Financial statements

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2012

INCOME	Note	Council 30-Jun-12 $	Annual Plan 30-Jun-12 $	Council 30-Jun-11 $	Consolidated 30-Jun-12 $	Consolidated 30-Jun-11 $
Revenue from activities	4	5,371,948	5,326,922	5,694,419	6,810,735	7,019,334
Rates revenue	2	15,773,486	15,601,217	13,624,149	15,773,486	13,624,149
Finance income	3	1,730,661	1,717,631	1,834,238	2,068,817	2,255,908
Other revenue	4	5,115,270	4,778,944	4,553,108	4,310,759	4,733,798
Other gains/(losses)	5	(370,212)	102,060	(2,402,069)	1,791,339	(2,725,624)
Share of Joint Venture Revenues					806,525	791,858
Share of Associate Companies' Net Surplus					6,485,212	5,183,256
TOTAL INCOME	1	**27,621,152**	**27,526,774**	**23,303,845**	**38,046,874**	**30,882,679**
EXPENDITURE						
Personnel costs	6	9,953,470	9,894,144	9,328,954	11,317,484	10,496,061
Depreciation and amortisation expense	18	1,030,757	1,200,308	838,537	1,124,801	949,174
Finance costs	3	91,970	1,000	37,710	107,758	50,964
Other expenditure on activities	1	14,827,952	14,025,895	15,291,446	17,909,691	18,180,407
TOTAL OPERATING EXPENDITURE	1	**25,904,149**	**25,121,347**	**25,496,647**	**30,459,734**	**29,676,607**
NET SURPLUS /(DEFICIT)		**1,717,003**	**2,405,427**	**(2,192,802)**	**7,587,139**	**1,206,073**
Taxation credit / (expense)	7	952,158	–	–	1,050,453	109,982
NET SURPLUS /(DEFICIT) AFTER TAXATION		**2,669,161**	**2,405,427**	**(2,192,802)**	**8,637,592**	**1,316,055**
OTHER COMPREHENSIVE INCOME						
Gains/(loss) on property revaluations	8	(25,000)	–	(58,000)	(2,686,015)	(8,371,389)
Financial assets at fair value through other comprehensive income	8	(181,133)	–	223,326	(181,133)	223,326
Gains/(loss) on Infrastructure Asset (Awanui River Management) revaluation	8	–		1,106,411	–	1,106,411
Net hedging movement (associate)					32,844	104,391
TOTAL OTHER COMPREHENSIVE INCOME		(206,133)	–	**1,271,737**	(2,834,304)	(6,937,261)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**2,463,028**	**2,405,427**	**(921,065)**	**5,803,288**	**(5,621,206)**
Total comprehensive income attributable to:						
Northland Regional Council					3,483,335	(4,006,054)
Non-controlling interest in surplus/(deficit) of Northland Port Corporation (NZ) Limited					2,319,954	(1,615,152)
					5,803,288	**(5,621,206)**

Major variances compared to the Annual Plan:

Revenue variances:

Revenue from activities is greater than budget by $94 thousand due to:

- Increase in fees and charges of $463 thousand offset by a decrease in grants and subsidies of $418 thousand. The increase in fees and charges is due to unbudgeted fee recoveries resulting from staff assisting in the Rena oil spill response incident, additional navigation bylaw fees, additional revenue received to administer the Wild Rice National Programme, cost recoveries for the emergency management contract work undertaken on behalf of the Whāngārei District Council and an unbudgeted contribution from the Whāngārei District Council to assist in funding the Hātea River maintenance programme.
- Lower than budgeted grants and subsidies of $418 thousand, due to less transport-related subsidy funding primarily due to the reduced cost of carrying out the Whāngārei and Kaitāia bus services contract and less

funding provided by the Department of Conservation for Environment Fund projects, as there have been fewer projects applied for that meet the funding requirements.

Revenue from rates is $172 thousand greater than budget due to:

- Rate penalties charged for late or non-payment of rates $501 thousand (of which $175 thousand was paid and received by council) less rates remissions of $282 thousand and rates discounts of $111 thousand. This additional rates revenue is more than offset by rate write-offs and the provision for doubtful debts established on unpaid rates.

Other revenue is $336 thousand greater than budget, due to the following:

- Dividend income from the Northland Port Corporation (NZ) Limited is $332 thousand greater than budget, and income from rents is $27 thousand greater than budget. These gains were offset by a decrease in sundry income against budget of $23 thousand.

Other gains/(losses) is $472 thousand less than budget due to:

- The gains on changes in the fair value and disposal of assets are not budgeted by council due to their high uncertainty and non-cash nature, with the exception of fair value movement on council's forestry asset. Gains and losses resulting from fair value movements do not represent additional cash collected or incurred by the council.
- There were a number of fair value movements, increase in value of council's investment property $842 thousand, decrease in value of council's owner-occupied buildings of $345 thousand. There was an increase in the value of the forestry asset of $23 thousand (compared to the budgeted $102 thousand) and an increase in the fair value of financial investments of $26 thousand and an impairment loss of $772 thousand made up of $619 thousand impairment on the fair value of council's investment in the Northland Regional Council Community Trust and a further impairment of $152 thousand of the trust financial investments due to their illiquidity. There was also a decrease in value of $88 thousand in the value of council's Zealand Emission Trading Scheme Credits relating to council's pre-1990 Forestry Holdings at Mt Tiger.
- Finally there was a loss on disposal of property, plant and equipment of $57 thousand.

Expenditure variances:

Personnel costs are slightly greater than budget ($59 thousand) due to:

- Incurring unbudgeted salaries and wages expenditure for the emergency management work undertaken on behalf of Whāngarei District Council (this is fully recovered) and due to increase in the annual leave liability.

Depreciation expense of $170 thousand is less than budget due to:

- Capital expenditure on software replacement (IRIS) and IT infrastructure equipment being deferred until the following financial year.

Finance cost expenditure is $91 thousand greater than budget due to:

- Council payment to KiwiRail to reimburse them for the opportunity cost of capital for expenditure incurred to procure the rail designation.

Other expenditure on activities is greater than budget by $802 thousand primarily due to:

- An unbudgeted rate write-off and doubtful debt provision in relation to unpaid rates of $1.7 million totalling $838 thousand.
- An unbudgeted contribution towards the office fit-out of the Northland Events Centre of $318 thousand, which is funded via the internal loan for the Events Centre.
- Environmental Monitoring expenditure being $178 thousand greater than budget predominantly due to higher than budgeted legal fee and consultancy costs resulting from an increased number of enforcement actions.
- Biosecurity consultants, contractors, and pest control costs being over budget by $154 thousand due to unbudgeted work programmes occurring – (such as the Manchurian Wild rice programme, Guava Moth control programme). This overspend is partially offset by additional crown funding received in relation to these projects.
- Resource Management Planning expenditure being $91 thousand greater than budget predominantly due to the additional consultancy costs associated with the Regional Policy Statement project and savings made in relation to the preparation of the Long Term Plan.
- Expenditure associated with administering our commercial investments being over budget by a total of $77 thousand due to a combination of higher than budgeted legal fees and consultancy costs arising from arbitrations of investment properties and a saving within the forestry maintenance costs;

- Consent expenditure being $74 thousand greater than budget predominantly due to higher than expected, and more complex consent applications and a bad debt write off.
- Maritime expenditure being $68 thousand greater than budget primarily due to the expenditure associated with the Hātea dredging project. This expenditure is funded from a Special Reserve that has been established specifically for this purpose.
- Transport expenditure associated with the Kaitāia and Whāngārei bus services being under budget as these services were rationalised. Also, savings were made in the areas of mobility services, bus shelter maintenance, and transport marketing and promotions totalling $380 thousand.
- Land and rivers expenditure being $202 thousand less than budget predominantly due to the planned work on the Rust Ave Bridge being deferred and consultancy costs associated with Whāngārei urban rivers project being less than budgeted and the expenditure relating to the Environment Fund being under budget.
- Expenditure associated with computer maintenance, software and consumables being under budget by $200 thousand as a result of the delay in the planned new IRIS system and Financial Systems.
- Expenditure associated with Regional Economic Development being under by $134 thousand predominantly due to the growth programme being under budget by $100 thousand as the work programme was not performed as anticipated in 2011-12. These unspent funds have been transferred to the Northland Growth and Investment Reserve, and will be made available for future economic development projects.
- Regional Information and Engagement expenditure being $60 thousand less than budget due to the budget relating to Māori engagement and liaison not being expended throughout the year as planned.
- Other miscellaneous savings across the organisation of $20 thousand.

Taxation credit:
The tax refund was issued on 15 June 2012 after obtaining a binding ruling from IRD that a $3 million council contribution towards the centre in 2008/09 (part of the overall $13M contribution towards the Events Centre) is a donation and could be offset against tax on dividends council received from NorthPort that same year.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2012

	Note	Council 30-Jun-12 $	Annual Plan 30-Jun-12 $	Council 30-Jun-11 $	Consolidated 30-Jun-12 $	Consolidated 30-Jun-11 $
Balance at 1 July		116,921,483	119,722,631	117,842,548	232,901,018	239,572,624
Less Dividends Paid					(1,436,831)	(1,050,400)
Total comprehensive Income		2,463,028	2,405,427	(921,065)	5,803,288	(5,621,206)
Balance at 30 June	8	**119,384,511**	**122,128,058**	**116,921,483**	**237,267,475**	**232,901,018**
Total comprehensive income attributable to:						
Northland Regional Council		119,384,511	122,128,058	116,921,483	178,950,426	175,466,969
Non-controlling interest		–	–	–	58,317,050	57,434,049
Balance at 30 June	8	**119,384,511**	**122,128,058**	**116,921,483**	**237,267,475**	**232,901,018**

Major variances compared to the Annual Plan:

Council's equity is $2.74 million lower than budget due to:

- A reduction in the value of the Northland Regional Council Community Trust Fund and a reduction in the revalue of council's investment property portfolio being booked after the 2011-2012 Annual Plan was adopted.

Consolidated Statement of Financial Position

As at 30 June 2012

	Note	Council 30-Jun-12 $	Annual Plan 30-Jun-12 $	Council 30-Jun-11 $	Consolidated 30-Jun-12 $	Consolidated 30-Jun-11 $
EQUITY						
Retained earnings	8	110,828,307	114,933,408	110,137,253	129,052,707	125,932,262
Other reserves	8	8,556,204	7,194,650	6,784,230	49,897,719	49,534,707
Total equity attributable to Northland Regional Council		**119,384,511**	**122,128,058**	**116,921,483**	**178,950,426**	**175,466,969**
Non-controlling interest in subsidiary companies					58,317,049	57,434,049
TOTAL EQUITY		**119,384,511**	**122,128,058**	**116,921,483**	**237,267,475**	**232,901,018**
ASSETS						
Current assets						
Cash and cash equivalents	9	10,249,654	784,011	3,518,200	10,770,273	5,473,235
Debtors and other receivables	10	4,805,052	6,182,380	4,982,505	5,664,701	5,576,608
Inventories	11	3,108,539	1,473,949	1,440,563	3,108,539	1,440,563
Non-current assets held for sale	12	–	577,000	–	–	–
Other Investments	17	11,190,362	–	1,519,131	11,190,362	1,519,131
Tax refundable		33,000	–	80,732	104,890	479,563
Total current assets		**29,386,607**	**9,017,340**	**11,541,131**	**30,838,765**	**14,489,100**
Non-current assets						
Other receivables	14	5,256,299	4,917,918	5,201,500	5,256,299	5,201,500
Investment property	15	47,674,256	50,535,499	48,321,000	93,174,256	88,321,000
Investments in subsidiaries and associates	16	7,840,467	19,967,086	18,324,504	44,032,976	42,078,983
Other investments	17	13,971,405	19,739,489	17,782,522	14,499,047	28,506,909
Property, plant and equipment	18	18,640,990	20,759,552	19,164,908	53,795,722	57,716,420
Intangible assets	19	460,689	1,366,192	590,823	460,690	590,823
Biological assets	20	1,578,975	1,657,596	1,555,536	1,578,975	1,555,536
Capital projects in progress	18	682,177	–	376,976	760,644	433,000
Deferred taxation asset	7	–	–	–	673,941	578,912
Total non-current assets		**96,105,259**	**118,943,332**	**111,317,768**	**214,232,550**	**224,983,082**
TOTAL ASSETS		**125,491,866**	**127,960,672**	**122,858,900**	**245,071,316**	**239,472,183**
LIABILITIES						
Current liabilities						
Bank overdraft					44,611	27,954
Bank loan					502,429	–
Creditors and other payables	21	4,442,671	4,260,503	4,408,976	5,508,059	4,954,860
Provisions	24	–	–	–	710	24,976
Borrowings	23	–	–	–	6,865	3,978
Employee benefit liabilities	22	1,616,401	1,445,512	1,479,583	1,687,417	1,507,048
Total current liabilities		**6,059,072**	**5,706,015**	**5,888,559**	**7,750,091**	**6,518,817**

The financial statements should be read in conjunction with the Accounting Policies and Notes

	Note	Council 30-Jun-12 $	Annual Plan 30-Jun-12 $	Council 30-Jun-11 $	Consolidated 30-Jun-12 $	Consolidated 30-Jun-11 $
Non-CURRENT LIABILITIES						
Employee benefit liabilities	22	48,283	126,600	48,858	48,283	48,857
Borrowings	23	–	–	–	5,465	3,484
Total non-current liabilities		**48,283**	**126,600**	**48,858**	**53,748**	**52,341**
TOTAL LIABILITIES		**6,107,355**	**5,832,615**	**5,937,417**	**7,803,839**	**6,571,163**
NET ASSETS		**119,384,511**	**122,128,058**	**116,921,483**	**237,267,475**	**232,901,018**

Major variances compared to the Long Term Community Plan:

Assets

Cash and cash equivalents are higher than budget by $9.5 million due to:

- Council holding a higher level of short term cash investments as at 30 June 2012, due to longer term investments maturing and electing to hold investments on short term deposits rather than reinvesting at the current low interest rates in longer term bonds. For further information, refer to the variance explanation for Other Investments.

Debtors and other receivables are lower than budget by $1.4 million due to:

- The increased amount of rates arrears to be provided for as doubtful debts, particularly in relation to rates from the Far North District Council.
- Lower value of work in progress in relation to consent applications at 30 June 2012.

Other Investments (current and non-current) are higher than budget by $5.4 million due to:

- The Trust Fund previously held by the Northland Regional Council Community Trust being transferred to direct council control (investment in subsidiaries and associates has decreased by the same amount). The value of the fund transferred at 30 June 2012 was $9.6 million and council impaired this by a further $152 thousand to the illiquid nature of some of the investments.
- Other investments (both current and non-current) are also higher than budget due to delays in capital and other expenditure savings and an unbudgeted tax refund being received.

Non-current assets held for sale are less than budget by $577 thousand due to:

- Council reclassifying these properties as Investment Properties.

Investment Properties are less than budget due to:

- The value of the fair value of Investment Properties being less than expected.

Property plant and equipment and capital projects in progress is less than budget by $1.4 million due to:

- A number of IT-related projects and upgrades being deferred. Major items include: the Storage Area Network and servers; the disaster recovery solution; and the financial system replacement.

Intangible assets is less than budget by $905 thousand due to:

- The Integrated Regional Information Systems project progressing slower than anticipated.

Liabilities

- Increased subsidy revenue and additional fees and charges.

There are no significant variances against budget.

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Chairman
16th of October 2012

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Chief Executive Officer
16th of October 2012

Consolidated Statement of Cash Flows

For the Year Ended 30 June 2012

	Note	Council 30-Jun-12 $	Annual Plan 30-Jun-12 $	Council 30-Jun-11 $	Consolidated 30-Jun-12 $	Consolidated 30-Jun-11 $
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers		7,000,621	7,406,407	7,823,530	9,485,062	10,592,748
Interest received		1,739,607	1,717,631	1,890,884	1,778,242	1,908,846
Dividends received	4	1,660,718	1,328,574	1,218,460	5,286,602	4,497,882
Receipts from rates revenue		15,691,307	14,818,296	13,047,081	15,691,307	13,047,081
Subsidies and grants received		952,632	1,370,884	1,245,795	1,600,525	1,771,831
Taxation refund		999,890		–	1,504,079	155,965
Payments to suppliers and employees/members		(23,809,281)	(23,705,758)	(23,993,859)	(28,152,812)	(28,001,466)
Interest paid		(91,970)	(1,000)	(37,710)	(107,843)	(50,964)
Income tax paid		–		–	(29,420)	(13,060)
Net goods and services tax received (paid)		371,374		287,668	420,479	(85,109)
NET CASH FROM OPERATING ACTIVITIES		**4,514,897**	**2,935,034**	**1,481,849**	**7,476,221**	**3,823,754**
CASH FLOWS FROM INVESTING ACTIVITIES						
Receipt from sale of property, plant and equipment		197,749		89,445	203,171	92,556
Receipt from the sale of investment stocks and bonds		3,437,678	–	3,777,971	3,437,678	3,853,613
Purchase of other receivables		(54,799)		(2,508,582)	(54,799)	(2,508,582)
Investments withdrawn		–		–	608,004	677,450
Purchase of property, plant and equipment		(1,280,720)	(4,008,595)	(1,403,977)	(1,334,819)	(1,939,517)
Purchase of investment property		(83,351)		(2,229,027)	(4,054,280)	(2,229,027)
Purchase of investment stocks and bonds		–		–	(60,903)	(150,887)
NET CASH FROM INVESTING ACTIVITIES		**2,216,557**	**(4,008,595)**	**(2,274,169)**	**(1,255,948)**	**(2,204,394)**
CASH FLOWS FROM FINANCING ACTIVITIES						
Proceeds received from ASB facility		–	–	–	502,429	–
Dividends paid		–	–	–	(1,436,831)	(1,050,398)
Settlement of borrowings		–	–	–	(5,490)	(9,146)
NET CASH FROM FINANCING ACTIVITIES		**–**	**–**	**–**	**(939,892)**	**(1,059,544)**
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND BANK OVERDRAFTS		**6,731,454**	**(1,073,561)**	**(792,320)**	**5,280,381**	**559,814**
Cash, cash equivalents and bank overdrafts at the beginning of the year		3,518,200	1,857,572	4,310,520	5,445,281	4,885,467
CASH, CASH EQUIVALENTS AND BANK OVERDRAFTS AT THE END OF THE YEAR		**10,249,654**	**784,011**	**3,518,200**	**10,725,662**	**5,445,281**

The GST (net) component of operating activities reflects the net GST paid and received with the Inland Revenue Department. The GST (net) component has been presented on a net basis, as the gross amounts do not provide meaningful information for financial statement purposes.

Reconciliation of Net Surplus to the Cash Flows from Operations

For the Year Ended 30 June 2012

	Note	Council 30-Jun-12 $	Council 30-Jun-11 $	Consolidated 30-Jun-12 $	Consolidated 30-Jun-11 $
Net surplus/(deficit) after taxation		**2,669,161**	**(2,192,802)**	**8,637,592**	**1,316,055**
Add (less) non-cash items					
Depreciation and amortisation	18	1,030,757	838,537	1,124,801	949,174
Deferred taxation		–	–	(95,028)	(130,501)
Share of associate companies' retained surplus		–	–	(1,232,164)	(715,167)
Transfer of net equity of Northland Regional Council Community Trust		233,556	–	233,556	–
Other comprehensive income adjustments		(520,193)	2,721,188	(2,030,964)	2,721,188
Impairment loss recognised		771,555		152,123	
Other non-cash items		–	–	(5,422)	(1,803)
		1,515,676	3,200,904	(1,853,097)	2,822,891
Movements in working capital					
Decrease (increase) in trade and other receivables		177,453	300,723	(88,093)	1,085,851
Decrease (increase) in inventories		(96,240)	4,489	(96,240)	4,489
(Decrease) increase in tax losses carried forward		47,732	–	47,732	–
(Decrease) increase in trade and other payables		33,701	96,803	319,643	(587,034)
(Decrease) increase in provision for taxation		–	–	326,941	12,538
(Decrease) increase in provisions		–	–	(24,266)	2,234
(Decrease) Increase in employee benefit liabilities		136,242	32,032	179,793	18,897
		298,888	434,046	665,510	536,974
Movements in other activities					
Realised (gains)/loss on sale of assets/investments	5	31,172	39,702	31,172	42,400
Investment income reinvested		–	–	14,134	(820,306)
Non-operating capital items included in working capital movements		–	–	(19,090)	(74,261)
		31,172	39,702	26,216	(852,167)
Net cash flows from operating activities		**4,514,897**	**1,481,849**	**7,476,221**	**3,823,754**

Statement of Accounting Policies

For the year ended 30 June 2012

Reporting entity

The Northland Regional Council is a local authority governed by the Local Government Act 2002 and is domiciled in New Zealand.

The council's group comprises the council and its subsidiary entities, namely:

- Northland Port Corporation (NZ) Ltd (53.61% owned) and its subsidiaries.
- Northland Regional Council Community Trust (100% owned) and its subsidiaries.

All Northland Regional Council subsidiaries are incorporated and domiciled in New Zealand.

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

The financial statements are for the year ended 30 June 2012. The financial statements were authorised for issue by council on 16 October 2012.

Northland Port Corporation (NZ) Limited

The Northland Regional Council owns 22,142,907 25c shares, being 53.61% of the issued capital of the Northland Port Corporation (NZ) Limited. The shares are recorded at $7,827,563, being the deemed cost of 21.7 million shares of $5,436,650.25 under the Northland Harbour Board Port Plan 1988, plus the cost of a parcel of shares acquired in May 2005, less the 652,294 shares sold in February 2009 as part of the share buy-back process. The company has several subsidiaries, associate companies and joint venture interests which are detailed in the Notes to the Accounts in the council's Annual Report.

Basis of preparation

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

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

Measurement base

The financial statements have been prepared on a historical cost basis, modified by the revaluation of certain property plant and equipment, investment property, forestry assets and available for sale financial assets and financial instruments (including derivative instruments).

Functional and presentation currency

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

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income except when deferred in equity as qualifying cash flow hedges.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at balance sheet date.

Changes in accounting policies

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

The council and group has adopted the following revisions to accounting standards during the financial year, which had only a presentational or disclosure effect:

- Amendments to **NZ IAS *1*** *Presentation of Financial Statements.* The amendments introduce a requirement to present, either in the statement of changes in equity or the notes, for each component of equity, an analysis of other comprehensive income by item. The council has decided to present this analysis in note 8.
  FRS-44 New Zealand Additional Disclosures and Amendments to NZ IFRS to harmonise with IFRS and Australian Accounting Standards (Harmonisation Amendments). The purpose of the new standard and amendments is to harmonise Australian and New Zealand accounting standards with source IFRS and to eliminate many of the differences between the accounting standards in each jurisdiction. The main effect of the amendments on the council and group is that certain information about property valuations is no longer required to be disclosed. Note 18 has been updated for these changes.

Standards, amendments and interpretations issued that are not yet effective and have not been early adopted.

