measured at their fair value less costs to sell at the time of harvest. The fair value of grapes is determined by reference to market prices for grapes in the local area, at the time of harvest. *PBE IPSAS 27.18* *PBE IPSAS 27.21*

The gain on initial recognition of grapes is recognised in surplus or deficit in the year of harvest. At the time of harvest, grapes are recorded as inventory. *PBE IPSAS 27.32*

Commentary

Measurement of biological assets:

PBE IPSAS 27 requires a biological asset to be measured on initial recognition at fair value less costs to sell. This applies to biological assets acquired both in exchange transactions and in non-exchange transactions (PBE IPSAS 27.16-17). There is a presumption that fair value can be measured reliably for a biological asset (PBE IPSAS 27.34). This presumption can be rebutted only on initial recognition of a biological asset, and where market-determined prices or values are not available and for which alternative estimates of fair value are determined to be clearly unreliable. Once the fair value of such a biological asset becomes reliably measurable, it must be measured at fair value less costs to sell. Once a biological asset is held for sale in accordance with PBE IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, it is presumed that fair value can be measured reliably.

xx Other gains (extract)

	Group 2018 $000	Group 2017 $000	Parent 2018 $000	Parent 2018 $000	
Change in fair value less costs to sell of grape vines	125	83	97	66	*PBE IPSAS 27.46*
Gain arising on initial recognition of harvested grapes	227	240	120	85	
	352	323	217	151	*PBE IPSAS 27.38*

Appendix 4: Agricultural assets (disclosure example)

xx Other gains (extract) *continued*

Commentary
Gains on agricultural produce
When agricultural produce is sold to a third party shortly after harvest, the gross margin will be close to nil because the fair value less costs to sell of the inventory sold will be the same as or close to revenue less selling costs associated with the sale. In that situation, income is primarily generated from the change in fair value less costs to sell.

xx Biological assets

Biological assets consist of grape vines. *PBE IPSAS 27.39*

Grape vines are bearer biological assets. The Group does not hold any consumable biological assets. *PBE IPSAS 27.RDR 39.1*

Commentary
According to PBE IPSAS 27.RDR 39.1, a Tier 2 PBE is not required to distinguish between bearer biological assets and consumable biological assets when providing the description of biological assets as per PBE IPSAS 27.39.

The Group grows grapes to use in the production of wine, as part of its normal operations. Vineyards are located in South Australia, and in the South Island of New Zealand. Grapes are harvested between March and May each year. *PBE IPSAS 27.44(a)*

At 30 June 2018, the Group held approximately 160,000 grape vines planted on approximately 8,000 hectares of land (2017: 140,000 grape vines planted on 7,000 hectares). At 30 June 2018, the Parent held approximately 120,000 grape vines planted on approximately 6,000 hectares of land (2017: 110,000 grape vines planted on 5,500 hectares). *PBE IPSAS 27.44(bXi)*

During the year ended 30 June 2018, the Group harvested approximately 50,000 tonnes of grapes (2017: 45,000 tonnes), and the Parent harvested approximately 37,000 tonnes of grapes (2017: 34,000 tonnes). *PBE IPSAS 27.44(bXii)*

A reconciliation of the changes in the carrying amount of biological assets between the beginning and end of the period is provided below: *PBE IPSAS 27.48 PBE IPSAS 27.RDR 48.1*

	Group		Parent		
	2018 $000	2017 $000	2018 $000	2017 $000	
Grape vines					
Carrying amount at 1 July	849	850	740	774	
Gain/(loss) from changes to fair value less costs to sell - bearer biological assets	125	83	97	66	*PBE IPSAS 27.48(a) PBE IPSAS 27.RDR 48.2*
Purchases of new vines	125	105	125	-	*PBE IPSAS 27.48(b)*
New vines acquired in non-exchange transaction (received from Government)	100	-	100	-	*PBE IPSAS 27.48(c)*
Harvest of grapes	(230)	(179)	(128)	(100)	*PBE IPSAS 27.48(f)*
Acquisition of controlled entity	107	-	-	-	*PBE IPSAS 27.48(g)*
Exchange adjustment	18	(10)	-	-	*PBE IPSAS 27.48(h)*
Carrying amount at 30 June	1,094	849	934	740	

Appendix 4: Agricultural assets (disclosure example)

xx Biological assets *continued*

Commentary
According to PBE IPSAS 27.RDR 48.1, a Tier 2 PBE is not required to disclose the reconciliation specified in PBE IPSAS 27.48 for prior periods. However, this reconciliation is still required for the current period presented.

According to PBE IPSAS 27.RDR 48.2, a Tier 2 PBE is not required to disclose separately the gain or loss arising from changes in fair value less cost to sell for bearer biological assets and for consumable biological assets, as required by PBE IPSAS 27.48(a).

The fair value less costs to sell of grape vines is determined by independent valuation at balance date. Significant assumptions applied in this determination of fair value are: *PBE IPSAS 27.45*

		2018	2017
(i)	Average remaining life of grape vines.	20 years	21 years
(ii)	Average annual yield per hectare of mature vineyards.	6 tonnes	6 tonnes
(iii)	Post tax average real rate at which net cash flows are discounted.	12.6%	12.4%
(iv)	Annual rate of inflation.	3%	3%

(v) In 2018 and 2017 it was assumed that grape prices will remain at current levels, adjusted for inflation.

(vi) In 2018 and 2017 it was assumed that vineyard maintenance costs will remain at current levels, adjusted for inflation.

The fair value less costs to sell of harvested grapes at point of harvest has been determined by reference to the local market price of similar grapes at the time of harvest. *PBE IPSAS 27.45*

PBE IPSAS 27.47(a)

Grape vines with a carrying value of $500,000 for the Group (2017: $450,000) were pledged as security for non-current interest-bearing loans and borrowings, as disclosed in note XXX.

PBE IPSAS 27.47(c)

At 30 June 2018, the Group had commitments to purchase vineyards for $250,000, including grape vines with a fair value of $178,000 (2017: nil).

PBE IPSAS 27.47(d)

The Group is exposed to financial risks in respect of agricultural activity. The agricultural activity of the Group consists of the management of vineyards to produce grapes for use in the production of wine. The primary financial risk associated with this activity occurs due to the length of time between expending cash on the purchase or planting and maintenance of grape vines and on harvesting grapes and making the wine, and ultimately receiving cash from the sale of wine to third parties. The Group's strategy to manage this financial risk is to actively review and manage its working capital requirements. In addition, the Group maintains credit facilities at a level sufficient to fund the Group's working capital during the period between cash expenditure and cash inflow. At 30 June 2018, the Group had unused credit facilities in the form of undrawn unsecured bank overdrafts of $582,000 (2017: $973,000). At 30 June 2018, the Parent had unused credit facilities in the form of undrawn unsecured bank overdrafts of $430,000 (2017: $850,000).

Commentary
Distinction between bearer biological assets and consumable biological assets
PBE IPSAS 27 distinguishes between bearer biological assets and consumable biological assets for the purpose of disclosure.

Bearer biological assets are defined in PBE IPSAS 27.40 as biological assets that are used repeatedly or continuously for more than one year in an agricultural activity, and are not in themselves agricultural produce (and will not be harvested as such), and are not held for sale or distribution. Examples of bearer assets include breeding stocks (including fish and poultry), livestock from which milk is produced, sheep or other animals used for wool production, and trees from which fruit is harvested, vines and shrubs cultivated for the harvest of fruits, nuts, sap, resin, bark and leaf products.

On the other hand, consumable biological assets are defined in PBE IPSAS 27.40 as biological assets that are held for harvest as agricultural produce or for sale or distribution at no charge or for a nominal charge as biological assets. Examples of consumable biological assets include animals and plants kept for "one time use", such as livestock kept for the production of meat, livestock held for sale, fish in farms, crops like maize and wheat, produce on a bearer plant and trees grown for lumber.

The *2016 Omnibus Amendments to PBE Standards* provide a clarification of the distinction between bearer plants and other types of biological assets and requires bearer plants to be accounted for in accordance with PBE IPSAS 17 instead of PBE IPSAS 27. These amendments will become effective for periods beginning on or after 1 January 2018.

PBE IPSAS 27.39 requires entities to disclose the description of biological asset balances, and this disclosure is to be made separately for bearer biological assets and for consumable biological assets.

Commentary *continued*

In addition, PBE IPSAS 27.48, which requires entities to disclose a reconciliation of the carrying amount of biological assets at the beginning and end of the reporting period, specifies that the gain or loss arising from change in fair value less cost to sell for bearer biological assets and consumable biological assets are to be disclosed separately in this reconciliation.

In this illustrative disclosure, the only biological assets held by the Group and Parent are vines, which are bearer biological assets. Neither the Parent nor the Group hold any consumable biological assets, and this is stated in the disclosures above

Distinction between biological assets held for sale and those held for distribution at no charge /nominal charge

A consumable biological asset may be held by an entity either for sale or for distribution at no charge or minimal charge.

PBE IPSAS 27.39 requires entities to disclose separately the description of biological assets held for sale and those held for distribution at no charge or a nominal charge. Similarly, PBE IPSAS 27.48 requires entities to disclose separately decreases in biological assets due to sale and decreases in biological assets due to distribution at no charge or nominal charge.

In this illustrative disclosure, the Parent and Group did not hold any consumable biological assets and so did not need to make these disclosures.

Appendix 5: First-time adoption of PBE Standards

Commentary

When a PBE reports under PBE Standards for the first time, the PBE needs to apply either PBE FRS 46 *First-time Adoption of PBE Standards by Entities Previously Applying NZ IFRSs*, or PBE FRS 47 *First-time Adoption of PBE Standards by Entities Other Than Those Previously Applying NZ IFRSs*. These standards contain transitional provisions and other requirements applicable upon first-time adoption of PBE Standards.

The vast majority of large and medium PBEs (in both the public sector and not-for-profit sector) will have already transitioned to PBE Standards either in 2015 or in 2016. Good City Council reported under PBE Standards for the first time in the year ended 30 June 2015. Therefore FRS 46 and FRS 47 are not applicable to Good City Council in the year ended 30 June 2018.

In very limited circumstances it is possible for a PBE to be applying PBE Standards for the first time in their 2017/2018 financial year or later. For example, a PBE that previously reported under Tier 3 or Tier 4 of the XRB's PBE accounting standards framework, but moves to Tier 1 or Tier 2 of the framework in 2018. Another example is a not-for-profit PBE which does not currently have a statutory requirement to prepare financial statements that comply with GAAP and has not done so in the past, but has chosen to start complying with GAAP in 2018 (and the PBE falls into Tier 1 or 2 of the XRB's PBE accounting standards framework).

In the two examples above, the applicable standard upon transition to PBE Standard will be PBE FRS 47.

The vast majority of public sector and non-for-profit PBEs applying PBE Standards for the first time in 2018 (or in a subsequent year) are expected to fall within the scope of PBE FRS 47. To assist PBEs reporting under PBE Standards for the first time, this appendix includes examples of disclosures required by PBE FRS 47 upon first-time adoption of PBE Standards. The disclosures are prepared for Good First Time Adopter, a fictitious PBE that is reporting under PBE Standards for the first time in the year ended 30 June 2018.

PBE FRS 46 would apply to a first-time adopter of PBE Standards only in very limited circumstances, such as when a for-profit entity that previously applied NZ IFRS or NZ IFRS RDR is re-designated as a PBE. Therefore we have not included illustrative disclosures for PBE FRS 46. Please note that the requirements of PBE FRS 46 are different to those of PBE FRS 47. For illustrative disclosures per the requirements of PBE FRS 46, please refer to the 2017 version of the Good City Council publication in our archive.