Standards, amendments, and interpretations issued but not yet effective that have not been early adopted, and which are relevant to the council and group, are:

- **NZ IFRS 7** *Financial Instruments*: Disclosures – the amendment reduces the disclosure requirements relating to credit risk. Note 10 has been updated for the amendments.
- **NZ IFRS 9** *Financial Instruments* will eventually replace NZ IAS 39 *Financial Instruments: Recognition and Measurement*. NZ IAS 39 is being replaced through the following three main phases: Phase 1 Classification and Measurement, Phase 2 Impairment Methodology, and Phase 3 Hedge Accounting. Phase 1 has been completed and has been published in the new financial instrument standard NZ IFRS 9. NZ IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in NZ IAS 39. The approach in NZ IFRS 9 is based on how an entity manages its financial assets (its business model) and the contractual cash flow characteristics of the financial assets. The financial liability requirements are the same as those of NZ IAS 39, except for when an entity elects to designate a financial liability at fair value through the surplus or deficit. The new standard is required to be adopted for the year ended 30 June 2016. However, as a new Accounting Standards Framework will apply before this date, there is no certainty when an equivalent standard to NZ IFRS 9 will be applied by public benefit entities.

The Minister of Commerce has approved a new Accounting Standards Framework (incorporating a Tier Strategy) developed by the External Reporting Board (XRB). Under this Accounting Standards Framework, the council is classified as a Tier 1 reporting entity and it will be required to apply full Public Benefit Entity Accounting Standards (PAS). These standards are being developed by the XRB based on current international Public Sector Accounting Standards. The effective date for the new standards for public sector entities is expected to be for reporting periods beginning on or after 1 July 2014. This means the council expects to transition to the new standards in preparing its 30 June 2015 financial statements. As the standards are still under development, the council is unable to assess the implications of the new Accounting Standards Framework at this time.

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

Significant accounting policies

Basis of consolidation

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

Northland Regional Council's investments in its subsidiaries are carried at cost in the council's own "parent entity" financial statements.

Subsidiaries

Northland Regional Council consolidates as subsidiaries in the group financial statements all entities over which the council may direct the governance policies so as to obtain benefits from the activities of the entity. This power generally exists where Northland Regional Council has an interest of 50 per cent or more of council-controlled organisations or more than one-half of the voting rights on the governing body or where such policies have been irreversibly predetermined by council or where the determination of such policies is unable to materially impact on the level of potential ownership benefits that arise from the activities of the subsidiary.

Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The consideration transferred in an acquisition of a subsidiary reflects the fair value of the assets transferred by the acquirer and liabilities incurred by the acquirer to the former owner.

The council will recognise goodwill where there is an excess of the consideration transferred over the net identifiable assets and liabilities assumed. This difference reflects the goodwill to be recognised by the council. If the consideration transferred is lower than the net fair value of the council's interest in the identifiable assets acquired and liabilities assumed, the difference will be recognised immediately in the surplus or deficit.

Associates

The council's associate investment is accounted for in the group financial statements using the equity method. An associate is an entity over which the council has significant influence and that is neither a subsidiary nor an interest in a joint venture. The investment in an associate is initially recognised at cost and the carrying amount in the group financial statements is increased or decreased to recognise the group's share of the surplus or deficit of the associate after the date of acquisition. Distributions received from an associate reduce the carrying amount of the investment. If the share of deficits of an associate equals or exceeds its interest in the associate, the group discontinues recognising its share of further deficits. After the group's interest is reduced to zero, additional deficits are provided for, and a liability is recognised, only to the extent that the council has incurred legal or constructive obligations or made payments on behalf of the associate.

If the associate subsequently reports surpluses, the group will resume recognising its share of the surpluses only after its share of the surpluses equals the share of deficits not recognised.

When the group transacts with associate, surpluses or deficits are eliminated to the extent of the group's interest in the associate.

Dilution gains or losses arising from investments in associates are recognised in the surplus or deficit.

The investment in the associate is carried at cost in the council's parent entity financial statements.

Joint ventures

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. Northland Port Corporation is party to several joint venture arrangements. For these and council's jointly controlled operations, council recognises in its financial statements the group's share of the assets, liabilities, revenues and expenses using the proportional consolidation method.

Revenue

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

Rates revenue

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

Other revenue

User fees and charges are recognised and brought to account when invoices are issued for services provided and contracts completed. Revenue from the rendering of services is recognised by reference to the stage of completion of the transaction at balance date, based on the actual service provided as a percentage of the total services provided.

Government grants and subsidies are recognised as revenue when the primary conditions of entitlement have been met.

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

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

Interest income is recognised using the effective interest method.

Dividends are recognised when the right to receive payment has been established. Dividend income is recorded at the cash amount received, being net of taxation imputation credits.

Rental income from investment property is recognised in the Statement of Comprehensive Income on a straight-line basis over the term of the lease. Lease incentives are recognised as part of the total rental income.

Funds are collected for other organisations, including central government. Any funds held at balance date are included in current liabilities. Amounts collected on behalf of third parties are not recognised as revenue, except for the commissions or fees earned.

Vested assets

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

Construction contracts

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

Contract costs include all costs directly related to specific contracts, costs that are specifically chargeable to the customer under the terms of the contract and an allocation of overhead expenses incurred in connection with the group's construction activities in general. An expected loss on construction contracts is recognised immediately as an expense in the statement of financial performance.

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

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

Expenditure

Expenditure is recognised when goods and services have been received.

Borrowing costs

The council and group have elected to defer the adoption of NZ IAS 23 borrowing costs (revised 2007) in accordance with its transitional provisions that are applicable to public benefit entities. Consequently, all borrowing costs are recognised as an expense in the period in which they are incurred.

Grant expenditure

Nondiscretionary grants are those grants that are awarded when the grant application meets the specified criteria and are recognised as expenditure when an application that meets the specified criteria for the grant has been received. Discretionary grants are those grants where the council has no obligation to award on receipt of the grant application and are recognised as expenditure when a successful applicant has been notified of the council's decision.

Income tax

The income tax expense charged to the consolidated Statement of Comprehensive Income includes both current and deferred tax and is calculated after allowing for non-assessable income and non-deductible expenses.

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

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

Deferred tax is measured at the tax rates that are expected to apply 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 balance date.

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

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

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

Current tax and deferred tax is recognised against the surplus or deficit for the period, except to the extent that it relates to a business combination, or to transactions recognised in other comprehensive income or directly in equity.

There are two entities within the group that are exempt from income tax, being Destination Northland Limited and Enterprises Northland Trust. These entities both form part of the Northland Regional Council Community Trust group.

Leases

Operating leases

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

Finance leases

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

At the commencement of the lease term, finance leases are recognised as assets and liabilities on the statement of financial position at the lower of the fair value of the leased item or the present value of the minimum lease payments. Any additional direct costs of the lessee are added to the amount recognised as an asset. The finance charge is charged to the surplus or deficit over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability.

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

Cash and cash equivalents

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

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

Debtors and other receivables

Short term debtors and other receivables are recorded at their face value, less any provision for impairment.

Impairment of a receivable is established when there is objective evidence that the council will not be able to collect amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, receivership or liquidation, and default in payments are considered indicators that the debt is impaired. The amount of the impairment is the difference between the assets carrying amount and the present value of the estimated future cash flows, discounted using the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the surplus or deficit. When the receivable is uncollectable, it is written off against the allowance for receivables. Overdue receivables that have been renegotiated are reclassified as current (that is, not past due).

Derivative financial instruments and hedging accounting

Derivative financial instruments are used to manage exposure to foreign exchange and interest rate risks arising from financing activities. In accordance with its treasury policy, the council does not hold or issue derivative financial instruments for trading purposes.

Derivatives are initially recognised at fair value on the fate a derivative contract is entered into and are subsequently re-measured at their fair value at each balance date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and, if so, the nature of the item being hedged.

The associated gains or losses of derivatives that are not hedge accounted are recognised in the surplus or deficit.

The council and group designate certain derivates as either:

- Hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or
- Hedges of highly probably forecast transactions (cash flow hedge).

The council and group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The council and group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The full fair value of a hedge accounted derivative is classified as a noncurrent asset if the remaining maturity of the hedged item is more than 12 months and as a current asset if the remaining maturity of the hedged item is less than 12 months.

The full fair value of a non-hedge accounted foreign exchange derivative is classified as current if the contract is due for settlement within 12 months of balance date; otherwise, foreign exchange derivatives are classified as non-current. The portion of the fair value of a non-hedge accounted interest rate derivative that is expected to be realised within 12 months of the balance date is classified as current, with the remaining portion of the derivative classified as non-current.

- **Fair value hedge**
  The gain or loss from re-measuring the hedging instrument at fair value, along with the changes in the fair value on the hedged item attributable to the hedged risk, is recognised in the surplus or deficit. Fair value hedge accounting is only applied for hedging fixed interest risk on borrowings.

  If the hedge relationship no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to the surplus or deficit over the period to maturity.
- **Cash flow hedge**
  The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income and the ineffective portion of the gain or loss on the hedging instrument is recognised in the surplus or deficit as part of finance costs.

  If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains or losses that were recognised directly other comprehensive income are reclassified into the surplus or deficit in the same period or periods during which the asset acquired, or liability assumed, affects the surplus or deficit. However, if the council or the group, expects that all, or a portion of a loss, recognised in other comprehensive income will not be recovered in one or more future periods, the amount that is not expected to be recovered is reclassified in the surplus or deficit.

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

  If a hedging instrument expires or is sold, terminated, exercised or revoked, or it no longer meets the criteria for hedge accounting, the cumulative gain or loss on the hedging instrument has been recognised in other comprehensive income from the period when the hedge was effective will remain separately recognised in other comprehensive income until the forecast transaction occurs. When the forecast transaction is no longer expected to occur, any related cumulative gain or loss on the hedging instrument that remains recognised in other comprehensive income from the period when the hedge was effective will be from other comprehensive income to the surplus or deficit.

The council's subsidiary, Northland Port Corporation (NZ) Limited, uses derivative financial instruments to hedge exposure to foreign exchange and interest rate risks arising from financing activities.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value at each balance date.

The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The accounting policies detailed above are applied.

Financial assets

Financial assets and liabilities are initially measured at fair value plus transaction costs unless they are carried at fair value through surplus or deficit in which case the transaction costs are recognised in the surplus or deficit.

Purchases and sales of financial assets are recognised on trade-date, the date on which the council commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the council has transferred substantially all the risks and rewards of ownership.

Northland Regional Council classifies its financial assets into the following four categories:

- Financial assets at fair value through surplus or deficit;
- Loans and receivables;
- Held-to-maturity investments; and
- Financial at fair value through other comprehensive income.

The classification depends on the purpose for which the investments were/was acquired.

- ***Financial assets at fair value through surplus or deficit***
  Financial assets at fair value through surplus or deficit include financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of short term profit taking.

  Derivatives are also categorised as held for trading unless they are designated as hedge accounting relationship for which hedge accounting is applied.

  Financial assets acquired principally for the purpose of selling in the short term or part of a portfolio classified as held for trading are classified as a current asset. The current/non-current classification of derivatives is explained in the derivatives accounting policy above.

  After initial recognition, financial assets in this category are measured at their fair values. Gains or losses on re-measurement are recognised the surplus or deficit.

  Financial assets in this category include investment in quoted shares and interest rate swaps not qualifying as hedges by Northland Port Corporation (NZ) Limited, and investment in quoted shares by way of a managed fund which was designated at fair value through profit or loss at inception by the Northland Regional Council Community Trust.

- ***Loans and receivables***
  Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance date, which are included in noncurrent assets.

  Council's loans and receivables comprise cash and cash equivalents, debtors and other receivables, and term depositions. After initial recognition, they are measured at amortised cost using the effective interest method, less impairment. Loans and receivables issued with duration of less than 12 months are recognised at their nominal value. Gains or losses when the asset is impaired or derecognised are recognised in the surplus or deficit. Loans and receivables are classified as "trade and other receivables" in the Statement of Financial Position.

  Prepayments comprise significant items of expenditure having a benefit to more than one accounting period and are written off over the period to which they relate.

- ***Held to maturity investments***
  Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the council has the positive intention and ability to hold to maturity. They are included in current assets, except for maturities greater than 12 months after the balance date, which are included in noncurrent assets.

  Council does not hold any held-to-maturity investments.

  After initial recognition they are measured at amortised cost using the effective interest method, less impairment. Gains or losses when the asset is impaired or derecognised are recognised in the surplus or deficit.

- ***Financial assets at fair value through other comprehensive income***
  Financial assets at fair value through other comprehensive income are those that are designated into the category at initial recognition or are not classified in any of the other categories above. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance date.

  This category includes:
  - Investments in quoted shares that have been designated in Treasury Management policy as being available for sale;
  - Investments that are intended to be held long term but which may be realised before maturity; and
  - Shareholdings that are held for strategic purposes.

  After initial recognition, these investments are measured at their fair value, with gains and losses recognised directly in equity except for impairment losses, which are recognised in the surplus or deficit.

  On de-recognition, the cumulative gain or loss previously recognised in equity is recognised other comprehensive income is reclassified from equity to the surplus or deficit.

Included in this category are the council's investments in Local Authority stocks. Fair value for these investments is provided by ETOS and is determined by reference to published price quotations in an active market.

Impairment of financial assets

At each balance date the council assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the surplus or deficit.

- ***Loans and other receivables, and held-to maturity investments***
  Impairment of a loan or a receivable is established when there is objective evidence that council will not be able to collect amounts due according to the original terms. Significant financial difficulties of the debtor/issuer, probability that the debtor/issuer will

enter into bankruptcy, and default in payments are considered indicators that the asset is impaired. The amount of the impairment is the difference between the assets' carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rates. For debtors and other receivables, the carrying amount is reduced through the use of an allowance account, and the amount of the loss is recognised in the surplus or deficit. When the receivable is uncollectable, it is written off against the allowance account. Overdue receivables that have been renegotiated are reclassified as current (that is, not past due). Impairment in term deposits, local authority stock, government stock and community loans, impairment losses are recognised directly against the instrument's carrying amount.

- ***Financial assets at fair value through other comprehensive income***
  For equity investments, a significant or prolonged decline in the fair value of the investment below its cost is considered objective evidence of impairment.

  For debt investments, significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, and default in payments are considered objective indicators that the asset is impaired.

  If impairment evidence exists for investments at fair value through other comprehensive income, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the surplus or deficit) recognised in other comprehensive income is reclassified from equity to the surplus or deficit.

  Equity instrument impairment losses recognised in the surplus or deficit are not reversed through the surplus or deficit.

  In a subsequent period the fair value of the debt instrument increases and the increase can be objective related to an event occurring after the impairment loss was recognised, the impairment loss is reversed in the surplus or deficit.

Inventories

Inventories (such as stores and materials) held for distribution or consumption in the provision of services that are not supplied on a commercial basis are measured at the lower cost, adjusted when applicable, for any loss of service potential. Where inventories are acquired at no cost or for nominal consideration, the cost is the current replacement cost at the date of acquisition.

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

The amount of any write-down for the loss of service potential or from cost to net realisable value is recognised in the surplus or deficit in the period of the write-down.

When land held for development and future resale is transferred from investment property/property, plant and equipment to inventory, the fair value of the land at the date of the transfer is its deemed cost.

Costs directly attributed to the development land are to be capitalised to inventory, with the exception of infrastructural asset costs which are capitalised to property, plant, and equipment.

Marsden to Oakleigh rail corridor designation is made up of the costs directly attributable to securing the rail corridor designation. This inventory asset is held for distribution. The future economic benefit or service potential of this asset is not directly related to council's ability to generate future cash inflows. The value of this inventory is at cost and when applicable, will be adjusted for any loss of service potential. Council will transfer the rail corridor to KiwiRail once KiwiRail has entered into an unconditional contract for the construction of the entire Marsden Point Rail Link.

Non-current assets held for sale

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

Any impairment losses for write-downs of non-current assets held for sale are recognised in the surplus or deficit.

Any increases in fair value (less costs to sell) are recognised up to the level of any impairment losses that have been previously recognised.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale.

Property, plant and equipment

Property, plant and equipment consist of:

Operational assets – these include land, buildings, amenities, plant and equipment, navigational aids, vehicles and vessels and dredging equipment.

Infrastructure assets – infrastructure assets are the assets that comprise the Awanui River flood management system, including stop-banks and floodgates.

Restricted assets –there are no restrictions on the assets of the Northland Regional Council or the Northland Regional Council Community Trust. There are no restrictions on the assets of the Northland Port Corporation (NZ) Ltd.

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

Revaluation

All assets are initially valued at cost. Those asset classes that are re-valued are re-valued with sufficient regularity to ensure that their carrying amount does not differ materially from fair value. Except for Land and buildings, and Infrastructure assets all other asset classes are carried at depreciated historical costs.

Land and buildings

The Northland Regional Council re-values the land and buildings' asset class annually.

Infrastructure assets

The Northland Regional Council re-values infrastructure assets class (River Management Schemes) every three years. Infrastructure assets are valued at replacement cost.

Infrastructure assets components include gates, pipes, outlets and stop banks. Depreciation is not provided for on stop-bank components of the infrastructure assets. An asset management plan has been prepared for this scheme and, in the absence of significant flood events, the stop-banks are not considered to deteriorate. The Awanui River flood management scheme assets are tested annually for impairment.

Northland Port Corporation (NZ) Limited re-values certain classes of asset. Revaluations of property, plant and equipment are accounted for on a class of asset basis. Those asset classes that are re-valued are valued annually, on the basis described below. All other asset classes are carried at depreciated historical cost.

The results of revaluing are credited or debited to Other Comprehensive Income and are accumulated to an asset revaluation reserve in equity for that class of asset. Where this would result in a debit balance in the asset revaluation reserve, this balance is not recognised in Other Comprehensive Income but is recognised in the surplus or deficit. Any subsequent increase on revaluation that reverses a previous decrease in value recognised in the surplus or deficit will be recognised first in the surplus or deficit up to the amount previously expensed, and then recognised in other comprehensive income.

Additions

The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the council and the cost of the item can be measured reliably.

In most instances, an item of property, plant and equipment is recognised at its cost. Where an asset is acquired at no cost, or for nominal cost, it is recognised at fair value as at the date of acquisition.

Subsequent costs

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

Disposals

Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount of the asset. Gains and losses on disposals are reported in the surplus or deficit. When re-valued assets are sold, the amounts included in asset revaluation reserves in respect of those assets are transferred to accumulated funds.

Depreciation

Depreciation is provided on a straight-line basis on all property, plant and equipment other than land, owner-occupied buildings and infrastructure assets (except for stop-banks as described under the revaluation section), at rates that will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives.

Owner occupied buildings are re-valued annually and no depreciation is charged on these assets.

The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

Buildings	5-100 years	1-20%
Amenities	5-100 years	1-20%
Forest	10 years	10%
Plant and Equipment	2-20 years	5-50%
Navigational Aids	10 years	10%
Vehicles	4-5 years	20-25%
Vessels and Dredging Equipment	10-25 years	4-10%
Infrastructure assets	50-80 years	1.25-2%

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

Operational land and buildings

The freehold port land (excluding land held for resale) owned by Northland Port Corporation (NZ) Limited is re-valued annually at fair value, as determined by market-based evidence, by an independent valuer.

Amenities owned by Northland Port Corporation (NZ) Limited are not re-valued but recorded at a cost which, in the opinion of the directors, approximates fair value.

Land and buildings held by the Northland Regional Council are re-valued annually at fair value, as determined by market-based evidence, by an independent valuer.

Capital projects in progress

Capital expenditure projects not completed by balance date are recorded at cost.

Intangible assets

Goodwill

Goodwill on acquisition of businesses and subsidiaries is included in "intangible assets". Goodwill on acquisition of associates is included in "investments in associates" and is tested for impairment as part of the overall investment balance.

Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. An impairment loss recognised for goodwill is not reversed.

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

Software acquisition and development

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs that are directly associated with the development of software for internal use by council are recognised as an intangible asset. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

Staff training costs are recognised in the surplus or deficit when incurred.

Costs associated with maintaining computer software are recognised as an expense, when incurred.

Amortisation begins when the asset is available for use, and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in the surplus or deficit.

The useful lives and associated amortisation rates for major classes of intangible assets have been estimated as follows:

Computer software	4-5 years	20-25%

Impairment of property, plant and equipment and intangible assets

Intangible assets that have an indefinite useful life, or are not yet available for use, are not subject to amortisation and are tested, annually, for impairment. Assets not yet available for use are recorded at cost in the capital projects in progress account. Assets that have a finite life are reviewed for indicators of impairment at each balance date. When there is an indicator of impairment the asset's recoverable amount is estimated. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value, less costs to sell and value in use.

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

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

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

For assets not carried at a re-valued amount, the total impairment loss is recognised in the surplus or deficit.

The reversal of an impairment loss on a re-valued asset is credited to the revaluation reserve. However, to the extent that an impairment loss for that class of asset was previously recognised in the Statement of Comprehensive Income, a reversal of the impairment loss is also recognised in the surplus or deficit.

For assets not carried at a re-valued amount (other than goodwill), the reversal of an impairment loss is recognised in the surplus or deficit.

Easements

Easements are recognised at cost, being the costs directly attributable to bringing the asset to its intended use. Easements have an indefinite useful life and are not amortised, but are instead tested for impairment annually.

Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight line basis over its useful life.

Biological assets

Forestry assets are independently re-valued, annually, by Chandler Fraser Keating Ltd at fair value less estimated point-of-sale costs. Fair value is the amount for which the forest asset would be expected to exchange between a willing buyer and a willing seller in an arm's length transaction, after proper marketing, wherein the parties have each acted knowledgeably and without compulsion. Fair value is derived using a combination of the expectation value (or income) approach and the cost-based approach. Under the expectation value approach, the net present value is calculated by discounting to the present day the projected net cash flow of the forest in perpetuity. The calculated net present value is then linked to sales evidence through the application of a discount rate derived from the analysis of actual transactions. The cost-based approach is also employed in the valuation because the tree crop is a young, second rotation forest (80% by value are less than 10 years of age) and this approach better reflects how the market would likely view the tree crop value.

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

The costs to maintain the biological assets are included as an expense in surplus or deficit.

New Zealand Units (Forestry) - Emissions Trading scheme

The council has 291 hectares of pre-1990 forest land. This land is subject to the provisions of the New Zealand emissions trading scheme ('ETS"). The implication of this for the financial statements is two-fold:

- Should the land be deforested (that is, the land is changed from forestry to some other purpose), a deforestation penalty will arise; and
- As a result of the deforestation restriction, compensation units are being provided by the Government.

Compensation is to be provided to forestry owners, via the allocation of compensation units, known as New Zealand Units (NZUs) in two tranches. Council received the first tranche of 6,693 units in December 2010. Subject to there being no change in legislation, council expects to receive a further 10,767 NZU's in the second tranche allocation of units in 2013.

Compensation units are recognised at deemed cost based on the fair value at the date of receipt (that is, historic value). The credits are recognised when they have been received and are recognised as income in the Statement of Comprehensive Income. Gains and losses on disposal are determined by comparing the disposal proceeds with the carrying amount of the NZU. Gains and losses on disposals are reported in the surplus or deficit.

If at the end of any financial year there has been some deforestation (such as harvesting) that is yet to be replanted, a contingent liability will be disclosed until such time as replanting has occurred. Council's Forest Management Plan prescribes replanting will always take place subsequent to any harvest.

After initial recognition, Emission Trading Scheme credits are measured at their fair values with gains or losses on re-measurement recognised in the surplus or deficit.

Investment property

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

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

After initial recognition, council measures all investment property at fair value, as determined annually by Telfer Young (Northland) Ltd who are independent valuers, and who have recent experience in the location and category of the investment property being valued and hold a recognised and relevant professional qualification. Fair value is the price at which the property could be exchanged between knowledgeable, willing parties in an arm's length transaction. The fair value of investment property reflects, among other things, rental income from current leases and reasonable and supportable assumptions that represent what knowledgeable, willing parties would assume about rental income from future leases in the light of current conditions.

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

Creditors and other payables

Creditors and other payables are recorded at their face value.