Appendix 5: First-time adoption of PBE Standards *continued*

PBE FRS 47 – First time adoption: Disclosures applicable only to PBEs that previously applied standards/policies other than NZ IFRS or NZ IFRS RDR

Good First Time Adopter
Statement of financial performance

For the year ended 30 June 2018

PBE FRS 47.RDR 27.2

	Group 2018 $000	*Concession for Tier 2 NFPs only*[1] Group 2017 Restated* $000
Revenue from non-exchange transactions		
Donations and fundraising revenue	75,197	73,682
Bequests	4,561	4,509
Government grants	10,503	8,132
Concessionary loan	329	-
Direct charges revenue - subsidised	13,476	12,704
Property, plant and equipment acquired in non-exchange transactions	2,190	2,150
Revenue from exchange transactions		
Direct charges revenue – full cost recovery	107,341	92,517
Rental revenue	1,404	1,377
Dividends	55	-
Other revenue	1,382	2,007
Total Revenue (excluding gains)	**216,438**	**197,078**
Expenses		
Employee costs	(35,880)	(35,153)
Remuneration of Trustees	(538)	(527)
Depreciation and amortisation	(23,971)	(23,204)
General expenses	(136,552)	(123,587)
Other expenses	(2,231)	(300)
Total Expenses	**(199,172)**	**(182,771)**
Finance costs	(1,264)	(1,123)
Finance income	520	295
Net finance costs	**(744)**	**(828)**
Share of surplus of associate and joint venture	671	638
Surplus before income tax	**17,193**	14,117
Income tax expense	**(1,814)**	(1,119)
Net surplus for the year	**15,379**	**12,998**
Surplus for the year is attributable to:		
Non-controlling interest	288	239
Parent	15,091	12,759
	15,379	**12,998**

*Certain amounts shown here do not correspond to the 2017 financial statements and reflect adjustments made due to first time adoption of PBE Standards. Refer to Note 2.

[1] Only not-for-profit PBEs in Tier 2 may omit the disclosure of comparative information. This disclosure concession is not available to public sector PBEs in Tier 2.

Appendix 5: First-time adoption of PBE Standards *continued*

PBE FRS 47 – First time adoption: Disclosures applicable only to PBEs that previously applied standards/policies other than NZ IFRS or NZ IFRS RDR *continued*

Good First Time Adopter

Statement of other comprehensive revenue and expense

For the year ended 30 June 2018

PBE FRS 47.RDR 27.2

	2018 Actual $000	*Concession for Tier 2 NFPs only*[1] 2017 Restated* $000
Surplus for the year	15,379	12,998
Other comprehensive revenue and expense		
Net fair value gains/(losses) on available-for-sale financial assets	(57)	3
Income tax effect	-	-
Total other comprehensive revenue and expense, net of tax	(57)	3
Net movement in cash flow hedges	(732)	33
Income tax effect	220	(9)
Net movement in cash flow hedges, net of tax	(512)	24
Revaluation gain on property, plant and equipment	25,846	-
Income tax effect	(1,535)	-
Revaluation gain on property, plant and equipment, net of tax	24,311	-
Other comprehensive revenue and expense for the year, net of tax	23,742	27
Total comprehensive revenue and expense for the year	39,121	13,025
Total comprehensive revenue and expense for the year is attributable to:		
Non-controlling interest	288	239
Parent	38,833	12,786
	39,121	13,025

*Certain amounts shown here do not correspond to the 2017 financial statements and reflect adjustments made due to first time adoption of PBE Standards. Refer to Note 2.

Appendix 5: First-time adoption of PBE Standards *continued*

PBE FRS 47 – First time adoption: Disclosures applicable only to PBEs that previously applied standards/policies other than NZ IFRS or NZ IFRS RDR *continued*

Good First Time Adopter

Statement of financial position

As at 30 June 2018

	Group				
		Concession for Tier 2 NFPs only[1]	*Concession for all Tier 2 PBEs*[2]	*Only for Tier 2 NFPs with no comparatives*[3]	*PBE FRS 47.RDR 27.2* *PBE FRS 47.RDR 27.3*
	30 June 2018 $000	30 June 2017 Restated* $000	1 July 2016 Restated* $000	1 July 2017 Restated $000	
ASSETS					
Non-current assets					
Property, plant and equipment	2,087,979	2,039,329	2,030,797	2,016,896	
Investment properties	8,893	7,983	6,386	7,895	
Intangible assets	6,019	2,513	2,010	2,485	
Investments in associates and joint ventures	3,187	2,516	2,010	2,488	
Non-current financial assets	6,425	3,491	2,793	3,453	
Deferred tax assets	383	365	292	361	
	2,112,886	**2,056,197**	**2,044,288**	**2,033,578**	
Current assets					
Inventories	3,262	4,085	3,268	4,040	
Receivables from non-exchange transactions	13,006	11,416	9,133	11,290	
Receivables from exchange transactions	14,666	12,874	10,299	12,732	
Prepayments	244	165	132	163	
Other current financial assets	551	153	122	151	
Cash and cash equivalents	16,669	33,480	26,784	33,112	
	48,398	**62,173**	49,738	61,488	
Assets classified as held for sale	154	-	-	-	
	48,552	**62,173**	**49,738**	61,488	
TOTAL ASSETS	**2,161,438**	**2,118,370**	**2,094,026**	**2,095,066**	
LIABILITIES					
Non-current liabilities					
Interest-bearing loans & borrowings	20,346	21,703	17,362	21,464	
Other non-current financial liabilities	806	-	-	-	
Provisions	1,950	1,290	1,032	1,276	
Deferred revenue	1,860	2,582	2,066	2,554	
Other liabilities	758	834	667	823	
Deferred tax liabilities	3,580	2,143	1,714	2,119	
	29,300	**28,552**	22,841	**28,236**	

[1] Only not-for-profit PBEs in Tier 2 may omit the disclosure of comparative information, as per PBE FRS 47.RDR 27.2. This disclosure concession is not available to public sector PBEs in Tier 2.

[2] PBEs in Tier 2 (both public sector and not-for-profit) need not present an opening statement of financial position as at the start of the comparative period.

[3] Only not-for-profit PBEs in Tier 2 who choose not to present comparative information, as per PBE FRS 47.RDR 27.2, must present an opening statement of financial position as at the start of the current period, as per PBE FRS 47.RDR 27.3. Please note that for such not-for-profit PBEs, the start of the current period, i.e. 1 July 2017, is the date of transition to PBE Standards. Had the not-for-profit PBE chosen to present comparative information, its date of transition to PBE Standards will have been 1 July 2016. Therefore the amounts presented in the opening statement of financial position as at 1 July 2017 may be different to the amounts that would have been presented as at 30 June 2017 had the entity chosen to present comparative information.

Appendix 5: First-time adoption of PBE Standards *continued*

PBE FRS 47 – First time adoption: Disclosures applicable to PBEs that previously applied standards/policies other than NZ IFRS or NZ IFRS RDR *continued*

Good First Time Adopter

Statement of financial position *continued*

As at 30 June 2018

PBE FRS 47.RDR 27.2
PBE FRS 47.RDR 27.3

	30 June 2018 $000	*Concession for Tier 2 NFPs only[1]* 30 June 2017 Restated* $000	*Concession for all Tier 2 PBEs[2]* 1 July 2016 Restated* $000	*Only for Tier 2 NFPs with no comparatives[3]* 1 July 2017 Restated $000
Current liabilities				
Payables under exchange transactions	19,820	21,073	16,858	20,841
Interest-bearing loans & borrowings	2,460	2,775	2,220	2,744
Other current financial liabilities	3,040	303	242	300
Deferred revenue	729	741	593	733
Income tax payable	961	313	250	310
Employee benefits liability	3,050	2,977	2,382	2,944
Provisions	850	85	65	84
	30,910	28,267	22,610	27,956
TOTAL LIABILITIES	60,210	56,819	45,451	56,192
NET ASSETS	2,101,228	2,061,551	2,048,575	2,038,874
EQUITY				
Equity attributable to equity owners of the parent				
Accumulated comprehensive revenue and expense	943,397	928,445	915,296	918,232
Reserves				
Asset revaluation reserve	1,124,608	1,100,297	1,100,297	1,088,194
Available for sale reserve	(54)	3	0	3
Cash flow hedge reserve	(582)	(70)	(94)	(69)
Bequests reserve	32,134	32,185	32,575	31,831
Total equity attributable to the Parent	2,099,503	2,060,860	2,048,074	2,038,191
Non-controlling interests	1,725	691	501	683
TOTAL EQUITY	2,101,228	2,061,551	2,048,575	2,038,874

*Certain amounts shown here do not correspond to the 2017 financial statements and reflect adjustments made due to first time adoption of PBE Standards. Refer to Note 2.

[1] Only not-for-profit PBEs in Tier 2 may omit the disclosure of comparative information, as per PBE FRS 47.RDR 27.2. This disclosure concession is not available to public sector PBEs in Tier 2.

[2] PBEs in Tier 2 (both public sector and not-for-profit) need not present an opening statement of financial position as at the start of the comparative period.

[3] Only not-for-profit PBEs in Tier 2 who choose not to present comparative information, as per PBE FRS 47.RDR 27.2, must present an opening statement of financial position as at the start of the current period, as per PBE FRS 47.RDR 27.3. Please note that for such PBEs, the start of the current period, i.e. 1 July 2017, is the date of transition to PBE Standards. Had the PBE chosen to present comparative information, its date of transition to PBE Standards will have been 1 July 2016. Therefore the amounts presented in the opening statement of financial position as at 1 July 2017 may be different to the amounts that would have been presented as at 30 June 2017 had the entity chosen to present comparative information.

Appendix 5: First-time adoption of PBE Standards *continued*

PBE FRS 47 – First time adoption: Disclosures applicable only to PBEs that previously applied standards/policies other than NZ IFRS or NZ IFRS RDR *continued*

Good First Time Adopter

Statement of changes in net assets/equity

For the year ended 30 June 2018

Group	Accumulated comprehensive revenue and expense $000	Asset revaluation reserve $000	Available-for-sale reserve $000	Cash flow hedge reserve $000	Bequests reserve $000	Total equity attributable to the Parent $000	Non-controlling interest $000	Total equity $000
At 1 July 2017 (restated*)[1]	**928,445**	**1,100,297**	**3**	**(70)**	**32,185**	**2,060,860**	**691**	**2,061,551**
Surplus for the period	15,091	-	-	-	-	15,091	288	15,379
Other comprehensive revenue and expense	-	24,311	(57)	(512)	-	23,742	-	23,742
Total comprehensive revenue and expense for the period	**15,091**	**24,311**	**(57)**	**(512)**	**-**	**38,833**	**288**	**39,121**
Net transfers to/from Bequests reserve	(51)	-	-	-	(51)	-	-	-
Transactions with owners in their capacity as owners:								
Acquisition of controlled entity	-	-	-	-	-	-	1,547	1,547
Acquisition of non-controlling interest	(190)	-	-	-		(190)	(801)	(991)
At 30 June 2018	**943,397**	**1,124,608**	**(54)**	**(582)**	**32,134**	**2,099,503**	**1,725**	**2,101,228**

*Certain amounts shown here do not correspond to the 2017 financial statements and reflect adjustments made due to first time adoption of PBE Standards. Refer to Note 2.

[1] For a Tier 2 not-for-profit PBE that has chosen not to present comparative information as per PBE FRS 47.RDR 27.2, the date of transition to PBE Standards would be 1 July 2017. However, for a PBE that presents comparative information, the date of transition would be 1 July 2016. Please note that because of this difference in dates of transition, the equity balances as at 1 July 2017 for a Tier 2 not-for-profit PBE that has chosen not to present comparative information may be different to the equity balances as at the same date for a PBE that presents comparative information. Our illustrative disclosure above has assumed that the date of transition to PBE Standards is 1 July 2016.

Appendix 5: First-time adoption of PBE Standards *continued*

PBE FRS 47 – First time adoption: Disclosures applicable only to PBEs that previously applied standards/policies other than NZ IFRS or NZ IFRS RDR *continued*

Good First Time Adopter

Statement of changes in net assets/equity *continued*

For the year ended 30 June 2017 (Restated*)

Concession for Tier 2 NFPs only[1]

PBE FRS 47.RDR 27.2

Group:	Accumulated comprehensive revenue and expense $000	Asset revaluation reserve $000	Available-for-sale reserve $000	Cash flow hedge reserve $000	Bequests reserve $000	Total equity attributable to the Parent $000	Non-controlling interest $000	Total equity $000
At 1 July 2016 (restated*)	915,296	1,100,297	-	(94)	32,575	2,048,074	501	2,048,575
Surplus for the period (restated*)	12,759	-	-	-	-	12,759	239	12,998
Other comprehensive revenue and expense	-	-	3	24	-	27	-	27
Total comprehensive revenue and expense for the period	12,759	-	3	24	-	12,786	239	13,025
Net transfers to/from bequests reserve	(390)	-	-	-	(390)	-	-	-
Transactions with owners in their capacity as owners:								
Dividend paid to non-controlling interest	-	-	-	-	-	-	(49)	(49)
At 30 June 2017	928,445	1,100,297	3	(70)	32,185	2,060,860	691	2,061,551

*Certain amounts shown here do not correspond to the 2017 financial statements and reflect adjustments made due to first time adoption of PBE Standards. Refer to Note 2.