Employee entitlements

Short term employee entitlements

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

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

Council recognises a liability for sick leave to the extent that absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the extent that council anticipates it will be used by staff to cover those future absences.

Council recognises that a liability and an expense are recognised for bonuses where contractually obliged, or where there is a past practice that has created a constructive obligation.

Long term employee entitlements

Entitlements that are payable beyond 12 months, such as long service leave and retirement leave, have been calculated on an actuarial basis. The calculations are based on:

- Likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement and contractual entitlements information; and
- The present value of the estimated future cash flows.

These estimated amounts are discounted to their present value using the 10 year Government bond rate.

Presentation of employee entitlements

Sick leave, annual leave, vested long service leave, and non-vested long service leave and retirement gratuities expected to be settled within 12 months of balance date, are classified as a current liability. All other employee entitlements are classified as a non-current liability.

Superannuation schemes

Obligations for contributions to Kiwi Saver are accounted for as defined contribution superannuation schemes are recognised as an expense in the surplus or deficit when incurred.

Provisions

A provision for future expenditure of uncertain amount or timing is recognised when there is a present obligation (either legal or constructive) as a result of a past event. It is probable that expenditures will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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

Equity

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

The components of equity are:

- Accumulated funds;
- Special reserves;
- Restricted reserves;
- Asset revaluation reserves; and

- Fair value through other comprehensive income reserve.

Special reserves are a component of equity generally representing a particular use to which various parts of equity have been assigned. Reserves may be legally restricted or created by the council.

Restricted reserves include the Land Management Reserve, Priority Rivers Reserve, Hātea River Reserve, Recreational Facilities Reserve, Awanui River Management Reserve, Kaihū River Management Reserve, Whāngārei Urban Rivers Reserve, Kaeo River Management Reserve, Infrastructure Facilities Reserve and Environment Fund Reserve. These reserves are restricted by law and reflect targeted rates that must be applied to the specific activities for which the rates were collected. Other reserves are established by the council and may be altered at the discretion of the council.

Goods and services tax (GST)

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

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

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

Commitments and contingencies are disclosed exclusive of GST.

Budget figures

The budget figures are those approved by the council in its 2011-2012 Annual Plan. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted by the council for the preparation of the financial statements.

Cost allocation

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

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

Inter-departmental direct costs are charged to the applicable department at the time the cost is incurred.

Indirect costs are charged to significant operating activities using appropriate cost drivers such as actual usage and staff numbers.

Financial risk management objectives and polices

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

The group's principal financial instruments comprise the investment portfolio, finance leases and cash and short term deposits. The group has various other financial assets and liabilities such as trade receivables and trade payables which arise directly from its operations. The main risk arising from the group's financial instruments are cashflow interest rate risk, liquidity risk, foreign currency risk and credit risk.

Details of the significant accounting policies and methods adopted include the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset. Financial liabilities are disclosed in the notes to the financial statements.

Financial instrument risk

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

Market risk

Price risk

Price risk is the risk the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices. Equity securities price risk arises on listed share investments, which are classified as financial assets held at fair value through other comprehensive income. For council this only includes the former Northland Regional Council Community Trust fund investments. This price risk arises due to market movements in listed shares. Equity securities price risk is not managed.

Fair value interest rate risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Northland Regional Council's exposure to fair value interest rate risk is limited to interest-bearing investments within the portfolio.

Northland Port Corporation (NZ) Ltd has risk from its long term debt obligations with a floating interest rate. To mitigate this risk, derivate interest rate swap contracts are periodically entered into under which the company is obligated to receive interest at floating rates and to pay interest at fixed rates.

Cash flow interest rate risk

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

The policies of the Northland Regional Council require a spread of investment maturity dates to limit exposure to short term interest rate movements.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Northland Port Corporation (NZ) Ltd foreign exchange risk is considered minimal, therefore, a sensitivity analysis has not been performed.

Credit risk

Credit risk is the risk that a third party will default on its obligation to the council and group, causing it to incur a loss. Due to the timing of its cash inflows and outflows, surplus cash is invested into term deposits, local authority stock, and government bonds which give rise to credit risk.

Northland Regional Council investments are invested in accordance with the Treasury Management Policy which has a low risk profile. Investments are made with creditworthy institutions as determined by their Standard and Poors credit rating. Investment of surplus cash is limited to Local Authority and Government Stock and approved corporate bonds and deposits with New Zealand registered banks.

On 1 July 2012, council took responsibility for the investment of the former Northland Regional Council Community Trust Fund – now referred to as the Community Investment Fund. A Statement of Investment Policies and Objectives is currently being developed for council approval to manage risk to acceptable levels.

Northland Port Corporation (NZ) Ltd manages its credit exposure by only trading with recognised, credit worthy parties and by limiting the amount of funds placed with any one financial institute at any one time.

Accordingly, the group has no significant concentrations of credit risk.

Liquidity risk

Liquidity risk is the risk that the Northland Regional Council will encounter difficulty raising liquid funds to meet commitments as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and availability of funding through the investment portfolio. The vast majority of the investment portfolio is very liquid and able to be sold on the same day.

Northland Port Corporate (NZ) Limited manages its exposure to liquidity risk by maintaining a balance between continuity of funding and flexibility through the use of bank loans, overdrafts and committed available credit lines.

Capital management

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

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

The objective of managing these items is to achieve intergenerational equity, which is a principle promoted in the Act and applied by the council. Intergenerational equity requires today's ratepayers to meet the costs of using the council's assets and not expecting them to meet the full costs of long term assets that will benefit ratepayers in future generations. Additionally, the council has in place asset management plans for major classes of assets, detailing renewal and maintenance programmes to ensure ratepayers in future generations are not required to meet the costs of deferred renewals and maintenance.

The Act requires the council to make adequate and effective provision in its Long Term Plan and in its Annual Plan (where applicable) to meet the expenditure needs identified in those plans. The Act also sets out the factors that the council is required to consider when determining the most appropriate sources of funding for each of its activities. The sources and levels of funding are set out under Funding and Financial Policies in the Council's Long Term Plan.

Reserves for different areas of benefit are used where there is a discrete set of rate or levy payers as distinct from the general rate. Any surplus or deficit relating to these separate areas of benefit is applied to the specific reserves. Self-insurance reserves are built up annually from general or sometimes targeted rates and are made available for specific unforeseen events. The release of these funds is approved by council.

Critical accounting estimates and assumptions

In preparing these financial statements estimates, assumptions have been made concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances.

Notes to the Financial Statements

For the year ended 30 June 2012

Notes to the Financial Statements continued

For the year ended 30 June 2012

Note 1: Summary of council cost of services	Note	Council 30-Jun-12 $	Annual Plan 30-Jun-12 $	Council 30-Jun-11 $	Consolidated 30-Jun-12 $	Consolidated 30-Jun-11 $
Income						
Democracy and Corporate Services		4,570,374	4,555,357	4,437,429		
Regional Information and Engagement		1,214,938	1,226,102	1,336,805		
Regional Economic Development		3,152,174	3,269,336	2,891,853		
Resource Management Planning		1,106,270	1,042,893	835,176		
Transport		2,271,826	2,652,548	2,259,477		
Consents		1,529,602	1,655,809	1,889,517		
Environmental Monitoring		4,073,611	4,011,776	4,320,206		
Land and Rivers		3,997,087	4,068,744	3,582,108		
Biosecurity		2,223,721	2,025,481	2,086,359		
Emergency Management		308,861	212,512	237,182		
Maritime		1,666,263	1,328,701	1,374,254		
Support services		812,678	1,026,061	683,727		
Total activity income and rates as per cost and funding statements		**26,927,404**	**27,075,320**	**25,934,095**		
Add/(Remove)						
Investment income not allocated to activities		1,374,019	1,375,455	–		
Rate penalties discounts and remissions		501,404	–	429,102		
Internal finance costs		(811,462)	(1,026,061)	(657,283)		
Other gains /(losses) from changes in fair value and disposal of assets and investments		(370,212)	102,060	(2,402,069)		
Total revenue as per Statement of Comprehensive Income		**27,621,152**	**27,526,774**	**23,303,845**		
Expenditure						
Democracy and Corporate Services		2,000,849	1,921,886	1,994,420		
Regional Information and Engagement		1,777,371	1,831,030	1,767,275		
Regional Economic Development		2,505,933	2,504,358	3,686,815		
Resource Management Planning		1,805,375	1,517,403	1,142,012		
Transport		2,474,351	2,818,348	2,273,450		
Consents		2,096,937	2,093,988	2,104,568		
Environmental Monitoring		5,367,692	5,222,510	5,477,196		
Land and Rivers		4,235,351	4,288,462	3,770,756		
Biosecurity		2,417,792	2,203,081	2,260,404		
Emergency Management		342,605	243,228	271,669		
Maritime		1,691,355	1,503,114	1,405,365		
Support services		-	–	-		
Total expenditure as per activity cost and funding statements		**26,715,612**	**26,147,408**	**26,153,930**		
Add/(Remove)						
Internal finance costs		(811,462)	(1,026,061)	(657,283)		
TOTAL EXPENDITURE AS PER STATEMENT OF COMPREHENSIVE INCOME		**25,904,149**	**25,121,347**	**25,496,647**		
Operating expenditure disclosed as:						
Personnel costs	6	9,953,470	9,894,144	9,328,954	11,317,484	10,496,061
Depreciation and amortisation	18	1,030,757	1,200,308	838,537	1,124,801	949,174
Finance costs	3	91,970	1,000	37,710	107,758	50,963
Other expenditure on activities		14,827,952	14,025,895	15,291,446	17,839,691	18,180,407
		25,904,149	**25,121,347**	**25,496,647**	**30,389,734**	**29,676,607**

Note 1: Summary of council cost of services continued	Note	Council 30-Jun-12 $	Annual Plan 30-Jun-12 $	Council 30-Jun-11 $	Consolidated 30-Jun-12 $	Consolidated 30-Jun-11 $
Operating expenditure includes:						
Audit fees paid to principal auditor:						
Audit fees for financial statement audit of Council		123,319	120,000	124,504	260,759	248,719
Audit fees for financial statement audit of CCO		9,405	7,500	7,573	9,405	–
Audit fees for Long Term Council Community Plan/Annual Plan audit		71,789	68,000	–	71,789	–
Fees for other services		–	–	–	18,592	15,133
Audit fees paid to other auditors		–	–	–	1,480	5,083
Directors'/Councillors' fees and Trustee remuneration		521,569	524,745	499,026	692,853	647,859
Donations		1,073,121	750,000	1,577,037	871,696	195,276
Insurance premiums		290,359	202,634	156,860	290,359	156,860
Interest expenses		91,970	1,000	37,710	107,758	50,963
Operating lease payments		–	–	–	61,953	71,154
Bad debts written off		60,617	25,000	282,357	60,617	282,357
Rates arrears written off		178,311	–	210,862	178,311	210,862
Impairment of receivables (note 10)		659,508	–	–	659,508	–
Direct operating expenditure on investment properties		259,708	150,048	248,306	259,708	248,306

Note 2: Rates revenue	Council 30-Jun-12 $	Annual Plan 30-Jun-12 $	Council 30-Jun-11 $	Consolidated 30-Jun-12 $	Consolidated 30-Jun-11 $
Targeted rates attributable to activities					
Targeted council services rate	6,822,522	6,966,873	5,713,643	6,822,522	5,713,643
Targeted land management rate	4,466,946	4,567,144	4,052,755	4,466,946	4,052,755
Regional recreational facilities rate	1,195,390	1,218,065	1,170,534	1,195,390	1,170,534
Regional infrastructure rate	586,094	593,602	540,668	586,094	540,668
Rescue helicopter service rate	607,740	620,019	615,626	607,740	615,626
Transport rate	403,219	410,476	400,365	403,219	400,365
Awanui River management rate	402,022	422,859	504,393	402,022	504,393
Kaihū River management rate	82,701	78,612	72,130	82,701	72,130
Kaeo River management rate	139,029	130,787	124,933	139,029	124,933
Whāngārei urban rivers management rate	566,419	592,780	–	566,419	–
Rates penalties	501,404	–	429,102	501,404	429,102
Total revenue from rates	**15,773,486**	**15,601,217**	**13,624,149**	**15,773,486**	**13,624,149**

Rates remissions and postponements

Rates revenue is shown net of rates remissions postponements and early payment discounts. The Northland Regional Council's rates remission and postponement policy allows it to remit or postpone rates as per the Rates Remission and Postponement Policies of the Territorial Authorities who collect Northland Regional Council's rates on its behalf. Whāngārei District Council offers an early payment discount if rates are paid in full at the first instalment of 20 August.

Total rates revenue	**16,659,627**	**15,601,217**	**14,262,255**	**16,659,627**	**14,262,255**
Rates remissions					–
Kaipara	11,860	–	10,712	11,860	10,712
Whāngārei	219,107	–	214,814	219,107	214,814
Far North	323,873	–	111,832	323,873	111,832
Rates Postponements					
Kaipara	–	–	–	–	–
Whāngārei	45,533	–	14,980	45,533	14,980
Far North	285,768	–	285,768	285,768	285,768
Total remissions and postponements	**886,141**	–	**638,106**	886,141	638,106
Rates revenue net of remissions and postponements	**15,773,486**	**15,601,217**	**13,624,149**	**15,773,486**	**13,624,149**

Non-rated land

Under the Local Government (Rating) Act 2002 certain properties cannot be rate for generated rates. These properties include schools, places of religious worship, public gardens and reserves.

Non-rateable land does not constitute a remission under the council's rates remission policy.

Note 3: Finance income and finance costs	Council 30-Jun-12 $	Annual Plan 30-Jun-12 $	Council 30-Jun-11 $	Consolidated 30-Jun-12 $	Consolidated 30-Jun-11 $
Finance income					
Interest income:					
• Term and bank deposits	204,155	1,341,881	233,126	244,641	250,665
• Investment stock and bonds	1,168,659	–	1,382,079	1,466,329	1,786,210
• Joint venture	296,981	375,750	217,620	296,981	217,620
• Other	60,867	–	1,413	60,867	1,413
Total finance income	**1,730,661**	**1,717,631**	**1,834,238**	**2,068,817**	**2,255,908**
Finance costs					
Interest expense	91,970	1,000	37,710	107,758	50,963
Total finance costs	91,970	1,000	37,710	107,758	50,963
Net finance income	**1,638,691**	**1,716,631**	**1,796,528**	**1,961,059**	**2,204,945**

Note 4: Revenue from activities and other revenue	Council 30-Jun-12 $	Annual Plan 30-Jun-12 $	Council 30-Jun-11 $	Consolidated 30-Jun-12 $	Consolidated 30-Jun-11 $
Fees and charges	4,419,316	3,956,038	4,448,624	5,858,103	5,773,539
Grants and subsidies[1]	952,632	1,370,884	1,245,795	952,632	1,245,795
Revenue from activities	**5,371,948**	**5,326,922**	**5,694,419**	**6,810,735**	**7,019,334**
Investment income (rents)	3,454,552	3,427,314	3,201,458	3,908,462	3,503,886
Dividend income	1,660,718	1,328,574	1,218,460	240,786	152,517
Sundry income	–	23,055		612,849	509,198
Emission Trading Scheme - NZU's			133,191	–	133,191
Northland Port Corporation (NZ) Limited				–	–
• Other income	–	–	–	21,380	21,572
Northland Regional Council Community Trust - realised income/(deficit) from equities	–	–	–	(472,718)	–
• Unrealised income/(deficit) from equities	–	–	–	–	413,435
Other revenue	**5,115,270**	**4,778,944**	**4,553,108**	**4,310,759**	**4,733,798**

[1] Government grants and subsidies are principally from the New Zealand Transport Agency for passenger services, transport and strategy development and from Maritime New Zealand for oil spill clean-up.

There are no unfulfilled conditions and other contingencies attached to these grants and subsidies.

Note 5: Other revenues and gains /(losses)	Note	Council 30-Jun-12 $	Annual Plan 30-Jun-12 $	Council 30-Jun-11 $	Consolidated 30-Jun-12 $	Consolidated 30-Jun-11 $
Non-financial instruments						
Net gain/(loss) on disposal of property, plant and equipment		(57,366)	_	(39,702)	(51,944)	(37,899)
Gain/(loss) on changes in fair value of investment property	15	841,648	_	(2,795,527)	2,350,564	(2,795,527)
Gain/(loss) on changes in fair value of forestry assets	20	23,439	102,060	435,296	23,439	435,296
Gain/(loss) on changes in fair value buildings		(344,895)	_	(360,957)	(344,895)	(360,957)
Total nonfinancial instruments gains		**462,827**	**102,060**	**(2,760,890)**	**1,977,165**	**(2,759,087)**
Financial instruments						
Gain/(loss) on changes in fair value of financial investments		26,194	_	_	26,194	_
Gain/(loss) on disposal of financial Investments					1,855	
Impairment loss reversed/(impairment loss recognised)		(771,555)	_	358,821	(152,123)	_
Emission Trading Scheme - NZU's		(87,678)			(87,678)	_
PIE excluded income		_	_	_	28,720	26,650
Foreign exchange gains/(losses)		_	_	_	(2,794)	6,813
		(833,039)	_	**358,821**	**(185,826)**	**33,463**
Total gains /(Losses)		**(370,212)**	**102,060**	**(2,402,069)**	**1,791,339**	**(2,725,624)**

The fair value gains and losses on investment property and forestry assets arise from the annual revaluation of these investments.

Note 6: Personnel costs	Note	Council 30-Jun-12 $	Annual Plan 30-Jun-12 $	Council 30-Jun-11 $	Consolidated 30-Jun-12 $	Consolidated 30-Jun-11 $
Salaries and wages [1]		9,672,958	9,803,175	9,178,895	11,036,972	10,346,387
Employer contributions to defined contribution plans		144,269	90,969	118,027	144,269	118,027
Increase/(decrease) in employee benefit liabilities	22	136,243	_	32,032	136,243	31,647
Total personnel costs		**9,953,470**	**9,894,144**	**9,328,954**	**11,317,484**	**10,496,061**

[1] Personnel costs includes salaries, wages, leave and other employee-earned compensation.

Note 7: Taxation

	Note	Council 30-Jun-12 $	Council 30-Jun-11 $	Council 30-Jun-12 $	Council 30-Jun-11 $
Components of tax expense					
Current tax expense / (credit)		–	–	(162,909)	–
Adjustments to current tax in prior periods		(952,158)		(952,158)	
Deferred tax asset		–	–	64,614	(109,982)
		(952,158)	–	**(1,050,453)**	**(109,982)**
Relationship between tax expense and accounting profit					
Net surplus /(deficit)		1,717,003	(2,192,802)	7,587,139	1,206,073
Surplus/(deficit) before tax		1,717,003	(2,192,802)	7,587,139	1,206,073
Taxation at 28% (2011: 30%):		480,761	(657,841)	2,124,400	361,822
Adjusted for tax effects:					
Tax paid on associate companies' earnings		–	–	(312,265)	(183,093)
Non-assessable income		639,809	2,725,495	658,231	3,528,286
Non-deductible expenses		(1,073,121)	(2,032,841)	(1,072,849)	(2,492,966)
Over provision prior year		(952,158)	–	(929,563)	39,099
Imputation credits		(711,736)	(522,209)	(2,182,693)	(1,862,692)
Impact of impending change in company tax rate to 28%		–	–	–	12,169
Tax losses not recognised		664,287	487,395	664,287	487,395
Tax expense /(credit)		**(952,158)**	**(0)**	**(1,050,453)**	**(109,982)**

Deferred tax asset/(liability)	Property plant and equipment $	Financial instrument $	Employee entitlement $	Other provisions $	Losses $	Total $
GROUP						
Balance at 30 June 2010	(31,206)	–	–	15,165	464,453	**448,412**
Charged to Statement of Financial Performance	(45,751)	–	–	10,215	166,036	**130,500**
Charged to equity	–	–	–	–	–	–
Balance at 30 June 2011	(76,957)	–	–	25,380	630,489	**578,912**
Charged to Statement of Financial Performance	(53,228)	–	–	(11,386)	159,643	95,029
Charged to equity	–	–	–	–	–	–
Balance at 30 June 2012	**(130,185)**	–	–	**13,994**	**790,132**	**673,941**

A deferred tax asset has not been recognised in relation to tax losses in the Northland Regional Council of $4,632,414 (2011 $3,559,293) .

Note 8: Equity

	Council 30-Jun-12 $	Council 30-Jun-11 $	Consolidated 30-Jun-12 $	Consolidated 30-Jun-11 $
Accumulated funds				
As at 1 July	**116,921,483**	**117,842,548**	**232,901,018**	**239,572,623**
Surplus/ (deficit) for year	2,669,161	(2,192,802)	8,637,592	1,316,054
Transfers to/(from) freehold land revaluation reserves	(25,000)	(58,000)	(2,686,015)	(8,371,389)
Transfers to/(from) infrastructure assets revaluation reserves	–	1,106,411	–	1,106,411
Financial assets at fair value through equity	(181,133)	223,326	(181,133)	223,326
Less dividends paid	–	–	(1,436,831)	(1,050,398)
Hedging reserve			32,844	104,391
As at 30 June	**119,384,511**	**116,921,483**	**237,267,475**	**232,901,018**
			–	
Made up of:				
Retained earnings				
As at 1 July	**110,137,253**	**111,389,216**	**125,932,262**	**125,866,244**
Surplus/ (deficit) for year	2,669,161	(2,192,802)	5,098,430	(876,948)
Transfers from special reserves	506,028	1,931,067	506,028	1,931,067
Transfers to special reserves	(2,484,136)	(990,227)	(2,484,136)	(990,227)
Dividends Paid			122	2,125
As at 30 June	**110,828,307**	**110,137,253**	**129,052,707**	**125,932,262**
Asset revaluation reserve				
As at 1 July	**2,025,201**	**976,790**	**45,060,650**	**48,469,047**
Revaluation gains/(losses) - buildings	–	–	–	–
Revaluation gains/(losses) - land	(25,000)	(58,000)	(1,451,570)	(4,514,808)
Revaluation gains/(losses) - infrastructure assets	–	1,106,411	–	1,106,411
As at 30 June	**2,000,201**	**2,025,201**	**43,609,080**	**45,060,650**
Asset revaluation reserve consists of:				
Land	893,790	918,790	42,502,669	43,954,239
Buildings	–	–	–	–
Infrastructure assets	1,106,411	1,106,411	1,106,411	1,106,411
Total	**2,000,201**	**2,025,201**	**43,609,080**	**45,060,650**
Financial assets at fair value through comprehensive income				
As at 1 July	**419,212**	**195,886**	**419,212**	**195,886**
Transfer to/(from) accumulated funds	(181,133)	223,326	(181,133)	223,326
As at 30 June	**238,079**	**419,212**	**238,079**	**419,212**

Note 8: Equity continued

	Council 30-Jun-12 $	Council 30-Jun-11 $	Consolidated 30-Jun-12 $	Consolidated 30-Jun-11 $
Special reserves				
Land Management Reserve				
As at 1 July	**1,392,847**	**1,673,039**	**1,392,847**	**1,673,039**
Transfer to/(from) accumulated funds	(35,000)	(280,192)	(35,000)	(280,192)
As at 30 June	**1,357,847**	**1,392,847**	**1,357,847**	**1,392,847**
Awanui River Reserve				
As at 1 July	**90,316**	**(137,750)**	**90,316**	**(137,750)**
Transfer to/(from) accumulated funds	(75,382)	228,066	(75,382)	228,066
As at 30 June	**14,934**	**90,316**	**14,934**	**90,316**
Kaihū River Reserve				
As at 1 July	**(9,453)**	**(8,684)**	**(9,453)**	**(8,684)**
Transfer to/(from) accumulated funds	14,783	(769)	14,783	(769)
As at 30 June	**5,330**	**(9,453)**	**5,330**	**(9,453)**
Kaeo River Reserve				
As at 1 July	**63,900**	**82,111**	**63,900**	**82,111**
Transfer to/(from) accumulated funds	5,623	(18,211)	5,623	(18,211)
As at 30 June	**69,523**	**63,900**	**69,523**	**63,900**
Whāngārei Urban River Reserve				
As at 1 July	–		–	–
Transfer to/(from) accumulated funds	381,699		381,699	–
As at 30 June	**381,699**	–	**381,699**	–
Priority Rivers Reserve				
As at 1 July	**(258,470)**	**(324,057)**	**(258,470)**	**(324,057)**
Transfer to/(from) accumulated funds	117,917	65,587	117,917	65,587
As at 30 June	**(140,553)**	**(258,470)**	**(140,553)**	**(258,470)**
Infrastructure Facilities Reserve				
As at 1 July	**(1,383,832)**	**(1,055,590)**	**(1,383,832)**	**(1,055,590)**
Transfer to/(from) accumulated funds	109,584	(328,242)	109,584	(328,242)
As at 30 June	**(1,274,248)**	**(1,383,832)**	**(1,274,248)**	**(1,383,832)**
Recreational Facilities Reserve				
As at 1 July	**(7,073,303)**	**(5,969,650)**	**(7,073,303)**	**(5,969,650)**
Transfer to/(from) accumulated funds	297,933	(1,103,653)	297,933	(1,103,653)
As at 30 June	**(6,775,370)**	**(7,073,303)**	**(6,775,370)**	**(7,073,303)**
Investment Fund Reserve				
As at 1 July	**8,335,297**	**8,335,297**	**8,335,297**	**8,335,297**
Transfer to/(from) accumulated funds		–	–	–
As at 30 June	**8,335,297**	**8,335,297**	**8,335,297**	**8,335,297**

Note 8: Equity continued

	Council 30-Jun-12 $	Council 30-Jun-11 $	Consolidated 30-Jun-12 $	Consolidated 30-Jun-11 $
Forest income equalisation fund				
As at 1 July	**2,401,748**	**2,601,748**	**2,401,748**	**2,601,748**
Transfer to/(from) accumulated funds	(50,000)	(200,000)	(50,000)	(200,000)
As at 30 June	**2,351,748**	**2,401,748**	**2,351,748**	**2,401,748**
Hātea River Reserve				
As at 1 July	**127,189**		**127,189**	–
Transfer to/(from) accumulated funds	(56,614)	127,189	(56,614)	127,189
As at 30 June	**70,575**	**127,189**	**70,575**	**127,189**
Environment Fund Reserve				
As at 1 July	**117,473**	**33,192**	**117,473**	**33,192**
Transfer to/(from) accumulated funds	12,578	84,281	12,578	84,281
As at 30 June	**130,051**	**117,473**	**130,051**	**117,473**
Investment and Growth Reserve				
As at 1 July			–	–
Transfer to/(from) accumulated funds	1,544,019		1,544,019	–
As at 30 June	**1,544,019**	–	**1,544,019**	–
Approved carry forwards - general funds				
As at 1 July	**536,104**	**51,000**	**536,104**	**51,000**
Transfer to/(from) accumulated funds	(289,032)	485,104	(289,032)	485,104
As at 30 June	**247,072**	**536,104**	**247,072**	**536,104**
Hedging Reserve				
As at 1 July	–	–	**(284,972)**	**(340,936)**
Gains/losses recognised	–	–	17,608	55,964
Transfer to/(from) accumulated funds	–	–	–	–
As at 30 June	–	–	**(267,364)**	**(284,972)**
Total Special Reserves at 30 June	**8,556,204**	**6,784,230**	**49,897,719**	**49,534,706**
Non-controlling interest	–	–	**58,317,050**	**57,434,049**
TOTAL EQUITY AT 30 JUNE	**119,384,511**	**116,921,483**	**237,267,473**	**232,901,016**

Note 9: Cash and cash equivalents	**Council 30-Jun-12 $**	**Council 30-Jun-11 $**	**Consolidated 30-Jun-12 $**	**Consolidated 30-Jun-11 $**
Cash on hand at trading banks	1,549,654	3,095,452	2,070,273	5,050,487
Term deposits with maturities less than 3 months	8,700,000	422,748	8,700,000	422,748
Total cash and cash equivalents	**10,249,654**	**3,518,200**	**10,770,273**	**5,473,235**

The carrying value of cash at bank and term deposits, with maturities less than three months, approximate their fair value. There were no cash or cash equivalent balances held at 30 June 2012 that were not available for use by the group.

Northland Port Corporation (NZ) Ltd

Term deposits

Current account deposits held with the ASB Bank are non-interesting bearing. At balance date, funds held on call deposit with the ASB Bank yield interest at 2.5% (June 2011: 2.5%-3.40%).

Bank overdraft

At balance date, the interest rate on the overdraft for Northland Port Corporation (NZ) Limited Group's $400,000 overdraft facility was 9.3% (June 2011: $400,000, 9.30%).

Bank loan

During the year North Port Corporation (NZ) Ltd established a $1,000,000 flexible finance facility with the ASB Bank of which $497,571 was undrawn at balance date. As at 30 June 2012 the interest rate on this funding facility was 6.25% (June 2011 - not applicable). This facility is repayable in full on or before 31 March 2013. The ASB Bank has a registered mortgage over certain land owned by the company. The subject land is situated at 711 Marsden Point Highway, Marsden Point, and has a current carrying value of $1,000,000.

Note 10: Debtors and other receivables	Note	Council 30-Jun-12 $	Council 30-Jun-11 $	Consolidated 30-Jun-12 $	Consolidated 30-Jun-11 $
Rates receivables		3,791,216	3,709,037	3,791,216	3,709,037
Other receivables		2,037,759	2,201,983	2,814,207	2,739,726
GST receivable		371,374	287,668	383,503	308,940
Related party receivables	30	311,189	–	356,238	15,704
Prepayments		220,773	51,568	246,796	70,952
Gross debtors and other receivables		6,732,311	6,250,256	7,591,960	6,844,359
Less provision for impairment of receivables		(1,927,259)	(1,267,751)	(1,927,259)	(1,267,751)
Total trade and other receivables		**4,805,052**	**4,982,505**	**5,664,701**	**5,576,608**

Fair value

Trade and other receivables are non-interest bearing and receipt is normally on 30-day terms, therefore the carrying value of trade and other receivables approximates their fair value. There is no concentration of credit risk outside the group, as the group has a large number of customers which spreads the risk.

Impairment

As of 30 June 2012 and 2011, all overdue rates receivables have been assessed for impairment and appropriate provisions applied. Northland Regional Council holds no collateral as security or other credit enhancements over receivables that are either past due or impaired. The impairment provision has been calculated based on expected losses for Northland Regional Council's rates debtors. Expected losses have been determined based on an analysis of the council's individual receivables, based on objective evidence.

Movement in the provision for impairment of receivables are as follows:	2012 Gross $	2012 Impairment $	2012 Net $	2011 Gross $	2011 Impairment $	2011 Net $
Council						
Not past due	4,608,197	–	4,608,197	4,892,084	–	4,892,084
Past due 1-60 days	33,202	–	33,202	73,260	–	73,260
Past due 61-120 days	163,653	–	163,653	17,161	–	17,161
Past due > 120 days	1,927,259	(1,927,259)	–	1,267,751	(1,267,751)	–
Total	**6,732,311**	**(1,927,259)**	**4,805,052**	**6,250,256**	**(1,267,751)**	**4,982,505**
Group						
Not past due	5,467,846	–	5,467,846	5,486,086	–	5,486,086
Past due 1-60 days	33,202	–	33,202	73,260	–	73,260
Past due 61-120 days	163,653	–	163,653	17,262	–	17,262
Past due > 120 days	1,927,259	(1,927,259)	–	1,267,751	(1,267,751)	1
Total	**7,591,960**	**(1,927,259)**	**5,664,701**	**6,844,359**	**(1,267,751)**	**5,576,608**

Note 10: Debtors and other receivables continued

The impairment provision has been calculated based on expected losses for Council's pool of receivables. Expected losses have been determined based on an analysis of council's losses in previous periods, and a review of specific receivables, as detailed below:

	Council 30-Jun-12 $	Council 30-Jun-11 $	Consolidated 30-Jun-12 $	Consolidated 30-Jun-11 $
Individual impairment	19,257	93,939	93,939	93,939
Collective impairment	1,908,002	1,173,812	1,833,320	1,173,812
Total provision for impairment	**1,927,259**	**1,267,751**	**1,927,259**	**1,267,751**

Individually impaired receivables have been determined to be impaired because of the significant financial difficulties being experienced by the debtor. An analysis of these individually impaired debtors is as follows:

	Council 30-Jun-12 $	Council 30-Jun-11 $	Consolidated 30-Jun-12 $	Consolidated 30-Jun-11 $
Past due 1-60 days	–	–	–	–
Past due 61-120 days	–	–	–	–
Past due > 120 days	19,257	93,939	19,257	93,939
Total individual impairment	19,257	93,939	19,257	93,939
Movements in the provision for impairment of receivables are as follows:				
At 1 July	**1,267,711**	**985,354**	**1,267,711**	**985,354**
Additional provisions made during the year	898,476	493,219	898,476	493,219
Receivables written off during the period	(238,928)	(210,862)	(238,928)	(210,862)
At 30 June	**1,927,259**	**1,267,711**	**1,927,259**	**1,267,711**

The Northland Regional Council holds no collateral as security or any other credit enhancements over receivables that are either past due or impaired.

Note 11: Inventories

	Council 30-Jun-12 $	Council 30-Jun-11 $	Consolidated 30-Jun-12 $	Consolidated 30-Jun-11 $
Stores and materials[1]	124,129	124,252	124,121	124,248
Marsden to Oakleigh Rail Corridor Designation[2]	2,984,409	1,316,311	2,984,409	1,316,311
	3,108,539	**1,440,563**	**3,108,531**	**1,440,559**

[1] Inventories are made up of consumables and inventories held for resale. Consumables are materials or supplies which will be consumed in conjunction with the delivery of services. These predominantly comprise poisons and traps used in the eradication of pests to the environment. Inventories held for resale within the council also comprise mainly poisons and traps sold to the general public.

[2] Marsden to Oakleigh Rail Corridor Designation relates to council's share of the designation costs incurred by KiwiRail and the rail corridor component of the acquired land. The rail corridor will be transferred to KiwiRail once KiwiRail has entered into an unconditional contract for the construction of the entire Marsden Point Rail Link. It is expected council will vest the rail corridor to KiwiRail at no cost. KiwiRail is continuing to review its rail corridors and the Marsden Point Rail Link is not expected to be built in the foreseeable future. This accounting treatment is in accordance with Accounting Standard NZ IAS 2: Inventories. Refer to Note 26 for further information on the joint venture between council and KiwiRail.

There has been no write-down of inventory. No inventory is pledged as security for liabilities.

Note 12: Non-current assets held for sale

	Council 30-Jun-12 $	Council 30-Jun-11 $	Consolidated 30-Jun-12 $	Consolidated 30-Jun-11 $
Balance 1 July	–	**577,000**	–	**577,000**
Properties transferred to investment properties		(577,000)	–	(577,000)
Total non-current assets held for sale	–	–	–	–

Non-current assets held for sale are valued at the lower of the carrying amount and fair value less costs to sell at the time of reclassification for the year ending 30 June 2011, assets held for sale, comprising of two leasehold properties were transferred to investment properties (note 16) as they have not been actively marketed and therefore do not meet the requirements to continue to be classified as assets held for sale.

Note 13: Derivative financial instruments

The group is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in interest rates and foreign exchange rates in accordance with its financial risk management policies. Associates of the group periodically enter into interest rate swap contracts under which they are obliged to receive interest at floating rates and to pay interest at fixed rates.

At 30 June 2012, the associate entity Northport Ltd, together with its associate North Tugz Ltd, were party to fixed interest swap contracts with principal amounts totalling $57,000,000 and $8,850,000 respectively (2011 - $42,000,000 and $9,350,000).

Note 14: Other receivables

	Council 30-Jun-12 $	Council 30-Jun-11 $	Consolidated 30-Jun-12 $	Consolidated 30-Jun-11 $
Other receivables	5,256,299	5,201,500	5,256,299	5,201,500
	5,256,299	**5,201,500**	**5,256,299**	**5,201,500**

Other receivables relate to the outstanding amount owed to council from KiwiRail relating to the Northland Regional Council/KiwiRail Unincorporated Joint Venture. Refer to Note 25 for further information on the joint venture between council and KiwiRail.

In January 2009, KiwiRail and the Northland Regional Council entered into a Rail Corridor Acquisition Agreement to secure the Marsden Point Rail Corridor.

In the agreement, it was agreed that council would acquire the land and KiwRail would procure the designation for the Marsden Point Rail Link.

The parties agreed to share equally in the cost of acquiring and holding and managing the land, the cost of subdividing the rail corridor, the cost of obtaining the designation, the income from leasing the land and the costs and proceeds arising from disposing of the surplus land.

There were no impairment provisions for other receivables.

Note 15: Investment property	Note	Council 30-Jun-12 $	Council 30-Jun-11 $	Consolidated 30-Jun-12 $	Consolidated 30-Jun-11 $
Balance at 1 July		48,321,000	48,310,500	88,321,000	88,310,500
Additions from acquisitions		83,348	2,229,027	4,074,432	2,229,027
Transfers to property inventory asset (rail corridor)		(1,571,740)	–	(1,571,740)	–
Transfers from property held for sale	12	–	577,000	–	577,000
Fair value gains/(losses) on valuation	5	841,648	(2,795,527)	2,350,564	(2,795,527)
Balance at 30 June		**47,674,256**	**48,321,000**	**93,174,256**	**88,321,000**

Council

Investment properties are stated at fair value, effective 30 June 2012. The valuation has been undertaken by Telfer Young (Northland) Ltd who are independent valuers that hold a recognised and relevant professional qualification and who have recent experience. Values for investment properties valued under NZ IAS 40 have been assessed primarily on a market related basis where sufficient data is available. For commercial properties, rentals, investment return rates and land improvement levels have been related directly to a wide range of Northland sales evidence while for rural blocks direct sales analysis has been used.

The council's investment properties comprise ground leases of $36,990,000 (2011: $35,790,000) and land and buildings held for investment purposes of $8,526,000 (2010: $8,776,000) and properties purchased along the proposed Marsden Point Rail corridor of $3,730,000 (2011: $3,755,000). Ground leases are parcels of land owned by the council, while the buildings on the ground leases are owned by other parties (building owners). The land has been leased to the building owners mostly for 21 years, but includes five and seven-year perpetuity renewable terms. The land and buildings held for investment purposes are properties that are not held for operational purposes and are leased to external parties. The properties purchased in the Oakleigh to Marsden Point area contain land and some residential buildings. The properties include land that is to be designated for the proposed rail corridor and subdivided to secure the route of the proposed Oakleigh to Marsden Point Rail Link. A total of eight properties have been purchased. Seven of these properties were purchased during the 2007/2008 and 2008/2009 and one further property was purchased in the 2010/2011 year. The total acquisition cost of these properties is $11,322,000 with council's half share being $5,661,000.

A Joint Venture has been established between the Northland Regional Council and KiwiRail, to advance the proposed rail corridor. In accordance with the Joint Venture agreement, council has purchased a number of properties along the proposed rail corridor. While council has full legal title and full ownership rights to these properties, the accounting treatment must be based on the economic substance of the agreement. The land is deemed to be a jointly controlled asset, therefore, council and KiwiRail will each recognise a 50 per cent share of the land. Council will have a receivable from KiwiRail to account for the remaining 50% share of security interest held in the ownership of the land. Council has recognised the liability owed by KiwiRail for their 50% share of the cost of the properties and their 50% share of all other associated costs as Other Receivables, refer note 14. Following approval of the rail designation in May 2012, the value of the acquired properties relating to the rail corridor and the injurious affection impact to the residual land is transferred to the rail designation and corridor inventory asset. The residual land available once the rail corridor is severed off is categorised as Investment Property and the value reflects the value on the basis the rail corridor is removed. Refer to Note 26 for further information on the joint venture between council and KiwiRail.

Northland Port Corporation (NZ) Limited

Investment properties are carried at fair value which has been determined based on valuations performed in accordance with NZ IAS 40 as at 30 June 2012, by Mark Aslin of Telfer Young (Northland) Ltd, an industry specialist in valuing these types of asset. The 'fair value', highest and best use approach has been adopted. The valuation was assessed in accordance with NZ IAS 40 which defines 'fair value' as being the amount at which as asset could be exchanged between knowledgeable, willing parties in arm's length transaction. Investment property has been valued using valuation differentiation to adjust for lot size and reducing value rates beyond Northport's port operations area.

The valuation has been prepared after considering various market drivers for land in the Marsden Point area together with limited, recent sales evidence for the area. Having established site values (as if fully leased), a discount factor 30% has then been applied to reflect that much of this land has yet to be tenanted. With the exception of a portion of land designated for a transport corridor, the group has no restrictions on the reliability of its investment property and no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance and enhancement. Effective 30 June 2011, the group determined that certain property holdings (comprising an overall area of some 62.54ha) warranted being transferred to investment property (from property plant and equipment).

The transfer was considered appropriate as the property in question is no longer regarded as owner occupied and it is being held with the specific intention of earning rental income.

	Council 30-Jun-12 $	Council 30-Jun-11 $	Consolidated 30-Jun-12 $	Consolidated 30-Jun-11 $
Rental income	3,454,552	3,201,458	3,454,552	3,201,458
Expenses from investment property generating income	259,708	225,118	259,708	225,118

Note 16: Investments in subsidiaries and associates

	Council 30-Jun-12 $	Council 30-Jun-11 $	Consolidated 30-Jun-12 $	Consolidated 30-Jun-11 $
Council				
Investment in Northland Regional Council Community Trust	12,904	10,496,941	1	–
Shares in Northland Port Corporation (NZ) Limited (22.14 million shares)	7,827,563	7,827,563	44,032,975	42,078,983
Total investments in subsidiaries and associates	**7,840,467**	**18,324,504**	**44,032,976**	**42,078,983**

The investments in the subsidiary and associate entities are carried at cost (subject to impairment) in the Northland Regional Council's (parent entity) balance sheet. At 30 June 2012, the trust fund held by Northland Regional Council Community Trust was transferred to direct council control. The value of the trust fund at 30 June 2012 was $9,864,605 (2011: $10,253,188. The Trust Fund was impaired to current fair value. The value of the fund transferred at 30 June 2012 was $9.63 million and council impaired this by a further $152 thousand (bringing the fund value to $9.478 million) due to the illiquidity and uncertainty around some of the investments. At 30 June 2012 the trust fund was transferred to the Northland Regional Council. The trust deed requires the remaining assets to be transferred to the council, and subsequent to year end all the remaining assets and liabilities were transferred to council. The fair value of the remaining assets and liabilities transferred to council at 30 June 2012 is $233,356. The trust was effectively ceased to exist from 1 July 2012. Council will invest the trust fund and the revenue will continue to be applied in the same manner – to provide funding to Destination Northland Limited, now known as Northland Inc., with the only change being, the trust fund will be inflation proofed. As at 30 June 2012 the Northland Regional Council Community Trust was valued at $12.9 thousand (2011: $10.5 million). In 2006, council vested $12.140 million to the trust to establish a trust fund. The accounting policy of council is to carry its subsidiaries at cost. In accordance with NZ IAS 36 council is required to impair this asset to the estimated recoverable amount.

The following impairment/reversal of impairment has been made:

	Council 30-Jun-12 $	Council 30-Jun-11 $	Consolidated 30-Jun-12 $	Consolidated 30-Jun-11 $
Opening value of investment in subsidiary - Northland Regional Council Community Trust	**12,139,523**	**12,139,523**		
Impairment made in 2009	(2,431,369)	(2,431,369)		
Impairment reversed in 2010	429,966	429,966		
Impairment reversed in 2011	358,821	358,821		
Impairment made in 2012	(619,432)			
Transfer of trust fund to council investments - refer Note 17	(9,864,606)			
Closing value of investment in subsidiary - Northland Regional Council Community Trust	**12,903**	**10,496,941**		

Total equity in the Northland Regional Council Community Trust group at 30 June 2012 is $12,903 (2011: $10,496,941).

Following extensive consultation on the structure of council subsidiaries as part of the 2012-22 Long Term Plan, carried out with the wider public and directly with the incumbent trustees, it was agreed to change the structure of Northland Regional Council Community Trust and its subsidiaries, Destination Northland Limited and Enterprise Northland Trust.

The key driver behind the restructure was the council's desire to improve Northland's economic performance, community well-being and engage in projects that generate profit. The council considered that the current structure – with the trust delivering economic development through controlled / subsidiary organisations, was not best suited to achieve this.
In accordance with the Local Government Act and the relevant Trust Deed and Company Constitution requirements, council resolved at its Long Term Plan deliberations on 25 May 2012 and later confirmed on 26 June 2012 when it formally adopted its Long Term Plan, the following:

- To disestablish the Northland Regional Council Community Trust and to bring the fund in-house and manage this directly with the assistance of one or more external advisers.
- To retain Enterprise Northland Trust – a registered Charitable Trust and to maintain its charitable status to be available for use when an appropriate charitable opportunity with public benefit arises.

- Destination Northland Limited is to become council's "new" council controlled organisation through which economic development programmes and projects are facilitated. Council will hold shares in Destination Northland, previously held by the Northland Regional Council Community Trust.

Northland Regional Council Community Trust	**Council 30-Jun-12 $**	**Council 30-Jun-11 $**
Current assets	709,263	458,864
Non-current assets	49,487	10,306,813
Current liabilities	740,382	265,252
Non-current liabilities	5,465	3,484
Net assets	12,903	10,496,941
Total investment at cost	**12,904**	**10,496,941**

Northland Port Corporation (NZ) Limited

Northland Port Corporation (NZ) Limited is a listed company. The fair value of these shares, as per the market price at 30 June 2012, is $1.89 per share (2011 - $1.62 per share). The shares are held at historical cost of $0.35 cents per share. Council shareholding in North Port Corporation (NZ) Ltd is 53.61%.

Shares in Northland Port Corporation (NZ) Limited - Investments in associate companies

The Northland Port Corporation (NZ) Ltd's investment in its associates is accounted for using the equity method of accounting in the consolidated financial statements. Associate companies include, North Port Coolstores (1989) Limited, Northport Limited, Northland Stevedoring Services Limited, Marsden Point Stevedoring Services Limited.

		Consolidated 30-Jun-12 $	**Consolidated 30-Jun-11 $**
Current assets		4,898,518	3,691,723
Non-current assets		127,176,884	124,206,221
Current liabilities		5,351,551	4,549,244
Non-current liabilities		35,069,800	35,368,768
Net assets		**91,654,051**	**87,979,932**
Group share of net assets (50%)		45,827,026	43,989,966
Land revaluation not recognised by Northport Ltd		–	–
Other consolidation adjustments		(1,794,189)	(1,911,121)
Total investment in associate companies		**44,032,837**	**42,078,845**
Opening carrying value		42,078,845	43,657,706
Share of after tax surplus		6,485,212	5,183,256
Dividends paid	4	(5,253,048)	(4,468,089)
Share of land revaluation movement		688,985	(2,398,420)
Share of hedge reserve movement	8	32,843	104,392
		44,032,837	**42,078,845**

The lease of reclaimed land at Marsden Point, which is the land upon which Northport's Marsden Point Facilities are sited, expired on 30 September 2011. Negotiations continue with the crown to secure a long term lease arrangement for this land but without prejudicing the company's right to apply for freehold title. Negotiations however are taking longer than originally anticipated.