[1] Only not-for-profit PBEs in Tier 2 may omit the disclosure of comparative information, as per PBE FRS 47.RDR 27.2. This disclosure concession is not available to public sector PBEs in Tier 2.

Appendix 5: First-time adoption of PBE Standards *continued*

PBE FRS 47 – First time adoption: Disclosures applicable only to PBEs that previously applied standards/policies that other than NZ IFRS or NZ IFRS RDR *continued*

Good First Time Adopter

Statement of cash flows

For the year ended 30 June 2018

	Group		
		Concession for Tier 2 NFPs only[1]	*PBE FRS 47.RDR 27.2*
	2018 $000	2017 (restated*) $000	
Cash flows from operating activities			
Receipts from donations and fundraising	74,617	73,580	
Receipts from bequests	796	692	
Receipts from other goods and services provided to customers – non-exchange transactions	13,839	13,257	
Receipts from grants and subsidies	9,169	15,992	
Receipts from other goods and services provided to customers – exchange transactions	109,869	95,348	
Interest received	520	295	
Dividends received	-	-	
Payments to suppliers	(133,574)	(126,828)	
Payments to employees	(36,345)	(35,748)	
Grants, contributions and sponsorships paid	(1,580)	(1,679)	
Interest paid	(646)	(1,030)	
Income tax paid	(396)	(698)	
Net cash flows from/(used in) operating activities	**36,269**	**33,181**	
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment	1,208	2,336	
Proceeds from sale of financial instruments	-	145	
Purchase of property, plant and equipment	(46,282)	(41,959)	
Purchase of investment property	(1,216)	(1,192)	
Purchase of financial instruments	(3,054)	(225)	
Purchase of intangibles	(449)	(630)	
Acquisition of controlled entity	-	-	
Net cash flows from/(used in) investing activities	**(49,793)**	**(41,525)**	
Cash flows from financing activities			
Acquisition of non-controlling interest	(991)	-	
Proceeds from borrowings	2,496	8,526	
Repayment of borrowings	(3,057)	(1,345)	
Payment of finance lease liabilities	(51)	(76)	
Dividends paid to non-controlling interest	-	(48)	
Net cash flows from/(used in) financing activities	(1,603)	7,057	
Net increase/(decrease) in cash and cash equivalents	(15,127)	(1,287)	
Cash and cash equivalents at the beginning of the year	30,830	32,117	
Cash and cash equivalents at the end of the year	**15,703**	**30,830**	

*Certain amounts shown here do not correspond to the 2017 financial statements and reflect adjustment made due to first time adoption of PBE Standards. Refer to Note 2.

[1] Only not-for-profit PBEs in Tier 2 may omit the disclosure of comparative information, as per PBE FRS 47.RDR 27.2. This disclosure concession is not available to public sector PBEs in Tier 2.

Appendix 5: First-time adoption of PBE Standards *continued*

PBE FRS 47 – First time adoption: Disclosures applicable only to PBEs that previously applied standards/policies other than NZ IFRS or NZ IFRS RDR *continued*

Commentary

In order to explain the disclosure concessions available under PBE FRS 47 to Tier 2 PBEs that did not apply NZ IFRS or NZ IFRS RDR in the immediately preceding accounting period, we have included the full consolidated financial statements of Good First Time Adopter in this Appendix. These financial statements also illustrate how restatements that arise upon first-time adoption of PBE Standards may be presented in the financial statements.

Disclosures for PBEs in Tier 1:

PBE FRS 47.25 requires a Tier 1 PBE to prepare an opening statement of financial position as at the "date of transition to PBE Standards", which is the beginning of the earliest period for which the entity presents full comparative information in its first set of financial statements under PBE Standards. As Good First Time Adopter prepared its first set of financial statements under PBE Standards for the year ended 30 June 2018, and comparative information is for the year ended 30 June 2017, the opening statement of financial position for Good First Time Adopter would be as at 1 July 2016. This opening statement of financial position needs to be prepared in accordance with PBE Standards.

For PBEs in Tier 1, PBE FRS 47 requires this opening statement of financial position to be disclosed (PBE FRS 47.25), either on the "face" of the statement of financial position, or in the notes (PBE FRS 47.26). Good First Time Adopter has chosen the former option. The opening statement of financial position and the comparative period financial statements for the year ended 30 June 2017 have been restated due to adjustments on first-time application of PBE Standards, in accordance with PBE FRS 47. Refer to Note 2 below for details of the adjustments made on initial application of PBE Standards.

PBE FRS 47 requires disclosure of the adjustments made as a result of transition to PBE Standards (PBE FRS 47.29). However, there is no requirement to make these disclosures on the face of the financial statements, and the amounts of these adjustments can be given only in the notes. By labelling the comparatives 'Restated', the Group illustrates how an entity may supplement the requirements of PBE FRS 47 (and PBE IPSAS 3, if applicable – please refer below) so that it is clear to the user that adjustments to the amounts in prior financial statements have been reflected in the comparative periods as presented in the current period financial statements.

Disclosure concessions for PBEs in Tier 2:

For PBEs in Tier 2, PBE FRS 47 contains disclosures concessions regarding the presentation of the primary financial statements. However, as shown in the illustrative financial statements above, these disclosure concessions are different for not-for-profit PBEs as compared to public sectors PBEs.

Not for-profit PBEs in Tier 2:

In terms of the presentation of primary financial statements, there are two disclosure concession options available to Tier 2 not-for-profit PBEs under PBE FRS 47:

- Option 1 (PBE FRS 47.RDR 27.1): The PBE is not required to present the opening statement of financial position as at the date of transition to PBE Standards (i.e. as at the start of the earliest comparative period for which financial statements are presented), although it must still prepare this statement and ensure that it complies with PBE Standards. Comparative information that complies with PBE Standards must still be presented in the primary financial statements. If Good First Time Adopter applied this concession, it would present financial statements for the year ended 30 June 2018 and comparative financial statements for the year ended 30 June 2017. It would not present the opening statement of financial position as at 1 July 2016.

  OR

- Option 2 (PBE FRS 47.RDR 27.2-3): The PBE is not required to present comparative information that complies with PBE Standards in its primary financial statements. However, it is then required to present an opening statement of financial position as at the start of the current period. The PBE must also attach to the financial statements its prior period financial statements, which would have been prepared under the other standards previously applied by the PBE. If there are significant differences between the current period's accounting policies under PBE Standards and prior period's accounting policies, then the PBE must explain these differences in the notes to its current year financial statements. If Good First Time Adopter applied this concession, it would present financial statements for the year ended 30 June 2018, and an opening statement of financial position as at 1 July 2017. Comparative financial statements that comply with PBE Standards for the year ended 30 June 2017 would not be presented.

  Instead, Good First Time Adopter would attach its financial statements as at 30 June 2017 that it prepared last year under the previously applied standards/policies, and explain in the current year's financial statements the significant differences between the previous year's and current year's accounting policies.

  Please note that for a not-for-profit PBE applying this concession, the amounts in the opening statement of financial position as at 1 July 2016 may be different to the amounts that the PBE would have presented in its comparative statement of financial position as at 30 June 2017 had it chosen not to apply this concession. This is because the date of transition to PBE Standards for a not-for-profit PBE that applies this concession is the start of the current accounting period (in this case, 1 July 2017), whereas for a PBE that does not apply this concession the date of transition is the start of the comparative period (in this case, 1 July 2016).

Please refer to the commentary in Note 2 below for more information on the date of transition to PBE Standards.

PBE FRS 47 – First time adoption: Disclosures applicable only to PBEs that previously applied standards/policies other than NZ IFRS or NZ IFRS RDR *continued*

Commentary *continued*

Public sector PBE Standards in Tier 2:
In terms of the presentation of the primary financial statements, public sector PBEs may apply the disclosure concession in PBE FRS 47.RDR 27.1, as described in Option 1 above. Public sector PBEs in Tier 2 need not present their opening statement of financial position as at the date of transition to PBE Standards (i.e. as at the start of the comparative period), although they must still prepare this statement. That is, if Good First Time Adopter applied this concession, it would present financial statements for the year ended 30 June 2018 and comparative financial statements for the year ended 30 June 2017. It would not present the opening statement of financial position as at 1 July 2016. Please note that Option 2 above (i.e. PBE FRS 47.RDR 27.2-3) is not available to public sector PBEs in Tier 2 – it is only available to not-for-profit PBEs in Tier 2.

PBE IPSAS 3 – not applicable to Good First Time Adopter
PBE FRS 47 specifically states that PBE IPSAS 3 does not apply to a PBE's first set of accounting standards under PBE Standards. Voluntary changes in accounting policies upon transition to PBE Standards are permitted by PBE FRS 47, and the standard deals with the disclosure of such changes, as well as prior period errors made under Old NZ GAAP (or any previous standards applied). However, PBE IPSAS 3 may be relevant if there have been prior period errors. Good First Time Adopter did not have any prior period errors. Please refer to the financial statements and notes of Good City Council for examples of disclosure required by PBE IPSAS 3 for a prior period error.

2 Summary of significant accounting policies (extract)

Effect of first-time adoption of PBE Standards on accounting policies and disclosures

This is the first set of financial statements of the Group that is presented in accordance with PBE Standards. The Group has previously prepared special purpose financial statements.

The impacts of adopting PBE Standards (or PBE Standards RDR) on the total net assets/equity and total comprehensive revenue and expense are illustrated below: *PBE FRS 47.29*

(a) Reconciliation of net assets/equity under the previously applied policies to PBE Standards:

PBE FRS 47.30(a)
PBE FRS RDR 30.1

		Concession for Tier 2 NFPs only[1]	
		Group 30 June 2017 $000	Group 1 July 2016[2] $000
Net assets/equity under previously applied policies		2,100,828	2,048,275
Adjustments to accumulated comprehensive revenue and expense:			
Recognition of non-exchange revenue from grants received	[1]	250	250
Change in valuation of investments to fair value through surplus or deficit	[2]	150	50
Net assets/equity under PBE Standards		2,101,228	2,048,575

[1] Not-for-profit PBEs in Tier 2 that choose not to present comparative financial information in their first set of financial statements prepared under PBE Standards (as permitted by PBE FRS 47.RDR 27.2) do not need to present the above net assets/equity reconciliation as at the end of the comparative period. That is, the above reconciliation as at 30 June 2017 need not be presented. Please note that this disclosure concession is not available to public sector PBEs in Tier 2.

[2] For a not-for-profit PBE in Tier 2 that chooses not to present comparative information, the date of transition to PBE Standards will be the start of the current accounting period. That is, if the current accounting period is the year ended 30 June 2018, then the date of transition to PBE Standards in the reconciliation above would be 1 July 2017, and the above reconciliation needs to be disclosed for that date only. Please note that the balances and adjustments shown in the reconciliation as at 1 July 2017 may be different to the two reconciliations shown above as at 30 June 2017 and 1 July 2016.

Appendix 5: First-time adoption of PBE Standards *continued*

PBE FRS 47 – First time adoption: Disclosures applicable only to PBEs that previously applied standards/policies other than NZ IFRS or NZ IFRS RDR) ***continued***

(b) Reconciliation of total comprehensive revenue and expense previously reported to that under PBE Standards:

PBE FRS 47.30(b)

		30 June 2017 $000
Prior year total comprehensive revenue and expense under previously applied standards/policies		12,598
Adjustments on transition to PBE Standards:		
Recognition of non-exchange revenue on grants received	[1]	250
Change in valuation of investments to fair value through surplus or deficit	[2]	150
Total comprehensive revenue and expense under PBE Standards		**12,998**

Notes to the reconciliations: *PBE FRS 47.31*

[1] Recognition of non-exchange revenue from grants received *PBE FRS 47.C21*

PBE IPSAS 23 prescribes the financial reporting requirements for revenue arising from non-exchange transactions. The application of this standard affected the Group's accounting for grant revenue. In the previous financial year, grants received in relation to the provision of a service or for a specific project were recognised as revenue on a percentage of completion basis. However, PBE IPSAS 23 requires revenue from non-exchange transactions, such as grants, to be recognised as revenue as soon as the inflow of resources can be recognised as an asset in the financial statements, unless the inflow of resources meets the definition of and recognition criteria for a liability. Non-exchange revenue from grants can only be deferred and recognised as a liability if there is a condition attached to the grant that requires an entity to use the grant as specified by the grantor or return of the cash (or other resources transferred under the grant) if the entity does not perform as specified.

In the previous two financial years (2017 and 2016), cash was received from the Crown for the upgrade of Good First Time Adopter's community centre building. The amounts received were $250,000 in 2016 and $250,000 in 2017. Both of these amounts were recognised as deferred revenue as at 30 June 2017, as this project had not yet commenced. However, although the grant contracts stipulated that the funding must be used for a specific upgrade programme, these stipulations did not include a return obligation. Therefore, there are no specific conditions (as defined by PBE IPSAS 23) attached to the grants. As a result of the initial application of PBE IPSAS 23, both receipts must be recognised as revenue upon receipt. As a consequence, adjustments were made by restating the opening net assets/equity as at 1 July 2016 and each of the affected financial statement items for the year ended 30 June 2017, as shown below:

Impact on statement of financial performance:	2017 $000
Increase in government grants revenue	250
Net impact on net surplus	**250**

Appendix 5: First-time adoption of PBE Standards *continued*

PBE FRS 47 – First time adoption: Disclosures applicable only to PBEs that previously applied standards/policies other than NZ IFRS or NZ IFRS RDR) ***continued***

Impact on net assets/equity:

	2017 $000
Increase in opening accumulated comprehensive revenue and expense (as at 01 July 2016)	250
Increase in net surplus (as at 30 June 2017)	250
Total impact on net assets/equity	**500**

Impact on financial position:

	2017 $000
Decrease in deferred revenue	(500)
Total impact on liabilities	**(500)**

[2] Change in valuation of investments at fair value through surplus or deficit

The Group holds investments in unit trusts. In the previous year, under previous accounting policies, these investments were recognised at cost. However, under PBE IPSAS 29 these investments meet the definition of financial assets at fair value through surplus or deficit as they are held for trading. Therefore, under PBE Standards, these investments need to be measured at fair value, both on initial recognition and subsequently. In accordance with PBE FRS 47, the Group has designated these investments as financial asset at fair value through surplus or deficit as at 1 July 2017 (the date of transition to PBE Standards). The fair value of the investments as at that date was $540,000, as compared to the carrying amount of the investments under previous accounting policies, which was $490,000 as at 30 June 2017. This resulted in a fair value gain of $50,000 and an equivalent increase in investments as at 1 July 2017. The fair value of the investments as at 30 June 2017 was $690,000, which resulted in a fair value gain of $150,000 and equivalent increase in investments in the year ended 30 June 2017. The comparative figures in the 2017 statement of financial performance and 2017 statement of financial position have been retrospectively amended accordingly, as shown below:

PBE FRS 47.C16

PBE FRS 47.36

Impact on statement of financial performance:

	2017 $000
Fair value gain on re-measurement of investment	150
Net impact on net surplus/deficit	**150**

Impact on net assets/equity:

	2017 $000
Increase in fair value of investments as at 1 July 2016	50
Increase in net surplus (as at 30 June 2017)	150
Total impact on net assets/equity	**200**

Impact on financial position:

	2017 $000
Increase in fair value of investments	200
Total impact on assets	**200**

Appendix 5: First-time adoption of PBE Standards *continued*

PBE FRS 47 – First time adoption: Disclosures applicable only to PBEs that previously applied standards/policies other than NZ IFRS or NZ IFRS RDR) ***continued***

(c) Use of deemed cost for the measurement of property, plant and equipment

PBE FRS 47.C2
PBE FRS 47.C3

Under previous accounting policies, the Group carried its land and buildings at revalued amounts. Upon transition to PBE Standards, the Group decided to measure land and buildings using the cost method. As permitted by PBE FRS 47, the Group has used the valuation of the land and buildings under previous policies as at 30 June 2016 as the deemed cost of these assets as at 1 July 2016, as management believes that this value approximates the fair value of the assets as at that date. The deemed cost of the land and buildings as at 1 July 2016 was $800,000. As this was the carrying amount of the land and buildings under previous accounting policies, no adjustments were made to the carrying amount of land and buildings upon transition to PBE Standards.

PBE FRS 47.37

(d) Other changes in presentation and disclosure only:

PBE IPSAS 1: Presentation of Financial Statements
The main changes in disclosure resulting from the application of PBE IPSAS 1 are the following:

Receivables from exchange and non-exchange transactions:
In the financial statements of the previous financial year, receivables were presented as a single total in the statement of financial position. However, PBE IPSAS 1 requires receivables from non-exchange transactions and receivables from exchange transactions to be presented separately in the statement of financial position. This requirement affected the presentation of both current and comparative receivables figures.

PBE IPSAS 2: Cash Flow Statements
In the previous financial year, the Group prepared special purpose financial statements and did not prepare a Cash Flow Statement. However, this is required under PBE Standards. Therefore the (2018) and a comparative cash flow statement for the previous year (2017). This change affects presentation and disclosure only.

Commentary

Applicability of PBE FRS 47 upon first-time adoption of PBE Standards:
For the purpose of this Appendix, it is assumed that Good First Time Adopter previously prepared special purpose financial statements. PBEs that previously applied any other standards or policies that are not based on NZ IFRS, need to apply PBE FRS 47 upon transition to PBE Standards. The requirements of PBE FRS 47 are different to those of PBE FRS 46, which is to be applied by PBEs that previously reported under a version of NZ IFRS standards. Note that illustrative disclosures for PBE FRS 46 are not included in this publication.

Effect of first-time adoption of PBE Standards:
For PBEs that previously prepared special purpose financial statements (or reported under standards/policies other than NZ IFRS or NZ IFRS RDR), there may be many differences between the accounting policies previously applied and those that must be applied under PBE Standards. Moreover, these differences will vary from entity to entity.

PBEs that previously applied standard/policies other than NZ IFRS/NZ IFRS RDR are permitted by PBE FRS 47 to change their accounting policies upon transition to PBE Standards. In addition, Appendices B and C of PBE FRS 47 contain several exemptions from retrospective application of changes in accounting policies, which means that adjustments that arise on adoption of PBE Standards can be applied from the date of transition to PBE Standards, and do not need to be applied to transactions and balances before that date. Please note that for all PBEs, other than Tier 2 not-for-profit PBEs that apply the RDR concession in PBE FRS 47.RDR 27.2, the date of transition to PBE Standards is the start of the earliest comparative period presented. For Tier 2 not-for-profit PBEs that apply the RDR concession under PBE FRS 47.27.2, the date of transition to PBE Standards is the start of the current period (PBE FRS 47.9). For the purpose of the illustrative disclosures of first-time adoption adjustments shown above, it is assumed that Good First Time Adopter did not apply the RDR concession in PBE FRS 47.RDR.27.2, and therefore the date of transition to PBE Standards is 1 July 2016.

The following is an example of the transitional provisions in PBE FRS 47: If a financial asset held by a PBE meets the definition of a financial asset at fair value through surplus or deficit or an available-for-sale financial asset under PBE IPSAS 29, but the asset was measured at cost under the previous accounting policies, the PBE may designate these assets as either of these classifications and measure them at fair value (PBE FRS 47.C16). PBE FRS 47 allows the PBE to apply this designation, and the measurement at fair value, from the date of transition to PBE Standards and onwards. Good First Time Adopter applied this in relation to its investments.

PBE FRS 47 – First time adoption: Disclosures applicable only to PBEs that previously applied standards/policies other than NZ IFRS or NZ IFRS RDR *continued*

Commentary *continued*

Also, if a PBE changes its accounting policy for the measurement of PP&E upon transitioning to PBE Standards, they may establish fair value at the date of transition as the "deemed cost" of the relevant PP&E item as at the date of transition to PBE Standards (PBE FRS 47.C2). This would be the starting point for using either the cost method or revaluation method, regardless of the method applied previously. The "deemed cost" must be either its fair value as at the date of transition, or the asset's revalued amount under the standards/policies previously applied, if that amount is comparable to fair value, cost or depreciated cost in accordance with PBE Standards (PBE FRS 47.C3). Good First Time Adopter changed its measurement policy for its land and buildings from the revaluation method to the cost method upon transitioning to PBE Standards, and used the revalued amount of these assets under the standards/policies previously applied as their "deemed cost" as at the date of transition. Further exemptions from retrospective application are listed in Appendices B and C of PBE FRS 47.

Please note that there is no exemption from retrospective application with regards to revenue from non-exchange transactions – assets and liabilities arising from non-exchange transactions before the date of transition to PBE Standards must be measured in accordance with PBE Standards and recognised in net assets/equity (PBE FRS 47.C21). Therefore Good First Time Adopter has made a retrospective adjustment to its previous year's opening net assets/equity balance for grant funds received before the date of transition to PBE Standards.

PBE FRS 47 requires entities to explain how the transition from other previous GAAP/policies to PBE Standards affected its reported financial position, statement of comprehensive revenue and expense and cash flows (PBE FRS 47.29). To comply with this requirement, entities must present the following reconciliations:

- All PBEs: A reconciliation of the entity's net asset/equity as previously reported to its net assets/equity under PBE Standards, as at the date of transition to PBE Standards (PBE FRS 47.30(a)(i)). In the illustrative disclosure above for Good First Time Adopter, this reconciliation is prepared as at 1 July 2016. This is assuming that that Good First Time Adopter did not apply the disclosure concession in PBE FRS 47.RDR 27.2, and therefore the date of transition to PBE Standards is 1 July 2016. Had Good First Time Adopter chosen to apply PBE FRS 47.RDR 27.2 (assuming that it was a not-for-profit PBE and therefore eligible to do so), then it would have had to prepare this reconciliation of opening net assets/equity as at 1 July 2017.

- All PBEs except for not-for-profit PBEs in Tier 2 that apply PBE FRS.47.RDR 27.2: A reconciliation of the entity's net asset/equity as reported under previous GAAP/policies to its net assets/equity under PBE Standards, as at the end of the latest period covered by the entity's most recent financial statements prepared under previous GAAP/policies (PBE FRS 47.30(a)(ii)). For Good First Time Adopter, this reconciliation is prepared as at 30 June 2017 (as this was the date of its most recent financial statements prepared under previous GAAP/policies). Please note that this reconciliation is not required for Tier 2 not-for-profit PBEs that apply the concession in PBE FRS 47.RDR 27.2. That is, had Good First Time Adopter chosen to apply the concession in PBE FRS 47.RDR 27.2 (assuming that it was a not-for-profit PBE and therefore eligible to do so), then it would not need to present a reconciliation of net assets/equity as at 30 June 2017, as it would not be restating comparative period figures in accordance with PBE Standards. However, a reconciliation of net assets/equity as at the date of transition to PBE Standards would still be required (please see previous bullet point).

- All Tier 1 PBEs: A reconciliation of the entity's total comprehensive revenue and expense previous GAAP/policies to the total comprehensive revenue and expense figure under PBE Standards, as at the end of the latest period covered by the entity's latest financial statements prepared under previous GAAP/policies (PBE FRS 47.30(b)). Good First Time Adopter's reconciliation is prepared as at 30 June 2017.

In addition to the reconciliations above, PBE FRS 47 also requires the following disclosures (PBE FRS 47.32-38):

- Amounts of impairment recognised or reversed as a result of the first-time adoption of PBE Standards;
- Correction of prior period errors;
- When financial instruments are designated as financial assets/liabilities at fair value through surplus or deficit or AFS financial assets, the fair value of these instruments as at the date of transition to PBE Standards and their carrying amount (and classification) under previous GAAP/policies;
- For each line item where fair value was used as the item's deemed cost, the fair value amount recognised as at the date of transition to PBE Standards and the adjustment that was made to the carrying amount under previous GAAP/policies in order to reach this fair value;
- For investments in controlled entities/associates/joint ventures where fair value or the previous carrying amount of the investment was used as deemed cost, the fair value or previous carrying amount of the investment, and any adjustments made to the carrying amount of the investments under previous GAAP/policies.