Joint venture commitments and contingencies

Details of any commitments and contingent liabilities arising from the group's involvement in associated companies are disclosed separately in notes 26 and 27.

Note 17: Other investments	Council 30-Jun-12 $	Council 30-Jun-11 $	Consolidated 30-Jun-12 $	Consolidated 30-Jun-11 $
Current portion				
Term deposits, local authority and government stock and other securities [1]	11,190,362	1,519,131	11,190,362	1,519,131
Total current portion	**11,190,362**	**1,519,131**	**11,190,362**	**1,519,131**
Non-current portion				
Term deposits, local authority and government stock and other securities [1]	4,446,967	17,649,331	4,974,609	18,120,530
Advances	–	–	–	–
Other investments [2]	9,478,926	–	9,478,926	10,253,188
Emission Trading Scheme - NZU's	45,512	133,191	45,512	133,191
Total non-current portion	**13,971,405**	**17,782,522**	**14,499,047**	**28,506,909**
BALANCE OF OTHER INVESTMENTS AT 30 JUNE	**25,161,767**	**19,301,653**	**25,689,409**	**30,026,040**
[1] **Term deposits, local authority and government stock and other securities**				
Term deposits, local authority and government stock	15,637,329	19,168,462	15,637,329	19,168,462
Fonterra Co-operative Group Ltd - shares	–	–	499,817	445,229
Balance Agri-Nutrients Ltd - shares	–	–	27,825	25,970
	15,637,329	**19,168,462**	**16,164,971**	**19,639,661**

Fair value

Term deposits

The carrying amount of term deposits approximates their fair value.

Local authority, and government stock and other securities

Fair value has been determined using cash flows discounting cash flows from the stocks using a discount derived from relevant market inputs. The discount rates range between 3.10 and 7.05%. Fair value for the council's investments in Local Authority stocks is provided by ETOS Ltd and is determined by reference to published price quotations in an active market. The cost of these investments at 30 June 2012 is $15,435,132 (2011: $18,401,000).

Emission Trading Scheme

The council has 291 hectares of pre-1990 forest land. This land is subject to the provisions of the New Zealand emissions trading scheme ('ETS"). Council will recognise credits received at deemed cost based on the fair value at the date of receipt. Council received the first tranche of 6,693 units in December 2010. The shares had a market value of $6.80 at 30 June 2012.

Other investments

[2] Northland Regional Council Community Trust Fund investment

Investments previously held by Northland Regional Council Community Trust in listed shares are held at the fair value of listed available-for-sale investments determined directly by references to published price quotations in an active market. Investments in unlisted investments are held at the fair value that has been estimated using valuation techniques based on assumptions that are not supported by observable market prices or rates. Jbwere, the fund managers at 30 June 2012 calculated the fair value of these investments. Council applied a further impairment of $152 thousand to the fund due to the illiquidity and uncertainty around the mezzanine (alternative) investments which were valued at $519 thousand at 30 June 2012. There are no observable inputs available to determined market value, so in accordance with relevant Accounting Standards council applied an income approach (based on expected cashflows) using discount rates to measure the fair value of an investment. The discount rate should be the risk-adjusted discount rate plus a discount rate for risk free returns. The risk adjusted discount rate should be "derived from observed rates of return for comparable assets or liabilities that are traded in the market".

Fonterra Co-operative Group Ltd shares

As at 30 June 2012, Northland Port Corporation (NZ) Limited and its group held 110,579 co-operative shares in Fonterra Co-operative Group Ltd having a disclosed fair value of $4.52 per share(2011: total holding of 98,502 shares at an average of $4.52 per share).

Balance Agri-Nutrients Ltd shares

As at 30 June 2012, the Northland Port Corporation (NZ) Limited and its group held 3,710 shares in Balance Agri Nutrients Ltd with a disclosed fair value of $7.50 per share and a total fair value of $27,825 (2011 - 3,710 shares at $7.00/share).

Interest rates

The weighted average effective interest rates on investments (current and non-current) and the associated repricing maturities were:

Weighted average effective interest rates

	Council 30-Jun-12	Council 30-Jun-11	Consolidated 30-Jun-12	Consolidated 30-Jun-11
Term deposits	2.6%	3.0%	2.6%	3.0%
Other securities	6.5%	6.5%	9.5%	9.5%

Note 18: Property, plant and equipment

	Council 30-Jun-12 $	Council 30-Jun-11 $	Consolidated 30-Jun-12 $	Consolidated 30-Jun-11 $
Freehold land				
Freehold land - at cost - opening balance				
Freehold land - at valuation - opening balance	1,610,000	1,425,000	1,610,000	1,425,000
Less accumulated depreciation	–	–	–	–
Total freehold land - opening balance	1,610,000	1,425,000	1,610,000	1,425,000
Additions		243,000	–	243,000
Disposals			–	–
Accumulated depreciation on disposals			–	–
Transfer between asset classes			–	–
Revaluation movement	(25,000)	(58,000)	(25,000)	(58,000)
Depreciation expense			–	–
Total freehold land - closing balance	**1,585,000**	**1,610,000**	**1,585,000**	**1,610,000**
Land at cost - closing balance			–	–
Land at valuation - closing balance	1,585,000	1,610,000	1,585,000	1,610,000
Less accumulated deprecation			–	–
Total freehold land - closing balance	**1,585,000**	**1,610,000**	**1,585,000**	**1,610,000**
			–	
Other land			–	
Other land - at cost - opening balance	706,856	706,856	706,856	706,856
Other land - at valuation - opening balance	–	–	–	–
Less accumulated depreciation	–	–	–	–
Total other land - opening balance	706,856	706,856	706,856	706,856
Additions			–	–
Disposals			–	–
Accumulated depreciation on disposals			–	–
Transfer between asset classes			–	–
Revaluation movement			–	–
Depreciation expense			–	–
Total other land - closing balance	**706,856**	**706,856**	**706,856**	**706,856**
Land at cost - closing balance	706,856	706,856	706,856	706,856
Land at valuation - closing balance	–	–	–	–
Less accumulated deprecation			–	–
Total other land - closing balance	**706,856**	**706,856**	**706,856**	**706,856**

Note 18: Property, plant and equipment continued

	Council 30-Jun-12 $	Council 30-Jun-11 $	Consolidated 30-Jun-12 $	Consolidated 30-Jun-11 $
Freehold land - port				
Freehold land port - at cost - opening balance	–	–	–	–
Freehold land port - at valuation - opening balance	–	–	38,200,000	79,700,000
Less accumulated depreciation	–	–	–	–
Total freehold land port - opening balance			38,200,000	79,700,000
Additions			–	582,231
Disposals			–	–
Accumulated depreciation on disposals			–	–
Transfer between asset classes			–	(36,167,263)
Revaluation movement			(3,350,000)	(5,914,968)
Depreciation expense	–	–	–	–
Total freehold land port - closing balance			**34,850,000**	**38,200,000**
Land at cost - closing balance	–	–	–	–
Land at valuation - closing balance	–	–	34,850,000	38,200,000
Less accumulated deprecation	–	–	–	–
Total freehold land port - closing balance			**34,850,000**	**38,200,000**
			–	
Buildings			–	
Buildings - at cost			–	
buildings - at valuation	5,160,000	5,425,000	5,160,000	5,425,000
Total buildings cost/valuation	**5,160,000**	**5,425,000**	**5,160,000**	**5,425,000**
Accumulated depreciation			–	–
Total buildings - opening balance	**5,160,000**	**5,425,000**	**5,160,000**	**5,425,000**
Additions	14,895	95,957	14,895	95,957
Disposals			–	–
Accumulated depreciation on disposals			–	–
Transfer between asset classes			–	–
Revaluation movement	(344,895)	(360,957)	(344,895)	(360,957)
Depreciation expense			–	–
Total buildings - closing balance	**4,830,000**	**5,160,000**	**4,830,000**	**5,160,000**
Buildings at cost - closing balance			–	–
Buildings at valuation - closing balance	4,830,000	5,160,000	4,830,000	5,160,000
Total cost/valuation	**4,830,000**	**5,160,000**	**4,830,000**	**5,160,000**
Accumulated deprecation			–	–
Total buildings - closing balance	**4,830,000**	**5,160,000**	**4,830,000**	**5,160,000**

Note 18: Property, plant and equipment continued	Council 30-Jun-12 $	Council 30-Jun-11 $	Consolidated 30-Jun-12 $	Consolidated 30-Jun-11 $
Infrastructure				
Infrastructure - at cost - opening balance	–	6,925,283	–	6,925,283
Less accumulated depreciation	–	(29,733)	–	(29,733)
Infrastructure - at valuation - opening balance	8,001,961		8,001,961	
Total infrastructure opening balance	**8,001,961**	**6,895,550**	**8,001,961**	**6,895,550**
Additions			–	
Disposals			–	
Accumulated depreciation on disposals			–	
Transfer between asset classes			–	
Revaluation movement	–	1,106,411	–	1,106,411
Depreciation expense	(20,210)		(20,210)	–
Total infrastructure closing balance	**7,981,751**	**8,001,961**	**7,981,751**	**8,001,961**
Infrastructure - at cost	8,001,961		8,001,961	–
Infrastructure at valuation - closing balance		8,001,961	–	8,001,961
Total cost/valuation	**8,001,961**	**8,001,961**	**8,001,961**	**8,001,961**
Accumulated depreciation	(20,210)		(20,210)	–
Total infrastructure closing balance	**7,981,751**	**8,001,961**	**7,981,751**	**8,001,961**
Amenities			–	
Amenities - at cost - opening balance			756,124	815,357
Less accumulated depreciation			(546,532)	(479,026)
Total amenities opening balance			**209,592**	**336,331**
Additions			–	41,957
Disposals			–	(1,190)
Accumulated depreciation on disposals			–	–
Transfer between asset classes			–	(100,000)
Revaluation movement			–	–
Impairment Loss			–	–
Depreciation expense			(46,716)	(67,506)
Total amenities closing balance			**162,876**	**209,592**
Amenities - at cost			756,124	756,124
Less impairment Loss			–	–
Less accumulated depreciation			(593,248)	(546,532)
Total amenities closing balance			**162,876**	**209,592**

Note 18: Property, plant and equipment continued

	Council 30-Jun-12 $	Council 30-Jun-11 $	Consolidated 30-Jun-12 $	Consolidated 30-Jun-11 $
Plant and equipment			–	
Plant and equipment - at cost - opening balance	5,853,501	6,252,655	6,549,827	6,911,137
Less accumulated depreciation	(3,785,710)	(4,171,426)	(4,375,812)	(4,734,832)
Total plant and equipment opening balance	**2,067,790**	**2,081,228**	**2,174,014**	**2,176,304**
Additions	422,027	455,853	458,933	498,330
Disposals	(625,347)	(855,007)	(625,347)	(859,640)
Accumulated depreciation on disposals	555,866	844,923	555,866	848,962
Transfer between asset classes			–	–
Revaluation movement			–	–
Depreciation expense	(562,853)	(459,207)	(595,093)	(489,942)
Total plant and equipment closing balance	**1,857,483**	**2,067,790**	**1,968,373**	**2,174,014**
Plant and equipment - at cost	5,650,181	5,853,501	6,383,413	6,549,827
Less accumulated depreciation	(3,792,697)	(3,785,710)	(4,415,039)	(4,375,812)
Total plant and equipment closing balance	**1,857,483**	**2,067,790**	**1,968,373**	**2,174,014**
Leased equipment			–	
Leased equipment - at cost - opening balance			44,123	66,548
Less accumulated depreciation			(37,625)	(54,901)
Total leased equipment opening balance			**6,498**	**11,647**
Additions			10,358	5,192
Disposals			–	(27,617)
Accumulated depreciation on disposals			–	22,440
Transfer between asset classes			–	–
Revaluation movement			–	–
Depreciation expense			(7,049)	(5,164)
Total leased equipment closing balance			**9,807**	**6,498**
Leased equipment - at cost			54,481	44,123
Less accumulated depreciation			(44,674)	(37,625)
Total leased equipment closing balance			**9,807**	**6,498**

Note 18: Property, plant and equipment continued

	Council 30-Jun-12 $	Council 30-Jun-11 $	Consolidated 30-Jun-12 $	Consolidated 30-Jun-11 $
Navigational aids				
Navigational aids - at cost - opening balance	526,699	505,792	526,699	505,792
Less accumulated depreciation	(329,154)	(304,980)	(329,154)	(304,980)
Total navigational aids opening balance	**197,545**	**200,812**	**197,545**	**200,812**
Additions	21,674	29,519	21,674	29,519
Disposals	(795)	(8,612)	(795)	(8,612)
Accumulated depreciation on disposals	124	2,124	124	2,124
Transfer between asset classes			–	–
Revaluation movement			–	–
Depreciation expense	(28,272)	(26,298)	(28,272)	(26,298)
Total navigational aids closing balance	**190,276**	**197,545**	**190,276**	**197,545**
Navigational aids - at cost	547,578	526,699	547,578	526,699
Less accumulated depreciation	(357,302)	(329,154)	(357,302)	(329,154)
Total navigational aids closing balance	**190,276**	**197,545**	**190,276**	**197,545**
Vehicles				
Vehicles - at cost - opening balance	1,560,685	1,548,089	1,637,517	1,602,312
Less accumulated depreciation	(602,304)	(586,452)	(649,938)	(626,854)
Total vehicles opening balance	**958,381**	**961,637**	**987,579**	**975,458**
Additions	351,765	305,060	351,765	327,669
Disposals	(279,276)	(292,464)	(279,276)	(292,464)
Accumulated depreciation on disposals	130,855	150,507	130,855	150,507
Transfer between asset classes			–	–
Revaluation movement			–	–
Depreciation expense	(166,184)	(166,359)	(174,223)	(173,591)
Total vehicles closing balance	**995,541**	**958,381**	**1,016,700**	**987,579**
Vehicles - at cost	1,633,174	1,560,685	1,710,006	1,637,517
Less accumulated depreciation	(637,633)	(602,304)	(693,306)	(649,938)
Total vehicles closing balance	**995,541**	**958,381**	**1,016,700**	**987,579**
			–	
Vessels and dredging equipment			–	–
Vessels and dredging equipment - at cost - opening balance	1,129,837	1,107,255	1,129,837	1,107,255
Less accumulated depreciation	(667,461)	(611,439)	(667,461)	(611,439)
Total vessels and dredging equipment opening balance	**462,376**	**495,816**	**462,376**	**495,816**
Additions	102,617	22,582	102,617	22,582
Disposals	(56,540)		(56,540)	–
Accumulated depreciation on disposals	46,218		46,218	–
Transfer between asset classes			–	–
Revaluation movement			–	–
Depreciation expense	(60,588)	(56,022)	(60,588)	(56,022)
Total vessels and dredging equipment closing balance	**494,083**	**462,376**	**494,083**	**462,376**
Vessels and dredging equipment - at cost	1,175,914	1,129,837	1,175,914	1,129,837
Less accumulated depreciation	(681,831)	(667,461)	(681,831)	(667,461)
Total vessels and dredging equipment closing balance	**494,083**	**462,376**	**494,083**	**462,376**

Note 18: Property, plant and equipment continued

	Council 30-Jun-12 $	Council 30-Jun-11 $	Consolidated 30-Jun-12 $	Consolidated 30-Jun-11 $
Total assets				
Total assets - at cost	9,777,577	17,045,929	49,550,982	98,340,539
Total assets - at valuation	14,771,961	6,850,000	14,771,961	6,850,000
Total assets cost/valuation	**24,549,538**	**23,895,929**	**64,322,943**	**105,190,539**
Accumulated depreciation	(5,384,629)	(5,704,030)	-6,606,522	-6,841,765
Total assets - opening balance	**19,164,909**	**18,191,899**	**57,716,421**	**98,348,774**
Additions	912,978	1,151,971	960,242	1,846,437
Disposals	(961,958)	(1,156,083)	-961,958	-1,189,523
Accumulated depreciation on disposals	733,063	997,554	733,063	1,024,033
Transfer between asset classes	–	–	0	-36,267,263
Revaluation movement	(369,895)	687,454	-3,719,895	-5,227,514
Impairment loss			-20,967	0
Depreciation expense	(838,107)	(707,886)	-932,151	-818,523
Total assets - closing balance	**18,640,990**	**19,164,909**	**53,774,755**	**57,716,421**
Total assets at cost - closing balance	17,715,663	9,777,577	19,336,332	62,730,190
Total assets at valuation - closing balance	6,415,000	14,771,961	41,265,000	1,622,486
Total cost/valuation	**24,130,663**	**24,549,538**	**60,601,332**	**64,352,676**
Impairment loss			–	–
Accumulated deprecation	(5,489,673)	(5,384,629)	(6,805,610)	(6,636,255)
Total assets - closing balance	**18,640,990**	**19,164,908**	**53,795,722**	**57,716,420**
			–	
Capital work in progress	**682,177**	**376,976**	**760,644**	**433,000**
			–	
Total fixed assets	**19,323,167**	**19,541,884**	**54,556,366**	**58,149,420**
Depreciation and amortisation expense:				
Property, plant and equipment	838,107	707,886	932,151	818,523
Intangibles	192,651	130,651	192,651	130,651
Forest (on Forest Harvesting Strategy)				
	1,030,757	**838,537**	**1,124,801**	**949,174**

Northland Regional Council

Northland Regional Council land and buildings as at 30 June have been revalued by Telfer Young (Northland) Limited and stated at the "fair value" of $6,415,000 (2011: $6,770,000). The valuation was conducted in accordance with NZIAS 16 - Property, Plant & Equipment which defines "fair value" as being the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.

"Fair Value" is the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm’s length transaction.

"Fair Value" requires the consideration of "market-based" evidence for the determination of the value where such evidence exists and can be used to reliably determine the value. The "Fair Value" is assessed with reference to the "highest and best use" being defined as "the most probably use of an asset that is physically possible, appropriately justified, legally permissible, financially feasible and results in the highest value". Where the fair value of an asset can be determined by reference to price in an active market for the same or similar asset, the fair value of the asset is determined using this information.

Where fair value of the asset is not able to be reliably determined using market based evidence, optimised depreciated replacement cost (ODRC) is considered the most appropriate basis for determination of fair value. This situation usually occurs where the asset is specialised in nature. Specialised assets are those that are rarely, if ever, sold on the open market, (except by way of a sale of the business of which they are art), due to their uniqueness, which may rise form the specialised nature of the design of the buildings, their configuration, size or location or other factors.

Key characteristics of specialised assets are that they:

- Are useful to a limited number of users or uses;
- Rarely, if ever, sell on the open market, except as part of the business entity;
- Are generally specialised structures; and
- Earn revenue that has not been derived from an open market and for which market -based evidence does not exist.

In general, specialised assets are those that, due to some specialised physical or geographical factor, offer very little utility for any purpose other than that for which they were originally designed. The market based approach has been applied to those properties where market evidence can be reliably analysed to assess open market rentals for the buildings or land. Therefore, buildings and land identified in the property schedule has been assessed utilising a market based approach whereby we have capitalised potential market rentals to derive a market value of the property. The prevailing land value as at 30 June 2011 has then been deducted to provide an indicated value of improvements. Adjustment has been made where appropriate for site improvements to provide the residual building value. We have also undertaken an optimised depreciated replacement cost analysis as a check method. A seismic evaluation was performed on council’s 36 Water Street, Whāngārei building. This building is occupied by council and the top floor is leased commercially. The building is considered to have limited ductility of 2/3 of new building standards and therefore meets requirements. In August 2012, Whāngārei District Council building department advised that this council should have an engineering assessment undertaken for its 36 Water Street building. The 36 Water Street building (as was standard from 1982 to 1995) structural design included the use of non-ductile reinforced concrete 'gravity' columns. Following the technical investigations into the failure of the Canterbury Television CTV building on 22 February 2011, the Ministry of Business, Innovation and Employments have requested owners of these buildings have an engineering assessment undertaken. The presence of non-ductile 'gravity' columns does not necessarily mean there is a structural safety problem with the building. The assessment will be carried out in October/November 2012. There are no restricted assets.

Northland Port Corporation (NZ) Limited

At 30 June 2012 Freehold Land has been re-valued and stated at 'fair value' being $34,850,000 (2011: $38,200,000). The valuation was undertaken by independent valuer Mark Aslin of Telfer Young (Northland) Ltd. Mr Aslin is a registered valuer, a member of the New Zealand Institute of Valuers and the Property Institute of New Zealand and holds a current practising certificate. The valuation was prepared having regard to the requirement for a compliance statement in terms of internal Valuation Standard 3 of the Australian and New Zealand Property standards. The 'fair value', highest and best use approach has been adopted.

Freehold land has been valued on the basis of valuation differentiation, being an adjustment for lot size and reducing value rates beyond Northport's port operations area. The valuation has been prepared after considering various market drivers for land demand in the Marsden Point area together with limited, recent sales evidence for the area. The group's freehold land holdings in the Marsden Point area, comprising 115.24ha (excluding that held as Investment Property) have been valued at between approximately $220,000/ha and $350,000/ha depending on the specific location and characteristics of each property. The valuation was assessed in accordance with NZ IAS 16 which defines 'fair value' as being the amount which an asset could be exchanged between knowledgeable, willing parties in an arm’s length transaction. The effective valuation date was 30 June 2012. With the exception of a portion of land designated for a transport corridor, the group has no restrictions on the reliability of its freehold land.

Impairment

There has been no impairment losses recognised during the year.

Leasing

The net carrying amount of the PPE under the finance lease is $9,807 (2011: $6,498).

Note 19: Intangible assets	**Council 30-Jun-12 $**	**Council 30-Jun-11 $**	**Consolidated 30-Jun-12 $**	**Consolidated 30-Jun-11 $**
Computer software				
Cost - opening balance	2,361,217	2,625,341	3,099,846	2,625,341
Accumulated amortisation	(1,770,393)	(2,378,370)	(2,509,021)	(2,378,370)
Computer software opening carrying amount	590,824	246,970	590,825	246,970
Additions	62,542	474,859	62,542	474,859
Net disposals *	(25)	(353)	(25)	(353)
Amortisation charge	(192,651)	(130,651)	(192,651)	(130,651)
Total computer software - closing balance	**460,689**	**590,823**	**460,690**	**590,823**
Cost	2,379,966	2,361,217	3,162,363	3,099,846
Accumulated amortisation	(1,919,276)	(1,770,393)	(2,701,672)	(2,509,021)
Total computer software - closing balance	**460,689**	**590,823**	**460,690**	**590,823**

* Disposals are reported net after accumulated depreciation.

Note 20: Biological assets	Note	Council 30-Jun-12 $	Council 30-Jun-11 $	Consolidated 30-Jun-12 $	Consolidated 30-Jun-11 $
Balance at 1 July		1,555,536	1,120,240	1,555,536	1,120,240
Gains arising from changes in fair values less estimated point-of-sale costs	5	23,439	435,296	23,439	435,296
Balance at 30 June		**1,578,975**	**1,555,536**	**1,578,975**	**1,555,536**

Northland Regional Council owns 317 hectares of radiata pine forest which are at varying stages of maturity, ranging from 1 to 27 years.

Valuation assumptions

Independent registered forestry industry consultants, Chandler Fraser Keating Ltd, have valued forestry assets at fair value and provided estimated point-of-sale costs as at 30 June 2012. The valuation has been undertaken in accordance with the New Zealand equivalent to International Standard 41 (NZ IAS 41). The purpose is to assess a "fair" (that is, market) value of the tree crop asset exclusive of land. Only the current existing tree crop is valued.

Fair value is derived using a combination of the expectation value (or income) approach and the cost-based approach. Under the expectation value approach, the net present value is calculated by discounting to the present day projected net cash flow of the forest. The calculated net present value is then linked to sales evidence through the application of a discount rate of 11% (2011: 11%) derived from the analysis of actual transactions. No allowance for inflation has been provided.

The cost-based approach is also employed in the valuation because the tree crop is a young, second rotation forest (46% by value are less than 10 years of age) and this approach better reflects how the market would likely view the tree crop value. A compounding rate of 0% (2011: 0%) was used in the 2012 cost based approach.

Financial risk management strategies

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

Note 21: Creditors and other payables		Council 30-Jun-12 $	Council 30-Jun-11 $	Consolidated 30-Jun-12 $	Consolidated 30-Jun-11 $
Trade creditors		2,528,964	2,681,087	3,586,964	3,211,158
Accrued expenses		654,829	1,005,072	654,829	1,005,072
Revenue received in advance		1,258,303	722,816	1,258,303	722,816
Related parties trade and other payables	28	575	–	7,963	15,813
Total trade and other payables		**4,442,671**	**4,408,976**	**5,508,059**	**4,954,860**

Trade and other payables are non-interest bearing and are normally settled on terms varying between seven days and 20th of the month following the invoice date. Therefore, the carrying value of trade and other payables approximates their fair value.

Note 22: Employee benefit liabilities	Council 30-Jun-12 $	Council 30-Jun-11 $	Consolidated 30-Jun-12 $	Consolidated 30-Jun-11 $
Annual leave	1,131,878	1,047,211	1,164,128	1,074,176
Accrued pay	370,606	317,385	409,372	317,885
Sick leave	52,218	54,556	52,218	54,556
Retirement gratuities	109,982	109,289	109,982	109,289
	1,664,684	**1,528,441**	**1,735,700**	**1,555,906**
Represented by:				
Current benefit liabilities	1,616,401	1,479,583	1,687,417	1,507,048
Non-current benefit liabilities	48,283	48,858	48,283	48,858
	1,664,684	**1,528,441**	**1,735,700**	**1,555,906**

Note 23: Borrowings

	Consolidated 30-Jun-12 $	Consolidated 30-Jun-11 $
Current		
Secured loans	–	–
Lease liabilities	6,865	3,978
Total current borrowings	**6,865**	**3,978**
Non-current		
Secured loans	–	–
Lease liabilities	5,465	3,484
Total non-current borrowings	**5,465**	**3,484**

Finance lease arrangements

The Northland Regional Council Community Trust has entered into finance lease arrangements for various items of office equipment. There are no restrictions over the title of Northland Regional Council Community Trust property, plant and equipment, other than leased assets that are pledged as security for lease liabilities until paid in full.

Maturity analysis and effective interest rates

	Secured Loans Group $	Lease Group $
2012		
Less than one year	–	6,865
Later than one year but not more than five years	–	5,465
	–	**12,330**
2011		
Less than one year	–	3,978
Later than one year but not more than five years	–	3,484
	–	**7,462**

Note 24: Provisions

	Consolidated 30-Jun-12 $	Consolidated 30-Jun-11 $
Current provisions are represented by:		
Onerous lease provision	–	–
Payroll related provisions	–	–
Sundry provisions	710	24,976
	710	**24,976**
Non-current provisions are represented by:		
Sundry provisions	–	–

Council and group	Onerous Lease Provision 2011	Payroll Related Provisions 2011	Sundry Provisions 2012	Onerous Lease Provision 2010	Payroll Related Provisions 2010	Sundry Provisions 2011
Opening balance	–	–	24,976	–	–	22,742
Additional provisions made during the year	–	–	–	–	–	2,234
Amounts used during the year	–	–	(24,266)	–	–	–
Unused amounts reversed during the year	–	–	–	–	–	–
Closing balance	–	–	**710**	–	–	**24,976**

Sundry provisions

Sundry provision relate to Northland Port Corporation (NZ) Limited comprises an allowance for the group's share of possible cargo damages claims against the joint venture operation, Northland Stevedoring Services.

Note 25: Joint Venture - Northland Port Corporation (NZ) Limited

NPC Corporate Services Ltd (a 100% owned subsidiary of Northland Port Corporation (NZ) Ltd and SSA JV Holdings Ltd) together operate an unincorporated joint venture, Northland Stevedoring Services (UJV), to undertake stevedoring and other cargo-related operations. Each participant has an equal stake holding in the joint venture. The group's share of revenue and expenses from its joint venture interest in Northland Stevedoring Services has been included in the Statement of Comprehensive Income (refer below for details), whilst the group's share of assets and liabilities from its joint venture interest have been incorporated in the Consolidated Balance Sheet.

Share of net assets	30-Jun-12 $	30-Jun-11 $
Current assets	224,138	236,717
Non-current assets	60,921	78,731
Current liabilities	74,716	114,509
Non-current liabilities	710	24,976

The Northland Port Corporation (NZ) Ltd share of expenses from its joint venture interests in Northland Stevedoring Services has been included in the Statement of Comprehensive Income as follows:

Share of revenue and expenses		
Operational expenses	588,966	545,341
Land rates and lease expenses	24,643	23,990
Administrative expenses (including audit fees)	47,803	78,528
Depreciation	17,810	20,497

Joint venture commitments and contingencies

Details of any commitments and contingent liabilities arising from the group's involvement in the joint ventures are disclosed separately in notes 28 and 29.

Note 26 : Joint venture - between Northland Regional Council and KiwiRail (Unincorporated)	**30-Jun-12 $**	**30-Jun-11 $**
Share of net assets		
Current assets	–	60,472
Non-current assets	–	–
Current liabilities	–	–
Non-current liabilities	–	–

In January 2009, the council entered into a Memorandum of Understanding with ONTRACK (now known as KiwiRail) to create a Joint Venture and establish the obligations of each entity, in order to advance the proposed Oakleigh to Marsden Point rail link. Council entered into voluntary negotiations with land owners who owned land along the proposed corridor, and in the 2007/2008 and 2008/2009 financial years, secured seven properties at total cost of $6.872 million. In the 2010/2011 financial year, council and KiwiRail agreed to acquire one final property, costing $4.45 million. This brings the total properties acquired to eight and the total cost of acquisition to $11.32 million. In accordance with the Joint Venture agreement, while council has full legal title and full ownership rights to these properties, the accounting treatment must be based on the economic substance of the agreement. The land is deemed to be a jointly controlled asset, therefore, council and KiwiRail will each recognise a 50 per cent share of the land. Council will have a receivable from KiwiRail to account for the remaining 50% share of the security interest held in the ownership of the land.

The agreement between council and KiwiRail requires each organisation to incur expenditure in their own right, but for each entity to recognise a 50% share of the combined expenditure, with an expectation that both parties will be reimbursed from the annual contribution and from the proceeds from the sale of the surplus land acquired. The agreement requires each entity to contribute $500 thousand cash per annum to the Joint Venture, for approximately six years. Council funded the purchase of the land, the agreement requires the Joint Venture to reimburse council for the opportunity cost of capital (interest income) as the first priority.

KiwiRail commenced the designation process in March 2009, the application was heard in September 2009 and consent was granted, subject to certain conditions in October 2009.

The consent and designation was approved in May 2012. In the current financial year, the total net operating expenditure incurred by council in relation to the joint venture is $195 thousand; this includes $41 thousand for the fair value decrease in land and buildings. Council recognised $296 thousand in income for KiwiRail 50% share of the council's opportunity cost of capital. KiwiRail incurred approximately $192 thousand in costs in relation to the designation (2011: $19 thousand). Council's 50% share of the designation costs is recognised as an inventory, refer note 11.

As at 30 June 2012, KiwiRail has a liability of $5.44 million to council (2011: $5.2 million). The liability largely relates to KiwiRail's share of the acquisition cost of purchased properties. Council has recognised the amounts owed to it by KiwiRail as another receivable, refer note 15. Council has recognised the liability owed by KiwiRail for their 50% share of the cost of the properties and their 50% share of all other associated costs as other receivables, refer note 14. Council will only transfer the rail corridor to KiwiRail once KiwiRail has entered into an unconditional contract for the construction of the entire Marsden Point Rail Link.

As at 30 June 2012, the Joint Venture had no assets and liabilities. Council's share of properties acquired are included in council's investment properties, refer note 15.

Note 27: Capital commitments and operating leases

	Council 30-Jun-12 $	Council 30-Jun-11 $	Consolidated 30-Jun-12 $	Consolidated 30-Jun-11 $
Capital commitments				
Committed grant funding	30,000	201,520	30,000	201,520
Approved capital expenditure	477,491	384,000	477,491	384,000
	507,491	585,520	507,491	585,520

At its October 2011 meeting, council committed to provide up to $30,000 for support of a Mangawai Harbour Restoration Society application mangrove management support programme, should it sufficiently meet the fund criteria.

Northland Port Corporation (NZ) Limited capital commitments: commitments for capital expenditure at 30 June 2012 are nil (June 2011: Nil). The group's share of committed capital expenditure in respect of its associate interest also amounts to nil (June 2011: nil).

Operating leases commitments

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

The council has no lease commitments	NPC 2012	NPC 2011	NRCCT 2012	NRCCT 2011	Consolidated 2012	Consolidated 2011
Not later than one year	220,614	197,913	33,060	42,022	253,674	239,935
Later than one year and not later than five years	630,674	599,591	13,020	26,829	643,694	626,420
Later than five years	907,341	1,014,789	–	–	907,341	1,014,789
Total operating leases	**1,758,629**	**1,812,293**	**46,080**	**68,851**	**1,804,709**	**1,881,144**

Operating leases as lessor

Operating leases relate to investment properties owned by Northland Regional Council. The majority of council's investment portfolio is made up of leasehold properties. These properties have lease terms of between five to 21 years with options to extend at the completion of each lease. All leasehold lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period. Council owns some farms and dwellings. These properties generally have lease terms of around 12 months. Council also owns four freehold properties which have lease terms of between two and 20 years.

	Council 2012	Council 2011	Consolidated 2012	Consolidated 2011
Not later than one year	3,096,996	3,041,364	3,096,996	3,041,364
Later than one year and not later than five years	8,660,751	8,710,640	8,660,751	8,710,640
Later than five years	12,990,330	13,683,600	12,990,330	13,683,600
Total operating leases	**24,748,077**	**25,435,604**	**24,748,077**	**25,435,604**

Note 28: Contingent liabilities	Council 30-Jun-12 $	Council 30-Jun-11 $	Consolidated 30-Jun-12 $	Consolidated 30-Jun-11 $
Bonds	–	–	75,000	75,000
Share of associated companies' contingent liabilities	–	–	675,000	675,000
Rates postponed			206,762	93,526
	–	–	**956,762**	**843,526**

Council

KiwiRail, the requiring authority responsible for the Marsden Point Rail Link Designation, may be approached by land owners seeking the acquisition of their properties. There is specific provision within the Resource Management Act 1991 that allows land owners to seek and order from the Environment Court requiring a requiring authority to acquire a particular landowner's property. There is provision within the Rail Corridor Acquisition Agreement between council and KiwiRail for council to provide assistance to KiwiRail if KiwiRail is approached by a landowner wanting to sell their properties.

Northland Port Corporation (NZ) Ltd

- Bank of New Zealand - a bond given by them to the New Zealand Stock Exchange - $75,000 (2011: $75,000).
- To the Whāngārei District Council in respect of postponed land rates on company-owned farmland in accordance with the council's postponed rates policy - $206,762 (June 2011: $93,526). This amount becomes payable immediately if the said land ceases to be farmland or is sold.
- To Westpac New Zealand Ltd in respect of a guarantee provided on behalf of North Port Coolstores (1989) Ltd - $675,000 (2011: $675,000).

Note 29: Contingent assets	Council 30-Jun-12 $	Council 30-Jun-11 $	Consolidated 30-Jun-12 $	Consolidated 30-Jun-11 $
Emission Trading Scheme - New Zealand Units	73,269	193,268	73,269	193,268

Subject to there being no change in legislation, in 2013, council expects to receive 10,767 New Zealand Units resulting from its ownership of pre-1990 forest holdings. The value of the New Zealand Units at 30 June 2012 is $6.80 per unit was (2011: $17.95).

Note 30: Related party transactions

Northland Regional Council is the ultimate parent of the group and controls two entities, being Northland Port Corporation (NZ) Limited (53.61% owned) and Northland Regional Council Community Trust (100% owned). It also has significant influence over a number of other entities by way of direct investments in these entities by its subsidiary, Northland Port Corporation (NZ) Limited.

The following transactions were carried out with related parties:	Council 30-Jun-12 $	Council 30-Jun-11 $
Northland Port Corporation (NZ) Limited		
Dividend received by council	1,660,718	1,217,860
Services provided by the council in the normal course of business	3,923	12,415
Services provided to the council in the normal course of business	Nil	Nil
Accounts receivable from the council for services provided in the normal course of business	282	440
Accounts payable to the council for services provided in the normal course of business	Nil	Nil
North Port Cool Stores (1989) Limited	Nil	Nil
North Tugz Limited		
Services provided by the council in the normal course of business	80	145
Services provided to the council in the normal course of business	17,490	16,874
Accounts receivable from the council for services provided in the normal course of business	Nil	Nil
Accounts payable to the council for services provided in the normal course of business	Nil	Nil
Northland Regional Council Community Trust	Nil	Nil
Accounts payable to the council for services provided in the normal course of business	Nil	Nil
Grant received from the council	Nil	Nil
Accounts payable to the council to wind up the residual assets and liabilities of the trust	233,556	Nil
Enterprise Northland	Nil	Nil
Services provided to the council in the normal course of business	35,044	16,839
Grant received from the council	201,520	1,282,196
Accounts payable to the council for services provided in the normal course of business	70,000	Nil
Destination Northland Limited		
Services provided to the council in the normal course of business	500	Nil
Grant received from the council	100,000	100,000
Northport Limited		
Services provided by the council in the normal course of business	121,100	198,660
Services provided to the council in the normal course of business	17,120	18,563
Accounts payable to the council for services provided in the normal course of business	7,388	Nil
Accounts receivable from the council for services provided in the normal course of business	575	Nil
Northland Stevedoring Services (UJV)		
Services provided by the council in the normal course of business	Nil	70
Services provided to the council in the normal course of business	Nil	Nil
Accounts payable to the council for services provided in the normal course of business	Nil	Nil
Accounts receivable from the council for services provided in the normal course of business	Nil	Nil

The above entities may pay rates to the council, the amount of rates has not been included in the disclosure above for the year ended 30 June 2012 (rates were included in the related parties disclosure the year ended 30 June 2011). All rates are calculated on an arm's length basis.

Note 30: Related party transactions continued

All members of the group are considered to be related parties of the Northland Regional Council. Details of investment in, financial assistance to, and transactions with these entities are summarised in the respective notes.

During the period, certain transactions that were not material in nature took place between Northland Port Corporation (NZ) Limited and companies in which some of the directors have an interest or association.

For these transactions, the particular directors involved abstained from voting at the time, in accordance with the company's constitution.

No provision has been required, nor any expense recognised, for impairment of receivables for any loans or other receivables to related parties (2011 - Nil).

Enterprise Northland staff are located in council's Water Street office. The office space made available to Enterprise Northland has an estimated market value of $4,500.

Council does not invoice Enterprise Northland for this space and therefore the financial value is not recognised in the disclosure as it is not considered material to warrant recognition.

Related party transactions with key management personnel

During the year, key management personnel, as part of normal local authority relationships were involved in transactions of a minor and routine nature.

Councillor John Bain is a director and shareholder of Club 21 Trust Company Limited. The trust holds five ground leases with council. During the year Club 21 Trust Company Limited was invoiced $51,652.44 (including GST) and $5,162.07 (including GST) was outstanding as a current receivable at 30 June 2012. (2011: $51,372.00, $8,665.00)

Councillor John Bain is the Chairman of the Northland Emergency Services Trust (NEST). During the year, council paid NEST $617,160.26. The NEST payment is funded from the Targeted Rescue Helicopter rate. Council agreed as part of its 2009-2019 Long Term Plan process to make an annual funding contribution of $600,000 plus GST per year to provide funding certainty and to ensure the service remained. (2011: $610,279.00, $600,000.00)

Councillor John Bain and Chairman Craig Brown are members on the Northland District Health Board. During the year the Board was invoiced $4,646.00 (including GST) and $759.00 (including GST) was outstanding as a current receivable at 30 June 2012. (2011: $1,791.00)

Councillor Joe Carr is a director of Carwin Farming Limited. During the year the company was invoiced $207.00 (including GST) and $103.50 (including GST) was outstanding as a current receivable at 30 June 2012. (2011: Nil)

Councillor Tony Davies-Colley is a director of Blackdog Steelworks Limited. During the year the company was invoiced $765.50 (including GST). (2011: Nil)

Councillor Tony Davies-Colley is a director of Marine Park Limited (Port Nikau Joint Venture). During the year the company was invoiced $8,830.50 (including GST). (2011: $9,194.00)

Councillor Tony Davies-Colley is a director of Park Point Limited (park Point Joint Venture). During the year the company was invoiced $184.00 (including GST). (2011: $169.00)

Councillor Tony Davies-Colley is director of Pipiwai Investments Limited. During the year the company was invoiced $244.38 (including GST). (2011: Nil)

Councillor Tony Davies-Colley is director of Westpoint Farms Limited. During the year the company was invoiced $586.50 (including GST). (2011: $253.00)

Councillor Tony Davies-Colley is director of Westpoint Management Limited. During the year the company was invoiced $1,806.08 (including GST). (2011: $6,894.00)

Councillors Tony Davies-Colley and Bill Rossiter are Trustees of Northpower Trust Limited. Council paid $26,444.32 (including GST) for contribution toward the tsunami warning system. During the year the company was invoiced $6,136.69 (including GST). (2011: $3,585.00, $2,270.00

Councillor Tony Davies-Colley's spouse is a board member of Northland Events Centre Trust. During the year council paid the Trust $322.00. (2011: $1,539.00)

Councillor Tony Davies-Colley's spouse is a board member of Northtec. Council paid Northtec $1,147.25 (including GST) for various room hire and training. During the year Northtec was invoiced $2,500.00 (including GST). (2011: $84.00, $2,211.00) Councillor Bronwyn Hunt is a senior manager with Te Runanga O Te Rarawa. Council paid Te Runanga $51,882.39 (including GST) for work on the Regional Policy Statement. (2011: 33,401.49)

Councillor Ian Walker is director of Northland Port Corporation as nominated by council. During the year the corporation was invoiced $4,510.89 (including GST) and $281.75 (including GST) was outstanding as a current receivable at 30 June 2012. (2011: 12,415.00, $218.00)

Councillor Ian Walker is a director of Far North Holdings Limited. Council paid $7,398.32 to this company for Colenzo storage and maintenance. During the year the company was invoiced $74,682.57 (including GST), $622.04 (including GST) was outstanding as a current receivable at 30 June 2012 and $143.75 (including GST) was outstanding as a current payable at 30 June 2012. (2011: $69,126.00, $18,028.00)

Councillor Ian Walker is a director of Kaikora Farms Limited as nominated by council. During the year the company was invoiced $270.50 (including GST). (2011: $248.00)

Councillor Graeme Ramsey is a Trustee of CHART. Council paid the Arts Promotion Trust (CHART) $71,875.00 for the Creative Northland Grant. (2011: 56,875.00)

Councillor Graeme Ramsey is a shareholder of Anglesea Consulting Limited. During the year the company was invoiced $1,191.50 (including GST). (2011: $259.00)

One of the key management personnel's partners is a Partner at Thomson Wilson. During the year payments made from the council for services provided in the normal course of business totalled $107,300 (including GST). The outstanding balance as a 30 June 2012 was $3,618.90. (2011: $52,307.00, $5,962.00)

Except for these transactions, no key management personnel have entered into related party transactions with the group (2011:Nil).

Key management personnel comprise the councillors and chair, the chief executive, and the management team. All the relevant information relating to remuneration is disclosed in Note 31.

No provision has been required, nor any expense recognised for impairment of receivables, for any loans or other receivables to related parties (2011: nil).

Note 31: Remuneration

Chief executive

The chief executive of the council was appointed in accordance with section 42 of the Local Government Act. The total cost to the council (including fringe benefit tax), of the remuneration package for the year ended 30 June 2012 was $199,609 for the year (2011: $295,407). A breakdown of the chief executive's remuneration package is as follows:

	Council 30-Jun-12 $	Council 30-Jun-11 $
Salary	252,178	282,605
Vehicle - FBT cost	9,009	12,802
Total remuneration	**261,187**	**295,407**

The last day of employment for the outgoing Chief Executive Ken Paterson was 8 July 2011. Malcolm Nicolson commenced employment on 23 January 2012. Tony Phipps - Operations Director was acting Chief Executive from 9 July 2011 to 22 January 2012.

Directors' remuneration

Directors' remuneration is any money, consideration or benefit received, receivable or otherwise made available, directly or indirectly to a director during the reporting period. Councillors, including the chair, are considered to be directors as they occupy the position of a member of the governing body of the council reporting entity. The disclosures for the group include remuneration of the councillors in their role as directors within the group. The aggregate remuneration paid to the councillors, directors and the chair totalled $541,769 (2011: 499,026).

Council member	Monetary Remuneration Salary $	Monetary Remuneration Non-salary $	Total Council Remuneration $	Director/ Trustee Fees $	Total Remuneration 30-Jun-12	Total Remuneration 30-Jun-11
Chair, Craig Brown	104,317	_	**104,317**	_	104,317	89,887
Deputy Chair - John Bain	55,549	1,042	**56,591**		56,591	54,005
Chair, Regional Policy Development Committee - Ian Walker[1]	55,549	6,389	**61,938**	20,200	82,138	75,585
Chair, Audit and Finance Committee - Bill Rossiter	55,549	1,156	**56,704**	_	56,704	53,782
Chair, Environmental Management Committee - Joe Carr	55,549	7,460	**63,009**	_	63,009	62,854
Tony Davies-Colley	55,549	750	**56,299**	_	56,299	37,276
Graeme Ramsey	55,549	5,131	**60,680**	_	60,680	39,105
Bronwyn Hunt	55,549	6,482	**62,031**	_	62,031	41,333
Mark Farnsworth					_	29,958
Lorraine Hill					_	17,513
Peter Jensen					_	15,728
	493,160	**28,410**	**521,569**	**20,200**	**541,769**	**517,026**

[1] Councillor Walker is also a director of Northland Port Corporation (NZ) Limited.

Salary

With the enactment of the Local Government Act 2002, the Remuneration Authority is responsible for setting the remuneration levels for elected members. The council monetary remuneration (salary) detail above was determined by the Remuneration Authority.

Non-salary

The determination issued by the Remuneration Authority also provides for the payment of hearing fees for those councillors who sit as members on hearings of resource consent applications lodged under the Resource Management Act 1991. The fees for members who act in this capacity are paid at the rate of $85 per hour for the chair and $68 per hour for other members of the committee. The level of fees received by councillors who have sat on resource consent hearings for the 2011-2012 financial year is included under the heading Monetary remuneration - non-salary.