Appendix 6: Not-for-profit PBEs – Additional Disclosures

Commentary

Differences in requirements of PBE Standards for not-for-profit PBEs as compared to public sector PBEs

Although PBE Standards are applicable to all PBEs across the public sector and private not-for-profit sector, a small number of standards contain requirements that are applicable only to not-for-profit PBEs, i.e.:

- PBE IPSAS *20 Related Party Disclosures* requires not-for-profit PBEs to disclose all related party transactions, regardless of terms, whereas public sector PBEs need not disclose related party transactions (other than KMP remuneration) that have arm's length terms.
- PBE FRS 47 *First-time Adoption of PBE Standards by Entities Other Than Those Previously Applying NZ IFRSs* contains some disclosure concessions that are only available to not-for-profit PBEs in Tier 2.
- There are currently two versions of PBE IPSAS 6 *Consolidated and Separate Financial Statements* – one for public sector PBEs and one for not-for-profit PBEs. The requirements of the two versions are the same, but different guidance and examples are provided for not-for-profit PBEs as compared to public sector PBEs.
  Note that PBE IPSAS 6 (both the public sector and NFP versions) will be replaced by PBE IPSAS 34 and PBE IPSAS 35 when these standards become effective from 1 January 2019.

As Good City Council is a public sector PBE, the above-mentioned requirements that are specific to not-for-profit PBEs have not been disclosed in the main body of this publication. To assist not-for-profit PBEs in understanding these specific requirements, the relevant disclosures are presented in this appendix.

The disclosures are for Good Charity, a fictitious New Zealand charity registered under the Charities Act 2005. The principal activity of this charity is to operate shelters for stray animals in Good City and to promote animal welfare in the community.

5 Group information

Controlled entities

The consolidated financial statements of the Group include the following controlled entities of Good Charity:

PBE IPSAS 6.62(a)
PBE IPSAS 6.63(b)

Name of controlled entity	Principal activities	Country of incorporation	Percentage equity interest	
			2018	2017
Good Investment Trust	Investing the proceeds of a bequest received by Good Charity	New Zealand	100%	100%

The reporting date of Good Charity and its controlled entity is 30 June. *PBE IPSAS 6.62(f)*

There are no significant restrictions on the ability of the controlled entity to transfer funds to Good Charity in the form of cash distributions or to repay loans or advances. *PBE IPSAS 6.62(g)*

Associates

The Group has 25% equity interest in Animal Education Resources Ltd, a company that publishes educational resources about animal care (2017: 25%). *PBE IPSAS 6.63(b)*

Appendix 6: Not-for-profit PBEs – Additional Disclosures *continued*

5 Group information *continued*

Commentary

Control under PBE IPSAS 6 (NFP)

Under PBE Standards, a not-for-profit PBE must prepare consolidated financial statements that include all those entities over which the PBE has control, as defined in PBE IPSAS 6 (NFP). Registered charities and other not-for-profit PBEs that are transitioning to PBE Standards should take care when applying PBE IPSAS 6 (NFP) to identify controlled entities, especially if they did not previously prepare consolidated financial statements.

PBE IPSAS 6 (NFP) and Appendix A of that standard explain control and discuss indicators of control in the specific context of the private not-for-profit sector. For example, in the not-for-profit sector, the ability to appoint or remove the majority of the governing body of an entity is an indicator of power to govern the financial and operating policies of that entity – as compared to the public sector, where this power would usually come from legislative authority (PBE IPSAS 6 (NFP) A12). A list of indicators of control is provided in PBE IPSAS 6 (NFP) A36.

PBE IPSAS 6 (NFP) also discusses issues that may arise in the private not-for-profit sector when trying to determine whether the elements of control are satisfied. One such issue is whether the relationship between a not-for-profit PBE and a trust constitute a control relationship (PBE IPSAS 6 (NFP).A6, A11). According to PBE IPSAS 6 (NFP), if a not-for-profit PBE is the trustee of a trust, and that is the PBE's only relationship with the trust, then it is unlikely that the PBE controls the trust. However, if the PBE is the settlor of the trust, and has retained the ability to direct/determine the operating and financing policies of the trust for the benefit of the PBE (or it has predetermined these policies), then the PBE might control the trust, provided that both the power and benefit elements of control are satisfied. Also, if the PBE is a beneficiary of the trust and is able to direct the operating and financing policies of the trust for the PBE's benefit, then the PBE may also have control of the trust, provided that both the power and benefit elements of control are satisfied.

Good Charity has established Good Investment Trust for the purpose of investing a large bequest received by Good Charity in financial assets, in order to generate fair value gains to supplement the Group's revenue. Good Charity is the settlor of the Trust and its sole beneficiary. The Trust Deed specifies the sole activity of the Trust must be the investment of the bequest into specific unit trusts, and proceeds on these investments must be distributed to Good Charity. The Trust must not engage in any other activities without the permission of Good Charity, and the risk and return threshold to be maintained for the investment are set out by Good Charity. Good Charity is also able to appoint or remove any of the trustees of Good Investment Trust. Therefore, Good Charity is able to direct the operating and financing policies of the trust so as to obtain benefits from its activities, as per the requirements of PBE IPSAS 6 (NFP) and the guidance in Appendix A of that standard.

Therefore Good Charity controls the Trust and has consolidated it into its financial statements.

Please note that not all affiliation relationships in the not-for-profit sector are indicative of control. For example, Good Charity may have affiliated with another animal welfare charity to organise a nation-wide animal welfare conference. For that purpose, the charities agree to share resources and to abide by an agreement that specifies how the conference is to be organised and the responsibilities of each charity. Even if most of the terms of the agreement were set by Good Charity, this affiliation relationship does not constitute control of the other charity, as the other charity's financial and operating policies are independent from those of Good Charity in all aspects other than the organisation of the conference (PBE IPSAS 6 (NFP).A5). Management's judgement is required when deciding whether an affiliation relationship constitutes control. Similarly, if Good Charity makes a donation to another charity and is able to impose restrictions on the other charity in relation to this donation, or if Good Charity lends money to another charity and is able to compel the borrower to act in a certain way, these relationships in themselves do not constitute control (PBE IPSAS 6 (NFP).A7).

39 Related party transactions

Note 5 above provides the information about the Group's structure including the details of the controlled entity and an investment in an associate. The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year.

PBE IPSAS 20.27.1

		Sales to related parties $000	Purchases from related parties $000	Amounts owed by related parties* $000	Amounts owed to related parties* $000
Group					
Associate:					
Animal Education Resources Limited	2018	90	–	30	–
	2017	10	–	44	–
Key management personnel of the Group:					
Other management interests	2018	–	22	–	10
	2017	–	13	–	10

** The amounts are classified as trade receivables and trade payables, respectively (see Notes 30 and 36).*

Terms and conditions of transactions with related parties

PBE IPSAS 20.27.1

The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 30 June 2018, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2017: $Nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

Other management interests

During both 2018 and 2017, the Group purchased consultancy services at market prices from Civil Engineering Consultancy Limited. The spouse of Executive Management Team member G Le Gruszby is a director and controlling shareholder of Civil Engineering Consultancy Limited. Total transactions with Civil Engineering Consultancy Limited amount to $225,000 in 2018 (2017: $135,000). This amount was included in general expenses for the Group. As at 30 June 2018, $10,000 was payable by the Group to this related party (2017: $10,000). This amount is included within the Group's payables balance.

Commentary:

Disclosures of related party transactions and balances:

Not-for-profit PBEs have to disclose the nature, type and aggregate amounts of all related party transactions and balances, regardless of whether or not the terms and conditions are equivalent to arm's length transactions (PBE IPSAS 20.27.1).

Compensation of key management personnel

Key management personnel of the Group include the Board of Trustees of Good Charity, and the Executive Management Team of Good Charity (which includes the Chief Executive). The total remuneration of key management personnel and number of individuals, on a full-time equivalent (FTE) basis, receiving remuneration from the Group are:

PBE IPSAS 20.34.1(a)

	2018 $000	2017 $000
Trustees (6 FTE)	224	220
Executive management team (4 FTE)	$314	307
Total remuneration (10 FTE)	**538**	**527**

39 Related party transactions *continued*

Key management personnel did not receive any remuneration or compensation other than in their capacity as key management personnel (2017: nil). *PBE IPSAS 20.34(b)(i)*

PBE IPSAS 20.34.1(b)(ii)

Good Charity did not provide any compensation at non-arm's length terms to close family members of key management personnel during the year (2017: nil). Good Charity provided compensation to an entity controlled by the spouse of a member of the Executive Management Team – please refer to *Other management Interests* disclosure above. The terms of these transactions were arm's length. *PBE IPSAS 20.34.1(c)*

Good Charity did not provide any loans to key management personnel or their close family members.

Commentary

Key management personnel disclosures: PBE IPSAS 20

PBE IPSAS 20 describes key management personnel (KMP) as all directors or members of the governing body of the entity and other persons having the authority and responsibility for planning, directing, and controlling the activities of the reporting entity (see PBE IPSAS 20.4 for details). The responsibilities of key management personnel may enable them to influence the benefits that flow to them or their related parties. Consequently, PBE IPSAS 20 requires specific disclosure to be made in aggregate about:

- The remuneration of KMP and close family members of KMP during the reporting period;
- Loans made to them; and
- The consideration provided to them for services they provide to the entity other than as a member of the governing body or an employee.

Not-for-profit PBEs are required to make these disclosures regardless of whether or not the terms and conditions are equivalent to arm's length transactions.

Due to the nature of related party transactions, they may be considered qualitatively material despite the amount or size of the transaction.

Appendix 7: Statutory disclosures of a financial nature required by local authorities

Commentary
The Local Government Act 2002 requires local authorities, such as Good City Council, to provide in their annual report the disclosures included in this appendix. These disclosures are not required by PBE Standards. Nevertheless, as these disclosures are financial in nature (or relate to an item in the financial statements), local authorities usually provide these disclosures within the notes to the financial statements, together with those disclosures that are required by PBE Standards. However, to avoid confusion for PBEs that are not local authorities, we have included these statutory disclosures in this appendix, rather than in the main body of this publication. Please note that some – but not all – of these disclosures are also required by the governing legislation of other public sector PBEs, such as government departments and Crown Entities. PBEs should refer to their respective governing legislation to ascertain their statutory reporting requirements.

9 Rates (extract)

In addition to the disclosures provided in Note 9 (in the main body of the publication), local authorities that participate in the Local Government Funding Agency (LGFA) should disclose the following in relation to their rates:

LGFA Guarantee
For the year ended 30 June 2018 and 2017, the annual rates income of the Council for the purposes of the LGFA Guarantee and Indemnity Deed disclosure is the same as the total rates amount shown above.

LGFA Guarantee and Indemnity Deed.16.9(c)

Commentary
The LGFA Guarantee and Indemnity Deed requires participating local authorities to disclose in its financial statements or notes its annual rates income. That Deed defines annual rates income as an amount equal to the total revenue from any funding mechanism authorised by the Local Government (Rating Act) 2002 together with any revenue received by the Council from other local authorities for services provided by that Council for which those other Local Authorities rate.

14 Employee remuneration (extract)

In addition to the disclosures provided in Note 14 (in the main body of the publication), the Local Government Act 2002 requires local authorities to disclose the following in relation to employee remuneration:

Employee remuneration bands:
The table below show total annual remuneration by remuneration band for Council employees as at 30 June 2018 and 2017:

LGA 2002.Schedule 10.32A(1)-(2)

	Council	
	2018	2017
$100,000-$119,999	2	2
$80,000-$99,999	12	14
$60,000-$79,999	64	66
< $60,000	69	70
	147	152

Severance payments:
Termination benefits relate to severance amounts paid to four Council employees as a result of the reorganisation of the Council's finance and administration department. The total severance amount paid by the Council to these employees was $39,000. The individual payments were $12,000, $10,000, $9,000 and $8,000.

LGA 2002.Schedule 10.33(1)

Commentary
In relation to employee remuneration, the Local Government Act 2002 requires local authorities to disclose in their annual report the total number of employees as at the end of the current and previous year, as well as:
- The number of employees receiving total annual remuneration below $60,000
- The number of employees receiving total annual remuneration above $60,000, expressed in bands of $20,000.

Local authorities are also required to disclose the number of employees who received severance payments during the year, and the severance amount that was paid to each employee (and to the Chief Executive, if applicable).