Councillors are also able to claim an allowance for mileage. This allowance is also set by the Remuneration Authority and is paid to councillors using their personal vehicle to travel from their normal place of residence to official council meetings. The mileage allowance paid to councillors is also included under the heading Monetary remuneration - non-salary.

Key management personnel	**Council 30-Jun-12 $**	**Council 30-Jun-11 $**
Remuneration paid to key management personnel [1]	1,498,618	1,580,345
Post-employment benefits	13,494	13,000
Other long terms benefits	–	–
Termination benefits	–	–
Share-based payments	–	–
	1,512,112	**1,593,345**

[1] Key management personnel include the chair, councillors, chief executive and other senior management personnel.

During the year, councillors and senior management, as part of a normal customer relationship, were involved in minor transactions with the council (such as payment of rates).

Note 32: Severance payments

In accordance with Schedule 10, section 19 of the Local Government Act 2002, the council is required to disclose the number of employees who received severance payments during the year, and the amount of each severance payment made. Severance payments include any consideration (monetary and non-monetary) provided to any employee in respect of the employee's agreement to the termination of their employment with council. Severance payments exclude any final payment of salary, holiday pay and superannuation contributions.

For the year ending 30 June 2012 no severance payments were made (2011: one payment of $2,274 was made).

Note 33: Events after balance sheet date

Subsequent to balance date, Northland Port Corporation (NZ) Limited declared a fully imputed dividend of 5 cents per share was declared on 24 August 2012. On 20 August 2012 Destination Northland Limited changed its name to Northland Inc. Limited. Subsequent to year end, the remaining Northland Regional Council Community Trust assets were transferred to council in accordance with the requirements of the trust deed. The fair value of the remaining assets and liabilities transferred to council $233,356. The trustees have an intention that the trust will be wound up as soon as practicable. There were no other significant events after balance date.

Note 34: Breach of legislation

The trust has breached Schedule 8 part II of the Local Government Act by not delivering a draft SOI to their owners (Northland Regional Council) by 1 March 2012. This breach is due to the disestablishment of Northland Regional Council Community Trust.

Note 35: Segment reporting

The Northland Regional Council is a public benefit entity and is therefore not required to present segment information under NZ IAS 14 (4.1) Segment Reporting. The council's subsidiary, Northland Port Corporation (NZ) Limited, is an entity whose securities are publicly traded, and it will therefore present segment information in its own separate financial report.

Note 36A: Financial instrument categories

	Note	Council 30-Jun-12 $	Council 30-Jun-11 $	Consolidated 30-Jun-12 $	Consolidated 30-Jun-11 $
FINANCIAL ASSETS					
Loans and receivables					
Cash and cash equivalents	9	10,249,654	3,518,200	10,770,273	5,473,235
Debtors and other receivables	10	4,805,052	4,982,505	5,664,701	5,576,608
Other receivables (long term)	14	5,256,299	5,201,500	5,256,299	5,201,500
Total loans and receivables		**20,311,005**	**13,702,205**	**21,691,273**	**16,251,343**
Financial assets at fair value through profit and loss					
Other financial assets:					
Term deposits, local authority and government stock		5,083,568	–	–	5,487,233
Listed shares		3,555,736	–	527,642	3,880,281
Private equity		367,579	–	–	910,236
Property trusts		472,042		–	446,637
Total financial assets at fair value through surplus/(deficit)		**9,478,926**	–	**527,642**	**10,724,387**
Fair value through other comprehensive ncome					
Other financial assets:					
Term deposits, local authority and government stock		15,637,329	19,168,462	15,637,329	19,168,462
Emission Trading Scheme - NZU's		45,512	133,191	45,512	133,191
Total fair value through equity		**15,682,841**	**19,301,653**	**15,682,841**	**19,301,653**
FINANCIAL LIABILITIES					
Financial liabilities measured at amortised cost					
Creditors and other payables	21	4,442,671	4,408,976	5,508,059	4,954,860
Borrowings:					
Bank overdraft		–	–	44,611	27,954
Lease liability		–	–	12,330	7,462
Total financial liabilities measured at amortised cost		**4,442,671**	**4,408,976**	**5,565,000**	**4,990,276**

Note 36B: Fair value hierarchy disclosures

For those instruments recognised at fair value in the statement of financial position, fair values are determined according to the following hierarchy:

- Quoted market price (level 1) - Financial instruments with quoted prices for identical instruments in active markets.
- Valuation technique using observable inputs (level 2) - Financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.
- Valuation techniques with significant non-observable inputs (level 3) - Financial instruments valued using models where one or more significant inputs are not observable.

The following table analyses the basis of the valuation of classes of financial instruments measured at fair value in the statement of financial position.

30 June 2012 - council	**Total $000**	**Quoted market price $000**	**Observable Inputs $000**	**Significant non-observable inputs $000**
Financial assets				
Local authority stock	15,637,583		15,637,583	
Emission Trading Scheme - NZU's	45,512	45,512		
Shares	3,555,736	3,555,736		
Private equity	519,702			
Property trusts	472,042	472,042		472,042
Other stocks and bonds	5,233,568		5,233,568	
Financial liabilities				
Derivatives	–			
30 June 2012 - group				
Financial assets				
Derivatives	–		–	
Local authority stock	15,637,583		15,637,583	
Emission Trading Scheme - NZU's	45,512	45,512		
Shares	4,083,378	4,083,378	–	
Private equity	519,702	519,702		
Property trusts	472,042	472,042		472,042
Other stocks and bonds	5,233,568		5,233,568	
Financial liabilities			–	
Derivatives	–		–	
30 June 2011 - council				
Financial assets				
Derivatives	–			–
Local authority stock	19,168,461		19,168,461	19,168,461
Emission Trading Scheme - NZU's	133,191	133,191		133,191
Shares	–			–
Government bonds	–			–
Financial liabilities				
Derivatives	–		–	
30 June 2011 - group				
Financial assets				
Derivatives	–			
Local authority stock	19,168,461		19,168,461	
Emission Trading Scheme - NZU's	133,191	133,191		
Financial liabilities				
Derivatives	–		–	

There were no transfers between the different levels of the fair value hierarchy.

Note 36C: Financial instrument risks

Valuation techniques with significant non-observable inputs (Level 3)

The table below provides a reconciliation from the opening balance to the closing balance for the level 3 fair value measurements.

	30-Jun-12 $	30-Jun-11 $
Balance at 1 July	–	–
Gain and losses recognised in the surplus or deficit	–	–
Gain and losses recognised in other comprehensive income	–	–
Purchases	–	–
Sales	–	–
Transfers into level 3	–	–
Transfers out of level 3	–	–
Balance at 30 June	–	–

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

Maximum exposure to credit risk

Council's maximum credit exposure for each class of financial instrument are as follows:

	Council 30-Jun-12 $	Council 30-Jun-11 $	Consolidated 30-Jun-12 $	Consolidated 30-Jun-11 $
Cash at bank and term deposits	10,249,654	3,518,200	10,770,273	5,473,235
Debtors and other receivables	4,805,052	4,982,505	5,664,701	5,576,608
Other receivables	5,256,299	5,201,500	5,256,299	5,201,500
Term deposits, local authority and government stock	15,637,329	19,168,462	16,164,971	24,655,695
Shares	3,555,736	–	4,083,378	3,880,281
Private equity	519,702		519,702	910,236
Property trusts	472,042		472,042	446,637
Other stocks, bonds and cash (former NRCCT Trust Fund)	5,233,568		5,233,568	
	45,729,382	**32,870,667**	**48,164,934**	**46,144,192**

Note 36C: Financial instrument risks continued

Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to Standard and Poor's credit ratings (if available) or to historical information about counterparty default rates:

COUNTERPARTIES WITH CREDIT RATINGS	Council 30-Jun-12 $	Council 30-Jun-11 $	Consolidated 30-Jun-12 $	Consolidated 30-Jun-11 $
Cash at bank and current term deposits				
AA	10,249,654	3,518,200	10,770,273	5,473,235
BBB+		–		
Total cash at bank and current term deposits	**10,249,654**	**3,518,200**	**10,770,273**	**5,473,235**
Term deposits, local authority and government stock				
A+	2,324,516	2,299,516	2,324,516	2,299,516
AA	–	10,824,090	–	10,824,090
A	–	1,014,909	–	1,014,909
AA-	10,181,825	504,222	10,181,825	504,222
BBB+			–	–
Unrated - local authority	2,550,739	2,534,510	2,550,739	2,534,510
Unrated	580,504	2,413,962	580,504	2,413,962
Total local authority and government stock	**15,637,584**	**19,591,209**	**15,637,584**	**19,591,209**
Other stocks, bonds and cash (former NRCCT Trust Fund)				
A+				
AA				
A				
AA-	1,723,505		1,723,505	
BBB+	1,136,100		1,136,100	
Unrated	1,383,460		1,383,460	
Cash or cash equivalent	990,503		990,503	
	5,233,568	–	**5,233,568**	–
Derivative financial instrument assets				
AA	–	–	–	–
AA-				
Total derivative financial instrument assets	**31,120,806**	**23,109,409**	**31,641,425**	**25,064,444**

The council's primary investment objective is to protect capital value to minimise the risk of capital loss. Credit risk is minimised by setting maximum portfolio limits on each class of investment and specific limits on each investee. Where relevant, the minimum long term credit rating is A+. During 2005/2006 council's Treasury Management Policy allowed council to invest in unrated investments, if strongly recommended by expert financial advisers. Investments in unrated investments were undertaken in the 2005/2006 financial year. There have been no further investments in unrated institutions since this time.

The Treasury Management Policy requires council to reduce the credit exposure to zero (or minimise it by taking into account maturity dates and the costs of (losses on redemption). Council has sought independent investment advice and is continuing to monitor the credit worthiness of these investments.

On 30 June, council took responsibility for the former Northland Regional Council Community Trust Fund. A Statement of Investment Policies and Objectives is currently being developed for the investment of the fund assets.

Note 36C: Financial instrument risks continued

	Carrying Amount $	Contractual Cash Flows $	Less than 1 Year $	1 - 2 Years $	2 - 5 Years $	More than 5 Years $
Council 2012						
Creditors and other payables	4,442,671	4,442,671	4,442,671	–	–	–
Group 2012						
Creditors and other payables	5,508,059	5,508,059	5,508,059	–	–	–
Provisions	710	710	710			
Bank overdraft	44,611	44,611	44,611			
Secured loans	502,429	502,429	502,429	–	–	–
Finance leases	12,330	6,865	5,465		–	
Total	**6,068,139**	**6,062,674**	**6,061,274**	–	–	–
Council 2011						
Creditors and other payables	4,408,976	4,408,976	4,408,976	–	–	–
Group 2011						
Creditors and other payables	4,954,860	4,954,860	4,954,860	–	–	–
Secured loans	–	–	–	–	–	–
Finance leases	7,462	8,444	4,711	3,733	–	
Total	**4,962,322**	**4,963,304**	**4,959,571**	**3,733**	–	–

The table below analyses council's financial assets into relevant maturity groupings, based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed are the contractual, undiscounted cash flows.

Contractual maturity analysis of financial assets

	Carrying Amount $	Contractual Cash Flows $	Less than 1 Year $	1 - 2 Years $	2 - 5 Years $	More than 5 Years $
Council 2012						
Cash and cash equivalents	10,249,654	10,249,654	10,249,654	–	–	-
Debtors and other receivables	4,805,052	4,805,052	4,805,052	–	–	-
Other receivables	5,256,299	5,256,299	5,256,299			
Other financial assets:						
Term deposits, local authority and government stock	15,637,329	21,087,793	11,790,856	6,137,126	3,159,811	-
Term deposits, stocks and bonds (former NRCCT Trust Fund)	5,083,568	5,083,568	5,083,568			
Listed shares	3,555,736	3,555,736	3,555,736			
Private equity	367,579	367,579	367,579			
Property trusts	472,042	472,042	472,042			
Total	**45,427,260**	**50,877,724**	**41,580,787**	**6,137,126**	**3,159,811**	**0**
Group 2012						
Cash and cash equivalents	10,770,273	10,827,433	10,827,433	–	–	-
Debtors and other receivables	5,664,701	5,664,701	5,664,701	–	–	-
Other receivables	5,256,299	5,256,299	5,256,299			
Other financial assets:						
Term deposits, local authority and government stock	16,164,971	33,377,525	8,744,447	15,323,757	6,101,370	3,207,951
Term deposits, stocks and bonds (former NRCCT Trust Fund)	5,083,568	5,083,568	5,083,568			
Listed shares	5,487,233	5,487,233	5,487,233			
Private equity	3,880,281	3,880,281	3,880,281			

Property trusts	910,236	910,236	910,236			
Total	**53,217,562**	**70,487,275**	**45,854,197**	**15,323,757**	**6,101,370**	**3,207,951**
Council 2011						
Cash and cash equivalents	3,518,200	3,518,200	3,518,200	_	_	-
Debtors and other receivables	4,982,505	4,982,505	4,982,505	_	_	-
Other receivables	5,201,500	5,201,500	5,201,500			
Other financial assets:						
Term deposits, local authority and government stock	19,168,462	27,890,292	3,257,214	15,323,757	6,101,370	3,207,951
Total	**32,870,667**	**41,592,497**	**16,959,418**	**15,323,757**	**6,101,370**	**3,207,951**
Group 2011						
Cash and cash equivalents	5,473,235	5,530,394	5,530,394	_	_	-
Debtors and other receivables	5,576,608	5,576,608	5,576,608	_	_	-
Other receivables	5,201,500	5,201,500	5,201,500			
Other financial assets:						
Term deposits, local authority and government stock	24,655,695	33,377,525	8,744,447	15,323,757	6,101,370	3,207,951
Bank overdraft						
Term deposits, stocks and bonds (former NRCCT Trust Fund)	5,487,233	5,487,233	5,487,233			
Listed shares	3,880,281	3,880,281	3,880,281			
Private equity	910,236	910,236	910,236			
Property trusts	446,637	446,637	446,637			
Total	**51,631,425**	**60,410,414**	**35,777,336**	**15,323,757**	**6,101,370**	**3,207,951**

Sensitivity analysis

The table below illustrates the potential effect on the surplus/(deficit) and equity (excluding retained earnings) impact for reasonable possible market movements, with all other variables held constant, based on council's financial instrument exposures at the balance date.

	2012				**2011**			
	+100bps		**-100bps**		**+100bps**		**-100bps**	
	Profit $	**Other Equity $**	**Profit $**	**Other Equity $**	**Profit $**	**Other Equity $**	**Profit $**	**Other Equity $**
COUNCIL								
INTEREST RATE RISK								
Financial assets								
Cash and cash equivalents	102,497	_	(102,497)	_	35,182	_		(35,182)
Other financial assets:								
Term deposits, local authority and government stock	156,373	_	(156,373)	_	193,017	_		(193,017)
Financial liabilities								
Borrowings:								
Bank overdraft	_	_		_		_		
Term loans	_	_		_		_		
Total sensitivity to interest rate risk	**258,870**	_	**(258,870)**	_	**228,199**	_		**(228,199)**

Explanation of sensitivity analysis – council

Cash and cash equivalents: Cash and cash equivalents include deposits, at call, totalling $10,249,654 (2011: $3,518,200) which are at floating rates. A movement in interest rates of plus or minus 1% has an effect on interest income of $102,497 (2011: $35,182).

Term deposits, local authority and government stock: A total of $15,637,329 (2011: $19,168,462) of investment in local authority stock is classified at fair value through equity. A movement in interest rates of plus or minus 1% has an effect of $156,373 (2011: $193,017) on the fair value through equity reserve.

Listed Shares: Council holds listed equity instruments in Northland Port Corporation (NZ) Ltd, which are publicly traded and included in the New Zealand Stock Exchange. The Northland Regional Council's investment in the Northland Port Corporation (NZ) Ltd is carried at cost.

	2012				**2011**			
	+100bps		**-100bps**		**+100bps**		**-100bps**	
Sensitivity analysis	**Profit $**	**Other Equity $**	**Profit $**	**Other Equity $**	**Profit $**	**Other Equity $**	**Profit $**	**Other Equity $**
GROUP								
INTEREST RATE RISK								
Financial assets								
Cash and cash equivalents	107,703	–	(107,703)	–	54,732		(54,732)	
Other financial assets:								
Term deposits, local authority and government stock	161,650	–	(161,650)	–	193,017		(196,017)	
Financial liabilities								
Derivatives - hedge accounted					–		–	
Borrowings:								
Bank overdraft	(446)	–	446	–	(280)		280	
Term loans	–	–	–	–	–		–	
Total sensitivity to interest rate risk	**268,906**	–	**(268,906)**	–	**247,469**		**(250,470)**	
FOREIGN EXCHANGE RISK								
Financial liabilities								
Derivatives - held for trading								
Creditors and other payables					-	-	-	
Total sensitivity to foreign exchange risk	**-**	**-**		**-**	**-**	**-**		**-**
EQUITY PRICE RISK								
Financial assets								
Other financial assets:								
Quoted share investments	95,244	-	95,244	–	107,244	–	107,244	
Total sensitivity to equity price risk	**95,244**	**-**	**95,244**	–	**107,244**		**107,244**	

Explanation of sensitivity analysis - group

Cash and cash equivalents: Cash and cash equivalents include deposits, at call, totalling $10,770,273 (2011: $5,473,235) which are at floating rates. A movement in interest rates of plus or minus 1% has an effect on interest income of $107,703 (2011: $54,732) .

Term deposits, local authority and government stock: A total of $16,164,971 (2011: $19,168,462) of investment in local authority stock are classified at fair value through equity. A movement in interest rates of plus or minus 1% has an effect of $156,373 (2011: $193,017) on the fair value through equity reserve.

Interest rate risk: The Northland Port Corporation is exposed to changes in interest rate of its long term debt obligations, as these are based on floating interest rates. To mitigate this risk, derivative interest rate swap contracts are periodically entered into under which the group is obliged to receive interest at floating rates and to pay interest at fixed rates. The group constantly analyses its interest rate exposure. Within this analysis, consideration is given to potential renewals of existing positions, alternative hedging positions and the mix of fixed and variable interest rates.

Creditors and other payables: The Northland Port Corporation (NZ) Ltd's exposure to foreign exchange risk is considered to be minimal. Where relevant, this risk is managed through the use of forward foreign exchange contracts.

Listed Shares: Council holds listed equity instruments in Northland Port Corporation (NZ) Ltd, which are publicly traded and included in the New Zealand Stock Exchange. The Northland Regional Council's investment in the Northland Port Corporation (NZ) Ltd is carried at cost. At 30 June 2012, council took responsibility for managing the investment of the former Northland Council Community Trust fund which was valued at $9,864,605 (2011: $9,864,605). At 30 June 2012, the fund continued to be held with Goldman Sachs JBWere (NZ) Limited. The fund contains investments in cash, NZ and offshore companies, NZ and offshore bonds and property. The portfolio is subject to fair value interest rate risk, cash flow interest rate risk and currency risk. As this is a long term investment the cash flows from the investment are expected to be receivable in more than five years. Council is currently reviewing the Statement of Investment Policies and Objectives and has since transferred the cash, stock and bond investments (approximately 60% of the total fund) into council to be managed in accordance with council's Treasury Management Portfolio.

Council policies

Council policies

Human resources

Our vision
Creating a region of choice

Our mission
Through growth, putting Northland first by providing regional leadership, environmental protection, economic opportunities and integrated infrastructure.

Our motto
Putting Northland first

Our values in action
Put our community and region first
Provide regional leadership, focussed on working towards strategies and action which will make a positive difference to Northland's communities and people.

Be a champion for our natural environment
We will provide policies, guidance and resources to enable our community to manage and enhance its environmental sustainability.

Be forward thinking and innovative
We will always look long term at issues facing our region and seek innovative solutions.

Be flexible and open
We will adapt to change quickly, listen carefully to our communities and act fairly and openly in everything we do.

Be responsive and deliver value
We are committed to understanding what is important to Northlanders and take action to deliver value to them.

Be professional and accountable
We strive to deliver the highest levels of professionalism and we are responsible to the people and ratepayers of Northland.

Work with others
We will work together and in partnership with others to achieve the most effective and affordable outcome for Northland.

Performance management
The council has extensive systems in place to assist performance management and continuous improvement and these link to our values.

Employment agreements
One hundred and fifty nine permanent staff were employed by the council as at 30 June 2012. Six per cent (6%) were employed under the Northland Regional Council Collective Employment Agreement, with the balance employed on individual agreements.

Year	11/12	10/11	09/10
Male	80	75	72
Female	79	78	62

Equal employment opportunities

Policy
The Northland Regional Council and its management are committed to providing equal employment opportunities. Its policy is to support successful performance in staff by recognising their diverse backgrounds and needs, and having a system with the flexibility to meet that diversity.

2012 Programme
- Recruitment policies and procedures select from the widest possible cross section in a non-discriminatory way, with all staff considered for employment of their choice.
- All staff have the opportunity to participate in training and educational opportunities with a mandatory minimum amount allocated in specific departmental training budgets for all staff.
- The council provides flexible working conditions to meet both the needs of the employer and personal needs of the staff.
- There is provision for paid parental leave in the council's employment agreements and flexible return to work from parental leave programmes are provided.
- An employee assistance programme is available to recognise a diverse range of needs within the staff.
- The functions of the council and the skills required of its staff will continue to be promoted to secondary and tertiary schools, by supporting appropriate work experience programmes and providing cadetships and scholarships.

Council policies continued

Actual performance to 30 June 2012

Programmes and procedures to meet the above Equal Employment policy were in place and observed by all departments throughout the year.

Health and safety

Policy

The Northland Regional Council and its management are committed to providing a safe and healthy working environment for all staff members, visitors and contractors. This commitment is reflected in the council's achievement of tertiary level status in ACC's Workplace Safety Management Programme.

The 2012 programme consists of:

- Hazard management;
- Accident/incident reporting and investigation;
- Recruitment and new employee induction;
- Training;
- Health and safety procedures and policy;
- Personal protective equipment;
- Employee participation and communications;
- Occupational health monitoring;
- Audits and workplace inspections;
- Wellness programmes; and
- Working safely with Northland Regional Council programme for contractors.

Actual performance to 30 June 2012

Programmes and procedures to meet the above Health and Safety policy were in place and observed by all departments throughout the year. An external audit carried out by ACC in July 2010 approved continuation of tertiary standards in the ACC WSMP Programme for Northland Regional Council. Our next external audit will be done in August 2012.

Year	11/12	10/11	09/10	08/09
Lost Time	3	0	1	3
Incidents	42	42	53	67

Training and experience

The council is committed to ensuring that its staff are appropriately qualified, experienced and trained. The council employs staff with many qualifications to undertake its wide range of duties and responsibilities.