Appendix 7: Statutory disclosures of a financial nature required by local authorities *continued*

39 Related party transactions (extract)

In addition to the disclosures provided in Note 39 (in the main body of the publication), the Local Government Act 2002 requires local authorities to disclose the following in relation to key management personnel remuneration:

Further details of the remuneration of key management personnel is provided below:

	2018 $000	2017 $000	
K O'Cork - Chief Executive			*LGA 2002.Schedule 10.32(1)(c)*
Short-term employee benefits	100	98	
Medical insurance	10	10	
Other benefits (vehicle and parking allowance)	20	20	
G N Betten - Mayor	61	62	*LGA 2002.Schedule 10.32(1)(a)*
Short-term employee benefits	2	1	
Medical insurance	3	2	
Other benefits (vehicle and parking allowance)			
L Murant - Councillor			*LGA 2002.Schedule 10.32(1)(a)*
Short-term employee benefits	28	27	
Medical insurance	1	1	
Other benefits (vehicle and parking allowance)	2	2	
D Capey – Councillor			*LGA 2002.Schedule 10.32(1)(a)*
Short-term employee benefits	28	27	
Medical insurance	1	1	
Other benefits (vehicle and parking allowance)	2	2	
A Van Zyke – Councillor			*LGA 2002.Schedule 10.32(1)(a)*
Short-term employee benefits	27	26	
Medical insurance	1	1	
Other benefits (vehicle and parking allowance)	–	–	
Y Tobogava – Councillor			*LGA 2002.Schedule 10.32(1)(a)*
Short-term employee benefits	27	26	
Medical insurance	1	1	
Other benefits (vehicle and parking allowance)	–	–	
Executive Management Team (4 people)			
Short-term employee benefits	212	208	
Medical insurance	7	7	
Other benefits (vehicle and parking allowance)	5	5	
Total compensation paid to key management personnel	**538**	**527**	

Commentary

Additional statutory disclosures for key management personnel of local authorities:

In addition to the disclosures required by PBE IPSAS 20, the Local Government Act 2002 also requires the disclosure of the remuneration of the following specific key management personnel of local authorities:

- The mayor of the local authority;
- Each member of the local authority (i.e. each Councillor); and
- The chief executive of the local authority

Good City Council disclosed the remuneration of these individuals separately above.

Other PBEs that are not local authorities should consider if legislation applicable to them contains any similar additional requirements in relation to key management personnel.

Appendix 8: Statement of service performance

Commentary
The illustrative disclosures and commentary in this appendix are based on the guidance provided in PBE IPSAS 1 (Appendix C) on service performance reporting. However, please note that the NZASB has issued its new standard on Service Performance Reporting, PBE FRS 48 exposure draft for a new standard on service performance reporting. The requirements of this new standard will replace the guidance in PBE IPSAS 1 when the new standard becomes effective. Please also refer to the Introduction section as well as our website for our publication on the newly issued standard.

Community outcomes

The Good City Council's main community outcome areas are outline below:

1) Well-connected and well-built city – *Good City's infrastructure is improved and maintained at a high level*
2) Strong economy and high standard of living – *business activity in Good City is strengthened and living standards are raised or maintained*
3) Educated and culturally-aware community – *the community in Good City is better-educated and more culturally-aware*
4) Healthy, safe and inclusive community – *the health and safety of the community of Good City and inclusiveness within the community are maintained at a high level*
5) Clean, safe and sustainably-managed environment – *Good City's natural and built environment is cleaner and safer for the Good City community*

Commentary
Outcomes:
According to PBE IPSAS 1.150.4, outcomes are a key element of the statement of service performance. PBE IPSAS 1.C17 defines outcomes as the impacts on, or consequences for, the community resulting from the existence and operations of the entity. According to PBE IPSAS 1.C20, outcomes provide a public benefit entity with a rationale for action and are the basis on which the public benefit entity makes decisions regarding outputs. Outcomes are the reason for producing outputs.

The Local Government Act 2002 makes reference to "community outcomes", which are outcomes that a local authority aims to achieve in meeting the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions. This is more specific than – but consistent with – the definition in PBE IPSAS 1. Note that local authorities usually list community outcomes (and describe their overall achievement) at the start of the annual report, separately to the rest of the statement of service performance.

Groups of activities

The following groups of activities contribute to the Council's community outcomes:

Group of activities	Activities included within group	Outcome supported by group of activities
Planning, strategy and regulation	Provision of governance and democracy Local policy-making	1) Well-connected and well-built city 2) Strong economy and high standard of living 3) Educated and culturally-aware community 4) Healthy, safe and inclusive community 5) Clean, safe and sustainably-managed natural environment
Community support	Providing community housing for eligible persons Providing local community facilities Developing, implementing and supporting community development and safety programmes Providing emergency management services and promoting awareness of emergency management in the community Promoting public health and safety	3) Educated and culturally-aware community 4) Healthy, safe and inclusive community

Appendix 8: Statement of service performance *continued*

Group of activities	Activities included within group	Outcome supported by group of activities
Economic development	Developing and maintaining commercial areas Providing grants and incentives for new businesses	2) Strong economy and high quality of life
Building and resource consents	Processing and provision of building and resource consents Prevention of and response to weathertightness issues Maintaining and providing land and property information	1) Well-connected and well-built city 5) Clean, safe and sustainably-managed natural environment
Water, wastewater and stormwater	Planning, managing and maintaining water networks Planning, managing and maintaining stormwater networks Planning, managing and maintaining wastewater networks	1) Well-connected and well-built city 4) Healthy, safe and inclusive community 5) Clean, safe and sustainably-managed natural environment
Roading and other infrastructure	Providing and maintaining safe and efficient roading infrastructure Providing and maintaining footpaths and cycleways Maintaining parking facilities and enforcing parking regulations	1) Well-connected and well-built city
Waste and recycling	Providing waste collection and disposal services and landfill facilities Providing recycling services and facilities	4) Healthy, safe and inclusive community 5) Clean, safe and sustainably-managed natural environment
Culture, heritage and recreation	Providing and maintaining libraries and other educational facilities and programmes Providing and maintaining local visual and performing art centres Organising and supporting cultural events Providing recreational facilities Supporting the operation of the Good City Museum (through Council-controlled organisation Good Museum Trust)	3) Educated and culturally-aware community

Appendix 8: Statement of service performance *continued*

Commentary

Groups of activities

Schedule 10, paragraph 23 of the Local Government Act 2002 requires a local authority to disclose in its annual report the local authority's groups of activities, the activities within these groups and the outcomes towards which they contribute. As outcomes are a key element of the statement of service performance, the Council has made these disclosures as part of the statement of service performance. In addition, the section of the statement of service performance that shows actual levels of service provision against performance targets is organised by group of activities.

The above disclosure also meets the requirements of PBE IPSAS 1.150.6, which requires an entity to disclose the outcomes towards which its outputs contribute. The Council disclosed which outcomes its groups of activities contribute towards, and the outputs that are delivered as part of each group of activities is disclosed in the following section.

Other public benefit entities are not required to disclose groups of activities. However, they also need to disclose, where practicable, which outcomes their outputs or groups of outputs are intended to contribute towards.

Measurement of service performance by group of activities:

This section shows the Council's service performance during the year against the performance targets set in the Long Term Council Community Plan. For each group of activities, achievement of key service performance indicators as well as a statement of the cost of the activities is disclosed.

Commentary

Presentation and organisation of performance measurement disclosures for different types of PBEs:

The performance measurement section below is organised by group of activities, and discloses the delivery of outputs and impacts under each group of activities. As explained above, this is because local authorities like Good City Council are required by the Local Government Act 2002 to disclose groups of activities and their contribution to outcomes.

However, other types of PBEs may present their statements of service performance (or equivalent statement) in a different way, depending on the relevant legislative requirements. For instance, under the Public Finance Act 1989, Government departments and Crown entities have to report performance against targets under each appropriation that the department has received [PFA.19C]. Therefore the performance reporting of Government departments and Crown entities will be organised by appropriation, rather than by groups of activities.

Please consult the relevant legislation for the statutory requirements around service performance for specific types of public benefit entities.

Illustrative example for one group of activities:

For illustrative purposes, service performance information is disclosed below for only one of the Council's groups of activities, i.e. waste and recycling (please see below). A public benefit entity will need to disclose service performance information, including cost of inputs, for each of its groups of activities (if it is a local authority) or groups of outputs.

Appendix 8: Statement of service performance *continued*

Group of activities: Waste and recycling

Key performance indicators: Outputs

Level of service	Measure	Target	Result	Comment
Activity: Providing waste collection services, waste disposal services and landfill facilities				
Provide reliable waste collection services to all residential and commercial properties in Good City	Number of waste collections dispatched during the year in each area of Good City	52 collections (once a week) in all areas of Good City	52 collections (once a week) in all areas of Good City	Target achieved
	Percentage of waste collections completed in timely manner (i.e. where collection is completed on the collection day specified on the Council website, no later than within 2 hours of the specified time).	98%	99%	Target achieved
Provide reliable and accessible waste disposal services, including landfill	Landfill's ability to operate during specified opening hours	Landfill is open from 8am to 5pm, Monday to Saturday every week during the 2018 financial year	Landfill was open from 8am to 5pm, Monday to Saturday every week during the 2018 financial year, except for one day	Target not achieved. Landfill was closed during opening hours on 25 November 2017 due to a suspected spill of dangerous chemicals. The landfill re-opened on the following day without issue.
	Level of landfill customer satisfaction with service and accessibility of the Good City landfill (according to annual survey)	90%	90%	Target achieved
Activity: Providing recycling services and facilities				
Provide reliable recycling collection services to all residential and commercial properties in Good City	Percentage of recyclable waste collections completed in timely manner (i.e. where collection is completed on the collection day specified on the Council website, no later than within 2 hours of the specified time).	98%	99%	Target achieved
Facilitate effective recycling of waste	Percentage of collected recyclable waste that is recycled	99.9%	98%	Not achieved. Due to problems in the operations of the recycling plant in August 2017, some recyclable waste had to be redirected from the plant to the landfill.

Appendix 8: Statement of service performance *continued*

Key performance indicators: Impacts

Desired impact	Measure	Target	Result	Comment
Activity: Providing waste collection services, waste disposal services and landfill facilities				
The streets and buildings of Good City are clean and free from waste	Overall score out of 10 for street cleanliness per survey of Good City residents	**8/10**	**8/10**	Target achieved
Activity: Providing recycling services and facilities				
Recycling in Good City increases	Ratio of waste processed through recycling plant to waste processed through landfill	40:60	39:61	Target not achieved Achievement of this target is still in progress.
	Decrease in total volume of waste disposed by residential and commercial properties that is not marked for recycling	Decrease in volume of non-recyclable waste from 100kg per person to 95kg per person	Decrease in volume of non-recyclable waste from 100kg per person to 98kg per person	Not achieved. Although there was a decrease in non-recyclable waste disposed per person in 2018 compared to 2017, the achievement of this target is still in progress. The target should be achieved in the next financial year.

Commentary

Service performance measurement: outputs and impacts

The above section discloses the Council's performance during the year in terms of the provision of outputs and achievement of impacts. This is consistent with the requirements of PBE IPSAS 1.

Outputs are defined in PBE IPSAS 1.C17 as the goods and services produced by the entity. In the example above, Services such as the collection of waste, the provision of waste disposal facilities and the recycling of waste are all outputs of the Council.

In the table above, the Council's outputs are described using one or more of the following aspect:

- Quantity
- Quality
- Location
- Time

For example, within the activity "providing waste collection services, waste disposal services and landfill facilities", the first item relates to the provision of reliable waste collection services to all residential and commercial properties in Good City. The provision of this output is measured in terms of quantity (number of waste collections completed during the year), as well as quality and timeliness (reliability and timeliness of waste collection). The element of location ("all areas of Good City") also forms part of the measurement of the output.

PBE IPSAS 1.150.4 also requires an entity to measure and disclose the cost of its outputs. This is disclosed at an activity level in the Funding Impact Statement – refer to Appendix 9.2.

In addition to disclosing performance in terms of the delivery of outputs, the Council also discloses the impacts achieved by the provision of these outputs. Impacts are defined by PBE IPSAS 1.C17 as contributions made to outcomes by a specific set of outputs. Impacts are often referred to as "intermediate outcomes" as they represent the relatively immediate or direct effect on the stakeholders of the entity's outputs. For example, the impact "recycling in Good City increases" is caused by the outputs under the activity "providing recycling services and facilities", and in turn contributes to Outcome (5) of the Council, i.e. "clean, safe and sustainably managed environment".

Commentary *(continued)*
In addition to disclosing performance in terms of the delivery of outputs, the Council also discloses the impacts achieved by the provision of these outputs. Impacts are defined by PBE IPSAS 1.C17 as contributions made to outcomes by a specific set of outputs. Impacts are often referred to as "intermediate outcomes" as they represent the relatively immediate or direct effect on the stakeholders of the entity's outputs. For example, the impact "recycling in Good City increases" is caused by the outputs under the activity "providing recycling services and facilities", and in turn contributes to Outcome (5) of the Council, i.e. "clean, safe and sustainably managed environment".

Impacts and their achievement are described using similar parameters to those used for describing and measuring outputs.

According to PBE IPSAS 1, inputs are another key element of the statement of service performance. The funding impact statement by group of activities in Appendix 9.2 shows the inputs that were used by the Council during the year to produce the outputs and impacts detailed in the performance measurement section. This is consistent with PBE IPSAS 1.150.4, which requires an entity to disclose the cost of each output.

Contribution to outcomes

The waste and recycling group of activities contributes to Outcome 4: Healthy, safe and inclusive community and Outcome 5: Clean, safe and sustainably-managed natural environment. Service performance results in the following areas ensured that the Council has made progress in relation to these outcomes:

- Waste collection was performed consistently and in a timely manner throughout the year
- With the exception of one incident that caused the landfill to be closed for one day, the Council provided reliable and accessible waste disposal services
- The Council provided timely and reliable collection services for recyclable waste services

Evidence of progress towards the achievement of Outcomes 4 and 5 can be seen from the fact that Good City residents have given a high rating to the cleanliness of the streets and buildings of Good City. In addition, while the desired impact on the community's recycling effort was not achieved, there is evidence of improvement in this area, and the Council expects that the targets will be achieved in the next year.

Commentary
The Local Government Act 2002 requires a local authority to report in relation to each group of activities any measurements undertaken during the year of progress towards achievement of outcomes, and describe the effect that each group of activities has had on the community. Results of measurements of output delivery and impact achievement, which contribute towards the achievement of outcomes, have already been disclosed in the previous section. The above paragraph links the results of the measurement of outputs and impacts back to the outcomes towards which the group of activities (and the outputs within it) contributes.

This is also consistent with PBE IPSAS 1, which also encourages entities to demonstrate the link between the delivery of outputs and outcome achievement.

Appendix 9: Funding impact statement (local authorities)

App 9.1: Funding impact statement – whole of Council

Commentary
In section 30 of schedule 10, the Local Government Act 2002 requires a local authority to present a funding impact statement for the financial year to which the annual report relates. The funding impact statement needs to show the amount of funds produced from each of the local authority's sources of funding, as well as how these funds were applied. The same information as per the local authority's annual plan also need to be shown for comparative purposes, as do previous financial year's actual and annual plan figures. Form 5 of the Local Government Financial Reporting and Prudence Regulations 2014 provide the format in which this statement is to be presented.

Funding impact statement for the year ended 30 June 2018: Whole of the Council

LGA Schedule 10.30
LG(FRP)R.Form 5

	2018 Actual $000	2018 Budget $000	2017 Actual $000	2017 Budget $000
Sources of operating funding				
General rates, uniform annual general charge, rates penalties	45,118	45,669	44,209	41,999
Targeted rates	30,079	29,678	29,473	27,999
Subsidies and grants for operating purposes	9,498	8,520	6,318	6,561
Fees and charges	13,466	13,214	13,687	13,824
Internal charges and overheads recovered	2,018	1,998	1,765	1,589
Local authorities fuel tax, fines, infringement fees, and other receipts	1,763	1,921	2,047	1,182
Total operating funding (A)	**101,942**	**101,000**	**97,499**	**93,154**
Applications of operating funding				
Payments to staff and suppliers	96,786	96,368	94,409	93,824
Finance costs	464	487	554	548
Internal charges and overheads applied	-	-	-	-
Other operating funding applications	664	697	300	297
Total applications of operating funding (B)	**97,914**	**97,552**	**95,263**	**94,669**
Surplus (deficit) of operating funding (A – B)	**4,028**	**3,448**	**2,236**	**(1,515)**
Sources of capital funding				
Subsidies and grants for capital expenditure	3,005	3,000	3,814	3,805
Development and financial contributions	3,641	4,005	3,741	3,722
Increase (decrease) in debt	(1,400)	(1,350)	890	886
Gross proceeds from sale of assets	1,406	1,266	779	775
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	-	-	-
Total sources of capital funding (C)	**6,652**	**6,921**	**9,224**	**9,188**
Application of capital funding				
Capital expenditure				
‣ to meet additional demand	5,059	4,900	3,915	3,895
‣ to improve the level of service	5,378	5,200	4,496	4,474
‣ to replace existing assets	2,301	2,100	1,098	1,093
Increase (decrease) in reserves	621	600	(387)	(385)
Increase (decrease) of investments	11,291	11,000	5,432	5,405
Total applications of capital funding (D)	**24,650**	**23,800**	**14,554**	**14,482**
Surplus (deficit) of capital funding (C – D)	**(17,998)**	**(16,879)**	**(5,330)**	**(5,294)**
Funding balance ((A – B) + (C – D))	**(13,970)**	**(13,431)**	**(3,094)**	**(6,809)**

Appendix 9: Funding impact statement (local authorities) *continued*

App 9.2: Funding impact statement by group of activities

Commentary
In section 26 of schedule 10, the Local Government Act 2002 requires a local authority to present a funding impact statement for the financial year to which the annual report relates for each of the local authority's groups of activities. The funding impact statement of each group of activities needs to show the amount of funds produced from each of the local authority's sources of funding in relation to the group of activities, as well as how these funds were applied. The same information as per the local authority's annual plan also need to be shown for comparative purposes, as do previous financial year's actual and annual plan figures. Form 4 of the Local Government Financial Reporting and Prudence Regulations 2014 provide the format in which this statement is to be presented. For illustrative purposes, a funding impact statement for one of Good City Council's groups of activities – waste – is presented below.

Funding impact statement for the year ended 30 June 2018: Waste

LGA Schedule 10.26 LG(FRP)R.Form 4

	2018 Actual $000	2018 Budget $000	2017 Actual $000	2017 Budget $000
Sources of operating funding				
General rates, uniform annual general charge, rates penalties	401	390	338	320
Targeted rates	240	235	201	199
Subsidies and grants for operating purposes	675	650	559	540
Fees and charges	255	242	221	200
Internal charges and overheads recovered	103	100	107	100
Local authorities fuel tax, fines, infringement fees, and other receipts	56	50	54	50
Total operating funding (A)	1,730	1,667	1,480	1,409
Applications of operating funding				
Payments to staff and suppliers	356	348	322	320
Finance costs	45	44	42	43
Internal charges and overheads applied	266	262	216	214
Other operating funding applications	-	-	-	-
Total applications of operating funding (B)	667	654	580	577
Surplus (deficit) of operating funding (A – B)	1,063	1,013	900	832
Sources of capital funding				
Subsidies and grants for capital expenditure	131	125	109	105
Development and financial contributions	198	190	187	188
Increase (decrease) in debt	-	-	-	-
Gross proceeds from sale of assets	43	-	-	-
Lump sum contributions	-	-	-	-
Other dedicated capital funding				
Total sources of capital funding (C)	372	315	296	293

Appendix 9: Funding impact statement (local authorities) *continued*

App 9.2: Funding impact statement by group of activities *continued*

Application of capital funding					*LGA.Scehdule 10.24(1)*
Capital expenditure					
‣ to meet additional demand	201	200	196	195	*LGA.Scehdule 10.24(2)(a)*
‣ to improve the level of service	587	580	259	255	*LGA.Scehdule 10.24(2)(b)*
‣ to replace existing assets	130	118	182	180	*LGA.Scehdule 10.24(2)(c)*
Increase (decrease) in reserves	216	235	259	252	
Increase (decrease) of investments	301	195	300	243	
Total applications of capital funding (D)	**1,435**	**1,328**	**1,196**	**1,125**	
Surplus (deficit) of capital funding (C − D)	**(1,063)**	**(1,013)**	**(900)**	**(832)**	
Funding balance ((A − B) + (C − D))	-	-	-	-	

Appendix 10: Forecast financial statements (government departments)

Commentary
Section 45(3) of the Public Finance Act 1989 requires government departments to include in their annual reports forecast financial statements, i.e. financial statements for the year after the financial year to which the annual report relates.

Section 45BA of the Public Finance Act requires the forecast financial statements of a government department to comply with GAAP, and to be accompanied by a statement of significant assumptions underlying the forecast financial statements.
The requirement to comply with GAAP means that the forecast financial statements need to be prepared in accordance with PBE FRS-42 *Prospective Financial Statements*, which sets out disclosure requirements for forecast financial statements.

This appendix contains an illustrative statement of comprehensive revenue and expense, statement of financial position, statement of movements in equity, statement of cash flows and accounting policy note pertaining to the forecast financial statements. The financial statements are prepared for a fictional government department and therefore neither the names of items in the financial statements nor the amounts correspond to the Good City Council financial statements.

Although the illustrative forecast financial statements below are presented separately, the prospective figures alternatively can be presented in an additional column within the financial statements for the year to which the annual report relates.

Forecast statement of comprehensive revenue and expense
For year ended 30 June 2019

PBE FRS 42.28(b)

	Forecast 2019 $000	
Revenue		
Crown revenue	34,567	
Other revenue from non-exchange transactions	18,904	
Other revenue from exchange transactions	3,041	
Total revenue	**56,512**	*PBE FRS 42.31(a)*
Expenses		
Employee costs	(20,876)	
Depreciation and amortisation	(3,746)	*PBE FRS 42.31(c)*
Capital charge	(4,867)	
Finance cost	(101)	*PBE FRS 42.31(b)*
Other expenses	(20,954)	
Total expenses	**(50,544)**	
Net surplus	**5,968**	*PBE FRS 42.31(g)*
Other comprehensive revenue and expense		
Fair value gain/(loss) on property, plant and equipment	1,098	*PBE FRS 42.31(h)*
Other comprehensive revenue and expense for the year	**1,098**	
Total comprehensive revenue and expense for the year	**7,066**	*PBE FRS 42.31(j)*

Appendix 10: Forecast financial statements (government departments) *continued*

Forecast statement of financial position
As at 30 June 2019

PBE FRS 42.28(a)

	Forecast 2019 $000	
ASSETS		
Current assets		*PBE FRS 42.29(a)*
Cash	2,134	
Receivables from non-exchange transactions	4,321	
Receivables from exchange transactions	2,341	
Prepayments	987	
Inventory	432	
Total current assets	**10,215**	
Non-current assets		*PBE FRS 42.29(b)*
Property, plant and equipment	41,876	
Intangible assets	12,567	
Total non-current assets	**54,443**	
LIABILITIES		
Current liabilities		*PBE FRS 42.29(c)*
Payables	(3,231)	
Return of operating surplus	(2,409)	
Provisions	(239)	
Provision for employee entitlements	(1,987)	
Finance lease	(103)	
Total current liabilities	**(7,969)**	
Non-current liabilities		*PBE FRS 42.29(d)*
Provision for employee entitlements	(965)	
Finance lease	(506)	
Total non-current liabilities	**(1,471)**	
Net Assets	**55,218**	
Equity		*PBE FRS 42.29(e)*
Crown capital and accumulated revenue and expense	52,098	
Asset revaluation reserve	2,123	
Memorandum accounts	997	
Total taxpayers' funds	**55,218**	

Appendix 10: Forecast financial statements (government departments) *continued*

Forecast statement of movements in equity

For year ended 30 June 2019

	Crown Capital and Accumulated revenue and expense 2019 $000	Asset revaluation reserve 2019 $000	Memorandum accounts 2019 $000	Total equity 2019 $000	*PBE FRS 42.28(c)*
As at 1 July 2018	26,792	1,025	1,109	28,926	
Forecast surplus for the year	5,968	-	-	5,968	
Forecast other comprehensive revenue and expense				-	
Gain on property revaluation	-	1,098	-	1,098	
Total comprehensive revenue and expense for the year	5,968	1,098	-	7,066	*PBE FRS 42.34(a)*
Transfer of memorandum accounts net surplus/deficit	112	-	(112)	-	
Forecast transactions with owners in their capacity as owners:					*PBE FRS 42.34(b)*
Capital injections	21,300	-	-	21,300	
Return of surplus to Crown	(2,074)	-	-	(2,074)	
Total equity	52,098	2,123	997	55,218	*PBE FRS 42.34(c)*

Forecast statement of cash flows

PBE FRS 42.28(d)

For year ended 30 June 2019

	Forecast 2019 $000	
Cash from operating activities		
Receipts from Crown	34,000	
Receipts from other revenue	20,401	
Payments to suppliers	(21,980)	
Payments to employees	(21,900)	
Payments for capital charge	(4,900)	
Net cash flow from operating activities	5,621	*PBE FRS 42.37(a)*
Cash flow from investing activities		
Proceeds from sale of property, plant and equipment	1,076	
Purchase of property, plant and equipment	(20,850)	
Purchase of intangible assets	(2,301)	
Net cash flow from investing activities	(22,075)	*PBE FRS 42.37(b)*
Cash flow from financing activities		
Capital injections from Crown	21,300	
Return of operating surplus to Crown	(2,074)	
Payment of finance lease	(1,709)	
Net cash from financing activities	17,517	*PBE FRS 42.37(c)*
Net forecast increase in cash and cash equivalents	1,063	*PBE FRS 42.38(d)*
Cash and cash equivalents at 1 July 2018	1,071	
Forecast cash and cash equivalents at 30 June 2019	2,134	

Appendix 10: Forecast financial statements (government departments) *continued*

Notes to the financial statements (extract)

PBE FRS 42.28(e)

2 Summary of significant accounting policies (extract)

xx Forecast financial statements

The forecast financial statements are for the period of 1 July 2018 to 30 June 2019.