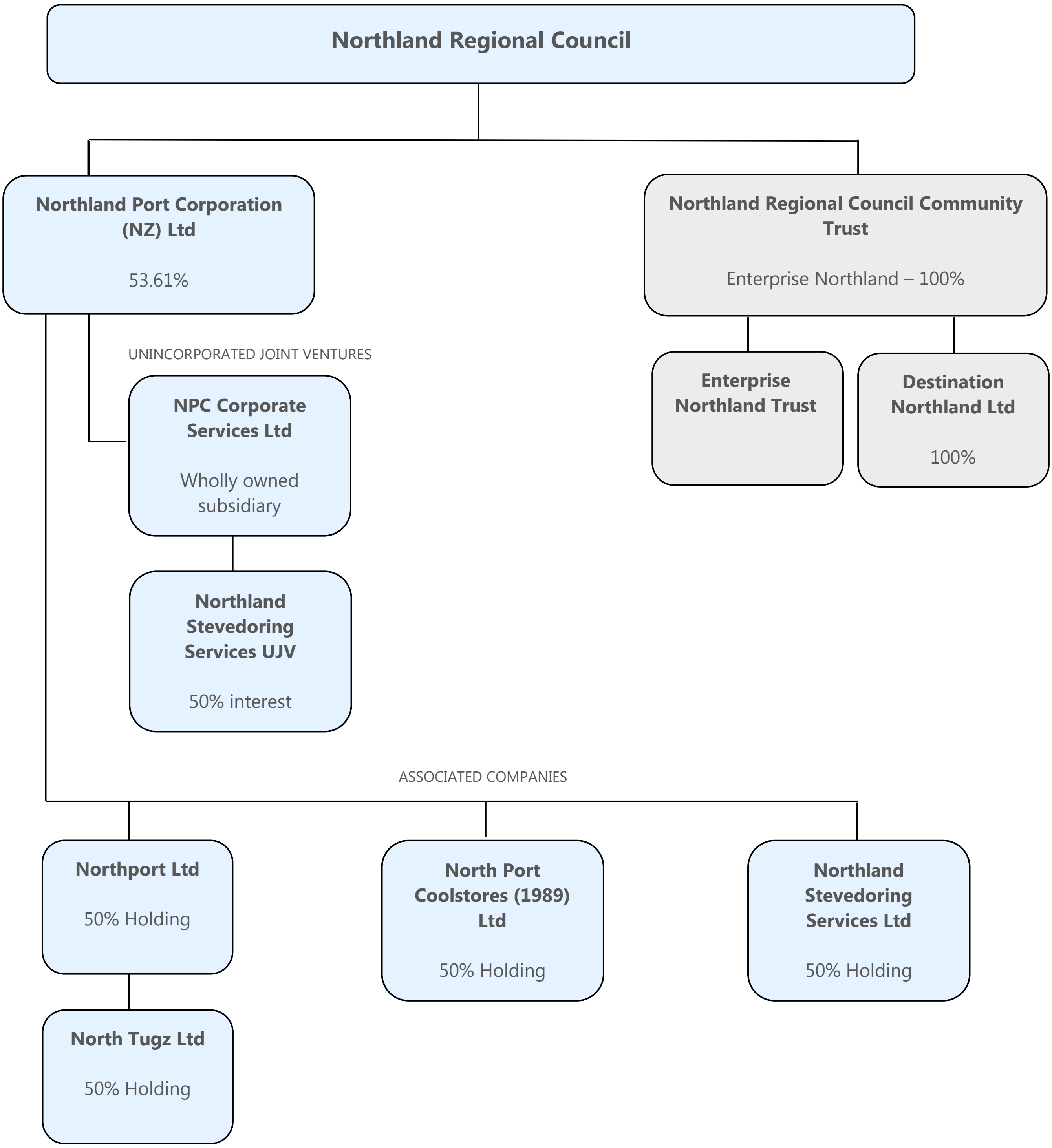
Training is an investment in our employees. The council is committed to maintaining continuing professional development.

Experienced, as well as well qualified and trained staff, are critical to the success of council.

Year	11/12	10/11	09/10	08/09
Turnover	14.07%	14.02%	15.8	14.9%
Average length service	6.36yrs	6.54yrs	7.21yrs	7.56yrs

Council entities

Group structure



* Activity Support Services

Northland Port Corporation (NZ) Limited

Port ownership

The Northland Regional Council owns 53.61% (22.1 million shares) of the issued capital of the Northland Port Corporation (NZ) Ltd, which is presently 41,300,651 ordinary shares of 25 cents each. The balance of shares is held by the public and all shares are listed on the New Zealand Stock Exchange.
The council reviews its shareholding in the company during the triennial review of its strategic plan.

There are eight directors of the Northland Port Corporation (NZ) Ltd. One-third of the directors retire by rotation each year. The following are the directors confirmed at the 2011 Annual General Meeting of shareholders:
Mr Colin Mitten, Chairman
Mr Ross Blackmore
Sir John Goulter
Mr Peter Griffiths
Ms Susan Huria
Mr David Keys
Ms Elena Trout
Mr Ian C Walker

Company operations

Over the last few years the company has rationalised its operations and is now essentially an investment company with holdings in the following companies:

- Northport Ltd (operates a deep water port facility at Marsden Point).
- North Port Coolstores (1989) Ltd.
- Northland Stevedoring Services Ltd.

The company also owns approximately 180 hectares of industrially zoned land in the Marsden Point area which is being progressively developed for industry and utilises the port at Marsden Point.

Company financial data

As a listed company, the Northland Port Corporation (NZ) Ltd is not required to publish a Statement of Corporate Intent nor provide budget estimates to the council, its major shareholder. The corporation is exempt from the council controlled organisations provisions of the Local Government Act 2002.

Company	Holding	Main activity
Northport Ltd	50.0%	Port operating company
Northland Stevedoring Services Ltd	50.0%	Stevedores
North Port Coolstores (1989) Ltd	50.0%	Coolstore operators

Northland Regional Council Community Trust

Report on Statement of Intent 1 July 2011 – 30 June 2012

Introduction

The 2011-2012 Statement of Intent (SOI) was prepared in accordance with section 64 of the Local Government Act 2002. The SOI specifies for the Northland Regional Council Community Trust (NRCCT), the nature and scope of the activities to be undertaken, and the performance targets and indicators by which the performance of the trust will be measured.

Subsidiaries

- Destination Northland Limited.
- The NRCCT and Destination Northland Ltd are 'Not-For-Profit' organisations.
- The NRCCT will contract Enterprise Northland Trust to deliver some of the key activities.

This report is prepared on the key activities, KPIs and targets as outlined in the SOI for 2011-2012.

In preparing the 2011-2012 Statement of Intent the following macro factors had been taken into account:

- Contribution to the delivery of the 2007 Northland Regional Economic Strategy.

The current international and New Zealand economic environment.
The opportunities presented from the 2011 Rugby World Cup.

Context

When reading the SOI it is important that the context is given on the operations of NRCCT subsidiaries.

Enterprise Northland treats everything as a project and applies project management methodology. The organisation works with interested parties to improve the GDP per capita and economic wellbeing of the region. As Northland is the lowest ranking region in these statistics and has to find $1.6b per annum increased economic activity to bring the region to the New Zealand medium, the agency is concentrating on those activities and projects that will eventually make step changes in economic performance.

Destination Northland is a service agency providing marketing and branding services to the Northland tourism sector to maintain and increase visitor numbers. It has a limited involvement in other economic development projects.

Council controlled organisations

Rugby World Cup 2011

Aim: To make best of the opportunities presented by the 2011 Rugby World Cup.

Methodology: Enterprise Northland committed a Project Manager who was appointed the Regional (Northland 2011) Coordinator of the Regional Coordination Group (RCG). The RCG having: a key stakeholder governance group made up of representation from the three district councils (Kaipara, Whāngārei and Far North), the regional council, Enterprise Northland and Destination Northland, and the Northland Rugby Union; and a working group with representation drawn from each of the aforementioned and from other strategically significant regional agencies and business and sporting interests.

Key activities	Key performance measures	Targets	Achievement
Continue to develop and deliver a series of programmes to ensure Northland is in a position to secure economic benefit from visitor and business related activities resulting from the 2011 Rugby World Cup.	• **Meet requirements of RNZ 2011 Ltd.** • **Funding partnerships established.** • **Agreed programme delivered.**	• **Deadlines for delivery and participation met 80% of the time.** • **Monies contributed as invoiced.** • **80% of bid commitment converted to programme and planning completed.**	• **Achieved** • **Achieved** • **Achieved**

Expectation

The Northland 2011 Regional Coordination Group and Enterprise Northland were charged to undertake specific actions from the crafted project plan:

o Coordination/liaison

Team hosting, match days and festivals

Visitor programme

Business ready and inward investments

Achievement

Coordination/Liaison

All deadlines established by the RCG and Rugby New Zealand 2011 (RNZ2011, the tournament organiser) were met.

- Activity and aggregated funding as pledged under the RNZ2011 Hosting Agreement – by the Whāngārei District Council (as lead agency) and the various other agencies - collected, committed and appropriately disbursed.
- The project plan was implemented with sensible and commensurate modification under the direction of the working group.
- Portal website maintained and refreshed for the time up until the conclusion of the tournament; e-newsletters and numerous media releases were published.
- Proof was the very successful regional delivery of the RWC 2011 within the region; the RCG being regularly and retrospectively acknowledged as an exemplar.

Team hosting, match days and festivals

- The RCG arranged all in-region hosting of the Japan, Canada and Tonga teams.
- Both RWC 2011 Tournament matches held at the Northland Events Centre were sell-outs.
- Some 40 quality community-engaged festivals and events were coordinated to run in the region under the Real New Zealand Festival programme run nationwide in conjunction with the New Zealand 2011 Office.
- Developed and implemented the 'Paint it Red 2011' campaign, for Northland, a unique regional initiative permitted (by exception) under the Rugby World Cup branding and marketing rules.
- Coordinated and or assisted numerous individual community Rugby World Cup initiatives that is, Northland Welcome Centre at Kaiwaka; 'Official Northland 2011 Visitor Passport' scheme; across region banner campaigns etc.

Council controlled organisations
continued

Visitor programme

- Communication and promotion was undertaken with all 20 world-wide official RWC 2011 Travel Agent's (OTA'S) to promote reasons to come to Northland.
- Specific promotion was carried out by Northland with Tourism NZ in the United Kingdom, France, Australia, Canada and Japan.
- Seven cruise ships visited the Bay of Islands specifically as a consequence of the RWC 2011 hosting.
- Destination Northland provided two dedicated staff resources to support visiting media attending the two matches hosted in Whāngārei.

Business ready and inward investment

- Portal website maintained and refreshed for the time up until the conclusion of the tournament; regular e-newsletters and numerous media releases were published – significant component of site dedicated to 'Business Ready'; information, activities etc. targeted at the broadest of cross-region business interests.
- Numerous business/community forums and local government meetings presented to, on the business opportunities presented by the regional hosting.
- Where appropriate tournament-related tender opportunities specifically forwarded to targeted Northland industry.

KPI's 1, 2 and 3 – Achieved: a regionally successful Rugby World Cup.

KPI 4 – Achieved in part: nationally the NZ 2011 Business Club did not penetrate the tournament attendees (particularly internationals) as comprehensively or effectively as they projected resulting in many of the proposed sector show case events being either downsized significantly and or cancelled; opportunities were taken however to individually host key industry investors/prospects at various tournament related events and matches and team hosting events and welcome receptions.

Central government agency economic development contracts

Aim: To make best of the opportunities presented by central government as part of being a member of New Zealand Inc.

Methodology: Enterprise Northland committed to delivering services with central government agencies under contracts or memorandums of understanding. Contracts in place during the year were:

- o Regional Strategy Fund; with New Zealand Trade & Enterprise (NZT&E)

Out Put Class One Regional Business Partnership; with NZT&E

Out Put Class One Regional Business Partnership; with Ministry of Science & Innovation (MSI) in association with aforementioned contract with NZT&E

Community Max for Northland RWC 2011; with Work and Income, Ministry of Social Development (MSD)

Waikare Inlet Oyster Project; (Oyster Shell) with the Ministry of the Environment.

All services were treated by Enterprise Northland as projects and implemented using project methodology.

Key activities	Key performance measures	Targets	Achievement
Deliver current contractual obligations with NZTE(1,2), MSI (3) , MSD (4), and MfE (5)	• **All contractual and reporting requirements met.**	• **All available funding received.**	• **Achieved**

Expectation

Services are delivered to meet government expectation and the region's economy benefits through the interventions.

Achievement

Regional Strategy Fund; with NZT&E

This programme funded activities in targeted areas recognised in the 2007 Northland Growth Strategy. All quarterly reports and claims to NZT&E were submitted and agreed and all funding claimed was received. A total of $33.4k remained unclaimed at the milestone extension granted by NZT&E to September 2011, with respect to two projects: Events Strategy, due to the project being put on hold by stakeholders; Minerals, due to the output not being completed until Quarter 1, 2012. All projects have been reported on and publically on several occasions.

- KPI – Achieved and all approved funds applied to projects.

Out Put Class One Regional Business Partnership; with NZT&E

This partnership with government focusses on building the business capability of business owners, focusing on small to medium business with less than 50 employees. This is year two of a three year contract and the team has interacted with in excess of 210 businesses throughout the Far North, Whāngārei and Kaipara District's. Reporting is automated through the newly introduced Accelerate Success website www.acceleratesuccess.co.nz

- KPI – Achieved. Met all the targets set in the contacts and clients received more funding than was originally allocated.

Output Class One Regional Business Partnership; with MSI in association with aforementioned contract with NZT&E

This is a partnership with government to support innovation in business. The regional programme is to identify innovation and assist businesses to navigate the processes for support and funding provided by MSI. The team has exceeded the target set by the NZTE assisting over 20 companies through the process. Target was $30,000 in grants

- KPI – Achieved.

Community Max for Northland RWC 2011; with Work and Income, MSD

This was a partnership with Work and Income whereby a project (Northland RWC 2011) was advanced that benefited the community at large by giving young people the opportunity to build their skills and work experiences; two young people were employed April through October 2011 as Project Assistants to assist the Northland Regional Coordinator in the day to day activities necessary to deliver the regional responsibilities for the RWC 2011 Tournament. Contractual criteria fulfilled included: the wage subsidy made available was to employ young people who were 18 to 24 years old and receiving an unemployment benefit; the project must be for a minimum of 6 months; different young people can be employed at different times during the life of the project; and each young person must be employed for at least 30 hours per week.

- KPI – Achieved. There was no expectation or target as this is a national programme which we took advantage of.

Project Oyster Shell with Ministry of the Environment (See report section later)

Development of sectors

Aim: To encourage development within industry sectors that will lead to step changes in the regional GDP per capita and regional economic wellbeing.

Methodology: Enterprise Northland provides a neutral facilitating and coordinating expertise to the sector concerned on initiatives or projects of mutual benefit to the group participants and if successful, will provide a step change in economic benefit to the region. The strategies and priorities are decided by the sector groups who are the project or initiative champions. These projects take time and frequently run into obstacles which stall progress. If investment is required Enterprise Northland assists the sector group in seeking investment or through its inwards investment programme for external investment. By using and implementing project management methodology Enterprise Northland assists the sector to remain focussed.

Destination Northland provides support to the tourism industry through the operation of the Regional Tourism Office (RTO), providing marketing and sales support and expertise.

Key activities	Key performance measures	Targets	Achievement
Focus on developing tourism, engineering, and primary industry processing sectors to raise their contributions towards regional GDP.	**New scale investment in each sector.**	**Two new significant investment opportunities to beyond due diligence stage.**	**Not achieved. Except for tourism no projects have moved beyond the due diligence stage however, projects are ongoing.**

Expectation

Target industry sectors that can over time bring step changes to the Northland economy. This assistance is limited by the amount of resources available to be focused into the facilitation role and the amount of resource the industry is willing and capable of contributing. The provision of a neutral facilitator with project management skills is an effective way of maintaining focus on finding step changes.

Achievement

Aquaculture

Established the Northland Aquaculture Development Group and prepared a strategic plan which is in line with the government Aquaculture Strategy published in April 2012. Formed species working parties, which are tasked to develop business cases and plans in line with the strategy. The most prominent and advanced of the species plans is the Fin Fish Strategy. Investment is now being sought from various parties to support this initiative. Aquaculture will be a step change industry in the future. Due diligence is still occurring.

- KPI - Target ongoing.

Marine engineering

Working with local cluster to revive an industry which has the competitive advantages of safe and secure harbour’s and room to develop, to build facilities to service refits or construction of boats up to 3000 ton. The local group has disbanded and a prospective investor is looking elsewhere, so the project is effectively on hold until there is the industry motivation and there is support to forward it. Enterprise Northland is keeping a watching brief as this industry still has the potential to be a step change industry given different economic conditions.

- KPI - Not achieved. Ongoing / target ongoing.

Wood processing

Working with a private consultant, a comprehensive review of the Northland forestry and wood processing industries was undertaken concentrating on two factors, supply and opportunities for future development. A draft document had a limited (commercially sensitive) release in Quarter 4, 2011. Two (new technology) engineered wood product building solution/production plant initiatives were supported over the course of the year; one focussed on high grade structural lumber, ceased as a result of a longer term hosting agreement being entered into with an alternative region; the other being initiated late Quarter 4 2011 and continues beyond Quarter 2 2012. The latter project (cross laminated timber) seeks to capitalise on the significant volumes of log availability and the superior strength and stiffness characteristics of the Northland Pinus radiata log supply to produce a modern, environmentally friendly product cost effectively by incorporating the most modern recovery and processing techniques.

- KPI - Not achieved: as project has not advanced beyond the due diligence stage and the lifecycle of the project bridges consecutive fiscal reporting years.

Tourism

Tourism is an important industry sector for Northland. It provides about 6% of the GDP and more importantly about 18% of the jobs. The tourism sector is not seen as a step change target, rather as a mature industry that has potential to slowly increase its share of the visitor market. Destination Northland's role is providing a regional marketing service for the industry.

Destination Northland (DNL) organisational objectives:

- To maintain, as a minimum, the existing funding base of $960,000 from the private sector for co-operative joint marketing.
  KPI – Achieved: increase of 0.4% to $1,067,000.
- Northlandnz.com to be the leading website for the promotion of Northland and acts as a portal for those interested in the region as a place to work, live and play.
  KPI – Achieved: unique visits increased by 10%, total visits increased by 11.2%, paid listings totalling 141, and page views increased by 4.0%.
- To increase the visitor numbers from Australia by 5% over 2010-2011 for participants in the Australian Trade Marketing Group.
  KPI - Not achieved: no increase over 2010-2011.
- To take a lead role in implementing the Northland Events Strategy including the development of two new regional events.
  KPI - Not achieved: project put on hold as awaiting direction and funding from NRCCT.
- To ensure Northland has maximum media exposure from the RWC 2011.
  KPI – Achieved: Japan media circulation of 11.3m people and value of YEN13.7m.
- To increase domestic media coverage by 5% over 2010-2011 value.
  KPI - Not achieved: unable to match $4m exposure from North television series realised in previous year.
- To initiate and drive business case studies for two new major tourism development projects which will generate increased visitor expenditure.
  KPI - Not achieved: funding to DNL for project reduced by NRCCT.

Horticulture – Northland Horticulture Forum

The Northland Horticulture Forum completed its study and strategy in November 2011. There were four major issues identified restricting growth. They are:

- Access to water: the industry has been built around two major water scheme constructed some years ago. The effectiveness of these schemes has been compromised by the addition of competing lifestyle blocks and land use. To progress the industry needs to have public investment into water schemes.
- Reverse sensitivity issues
- Biosecurity issues
- Added value processing and market issues.

The industry has the baseline experience and potential to grow significantly probably to increase Kiwifruit and Avocado crops.

KPI - Ongoing / Target Ongoing

Respond to opportunities

Aim: To provide an effective regional response to economic development opportunities that provide step changes in growth of GDP per capita and regional economic wellbeing.

Methodology: If an opportunity arises or the organisation is invited by our owners or regional partners the opportunity will be assessed and a business case put to the trustees for approval. Most opportunities revolve around developing relationships in a collaborative, collective way and producing innovative plans. Again the organisation or staff are not the champions of the project but in a facilitation role.

Key activities	Key performance measures	Targets	Achievement
Facilitate development of regional responses to opportunities in the emerging minerals, energy and aquaculture sectors.	• **Key relationships established** • **Regional responses under development**	• **80% of target industry participants involved** • **Draft plans in place**	**Achieved**

Achievement

Aquaculture – Project Oyster shell – Waste Minimisation Project

Enterprise Northland is the lead agency in an application to the Ministry of the Environment for funding to make productive use of waste shell from the Waikare Inlet Oyster Farms in the Bay of Islands. The application has been successful and a $3.74 million, three year project started 1 Oct 2011 with Enterprise Northland as the Project Managers. All of the 14 oyster farmers are engaged in the process. MfE is funding approximately 50% of this project. It was forecast that we would need $477,691 from MfE on the approved plan to the end of July 2012 (bi-monthly payment cycle) but because of a change in timing and some delays in the work programme we have invoiced $305,491.20 with the balance being carried over to the next year.

- ***KPI - Achieved project ongoing / Target Achieved and appropriate contracts in place.***

Northland Energy Forum

A forum of the major energy players in the region was established and a strategy developed. The forum's objective is to make it compelling to do business in Northland. The strategy includes nine specific areas:

- Build appreciation both nationally and locally of Northland's strengths and abilities in terms of energy resources.
- Support the development of consent processes that facilitate growth.
- Influence the development of economic benefits and incentives for businesses to establish and grow in Northland.
- Work with local training institutions to build local workforce skills for projects and industries supported by the forum.
- Identify and support specific energy projects.
- Identify specific growth industries for forum support.
- Build influential, collaborative and strategic relationships at government and regulatory level to get buy-in and support for the implementation of forum projects.
- Develop and promote a positive brand for energy in Northland.
- Engage with the community to build understanding of and buy-in to the forum's Community Aim ('To facilitate energy being an enabler to community prosperity').

Founding and ongoing forum participants are: EECA, Meridian Energy, Northpower, Refining NZ, Top Energy, Transpower with the Northland Regional Council and Enterprise Northland providing support services.

Enterprise Northland prepared and published Quarter 1, 2012 - on behalf of the forum's principal partners (and as funded by them) - a high quality hard copy (and in website format) of the Strategic Plan document for use by the participants. Enterprise Northland crafted a project list and consequently project profiles for the projects for which the membership of the forum are wholly or in part and or collaboratively working on.

- ***KPI – Achieved.***

Manuka honey

In partnership with Te Uri o Hau, looking at establishing a manuka plantation in conjunction with the proposed Meridian wind farm at Poutō. Continuing to work with the school (Kaitāia Te Kura Kohi Miere), with 11 beekeeping students on the current course. Working with Te Rarawa to develop processing relationships with an international company. A five year strategic plan is in place with Te Rarawa and Te Uri o Hau developing a plan, with Enterprise Northland assistance. Ngatiwai is investigating an investment opportunity with a New Zealand based company developing medicinal honey-based products.

- ***KPI - ongoing / Target Achieved for known key participants***.

Growth programme

Aim: To ensure that the direction of Enterprise Northland and Destination Northland is in line with a collaborative and collective regional approach.

Methodology: Working with the Northland Regional Council to develop a strategy of growth.

Key activities	Key performance measures	Targets	Achievement
Continue to assist the regional council in the development and future implementation of the Northland Growth Strategy.	**Requested contributions delivered.**	**100% delivery of funded projects.**	**No longer relevant**

Achievement:

No funding was received from the regional council for projects. During the period of the SOI there were funds committed to the projects as set out above in this report. The council also provided non-cash personnel and resource support to Enterprise Northland in line with the respective project aims and activities. In addition, in the period the council (as signalled in its long term plan) began restructuring of the parent organisation, being the Northland Regional Council Community Trust and consequently both Enterprise Northland and Destination Northland. However, projects continued to be advanced on a business-as-usual approach. The council appointed a transitional team to oversee the change and determine the structure and strategy going forward. The transitional team has until 30 Sep 2012 to complete its work and produce a draft SOI for the new organisation. This being so NRCCT ceases to exist therefore this is the last SOI and report for NRCCT.

- ***KPI - No longer relevant as the council shelved the Northland Growth Strategy and delegated the task to the transitional team of the new entity to develop a regional economic development strategy.***

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