PBE FRS 42.48

The forecast financial statements have been prepared for the purpose of meeting the Department's obligations under section 45(3) and 45BA of the Public Finance Act 1989. Use of this information for other purposes may not be appropriate.

The forecast financial statements are unaudited.

PBE FRS 42.51

PBE FRS 42.49, PBE FRS 42.55(a)-(d)

The main assumptions underlying the forecast figures are as follows:

- Existing government policies and Ministerial expectations at the time the statements were finalised will continue to be effective throughout 2018/2019. This is expected to be the case.
- The department's main activities will remain substantially the same as for the previous year. This is expected to be the case.
- Operating costs are based on historical experience. Based on experience, operating expenses are expected to grow by 2%. The general historical pattern is expected to continue.
- The following economic assumptions will eventuate:

Assumption (source: Treasury)	Level of uncertainty	Risk	Financial impact
Average change in CPI: +1.6%	Moderate	That actual inflation is higher than forecast inflation	Movements in market prices will impact the Department's costs and revenues. A 0.1% change in inflation would equate to approximately $5 million in operating expenditure.
Average change in Real GDP: +3.4%	Low	That GDP growth is lower than forecast growth	Lower economic growth could affect discretionary income and therefore cause the Department to reduce the fees charged of its services, thereby reducing the department's revenue.

PBE FRS 42.59

PBE FRS 42.55(c)

PBE FRS 42.65(d)

The actual results achieved for the period covered by the forecast figures are likely to vary from actual results for the year 2018/2019, and these variances may be material.

PFA.45BA

Factors that could lead to material differences between the forecast financial statements and the 2018/2019 actual financial statements, in addition to the sources of uncertainty mentioned above, include changes to the baseline budget through new initiatives or technical adjustments. It is not intended that these forecast financial statements be updated subsequent to publication.

PBE FRS 42.60

PBE FRS 42.61

The forecast figures have been prepared in accordance with NZ GAAP, and comply with Public Benefit Entity Standards (PBE Standards). The forecast financial statements comply with PBE FRS 42 *Prospective Financial Statements*.

The accounting policies that form the basis of the forecast financial statements are consistent with the current accounting policies underlying the preparation of the financial statements for the year ended 30 June 2018.

Appendix 11: Statutory disclosures not included in this publication

11.1 Local authorities:

Reference to Legislation	Disclosure	Description/Comment
LGA.Schedule 10.27	Internal borrowing	In relation to each group of activities of the local authority, a local authority's annual report must include a statement of the amount of internal borrowing used for the purpose of the group of activities, the amount of funds borrowed and repaid during the year, and the amount of interest (if any) paid in relation to the internal borrowing.
LGA.Schedule 10.28	Council-controlled organisations	A local authority's annual report must include, in relation to each Council-controlled organisation: ► A report on the extent to which the local authority's significant policies and objectives in regard to ownership and control of the organisation (as set out in the relevant long-term plan or annual plan) have been implemented or attained in the year to which the report relates; ► A comparison between the nature and scope of the activities intended to be provided by the organisation in the year to which the report relates (as set out in the relevant long-term plan or annual plan) and the nature and scope of the activities actually provided by the organisation in that year; and ► A comparison between actual performance and the key performance targets and other measures set out in the relevant long-term plan or annual plan.
LGA.Schedule 10.30A	Rating base information	A local authority's annual report must state the following: ► the number of rating units within the district or region of the local authority at the end of the preceding financial year; ► the total capital value of rating units within the district or region of the local authority at the end of the preceding financial year; and ► the total land value of rating units within the district or region of the local authority at the end of the preceding financial year.
LGA.Schedule 10.31A	Insurance of assets	A local authority's annual report must state, as at the end of the financial year: ► the total value of all assets of the local authority that are covered by insurance contracts, and the maximum amount to which they are insured; ► the total value of all assets of the local authority that are covered by financial risk sharing arrangements, and the maximum amount available to the local authority under those arrangements; and ► the total value of all assets of the local authority that are self-insured, and the value of any fund maintained by the local authority for that purpose.
LGA.Schedule 10.34A	Additional information to be included in annual report of unitary authority with local boards	This section includes additional information that must be included in the annual reports of a unitary authority of a district that has one or more local boards.

Appendix 11: Statutory disclosures not included in this publication *continued*

11.1 Local authorities *continued*:

Reference to Legislation	Disclosure	Description/Comment
LGA.Schedule 10.35	General	An annual report must include a report on the activities that the local authority has undertaken in the year to establish and maintain processes to provide opportunities for Māori to contribute to the decision-making processes of the local authority.
LG(FRP)R.12	Disclosure statement in annual report	A local authority's annual report must contain a disclosure statement that discloses actual performance for each benchmark specified in Regulation 10 of the Local Government (Financial Reporting and Prudence) Regulations 2014. The disclosure statement needs to cover actual performance in the year of the annual report and in each of the preceding four years.

11.2 Government departments:

Reference to Legislation	Disclosure	Description/Comment
PFA.45B(2)	Statement of departmental expenses and capital expenditure against appropriation	Government departments are required to present a comparison of actual operating and capital expenditure incurred in relation to each output class for which an appropriation from the Crown was received against the voted appropriation.
PFA.45B(2)	Statement of departmental unappropriated expenditure	Section 45B (2)(d) of the Public Finance Act 1989 requires government departments to provide an explanation for each unappropriated item reported.
Treasury instructions	Memorandum accounts	Memorandum accounts record the accumulated balance of surpluses and deficits incurred in the provision of certain outputs on a full cost-recovery basis. These accounts are used to separately disclose the cost of such outputs over the years, given that such information would otherwise just be aggregated as part of an entity's financial position. In general, full cost-recovery (including the capital charge) applies where departments supply services to third parties in the absence of competition or under a statutory monopoly. Note that the structure of each memorandum account is to be approved jointly by the Minister of Finance and the relevant Minister responsible for the relevant appropriation and Responsible Minister (if different). Please refer to the Treasury Instructions for further details.

Appendix 11 – Statutory disclosures not included in this publication *continued*

11.2 Government departments *continued*:

Reference to Legislation	Disclosure	Description/Comment
Treasury instructions	Non-departmental schedules: ► schedule of non-departmental income (with capital receipts included or in a separate statement); ► schedule of non-departmental expenses; ► schedule of non-departmental assets; ► schedule of non-departmental liabilities; ► schedule of non-departmental commitments; ► schedule of non-departmental contingent liabilities and contingent assets; and ► schedule of relevant non-departmental accounting policies.	In addition to the requirements of the Public Finance Act, Government Departments are also required by Treasury Instructions to disclose supplementary information on any Crown activities that the department manages. These disclosures need to be in the form of schedules, and must comply with GAAP and with the accounting policies of the Financial Statements of Government. As the non-departmental schedules are required to comply with GAAP, they need to comply with PBE Standards. Therefore the disclosures requirements for these schedules would be the same as those illustrated in the main body of this publication.

11.3 Crown entities

Reference to Legislation	Disclosure
Crown Entities Act 151(1)(a),(2)	Information that is necessary to enable an informed assessment to be made on the Crown entity's operations and performance for the financial year, including an assessment against the intentions, measures, and standards set out in the statement of intent prepared at the beginning of the year
Crown Entities Act 151(1)(f)	Any direction given by a Minister in writing under any enactment during the financial year
Crown Entities Act 151(1)(g)	Information on compliance with the obligation to be a good employer (including a Crown entity's equal employment opportunity programme)
Crown Entities Act 151(1)(i)	Information required by section 20(3), which relates to the enforcement of certain natural person transactions
Crown Entities Act 151(1)(j)	Information required by section 68(6), which relates to permission to act despite being interested in a matter

Key contacts

Our EY Assurance Partners have the courage, integrity and knowledge to help you meet the challenging demands of business and financial reporting considerations consistently.

Our people are able to meet the needs of local and multinational clients through access to the latest accounting and auditing information, by following a global audit methodology and by using leading audit support tools.

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Graeme is the Head of Financial Accounting Advisory Services. He is a dedicated financial services specialist with more than 19 years' industry experience gained in New Zealand and the United Kingdom. Graeme brings an in-depth knowledge of financial products and markets and has performed a range of transaction support, regulatory reporting and other specialist engagements for financial services clients.

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Simon has extensive New Zealand and international experience working with a range of companies from the manufacturing, logistics, real estate and hospitality sectors. He has worked closely with listed, privately held and entrepreneurial companies. He has governance experience through Board roles and his previous experience of valuations, due diligence and independent appraisals gives a broad appreciation of commercial issues.

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Lloyd has more than 20 years' experience working in audit in New Zealand and London and is the auditor of several listed entities, other issuers and numerous growth clients across a broad range of industries. Lloyd has experience in acquisition due diligence and accounting for acquisitions.

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Susan has more than 25 years' experience in New Zealand, New York and London. She is a member of EY's Oceania Diversity and Inclusiveness Council and is the Oceania Assurance People Partner. Susan has significant experience in a number of industries including Forestry, Fishing, Property, Tertiary Education, Retail, Media and Entertainment, Food and Beverage and not for profit sector.

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Simon O'Connor is the Managing Partner and New Zealand Head of Assurance. He has more than 20 years' experience in New Zealand, San Jose and New York. Simon is experienced in leading and managing the delivery of audit and transaction support services to major organisations, both in New Zealand and internationally, and is focused on providing audit services in the Financial Services, Media, Consumer Products and Telecommunications industries.

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Brent has more than 25 years' audit experience in New Zealand, San Jose and London. Brent is a senior audit partner and the EY New Zealand CFO Programme leader. He currently specialises in working with clients in the financial services sector and is responsible for leading the audit of some of the firm's largest listed, private and public sector clients. In addition, Brent has led a number of buy side acquisition advisory teams across various sectors, as well as having significant IPO experience.

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Emma has more than 20 years' experience with EY in New Zealand and Ireland and significant experience in auditing a wide variety of organisations. Emma is a partner in the Auckland Assurance practice and specialises in the financial services industry. Emma's experience includes secondments to EY's technical accounting team.

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Lara has worked in the Financial Accounting Advisory Services team providing advice on the application of accounting standards across a range of technical issues and industry sectors for the past 14 years. Lara's areas of expertise include income taxes, share-based payments, financial instruments and public benefit entity (PBE) Accounting. During her time with EY, Lara spent 2 years on the staff of the International Accounting Standards Board in London. Lara currently represents EY on the New Zealand Accounting Standards Boards Technical Reference Group.

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John has extensive audit experience working with a range of companies from issuers and large corporates through to private clients and not for profit organisations. His portfolio consists of clients from the agribusiness and technology sector and related manufacturing. John has audited numerous NZ IFRS compliant financial statements and provides IFRS and technical advice to clients. His clients include a number of US owned companies making John familiar with Sarbanes Oxley regulations and associated audit procedures along with US GAAP reporting.

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